

7 May 2020

PPF Telecom Group

COVID-19 business update

Meet the presenters



Jan Tomaník

Investment manager of PPF Group

9 years experience in telco M&A

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- Acquisition of Telenor CEE
 - Structural separation of O2 and CETIN and subsequent refinancing
 - Acquisition of Telefónica O2 CR
 - Czech 4th mobile operator project



Lukáš Kubesa

Financial Manager of PPF Telecom Group

4 years in telco, CETIN and PPF

11 years in finance

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- Financial Manager of PPF Telecom Group (since 2018)
 - Head of Financial reporting of CETIN (2016-2018)
 - Senior financial reporting specialist at Raiffeisenbank CZ (2012-2016)
 - Senior Audit Associate at PwC (2009-2012)

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Key highlights

Group's solid profitability and cash generation preserved in Q1

1 Q1 2020 business performance is sound

- Performance remains broadly in line with original plans
 - Minor impact to gross adds and revenues
 - Lower subsidies and commissions helping EBITDA and cash flow
 - Preserved liquidity position and leverage headroom
- 5G spectrum acquired in Hungary
- No changes to financial policy

+6%
EBITDA
yoy growth

3 Outlook with risks and opportunities

- Increased uncertainty in short and mid-term
- Lower purchasing power of individuals and businesses
- Limited international travel affecting roaming
- + Easing of overheated labour market
- + OPEX opportunities and CAPEX headroom

2 Manageable impact to CEE and telco

- Manageable level of pandemic in countries of operations
- Telco remains in operation as an essential infrastructure
- Increased traffic due to remote working
- Network capacity daily monitored and proving sufficient



4 Health and safety of people is a priority

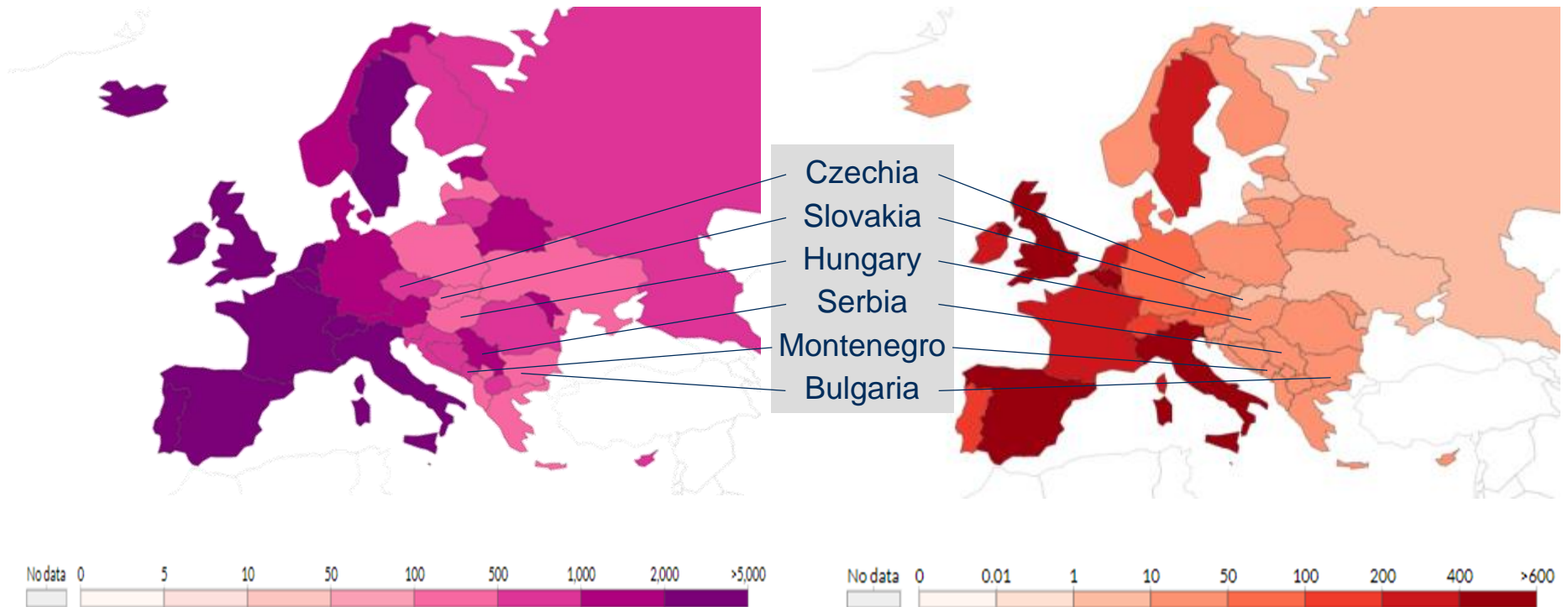
- Closely monitoring the developments in all countries
- Contingency plans to protect employees and customers
- Continued support to local communities and at the national level

