

Orange Polska

CONFERENCE CALL ON ORANGE POLSKA'S RESULTS FOR THE 1Q'26

Leszek Iwaszko, Head of IR:

Good morning. Thank you for standing by, and let me welcome you to Orange Polska conference call in which we will summarize our results in the first quarter of 2026. My name is Leszek Iwaszko, and I'm in charge of investor relations. The format of the call will be a presentation by the management team, followed by a Q&A session. Speakers for today will be our CEO, Liudmila Climoc, and CFO, Jacek Kunicki. Let me now pass the floor to Liudmila to begin the presentation.

Liudmila Climoc, CEO:

Thank you, Leszek. Good morning, and welcome to our conference summarizing first quarter of 2026. I will start with slide four. I'm very happy to report that we have started the year very well, both commercially and financially. Our commercial performance was solid as we achieved healthy growth of customer bases and ARPU across all subscription services. I am particularly pleased that in the first quarter, Orange was a leader in mobile number portability with a big advantage to our competitors. Moreover, in line with our balanced volume-value approach, we uplifted prices for all our services in the first quarter, which will fuel our growth for future. It was also another good quarter for our wholesale operations. We generated a very solid 6% revenue growth despite the multi-year national roaming contract, which is now over, as from beginning of 2026. And we also see a very good pipeline for Q2. It confirms that wholesale is our strategic growth engine, complementing our retail operations and improving our risk profile. Our financial results were outstanding as we closed the quarter with close to 10% EBITDAaL growth and a significant improvement in cash generation. And I propose to zoom on highlights of our commercial activity on the next slide.

So, our commercial performance, commenting on it for first quarter, reflected a very strong customer demand and our focus on value, as well as the intensive market competition, especially in fiber. In convergence, both customer volumes and ARPU grew at a good pace with 4% growth of customer base, which is in line with a run rate that we projected in Lead the Future strategy. With ARPU increasing by more than 4%, benefiting from our value approach and pricing, with good demand for content and popularity of higher speeds fiber packages. Fiber customer base increased to 10% year on year. It is a very good dynamic considering intensive and diverse competitive landscape. Fixed broadband ARPU is up with 3.7% year on year, which reflects a solid growth, which is normalized after an exceptional performance in 2025. Mobile had another strong quarter with net customer additions of above 70,000. As I already mentioned, for the first time in a few years, we were the winner of number portability by a big advantage. The win was driven by our main Orange brand on the consumer market in postpaid and prepaid, but also Nju - our B brand, and Flex were strongly contributing. We achieved this thanks to combination of both local marketing actions with our superior connectivity and comprehensive service. Mobile ARPU continues to reflect 5% growth of the main brand and a change in the mix of customer base towards lower ARPU in B brand. These are very solid results achieved despite challenging competitive environment. Successful commercial activity is our main priority, is an anchor of our Lead the Future strategy and value creation. And we have quite a busy commercial agenda for second quarter, so you need to stay tuned. Thank you as for now, and I hand over the floor to Jacek.

Jacek Kunicki, CFO:

Thank you, Liudmila. Good morning, everyone. Let's start the financial review on slide seven with the highlights of our performance.

Our financial results in the first quarter were excellent across the board. Revenues increased almost 3%, driven by solid core telco and wholesale dynamics. The EBITDAaL grew by 9.5% year over year. Its outstanding dynamics reflect a strong underlying growth as well as a one-time gain from VAT relief for prior years' bad debts. The net income reached almost 300 million zloty in Q1, growing by over 50% year on year. It was driven up by a strong EBITDAaL and by high gain on real estate disposal. Next, 300 million zloty, eCAPEX figure for Q1 reflects a slow start of investments due to harsh weather conditions in winter, as well as the already mentioned proceeds from high property disposals. Finally, the organic cash flow improved by 175 million year on year due to the strong EBITDAaL growth combined with low CAPEX. Q1 naturally reflects a seasonally high working capital requirement, so it is the year-on-year comparison that really matters, and this quarter it is very strong. Let's now review our Q1 results in more detail, starting with the top line.

