A dynamic splash of water against a blue background, with numerous bubbles and droplets of varying sizes. The water is captured in mid-air, creating a sense of movement and freshness. The background transitions from a darker blue at the top to a lighter blue at the bottom.

O2 Czech Republic, a. s.
February 2018 (updated with 4Q 2017 results)

General Presentation

O₂

Cautionary statement

Any forward-looking statements concerning future economic and financial performance of O2 Czech Republic a.s. contained in this Presentation are based on assumptions and expectations of the future development of factors having material influence on the future economic and financial performance of O2 Czech Republic a.s.

These factors include, but are not limited to, public regulation in the telecommunications sector, future macroeconomic situation, development of market competition and related demand for telecommunications and other services.

The actual development of these factors, however, may be different. Consequently, the actual future results of economic and financial performance of O2 Czech Republic a.s. could materially differ from those expressed in the forward-looking statements contained in this Presentation. Although O2 Czech Republic a.s. makes every effort to provide accurate information, we cannot accept liability for any misprints or other errors.



A close-up photograph of a person's hand holding a silver, round compass. The compass face is black with white markings for degrees and cardinal directions (N, S, E, W). The hand is positioned in the center-right of the frame, with the thumb and index finger visible. The background is a dark blue gradient with a soft, out-of-focus light source in the upper right. The overall mood is professional and focused.

Introduction & Strategic highlights

Leading retail digital economy enabler in Czech Republic... ...fastest growing mobile player & entering fixed in Slovakia

Leading **fixed/mobile** operator

4,9138 Mobile

613k fixed voice lines

Leading **fixed BB** provider

770k xDSL (ADSL, VDSL) & LTE

Fastest growing **Pay TV** provider

273k Pay TV (IPTV, OTT, Multi)

No. 3 mobile **fastest growing**

1,9137k Mobile

O₂ Czech, O₂ Slovakia, O₂ TV, O₂ Family,
O₂ IT Services, others*

*Tesco Mobile CR, ICA, Bolt Start Up Development, eKasa, O2 Financial Services, O2 Business Services Slovakia

Figures as of 30th September 2017

Streamlining the business...

...resulted in turn around of our financial trends

More focus on what we do

- Mobile revolution (2013)
- Fixed revolution (2016)
- New proposition
- New features



Accelerated what we do

- 4G (LTE) 99% coverage^[1]...
- ...and monetized trend
- O2 TV for all
- Sport bars & pubs



We do things differentially

- O₂ Spolu – convergent bundle...
- ...mobile voice, data & Pay TV
- More content...
- ...More channels



O₂ TV SPORT



We entered new businesses

- Hardware insurance
- Travel insurance
- Start-up accelerator
- Electronic sales reporting solution



We are starting up new business activities... ...to compensate pressures in traditional business

O₂ eKasa

- **Electronic sales reporting** - new legislation
- ... **market leader** after first two waves...
- ...one-off **hardware revenue**, recurring **service fee**



O₂ Insurance

- **smart travel**: the only postpay travel insurance on the market
- **handsets & tablets**: for newly sold hardware
- **200k insurance policies milestone** in only **18 months**



End to end startups



- **Minor cash investments** into **advanced start-ups**
- Typically **own O₂ experience** before investment
- **Not only financial** contribution, but **also O₂ ecosystem**



O2 with unique pay TV proposition... ... bringing multidimensional customer experience