Pandemic situation in CEE

Pandemic has had milder impact in PPF Telecom Group footprint

TOTAL CONFIRMED COVID-19 CASES PER 1M PEOPLE

TOTAL CONFIRMED COVID-19 DEATHS PER 1M PEOPLE



Pandemic situation in CEE

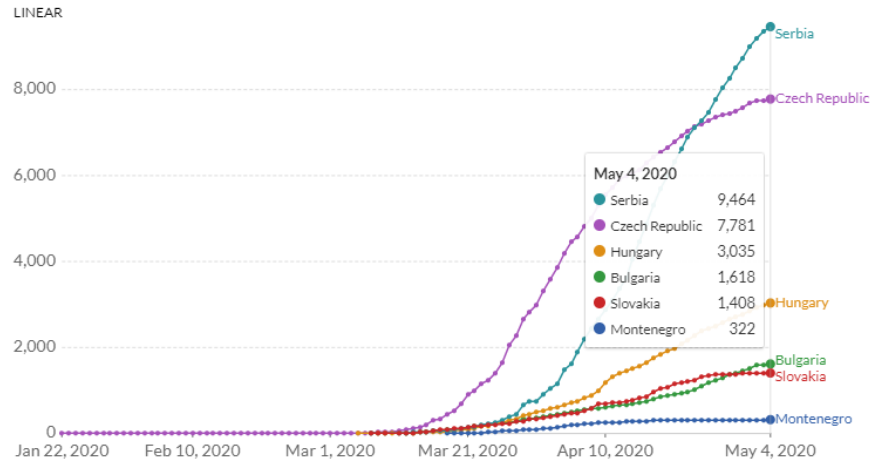
Manageable medical impact, strong restrictions, gradual relaxation

		Czech Republic	Slovakia	Hungary	Bulgaria	Serbia
Epidemic situation (4-May)	Cases	7,780 / 727	1,413 / 259	3,035 / 314	1,632 / 235	9,557 / 1,100
	Tests	262k / 24k	98k / 18k	84k / 9k	49k / 7k	106k / 12k
	Deaths	249 deaths	25 deaths	351 deaths	74 deaths	197 deaths
(totals / per 1m pop)						
Government restrictions	Schools and all public events are closed, nationwide stay-at-home order, travel for work and basic needs allowed, groups of 2 allowed	Schools and all public events are closed, nationwide stay-at-home order, gathering prohibited	Schools and all public events are closed, nationwide stay-at-home order, shops close at 3pm	Schools and all public events are closed, nationwide stay-at-home order, intercity travel banned, travel for work and basic needs allowed	State of emergency from 16-Mar until 6-May, nationwide stay-at-home order, curfew on weekends and after 6pm on workdays, intercity travel banned, export of basic food products banned, schools and public events closed	
Roadmap going forward	<ul style="list-style-type: none"> • 20-Apr selected shops open • 27-Apr medium-size stores, libraries and universities open, groups of 10 people allowed • 11-May shopping centres, restaurants and cafes with garden service, hairstyling, public events up to 100 people • 25-May restaurants, hotels, primary schools open 	<ul style="list-style-type: none"> • 22-Apr shops and services <300m2, markets, long-term accommodation open • 6-May smedium-size stores, short-term accommodation, hairstyling, outdoor tourist facilities, libraries, taxi • 20-May shopping centres open, restaurants and cafes with garden service, public events, all accommodation, kids clubs up to 10 years 	<ul style="list-style-type: none"> • 4-May most restrictions lifted for the provinces, restaurants and cafes garden service, outdoor beaches open, sports events without spectators only, stores hours unrestricted • Restrictions remain largely in place in the capital, hotels remain closed • 15-Aug large public events might be allowed again 	<ul style="list-style-type: none"> • 6-Apr markets open • 4-May restaurants and cafes garden service, individual sport activities allowed • 6-May intercity travel resumes • 13-May state of emergency to be lifted but most of the measures will remain 	<ul style="list-style-type: none"> • 20-Apr construction resumes, craft shops open • 27-28-Apr public parks and beauty salons open • 4-8 May public road and railway traffic resumes, restaurants and shopping centres open • 11-May kindergartens (30% capacity) and day care in schools open • 18-May air traffic reopens 	
Government support	<ul style="list-style-type: none"> • 125bp rate cuts to 1.00% • QE not used • 17.7% of GDP fiscal package incl. guarantees • EUR 3.9bn in direct financial assistance • State will cover 60-100% wages affected by the lockdown • Deferral of 3 or 6 months on interest and/or principal on loans • EU support EUR 1.2bn expected 	<ul style="list-style-type: none"> • 3-4% of GDP fiscal package max • State will cover 80% wages affected by the lockdown • EUR 1bn in direct financial assistance • Bank loan guarantees at EUR 500m p.m. • Postponed bank loans 1-9 months • EU support EUR 2.4bn expected 	<ul style="list-style-type: none"> • New fixed-rate covered loan programme with unlimited liquidity up to 5 years • 18-20% of GDP fiscal package • State will cover 70% of wages for 3 months • Support fund and export support measures • EU support EUR 0.14bn expected 	<ul style="list-style-type: none"> • 2% of GDP fiscal package incl. guarantees • State will cover 60% of wages • Guarantees for business loans, interest-free loans for individuals on unpaid leave • EU support EUR 0.15bn expected 	<ul style="list-style-type: none"> • 75bp rate cut to 1.50%, FX interventions, new cheap 2w+3m fixed-point FX swaps • EUR 5.1bn fiscal package, EUR 2.2bn guarantee funds for loans, deferrals of selected tax and contributions • State will cover 3 minimum wages for SMEs, 50% of wages of fired employees of large corp., each adult to receive EUR 100 • No dismissals in public sector • Moratorium on dividends • EU support EUR 0.1bn expected 	