Q1 revenues grew 3% year over year, fueled by progress in all key business lines. Revenues from core telecom services increased by nearly 5% year on year, and this is in line with our expectations. I will break this item down into two elements so that we have a proper understanding of the trend. Firstly, all postpaid services, so convergence, fixed broadband, and mobile postpaid, their combined revenues grew nearly 6% year on year, so exactly as much as in the prior periods. We're keeping a very solid trend. This was fueled by a consistent growth of the customer bases and the respective ARPU's. Secondly, prepaid, where we record just over 200 million zloty of quarterly revenues. Their dynamics have naturally slowed down versus the elevated trends that we recorded in 2025. And just to bring this into the perspective, prepaid revenue dynamics were usually flat-to-negative as customers progressively migrate to postpaid. However, in 2025, we lifted prepaid revenue to a double-digit percentage year over year growth, with price hikes for almost the entire customer base that were done in Q1 of 2025. This is highly value accretive as most of these additional revenues are now recurrent. However, we are now measuring the year-on-year progress versus a much higher comparable base, and prepaid is back to its flattish growth status, however, on the increased level. Then revenues from wholesale posted a solid 6% year over year growth despite the end of the national roaming contract. Here, we benefited from the fiber backhaul deal signed in H2 of 2025, although its contribution was much lower than in Q4 of last year. We benefited from infrastructure rental services as well as from a consistent 40% year-on-year growth in the number of fiber accesses that we sell through our wholesale customers. Finally, revenues from IT&IS have increased by 7% due to higher value of integration and networking projects realized by the B2B. To sum up on the revenues, we are satisfied with the pace of revenue growth in Q1. Secondly, we see good prospects for Q2 in the key lines of business with strong trends in the B2C and solid project pipelines both in the B2B and wholesale areas. Let's now take a look at profitability on slide nine.

Our Q1 EBITDAaL increased by an outstanding nine and a half percent, year-on-year. It is driven by a 6% underlying growth, reflecting strong business trends. Our direct margin grew by 4.5% year-over-year, benefiting from a strong growth of core telecom services, wholesale, and IT&IS. We're pleased with the very solid dynamics in the B2C and with the improving trends of margin in B2B, where margin recovery is amongst our top priorities for 2026. We've also built up an encouraging pipeline of projects for the second quarter, both in the B2B area and in wholesale. These are strong assets in the face of an unstable macro and supply environment, so we are optimistic ahead of Q2.

Our indirect costs were flat year-over-year, preserving our high operating leverage. We benefited from efficiency gains in network operations, in employment optimization, and lower costs of property maintenance. Our transformation program is accelerating, and so we should enjoy its further benefits in the future. Apart of the strong underlying performance, the EBITDAaL has also benefited from a 28 million one-time gain related to the VAT relief on prior years' bad debts. Let me briefly explain this last item as well as its consequences. So we sell overdue receivables through factoring. So far, we were paying the nominal amount of VAT on these, despite selling them below face price value. We have obtained a favorable court ruling, and we can now pay VAT in proportion to what we recover through factoring. As a result, we have recovered the overpaid VAT for 2019 and 2020. There is an additional 45 million more to be recovered over the course of the next two to three years. As a consequence, we've also modified our VAT settlements for current bad debts and adjusted our balance sheet accordingly. Finally, from Q1 onwards, we're also recognizing slightly lower bad debt costs in the current P&L. As a takeaway, we are pleased with the Q1 EBITDAaL. What is particularly encouraging are its strong underlying trends and the commercial pipeline that we have developed for Q2. We're now clearly aiming at the upper end of the 2026 EBITDAaL guidance. Thank you, and I hand the floor back to Liudmila.

Liudmila Climoc, CEO:

Thank you, Jacek. Let me summarize and present you our focus for next month. So, as you see, we started the year very well. We are happy with our commercial and financial performance in first quarter. It provide us with strong momentum towards the achievement of our annual ambitions and further growth of shareholder value. We remain committed to the disciplined execution of Lead the Future strategy. In the coming months, we focus on a busy commercial agenda to prepare further value creation actions in B2C for consumer line of business, and we have valuable projects to be delivered in enterprise, in B2B, and in wholesale. In B2B, we are implementing a new operating model that is grouping all our IT&IS competences under one roof in order to unlock more potential. On cost transformation as well, we are progressing well. Every quarter is fueled by new initiatives, and we are also shifting our focus to identify new projects that will give it another boost in 2027. So, with good prospects ahead, we have high confidence to deliver full year guidance in the second year of our four-year strategy, even if market environment is demanding and volatile. So that's all from us, and now we are ready to take your questions.