Anytime



Timeshift

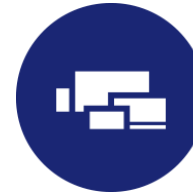


Recording



Video on demand

Anywhere



Multidevice

For all



Any connectivity

Retail distribution

O₂TV FREE

Free-to-air distribution

Full paid content provided via HbbTV

Unique content

O₂TV FOTBAL



O₂TV TENIS



O₂TV HOKEJ



Any camera



Any match

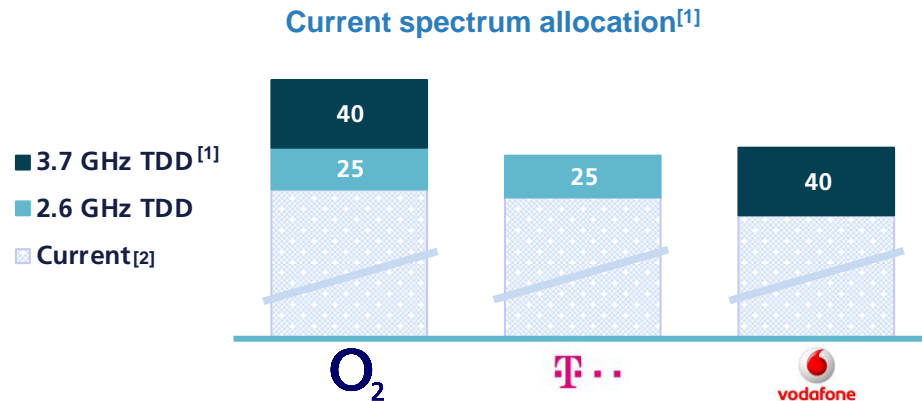




Strategic commercial initiatives & Performance Highlights in 2017

We are best positioned for WTTx/5Gand secured O2 brand minimum until 2022

- 40 MHz block in 3.7 GHz spectrum acquired...
- ... suitable for WTTx in areas with insufficient xDSL coverage...
- ...450 MHz spectrum renewed for reasonable price



O₂

- O2 brand license agreement extended by 3 years (Jan 2022)...
- ...another 5-years extension (till Jan 2027) available...
- .. partnership with Telefonica till at least Jan 2022
- ...related capex & cash outflow fully booked in 2017

O₂

^[1] following recent 3.7 GHz spectrum auction;

^[2] 450 MHz, 800 MHz, 900 MHz, 1,800 MHz, 2,100 MHz, 2,600 MHz FDD

In 2017 we brought new unique & innovative propositions... ... including first convergent product & smart home device



- Unlimited technology agnostic (DSL & LTE) home BB ...
- ...with guaranteed 20Mbps speed..



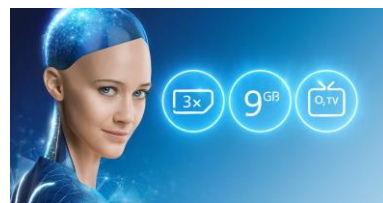
- O₂ Smart Box...fast and powerful Wi-Fi across whole house
- ...heart of a smart home (home security, lights & sockets remote control, fire alarm)...



- Unique tennis channel launched in January 2017 ...with focus on Czech players track...



- Exclusive 3 seasons (till 2021) rights for UEFA Champions League in the Czech Republic



- O₂ Spolu – flexible family convergent bundle...well accepted
- ...driving mobile postpay & Pay TV sales uptake...

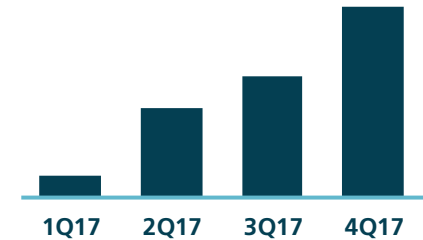


Our value & customer oriented strategy works... ...growing Pay TV & BB base, visible data monetization



- O2 TV base growth accelerated...
- ...helped by bundled proposition...
- ...while keeping high loyalty

Pay TV net adds^[1]



- All available technologies utilized...
-visible positive sales turnaround

New sales (xDSL + LTE)



- All retail shops to be redesigned in next years...
- ... including customer service to improve sales performance

- Best mobile data network for 6th consecutive year^[3]...

- ...mobile data traffic up by 106% y-o-y (incl. LTE home unlimited broadband)

- ...upsell to data rich tariffs...

- ... mobile ARPU keeps growing despite roaming

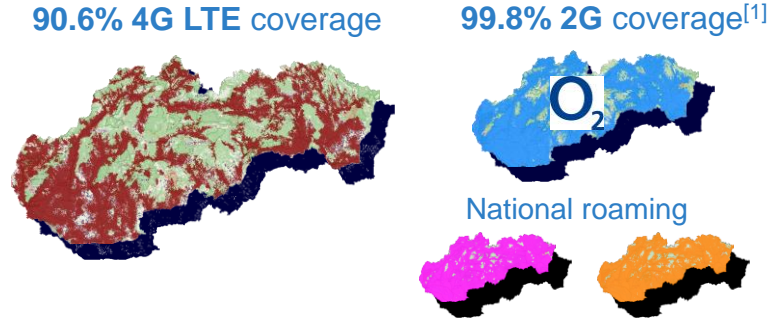
63%
smartphone
penetration^[2]

46%
LTE HW
penetration^[2]



O2 Slovakia with widest 4G LTE network coverage in market... ... 3% mobile ARPU growth driven by 31% data revenue uptake

- No. 1 mobile network coverage in Slovakia...
- ...national fibre backbone & transmission NW expansion
- ...WTTx network rollout for broadband & Pay TV



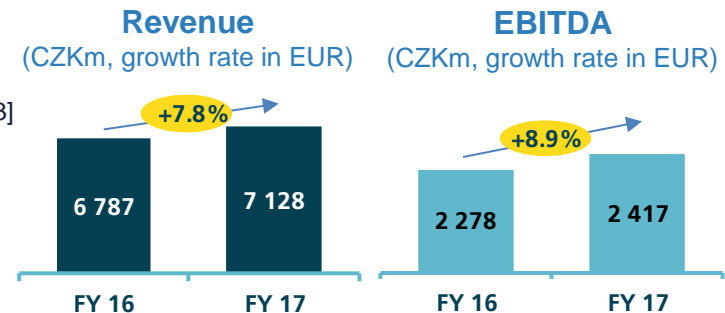
- LTE handset sales focus (in-house instalment model)...
- ...customers' demand in rich data proposition...
- ... data customer base +11% & traffic +55%...