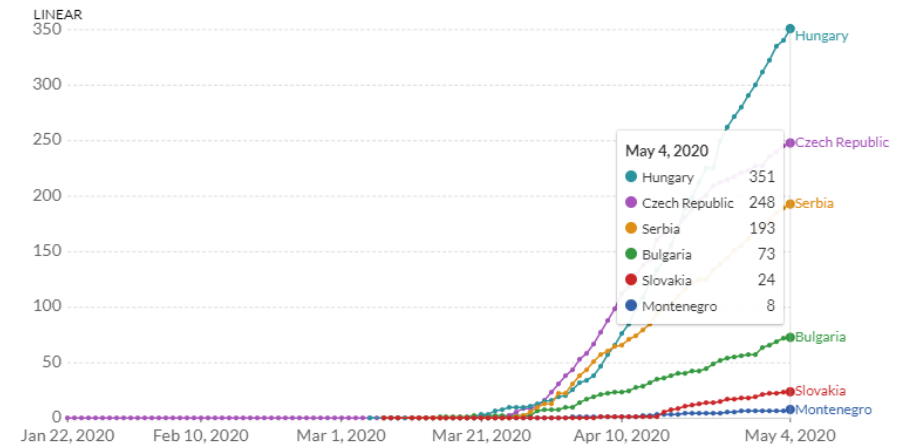
Pandemic situation in CEE

The outbreak has been losing momentum in our region

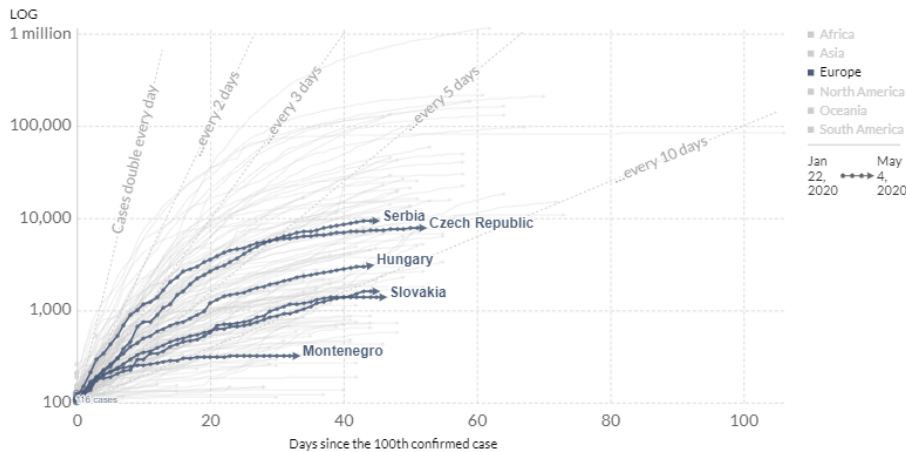
TOTAL CONFIRMED COVID-19 CASES



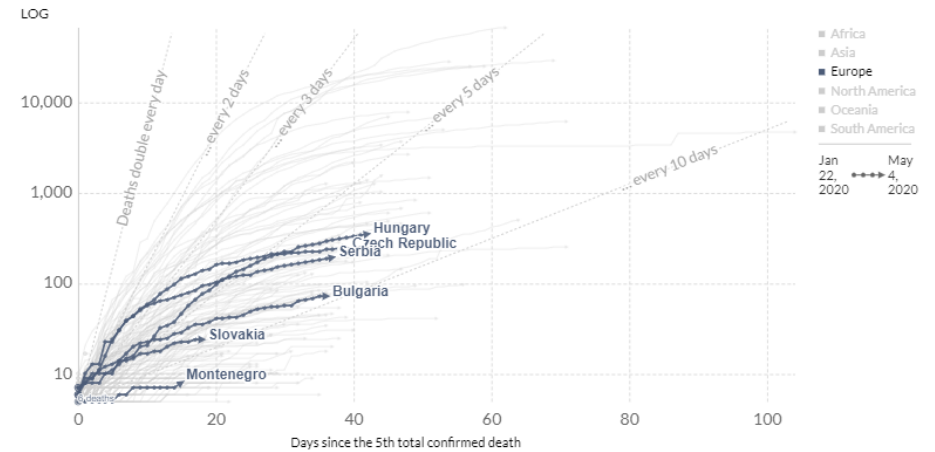
TOTAL CONFIRMED COVID-19 DEATHS



TOTAL CONFIRMED COVID-19 CASES – RATE OF GROWTH



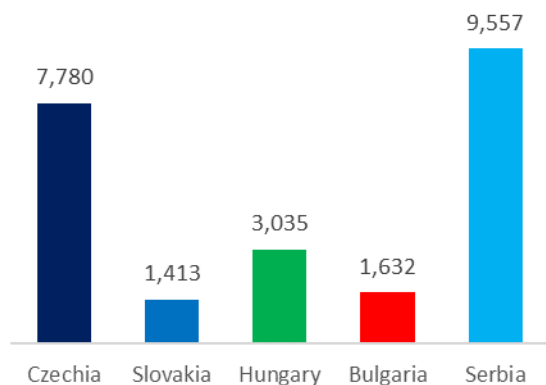
TOTAL COVID-19 DEATHS – RATE OF GROWTH



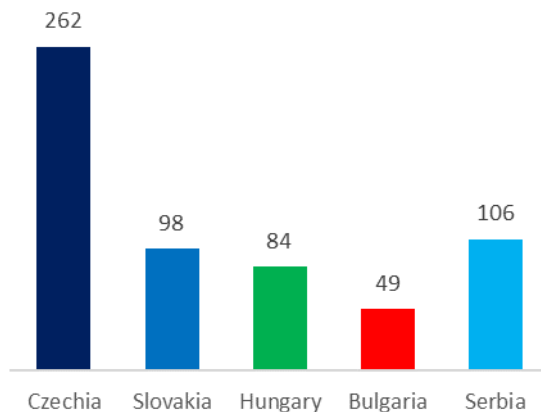
Pandemic situation in CEE

COVID-19 indicators as of May 4th

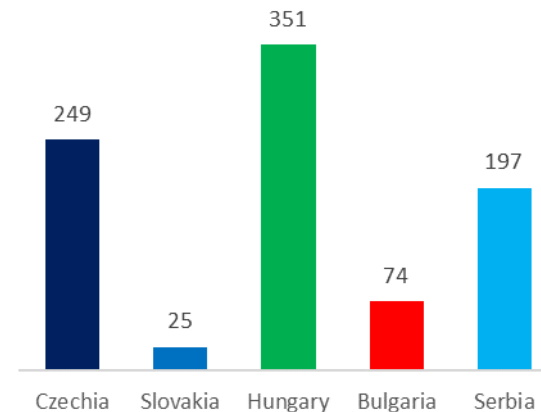
CONFIRMED CASES



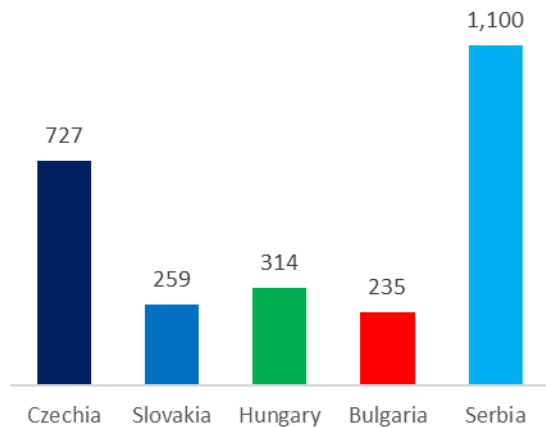
TESTED PERSONS



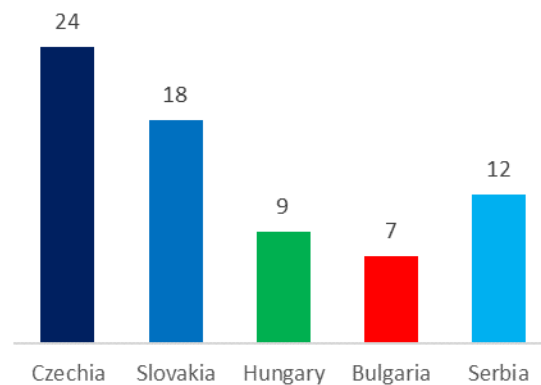
DEATHS



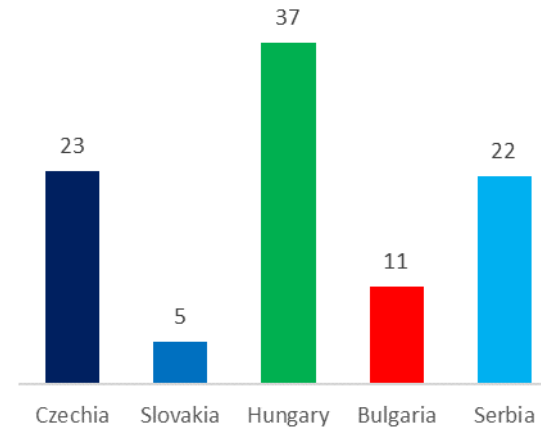
CASES PER 1M POPULATION



TESTED PERSONS PER 1M POPULATION



