

Current Report (4/2020)
Orange Polska S.A. – Warsaw, Poland
2 April 2020

Pursuant to Article 17(1) of the Regulation (EU) No. 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse (market abuse regulation) and repealing Directive 2003/6/EC of the European Parliament and of the Council and Commission Directives 2003/124/EC, 2003/125/EC and 2004/72/EC, the Management Board of Orange Polska S.A. (“Orange Polska”, “Company”) informs according to the current assessment of the situation as at 2 April 2020 about the impact of COVID-19 coronavirus pandemic on its operations and financial prospects.

Orange Polska is recognising that the pandemic is having profound effects around the world on lives and ways of life. In these circumstances the company’s top priorities are to ensure the safety of its employees and to help its customers to remain safe by providing telecommunication services more essential than ever before. The company has immediately implemented a number of actions to adapt to the crisis situation and ensure business continuity and reduce the risks posed by the pandemic. The vast majority of employees are performing their duties remotely.

The company would like to highlight the following with respect to the initial impact of the COVID-19 coronavirus pandemic on its operations, based on the first weeks of observations:

1. Orange Polska assesses that the core of its operations remain relatively immune to the impact of the pandemic. Data and voice connectivity has become more essential than ever to the needs of consumers and businesses. We derive the majority of our revenues and profits from subscription-based services, which allows us to rely on relatively stable and predictable revenue streams.
2. The company maintains high liquidity and sufficient financing of its operations and capital expenditures. Our entire debt is effectively denominated in PLN and we do not have any refinancing needs in 2020.
3. The company sees increased voice and data traffic in its mobile and fixed networks. The networks are working without disruption and are handling the higher volumes well, benefitting from fibre infrastructure in core and access layers.
4. Our distribution network has been significantly affected as around 45% of points of sale are closed and those that remain open experience much lower customer traffic. To counteract this, we are boosting online and telesales and we see increased customer traffic in these channels. However, this increase is unlikely to compensate for a loss of traffic in points of sale (in 2019 points of sale accounted for almost 50% of total volume of services sold). This on one hand affects sale of new services, sale of equipment and related accessories but on the other hand the company observes and expects lower customer churn.
5. COVID-19 crisis (closure of borders, restrictions regarding people’s mobility, likely adverse attitude to travel) will negatively influence revenues from international roaming and visitor roaming. The company estimates that in the second quarter of 2020 it may lose revenues from these sources in the range of PLN 30-50 million.
6. Recent weakening of PLN versus EUR and USD will have a limited short-term negative influence on operating costs and level of capital expenditure, as the company is using hedging instruments to cover majority of its foreign exchange exposure.

Based on the assessment of this initial impact for the financial prospects of the company, the management estimates that growth of revenues that it was expecting is now unlikely to materialize in 2020. This is mainly related to expectations for lower revenue from equipment and roaming. This will be accompanied by lower equipment costs and also lower roaming interconnection expenses, while the core service revenues are expected to be much less impacted by the crisis. As a consequence, as of the date of publication of this current report the management does not see grounds to change its forecast for growth of EBITDAaL in 2020, which was announced in the current report 3/2020 from 12 February 2020. However it will closely monitor the unfolding crisis, its severity and length, as the situation may change very dynamically.

The management indicates that the above assessment has been given based on its best knowledge as of the date of publication of this current report. More precise assessment is currently not possible, as it depends on factors beyond the control of the company. These factors include, among others: the length and severity of the pandemic; its ultimate impact on the Polish economy; and the measures taken by the government on the one hand to limit the pandemic threat, and on the other hand to help and protect society from the effects of the crisis and the pandemic.

The management is analyzing the impact of the COVID-19 coronavirus pandemic on Orange Polska's operations on a daily basis. Any newly identified conditions significantly affecting the company's financial results will be disclosed in subsequent current reports.