61%
smartphone
penetration^[2]

46%
LTE HW
penetration^[2]



- Successful monetization...
- ...data revenue +27%^[3], hardware revenue +17%^[3]
- Mobile total & postpay ARPU +3%^[3]
- Total EBITDA margin 33.9%^[4]



^[1] own 2G network (97.9%) and national roaming (Slovak Telekom & Orange); ^[2] per total number of handsets, ^[3] year-on-year growth rates in EUR, ^[4] including O2 Business Services and national roaming costs



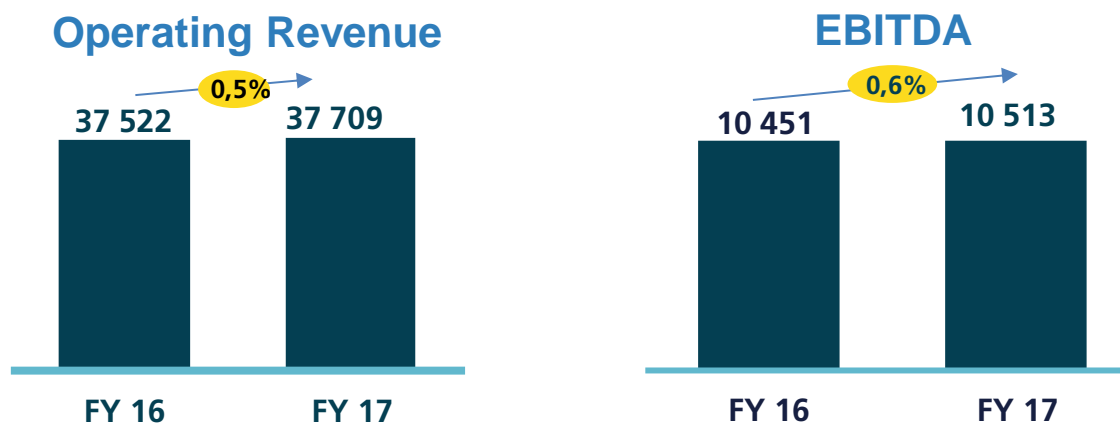
Financial Performance
January – December 2017

O₂



EBITDA margin maintained flat year-on-year... ...helped also by new revenue streams

<i>CZK millions</i>	Jan-Dec 2017	<i>Change FY17 /FY16</i>
Operating Revenue	37,709	+0.5%
CZ Fixed	10,785	
CZ Mobile	19,339	
Slovakia ^[1]	7,128	
EBITDA	10,513	+0.6%
<i>EBITDA margin</i>	27.9%	
Net Income	5,587	+6.2%
Free Cash Flow ^[2]	3,929	