Leszek Iwaszko, Head of IR:

Thank you. So we are switching to Q&A session. If you are dialed in via the phone and would like to ask a question, please press star two on your keypad and wait for your name to be called. You may also ask a text question using the webcast window. So, press star two on the keypad or press the question button on the web platform. We have a first voice question coming from Dawid Górzyński from PKO. Dawid, your line is open. Please go ahead.

Dawid Górzyński, PKO BP:

Hi. Thank you for taking my question, and congratulations on these excellent results. I have three questions, actually, so maybe just read all of them. Firstly, I'm curious how much you are advanced right now, maybe in percentage terms, in your cost transformation process. How much is still left for next quarters? Second question on other operating income. It was at a bit elevated level compared to previous quarters, and I wonder if that included maybe higher margin from Fiberco

contract or maybe higher copper sales. And last question on CAPEX, if you may quantify what was the impact of poor weather, to what extent the CAPEX was lower because of that reason in the first quarter. Thank you so much.

Jacek Kunicki, CFO:

Thank you for those. David, on CAPEX, I would assume that the weather impact is roughly about, let's say, 70 million zloty. That would be my best guess as to the impact and on the postponement of certain projects due to weather. Because it's mostly connected... Well, it mostly affected January and February. So around 70 million.

On the other operating income net, what you will see is you will see other operating income at 111 million in Q1 2026, which actually is very close to what we have recorded for Q1 of 2025, where it was 106 million. It is indeed higher than the Q4 2025, where we had 95 million of other operating income net. When I analyze the reasons for this, we have broadly the same impact between the three different quarters of the relationship with the FiberCo, so no real change here. Then there is an impact of a greater sale of copper in Q1, because this is the quarter where we usually sell more of copper. So no impact year over year. It is the same figure. However, this could be something around 30 million zloty impact, if you compare Q1 to Q4. And then this is offset by about, I would say, up to 20 million negative impact of the difference in Forex and derivatives valuation, which were positive in Q4 2025 and slightly negative in Q1 2026. If you compare Q-on-Q, it's mostly the sale of copper offset by a different impact of derivatives.

And then for the cost transformation, it's difficult to be quantified in percentage terms. I mean, the impact of the transformation, at least in some categories, it is happening rather similarly in each of the years. What we are doing is, we are attempting to be at least 100 million greater impact of transformation for 2026, I would say net, versus 2025. And here, this is, I would say, well advanced. But the impact of transformation needs to be viewed, I think, in the context of all other items that are basically affecting the cost base. So what we are aiming, ultimately, is to try and keep indirect costs flattish or flat year over year. This is the, I would say, strategic ambition, and the transformation plan is definitely helping towards this goal. And so I think the best way to judge our progress with this regards is to look at the level of indirect costs year-over-year, quarter after quarter, and each time that we can be relatively flat or flattish, apart of the different one-offs that we have, then this means we are rather achieving the objectives. I think that would be my way of trying to quantify it, because any other way, it just involves the gross value of initiatives while you have also some other factors. Some cost indexation. You have obviously the pay rises that are happening. You have the holiday pay provision, which is different between the different quarters. You have the share-based payments, which are dependent on the share price. And so ultimately, what we're trying to do, let's keep cost base, indirect cost base flattish, apart of the, I would say, major one-offs.

Dawid Górczyński, PKO BP:

Thank you so much. That was clear.

Jacek Kunicki, CFO:

Thank you.

Leszek Iwaszko, Head of IR:

Thanks. The next question is coming from Pawel Puchalski from, I guess it's still Santander, right? Your line is open.

Paweł Puchalski, Santander:

Hello, can you hear me?

Leszek Iwaszko, Head of IR:

Yes.

Jacek Kunicki, CFO:

Yeah, hi Paweł.

