

At the end of the first quarter a virus pandemic slowed down promising performance of O2

15 May 2020

- **The March onset of the COVID-19 pandemic affected results for the entire first quarter.**
- **The key business streams delivered a solid performance in the first two months of the year. The state of emergency declaration negatively impacted the incoming roaming, hardware and partly also service revenue.**
- **O2's networks and technologies, as part of the state's critical infrastructure, handled a significant increase in voice and data traffic without issues.**
- **Consolidated revenue grew by 3.7% year-on-year and reached CZK 9.6 billion in the first quarter of 2020.**
- **Consolidated EBITDA increased by 6.5% to CZK 3.1 billion in the first quarter of 2020.**
- **O2 has joined its customers, the state and non-profit organizations in the fight against the spread of the disease by providing several services free of charge. The value of provided services reached CZK 384 million.**

In the last two weeks of the first quarter, the global coronavirus pandemic significantly affected business, trading and operational activities of O2 Czech Republic. There was a significant slowdown in the trade channels activity in connection with restrictions on the movement of the population in the state of emergency. These are, along with the roaming revenue loss, the main reasons why O2 achieved only modest growth in key indicators. *“Nevertheless, I am optimistic about the future, as it is clear that a substantial part of the economy and people's lives are moving to the digital environment, in which we are a key actor,”* says Jindřich Fremuth, CEO and Chairman of the Board of O2 Czech Republic. *“At the same time, the crisis period has accelerated the digital transformation of O2 itself, which will enable us to achieve higher efficiency in the coming period,”* he added.

“Our successful strategy was confirmed by almost 12% year-on-year growth in EBITDA for the first two months of 2020. After the Czech government declared a state of emergency and adopted a number of extraordinary measures, EBITDA declined by 3.2% year-on-year in March 2020,” comments Tomáš Kouřil, Deputy Chairman of the Board of Directors and Chief Financial Officer of O2 Czech Republic. Other financial indicators recorded similar development. *“Our strategy works. However, at this moment, it is impossible to make a reliable estimate of neither the future development nor its impact on our financials,”* he added.

KEY FINANCIAL INDICATORS OF THE GROUP*

* Does not yet reflect the full impact of the COVID-19 pandemic, which did not manifest itself until the second half of March 2020.

Financial indicators	1Q 2020	1Q 2019	1Q20/1Q19
Operating revenue	9,590	9,249	+3.7%
- CZ mobile revenue	4,904	4,840	+1.3%
- CZ fixed revenue	2,954	2,629	+12.4%
- SK revenue	1,767	1,839	-3.9%
Total costs	6,534	6,354	+2.8%
- of which operating costs	2,013	1,900	+6.0%
EBITDA	3,096	2,906	+6.5%
EBITDA margin	32.3%	31.4%	0.9 p.p.
Net profit	1,268	1,236	+2.6%

O2 – We help the Czech Republic

Although the global COVID-19 pandemic crisis is complicated for O2 itself, we understand our role in society and we respond to individuals' needs.

O2 has taken several measures in order to as quickly as possible assist the state, customers and the economy to handle the tough COVID-19 pandemic situation and to help with the massive relocation of activities to digital space. The high standard of O2's data services is crucial for managing the current health crisis as well as a subsequent economic one.

O2 considers only natural to help swiftly, when circumstances so require. Thanks to the stability and quality of its network, in which it intensively invests billions of crowns every year, it was the first operator to offer unlimited data for all people, who needed to be in contact with their loved ones or work remotely during difficult times. O2 has also been helping through many other activities. In the first three weeks since the state of emergency was declared, O2 provided its help to customers, the state and non-profit organizations in the amount of almost CZK 400 million in the following areas:

- Through its subsidiary Mluvii, launched a national crisis call centre 1212 at its own expense
- Distributed millions of information SMS for the Ministry of Health
- Offered unlimited data packages for its customers
- Offered its O2 TV to everyone for CZK 1
- Offered free-of-charge SMS connectors capacity of to non-profit organizations
- Offered free-of-charge SMS platform for communication with citizens to municipalities
- Offered hundreds of free tablets including mobile data packages for retirement and children's homes
- Announced a multi-million foundation grant for introduction of distance learning in schools

- In a single weekend, adjusted its systems to be able to provide data in the project called Smart Quarantine with the customers' consent

Operating overview

The **total number of mobile registered customers** reached 5,862 thousand at the end of March 2020. The number of **contract customers** reached 3,259 thousand, the number of mobile prepaid customers was 1,945 thousand, while the number of M2M SIMs stood at 658 thousand as at 31 March 2020.

The number of customers of any **O₂ TV** tariff provided over O2 fixed line (IPTV) as well as over internet connection from any provider (OTT), reached 459 thousand as at 31 March 2020 including customers subscribed for monthly prepaid O₂ TV Sport Pack online and O₂ TV HBO and Sport Pack tariffs. The 15% year-on-year growth of new customers in March contrasts with the 65% year-on-year increase in the previous two months.

The number of broadband internet customers served via cable as well as via wireless technology reached in total 840 thousand as at 31 March 2020. While the number of new customers grew by 11% year-on-year in January and February, it dropped by 5% year-on-year in March.

As at 31 March 2020, the **total active customer base** reached 2,152 thousand in Slovakia. The contract base amounted to 1,054 thousand, the number of mobile prepaid customers was 739 thousand, while the number of M2M SIMs stood at 359 thousand.

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About O2 Czech Republic

O2 is the largest telecommunications provider in the Czech market. The company offers voice, internet and data services to customers ranging from households to small and medium-sized businesses, as well as to large corporations. O2 is always on the cutting edge of technology. The company is presently gearing up for the arrival of the fifth-generation networks (5G), having been the first to test 5G in a real environment. O2 is also the largest internet provider to homes and businesses, reaching 99% of the population with the service. The fixed internet connection works best in combination with the O₂ Smart Box modem, which has been developed in-house. With its O₂ TV service, O2 is the largest provider of IPTV service in the Czech Republic and holds a number of exclusive sports rights, which makes its sports content proposition the most attractive on the Czech market. The company is one of the largest players in hosting and cloud services, as well as in managed services and ICT. As trends in the telecommunications sector are always evolving, O2 also focuses on the development and marketing of non-traditional telecommunications services. These include, in particular, financial services such as equipment insurance, mobile travel insurance or O₂ eKasa electronic sales registration solutions.