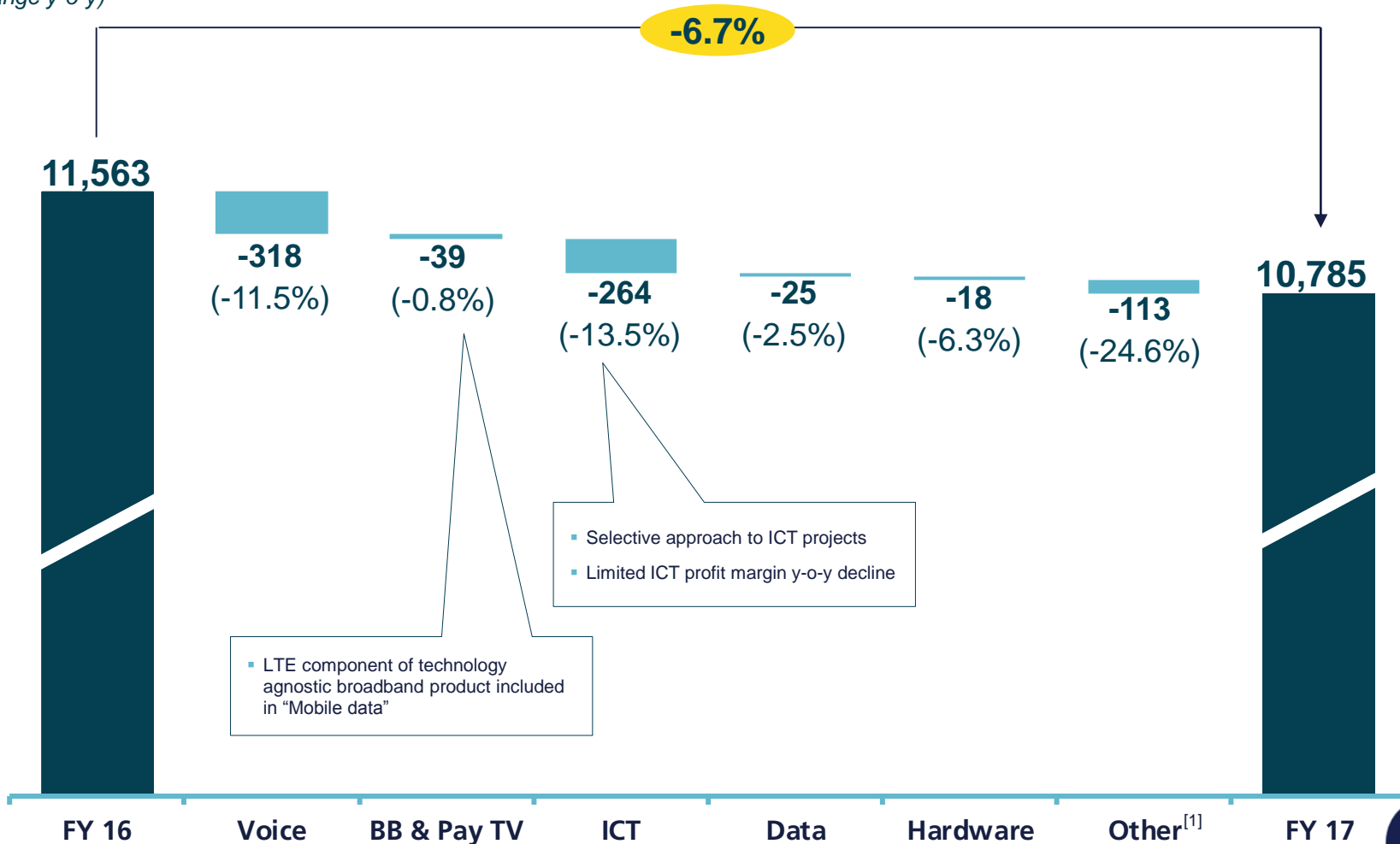


14 ^[1] including O2 Business Services; ^[2] FCF in FY 17 including - Czech republic: 450 MHz license renewal (CZK 210m), 3.7 GHz spectrum payment (CZK 200m), O2 brand prepayment (CZK 765m), Slovakia: intensified network capex in 2G & 4G coverage, backbone (CZK ~ 800m) and hardware installment sales funding (CZK ~800m)



Fixed voice declining due to fixed to mobile substitution... ...B2B segment still under pressure

CZK millions
(% change y-o-y)



- LTE component of technology agnostic broadband product included in "Mobile data"