Paweł Puchalski, Santander:

Okay. Hello, everyone. I've got a couple of questions. Let's start with VAT relief. Specifically, you mentioned it's tax relief for years 2019/20. My question would be, shall we expect the same scale of VAT reliefs waiting for us, for you to be presented as a positive one-offs for years 2021-25? And could you potentially deliver those in year 2026 or maybe it's scheduled for later periods? And later onward, I would like to know where are you aiming at growth of your core telco by year-end. Now we see that plus 4.8 year-on-year. My question, what is your best guess for Orange Polska core telco growth year-on-year in quarter four? I would like to know the dynamics. And well, just a very different question. Well, if there was any major telco for sale in Poland, would you be interested and would you acquire one just like it is the case in France presently?

Jacek Kunicki, CFO:

Thank you very much for your questions, Paweł. Always a pleasure. So starting with the VAT relief, I think there are few consequences of this. So apart of the one-off that we have clearly mentioned, we have, first of all, around 45 million of bad debt relief for prior years still to be recovered. We expect this to be recovered over the course of the next two to three years. And some of it may actually still happen this year, we never know. It really depends on the stance of the tax authorities towards the specific cohorts, because each year is a cohort. So towards specific years and the declarations that we have filed, and also on the court proceedings, which are still ongoing regarding part of these amounts. So while we are rather confident that we should be able to recover this 45 million, it is not virtually certain today, so I would not be able to recognize it as an asset today. And it could take up to three years, I think, for most of these amounts to be recovered, knowing that our legislative system is less than predictable. But this is the amount and the timing. I think on top of that, we will have a small impact, something like two to 3 million per quarter, where our bad debts, our ongoing recurring bad debts should be lower than recognized historically. And then, so I think that is regarding VAT, unless something is still not clear, in which case, please do probe.

For the core telco services, I would say the following. The 4.8% would be my assumption of our current run rate. So if you ask me today what would be my best guess for Q2, not Q4, but for Q2,

it would be roughly 4.8%. However, as Liudmila mentioned, we have few items on our commercial agenda, the details of which obviously I will not disclose. Elaborate on. And it just shows you that we continuously work to initiate new actions that would exert upward pressure on this trend. Now, of course, the success of this depends on the execution, depends on customer response, and depends on the competition. Hence, I am not as precise as to say what exactly this will be by year-end. But Q2, I would expect 4% to 5% because prepaid is more or less at its new norm.

And then regarding telco for sale, I would assume, we will not comment on M&As right now, and it's not something that you will have us commenting on a hypothetical situation.

Paweł Puchalski, Santander:

Thank you very much.

Jacek Kunicki, CFO:

Thank you very much.

Leszek Iwaszko, Head of IR:

Thanks. Next question is coming from the line of Ali Naqvi from HSBC. Ali, your line is open. The floor is yours.

Ali Naqvi, HSBC:

Hi, thank you for taking the question. It seems like the ICT or B2B sales had a bit of an inflection point in the quarter. Could you give us an outlook for the remainder of the year? And just in terms of the legacy business, the decline in that, is that first quarter a proxy as well for the balance of the year? And similarly, could you just explain what's going on with equipment sales, please? That would be great.

Jacek Kunicki, CFO:

So it's ICT, it's equipment, and it's legacy. I guess legacy, it's more or less in a stable trend of a decline. It's honestly nothing major for us that I would see today in terms of a change of trend in any way. Regarding equipment, because this was your second question. So here what we have is we actually have less equipment revenues in the B2B line of business. And it's mostly got to do with the choice of both the customers, but also availability of handsets. We had less high-end handsets being sold in Q1 in comparison to the Q1 of the previous year. And so the volumes were, I would say, not out of the ordinary. The pricing, at least on the B2C side, was exactly the same as... Well, it was close to the average unit price of the previous year. It was mostly the mix of handsets for the B2B sector.

And then, regarding the IT&IS, this is highly volatile revenue stream, obviously, and because it is project-based. Today, it is obviously, on the one hand, benefiting from a continued underlying strong demand in Poland for the digitalization and also from our own actions. It is, I would say, even less easy to be predicted as we know that the environment around both pricing and availability of the memory chips is very volatile. So in some cases, we're actually figuring out how to address the

demand, knowing that the supply side is extremely volatile. So it is less easy to be predicted, I would say, on the quarter per quarter basis. What we do expect in terms of IT&IS, it's this 5% to 7% compound annual growth rate of those revenues between now and 2028. And I think we will need to, and we strive to keep within this range of revenue growth, keeping an eye on the profitability as well. So making sure that this is not entirely achieved through very low margin activity such as license resale, but that we have a solid mix of networking, integration, IT projects, but IT development projects, some cybersec, and cloud-based solutions to drive the margin as well as the revenue growth. So I think we need to keep an eye on this 5% to 7% CAGR.