DEATHS PER 1M POPULATION



Uninterrupted operations

Most retail stores kept operational, payments collected mostly online

MAJORITY OF SHOPS REMAINED OPEN

- Part of **essential services** in time of crisis
- Most **restrictions being lifted** this and next week
- **Czech Republic** – all stores open, some with shorter hours
- **Slovakia** – all stores open, shorter hours, closed on Sundays
- **Hungary** – all stores open, retail shops must close at 3pm
- **Bulgaria** – shopping centres closed from mid-Mar, all other shops open
- **Serbia** – shops in shopping centres closed until 8-May, 2 shops in MNE have now reopened

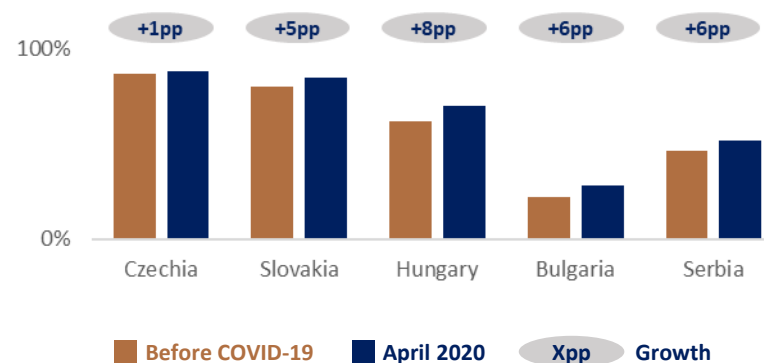
NETWORK PERFORMANCE AND SUPPLY CHAIN STABLE

- **Traffic surged on introduction of lockdowns**, remained manageable and within network capacity
- Handsets vendors continue supplies, no disruption
- Network maintenance and construction remains operational
- Most office employees work from home, field force operational

PAYMENT DISCIPLINE SOUND

- **Czech Republic and Slovakia** – individual approach to customers in difficulties
- **Hungary** – collection in line with expectation, prepared to offer individual approach and solutions to clients in difficulties
- **Bulgaria** – 5d payment terms extension (15d for senior and disabled citizens), currently not imposing overdue penalties due to the state of emergency
- **Serbia** – postponed February bills by 10 days, March bills unchanged due date, senior citizens excluded from disconnections; encouraging clients to use online payments