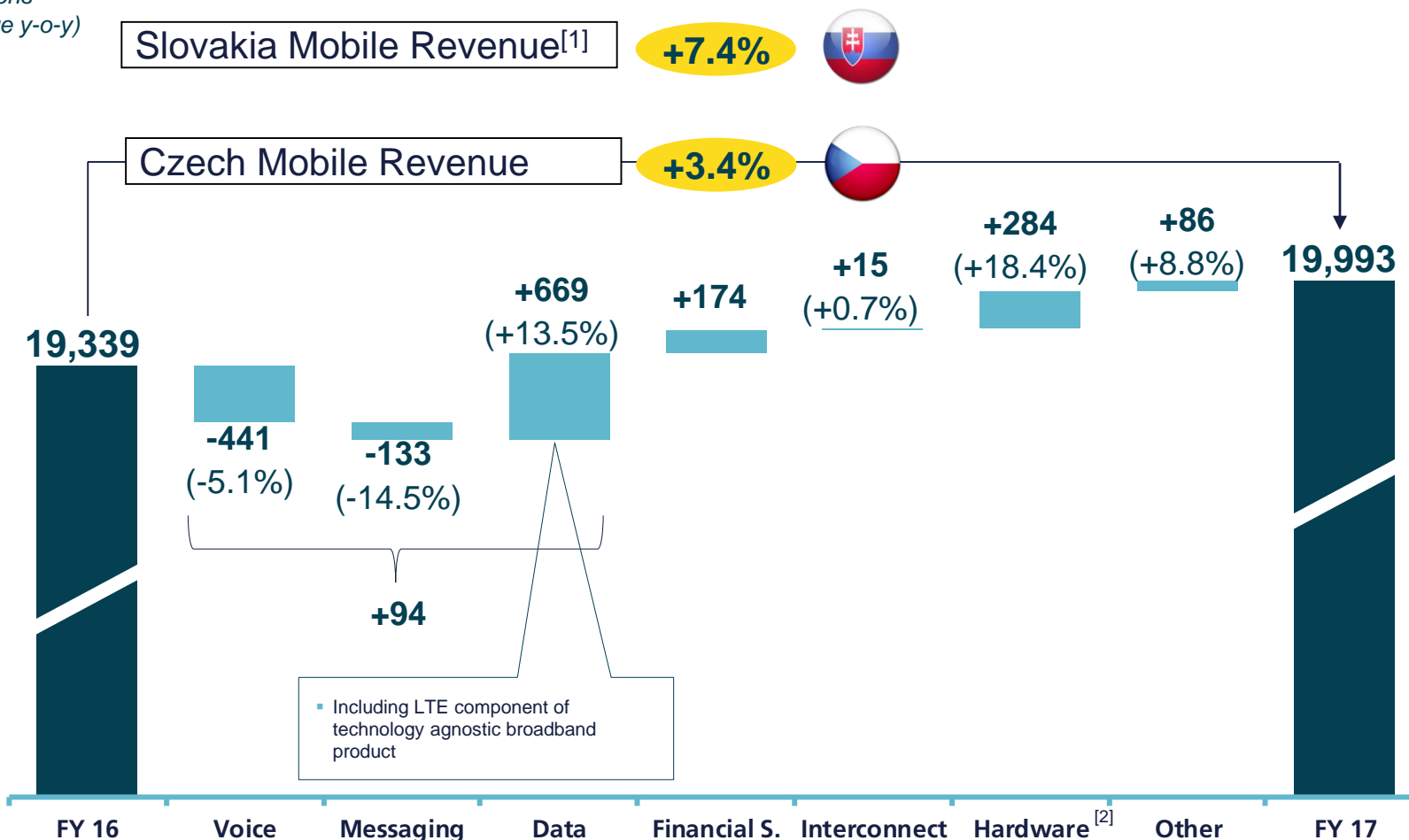
- Selective approach to ICT projects
- Limited ICT profit margin y-o-y decline





Double digit growth of data, financial services, and HW revenuemore than compensating roaming abroad & B2B pricing impact

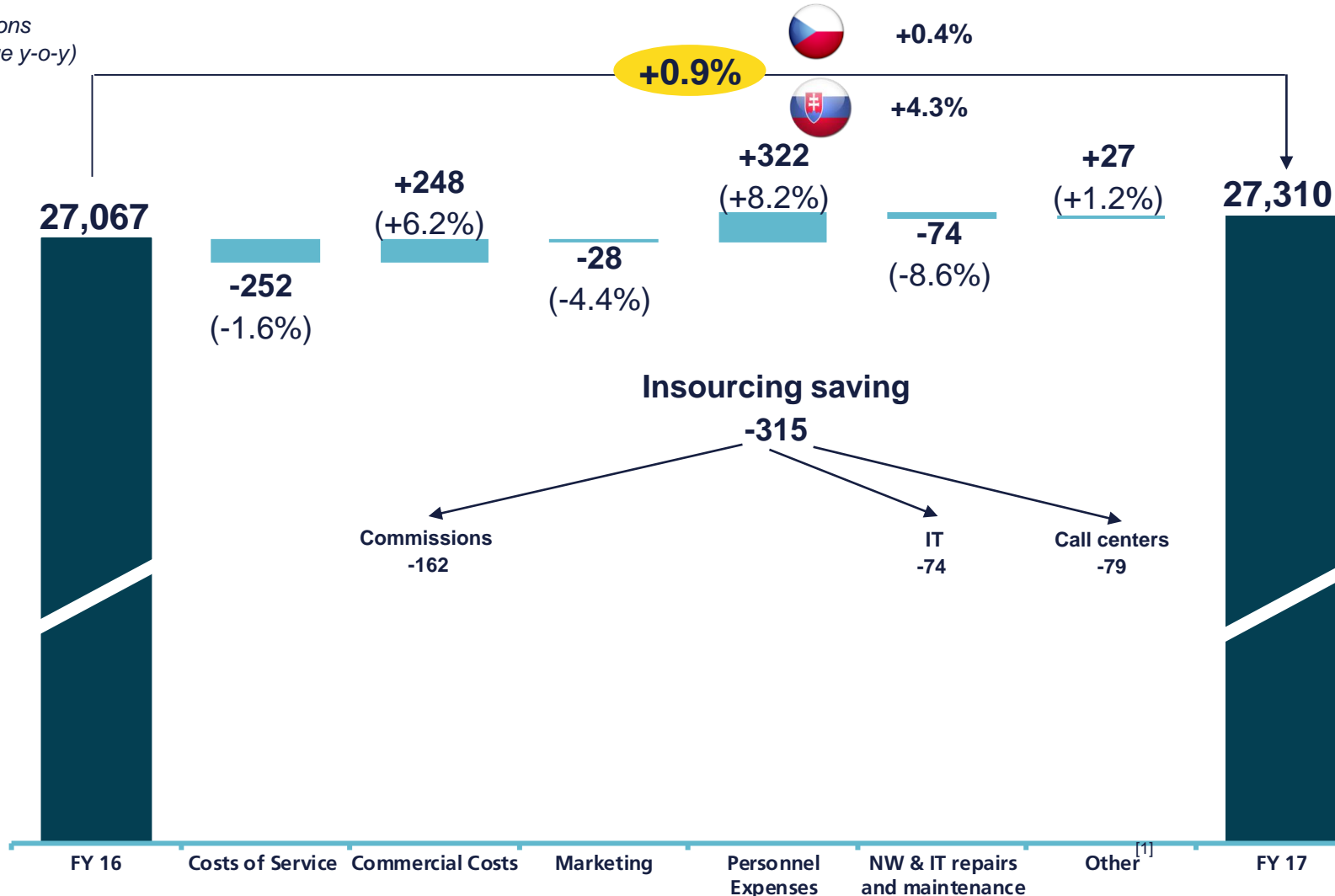
CZK millions
(% change y-o-y)





