

O2's three quarters: Slowing revenue growth and expected investments in the construction of 5G network

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- While the operating revenue in the first nine months increased by 2.9% year-on-year, the revenue growth slowed down to 0.8% year-on-year in the third quarter.
- The development of 5G network will require increased spending on construction and operation, both in Slovakia and in the Czech Republic.
- Mobile data usage in the O2 network continued to grow sharply – for the three quarters it increased by 67% year-on-year.
- In September O2 introduced O2 NEO tariffs with increased speeds of unlimited data and a new product for young people O2 YOU.
- The number of O2 TV services including monthly prepaid packs reached 586 thousand at the end of September.

“With the advent of the 5G network, people are sharply increasing their mobile data usage – it jumped up by 67% year-on-year for the first nine months. Therefore, we have increased the speeds of our NEO unlimited data tariffs, multiplied the data volume of the FREE tariffs and introduced a new product for our young customers in the form of unlimited O2 YOU tariffs,” says Jindřich Fremuth, CEO and Chairman of the Board of O2 Czech Republic. *“We expect the trend to continue in the future as we keep modernising our network,”* he added.

“While the operating revenue in the first nine months increased by 2.9% year-on-year, the revenue growth slowed down to 0.8% year-on-year in the third quarter,” states Tomáš Kouřil, O2's Chief Financial Officer and Vice-Chairman of the Board of Directors and adds: *“Development of the 5G network will require increased spending for construction and operation, both in Slovakia and in the Czech Republic.”*

Operating overview

The **total number of registered mobile SIMs in the Czech Republic** at the end of September 2021 reached 6,023 thousand. The number of **contract services** was 3,348 thousand, the number of prepaid mobile SIMs was 1,874 thousand, while the number of M2M SIMs stood at 800 thousand.

The number of services of any of the **O₂TV** tariffs provided over O2 fixed line (IPTV) as well as over internet connection from any provider (OTT) reached **586 thousand** as at 30 September 2021 including customers subscribed for monthly prepaid O₂TV Sport Pack online and O₂TV HBO and Sport Pack tariffs.

The number of **broadband internet connections** served via fixed line as well as wireless technology reached **874 thousand** in total at the end of September 2021.

As at 30 September 2021, the **total number of active SIMs in Slovakia** reached **2,247 thousand**. The number of contract services reached 1,083 thousand, the number of prepaid mobile SIMs was 695 thousand, while the number of M2M SIMs stood at 470 thousand.

Financial overview

Total consolidated operating revenue reached **CZK 30,081 million** in the first nine months of 2021, **up 2.9%** year-on-year. The key growth drivers were O₂TV, mobile data, ICT and revenue in Slovakia.

In the Czech Republic, operating revenue increased by 2.6% to **CZK 24,378 million** in the first nine months of 2021. In the **mobile segment**, revenue grew by 1.6% year-on-year and reached CZK 15,101 million. In the **fixed segment**, revenue reached CZK 9,277 million, up by 4.3% year-on-year.

In Slovakia, total **operating revenue** grew by 3.3% to CZK 5,793 million in the first three quarters of 2021 (+5.9% to EUR 225.1 million). Of that, mobile revenue went up by 2.4% to CZK 5,477 million, or by 4.9% to EUR 212.8 million respectively. After a 5.3% year-on-year decline in 2020, the revenue is slowly stabilising, mainly due to hardware sales growth.

Consolidated EBITDA reached **CZK 10,608 million** in the first three quarters of 2021, while consolidated **net profit** reached **CZK 4,892 million**.

Consolidated capital expenditures (CAPEX) reached **CZK 1,989 million** in the first nine months of 2021, up by 44.0% year-on-year.

The consolidated free cash flow reached **CZK 4,298 million** in the first three quarters of 2021, down 9.6% year-on-year.

| Financial indicators | 9M2021 | 9M2020 | 9M21/9M20 |
|---|---------------|---------------|-------------------|
| Operating revenue | 30,081 | 29,245 | +2.9% |
| - CZ mobile revenue | 15,101 | 14,870 | +1.6% |
| - CZ fixed revenue ¹⁾ | 9,277 | 8,894 | +4.3% |
| - SK revenue | 5,793 | 5,606 | +3.3% |
| - of which mobile revenue ²⁾ | 5,477 | 5,351 | +2.4% |
| Total costs | 19,638 | 19,471 | +0.9% |
| - of which operating costs | 5,726 | 5,654 | +1.3% |
| EBITDA | 10,608 | 9,863 | +7.6% |
| EBITDA margin | 35.3 % | 33.7 % | +1.6 p. p. |
| Net profit | 4,892 | 4,334 | +12.9% |
| CAPEX | 1,989 | 1,381 | +44.0% |
| Free Cash Flow³⁾ | 4,298 | 4,754 | -9.6% |

¹⁾ excluding ICT revenue: +2.3% year-on-year

²⁾ after a 5.3% year-on-year decrease in FY 2020

³⁾ excluding IFRS 16

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About O2 Czech Republic

O2 is the largest operator on the Czech market. It provides voice, internet and data services to customers ranging from households to small and medium-sized businesses to large corporations. O2 always offers the latest technology. Currently, it is building the fifth-generation network (5G), which was the first to launch in the real world. O2 is also the largest internet provider for homes and businesses, covering 99% of addresses. Fixed connection works the best in combination with the O2 Smart Box modem, which has been developed in-house. With its O2 TV service, it is the largest provider of IPTV service in the Czech Republic. O2 has acquired a number of exclusive sports rights for its customers and thus offers the most attractive sports content 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 changing significantly, O2 also focuses on the development and offering of non-traditional telecommunications services. These include, in particular, financial services such as equipment insurance or mobile travel insurance.