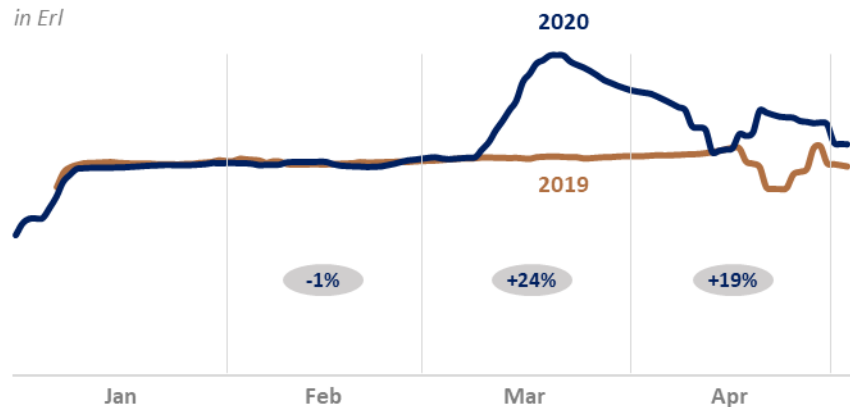
GROWING USAGE OF ONLINE PAYMENT CHANNELS



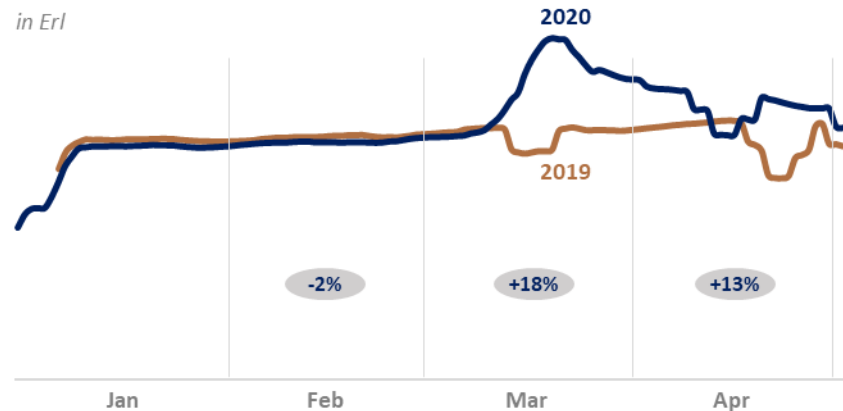
Network traffic – Mobile voice

Initial spike in voice traffic, which has gradually narrowed down

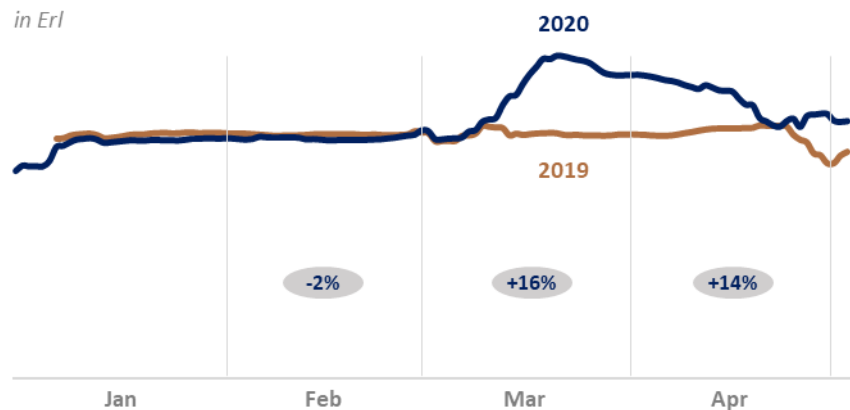
O2 CZECH REPUBLIC



TELENOR HUNGARY



TELENOR BULGARIA



TELENOR SERBIA



7 days rolling average 2019



7 days rolling average 2020



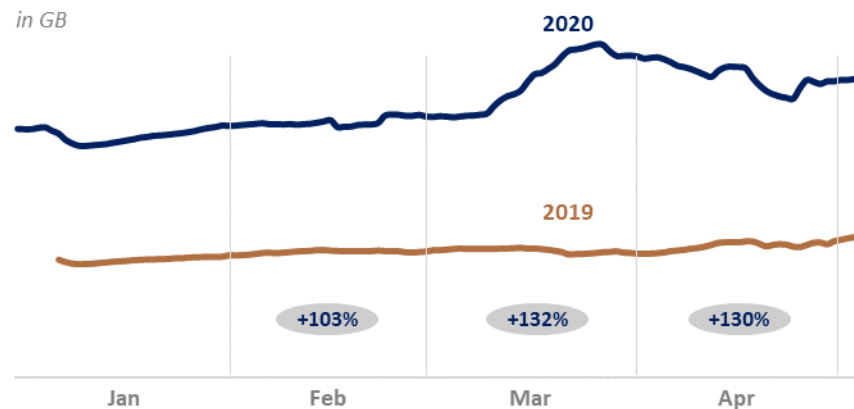
Year-over-Year growth



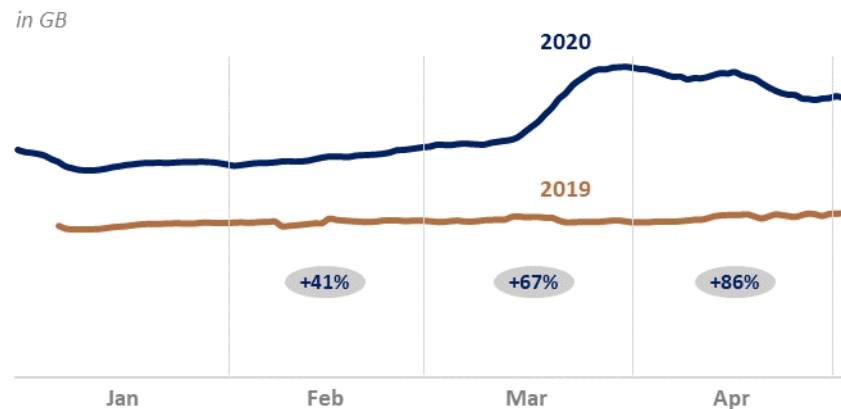
Network traffic – Mobile data

Increased mobile data traffic visible, but not as pronounced as yoy trend

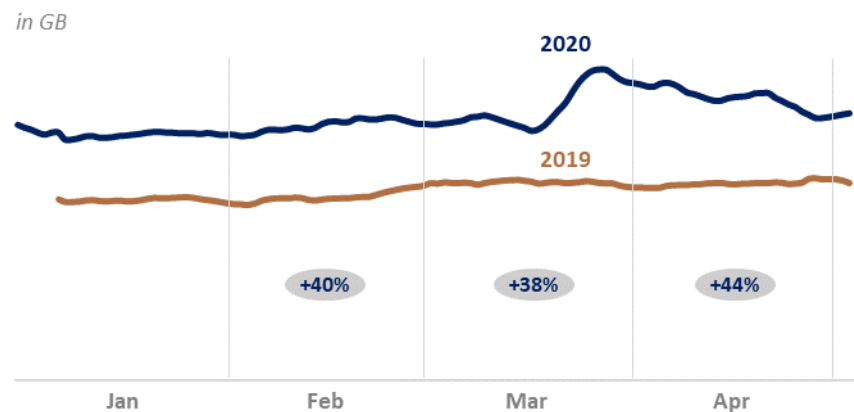
O2 CZECH REPUBLIC



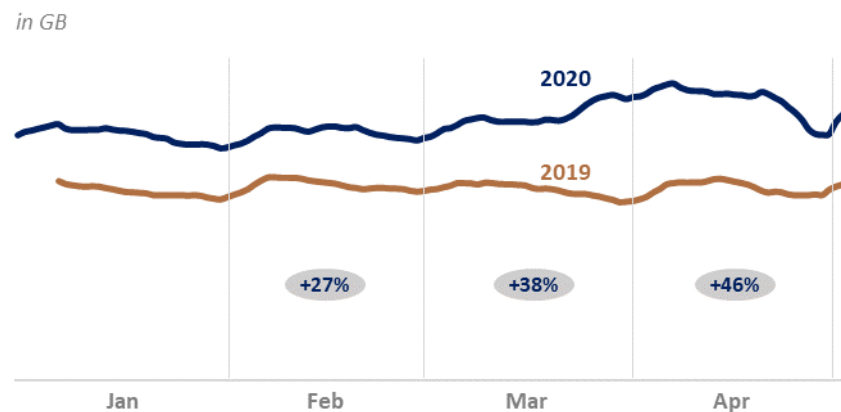
TELENOR HUNGARY



TELENOR BULGARIA



TELENOR SERBIA



7 days rolling average 2019



7 days rolling average 2020



Year-over-Year growth



YTD performance is sound

EBITDA, CAPEX and cash flow in line with our plans in Q1

COMMERCIAL PERFORMANCE AND REVENUES

- **Mobile Gross adds** temporarily affected by the lockdowns offset by lower churn, no major impact to customer base
- **CETIN FBB connections** continue growing, increased demand for fixed wireless access
- **Increased network traffic**, the related revenue partially compensates free unlimited data offers
- **Modest yoy growth of service revenue in Q1 2020**, in line with our expectations

RECEIVABLES COLLECTION AND BAD DEBT

- **Cash collection KPIs monitored daily**
- **Impact to cash collection negligible** in March and April, despite lockdowns
- **Online payment channels** growing
- **Robust credit risk control** over new postpaid contracts, instalment plans and hardware subsidies limits potential bad debt