Cost base under control; with Czech costs flat year-on-year... ...while Slovak up 4% due to higher HW costs, roaming & opex

CZK millions
(% change y-o-y)



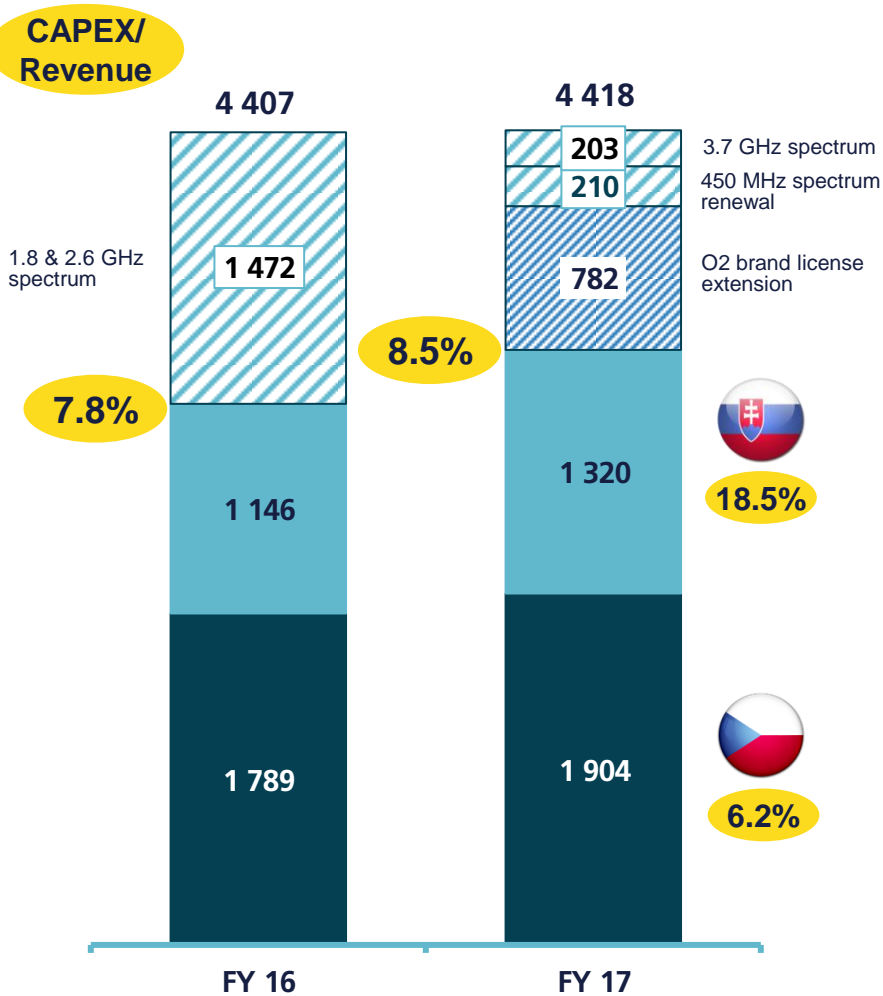
17 ^[1] Taxes other than income taxes, provisions and fees, Rentals, Buildings, Vehicles, Consumables, Consultancy, Billing, Collection, Call Centers, management fees and other; including Internal expenses capitalized in fixed assets