Ali Naqvi, HSBC:

Thank you. Maybe just expanding on that then. Is there any risk that if the situation with memory chips and the inflation on the supply side, does that sort of derail your longer-term guidance in any way, or is there any way that you can manage that?

Jacek Kunicki, CFO:

I think honestly, our colleagues on the ICT side have proven again and again extremely resilient in being able to adapt. And as this is project-based and it will concern the whole industry, I'm very confident that even if we have a slowdown in this part of the activity, we will be able to exploit some other demands area and continue with the growth of both top line and the bottom line over the long-term horizon. And anyway, I think, even with the memory chip crisis, while this may be an extremely volatile situation this year, it's hard to imagine this kind of volatility persisting for the three or four years. We might have the chips being less available or available at higher prices, but it's a different situation versus what we have today where the prices of the chips are highly fluctuating between one day and another. And I would say pricing might be elevated, in which case it will affect the entire market, but still, I don't think it will affect the demand. But the price stability, if you think three years down the line, it is something that will not stay as volatile as we see it today.

Liudmila Climoc, CEO:

Normally it should correct during next quarters.

Ali Naqvi, HSBC:

Thank you

Jacek Kunicki, CFO:

Thank you very much.

Leszek Iwaszko, Head of IR:

We have no more voice questions. We have two questions that came to us as a text. First from Grzegorz Zubrzycki from PKO Pension Fund, the question that we've already answered, but I will read it. "In France, we are observing consolidation process on telco market when Orange is taking part. Do you see such a possibility on Polish market?" So I guess we cannot comment on that one.

And there is two questions from Piotr Raciborski from Wood & Company. The first one is referring to what we said. He's asking, "The guided 4% to 8% underlying growth rate in Q2 2026. Do you mean sales or EBITDA?" That's the first question, and the second question is on ICT. "Does Orange see stronger demand on ICT from public segment in face of national recovery and resilience plan funds inflow in 2026?"

Liudmila Climoc, CEO:

So maybe we start with the second question linked with IT&IS opportunities and funds coming from different EU projects, EU funds. Obviously, there is an ongoing pipe of projects in which we are taking an active part. So we are quite optimistic, but at the same time, we are moderate linked with what has been just said with current memory chip crisis. So, yes, projects are coming, prospects are there. We are participating actively, and we have very strong legitimacy to winning these projects as we are very strong in our IT&IS capabilities, cloud, cybersecurity, integration services. But main questions for short-term, very short-term, is how the tenders will go, whether we will be able, or market will be able to respond in the required terms, knowing that sometimes pricing for equipment is valid for days or for one week or for two weeks, while public acquisition process usually is taking much more time as we're going through mandatory stages. So, in short term, this can be the current main disturbance to the process, which we expect it will be somehow settled during next coming months because the market will learn how to respond to this price volatility. What offers validities will be coming. So, yes, now volatility is high, which is impacting also projects, but normally it should be settling down.

Jacek Kunicki, CFO:

And on the 4% to 8%, I think you have misheard. It was 4.8% that we were speaking about in terms of the expected growth rate for core telco revenues in Q2, not EBITDAaL. Obviously, we expect EBITDAaL growth in Q2. Obviously, for the full year, the guidance is 3% to 5% growth. I think we can clearly say we've had a great start. We're aiming at the high end of this guidance. And I think it's fair to say we will monitor how successful we'll be in Q2. So what level of growth of EBITDA we get in Q2, and we will monitor the prospects that we will have for H2. So when we meet the next time in July, I do believe we will be in a much better situation to make any judgments on how we see H2 and the full year. But the question was 4.8 core telco revenue growth year on year expected in Q2.

Leszek Iwaszko, Head of IR:

Thank you. We have no more questions. Thanks for the call. And I repeat it every time, but if you would like to meet us, talk to us, just give us a note. Otherwise, see you in July. Thank you. Have a good day. Bye.

Jacek Kunicki, CFO:

Thank you very much.

Liudmila Climoc, CEO:

Thank you!