EBITDA AND CAPEX

- **Consolidated EBITDA +6% yoy growth**, in line with our expectations
- **Operating costs** under control in all segments, positive impact of lower subsidies and commission
- **5G spectrum acquired in Hungary**, approx. EUR 100m
- **Investment programme continues** as planned, projects prioritised; prepared to postpone the non-essential ones

LIQUIDITY AND LEVERAGE

- **Consolidated cash EUR 0.9bn** as of 31-March
- **Local financing for 5G spectrum** in Hungary in April
- **Consolidated leverage 2.4x¹** as of 31-March, 0.1x improvement since 31-Dec
- No changes to the financial policy

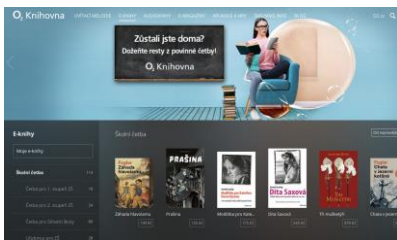
[1] excluding the impact of IFRS 16

Social responsibility – Helping the community

A wide range of telco services provided for free or with a major discount

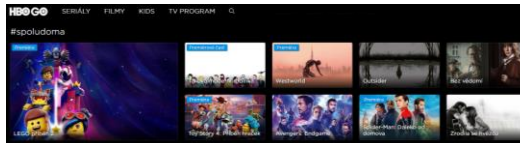
CZECH REPUBLIC

- Unlimited data for all clients
- O2 TV for CZK 1, incl. online tuition
- New O2 RE:START tariff for SME to help digitise their business model from 22-Apr
- Free SMS for government broadcasts
- Free COVID help line
- Interactive chat facility for government emergency portals
- Geolocation support for infection tracing, SMS connector for volunteer helpers
- Free educational portal and library for closed schools



SLOVAKIA

- Unlimited data for apps for customers with O2 SMART tariff mid-Mar to mid-May
- Free HBO GO for all postpaid clients until 21-Apr with massive uptake
- 9 more popular channels in O2TV till mid-May
- Extended hi-speed access for wireless FBB clients after spending data limit till mid-May
- Free calls to customer call centre till 4-May
- Free SMS for government broadcasts



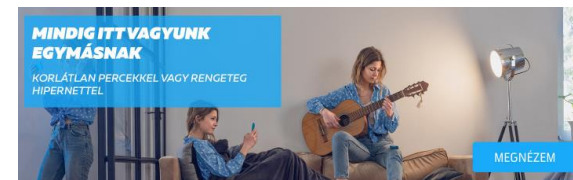
BULGARIA

- Free data, minutes, SMS and digital services for all clients mid-Mar to mid-Apr
- Payment terms extended for senior and disabled citizens
- Three months free trial period of digital services for businesses till end of Apr



HUNGARY

- Free 100GB extra mobile data for all clients till end of Mar
- Discounted 100GB Hipernet mobile access for all clients in Apr and May
- Free data access for national online tuition portals
- Free access to national online tuition channel in Telenor's MyTV service



SERBIA AND MONTENEGRO

- Free mobile data for social networks and selected digital services for 30 days
- Free data access for national online tuition portals, including video content
- Free lines for selected medical institutions
- Devices and internet access for online tuition for disadvantaged students



Social responsibility – Helping the community

Donations and volunteer help from both PPF and its employees

Serbia and Montenegro

- EUR 50k donation to UNICEF for protective equipment for healthcare workers and hygiene packs for 1,300 vulnerable families
- Phones for psychological support lines and phones for Krusevac Red Cross to form a call center for psycho-social support
- Donation of funds for six infusion pumps and one syringe pump for hospitals
- Phones, tablets, and cards for 2,800 students, enabling them, for the first time, to complete an online self-assessment test completely electronically, and to better prepare for the final exam
- Donation of 20,000 protective masks and smart phones to Red Cross
- Donation of EUR 25k to the national health coordinator and additional EUR 7k raised by Telenor employees



Hungary

- Public information campaign with Hungarian Red Cross on COVID-19
- HiperSuli education programme published a support package for parents and teachers on online tuition
- Podcasts with psychologist Dr. Dániel Tóth for parents on managing children's digital presence during distance learning
- 200 free mobile data cards supporting digital education



Bulgaria

- 50k N95 masks donated to Ministry of Health
- Equipment for intensive care unit at Prigorov hospital - 15 intensive care beds, 45 infusion pumps and 15 monitors
- PCs to Centres for Accommodation for children and youth in Lovech

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THANK YOU FOR YOUR ATTENTION

Q&A