Underlying capex up by 10% y-o-y... ...driven by 2G/4G & capacity in SK & IT transformation

CZK millions



Slovakia:

- 4G NW rollout (already 90% coverage)
- Mobile NW capacity to capture growing data traffic
- 2G NW expansion to reduce national roaming (also in 2018)
- 3.5 & 3.7 GHz – LTE TDD (BB + Pay TV)

Czech Republic:

- IT transformation (also in Q4 2017/1H 2018)
- Mobile core NW upgrade



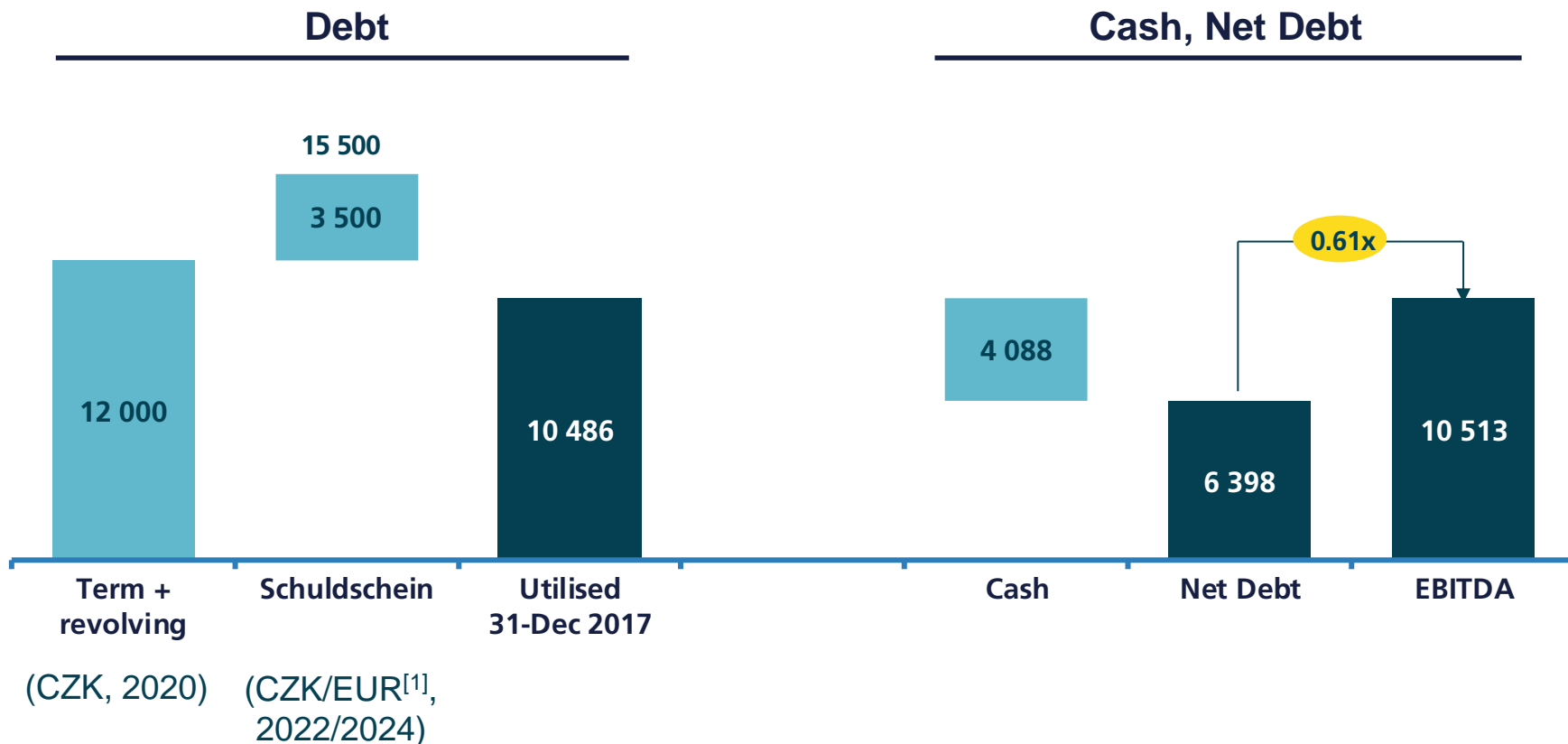


Lower equity due to SBB and share premium distribution... ...new CZK 3.5bn debt withdrawn in 2017

<i>CZK millions</i>	31 Dec 2016	31 Dec 2017	31 Dec 17 /31 Dec 16
Non-current assets	22,071	23,411	+6.1%
- of which intangible assets	16,515	16,815	+1.8%
- of which property, plant & equipment	5,075	5,636	+11.0%
Current assets	11,235	11,431	+1.7%
- of which cash & cash equivalents	4,137	4,088	-1.2%
Total assets	33,306	34,842	+4.6%
Equity	17,505	15,475	-11.6%
Non-current liabilities	7,382	10,887	+47.5%
- of which financial debt	6,976	10,448	+49.8%
Current liabilities	8,419	8,479	+0.7%

CZK 10.5bn debt utilized out of CZK 15.5bn capacity... ...Net Debt/EBITDA at low level, well below “up to 1.5x” guidance

CZK millions





Shareholder remuneration

Share premium distribution on top of regular dividend... ...complemented by share buy back

2017^[1]

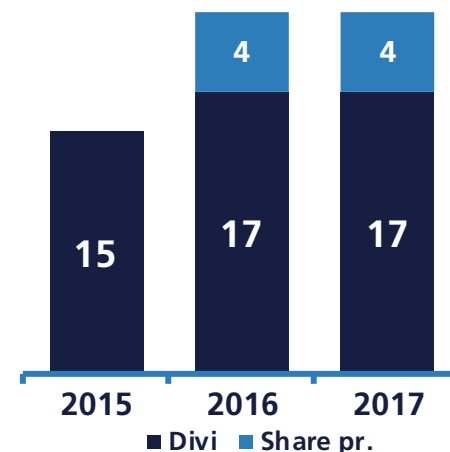
Regular Dividend

- Intended **DPS: CZK 17**
- ... **98% of net profit...in line with dividend policy...**
- ...distribution of **90% to 110% standalone net profit**

Share Premium distribution^[1]

- **On top of regular dividend**
- **Not one-off, but mid-term intention**
- Intended **CZK 4 per share**

Total shareholder remuneration (CZK per share)



up to **CZK 6,515m^[2]**
Final decision by AGM

Share Buy Back

- **2.8% (8.7m) shares repurchased^[3] under “Program”...for CZK 2,204m...**
- In December, Board approved **“New Program” for 2 years...**
- ... of **up to 4% cumulative for both Programs**

^[1] intention of the Board of Directors to propose, ^[2] O2 CR will have no entitlement to dividend payment and amount related to the distribution of the share premium related to the treasury shares. Final total amount paid to the shareholders will depend on the actual number of treasury shares held by O2 CR as at the record date. ^[3] as of 31st January 2018





Back up

O₂

O₂ is market leader in Czech Republic (CZ)... ... and fastest growing player in Slovakia (SK)

Strong position in both CZ and SK market

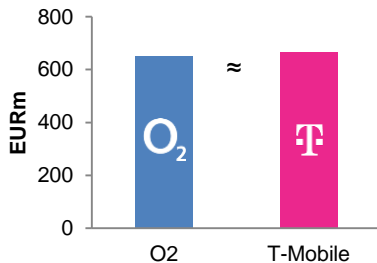


Solid GDP growth and retail purchasing power

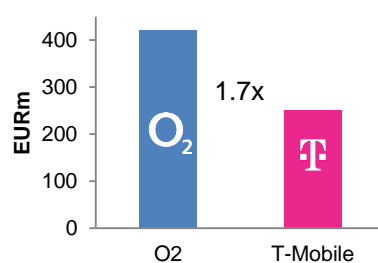


Market leader in the Czech Republic

Mobile Service Revenue

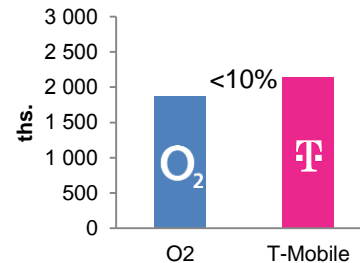


Fixed Service Revenue⁽¹⁾

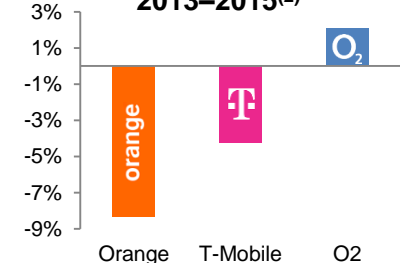


Fastest growing player in Slovakia

Mobile customers



Mobile revenue CAGR 2013–2015⁽²⁾

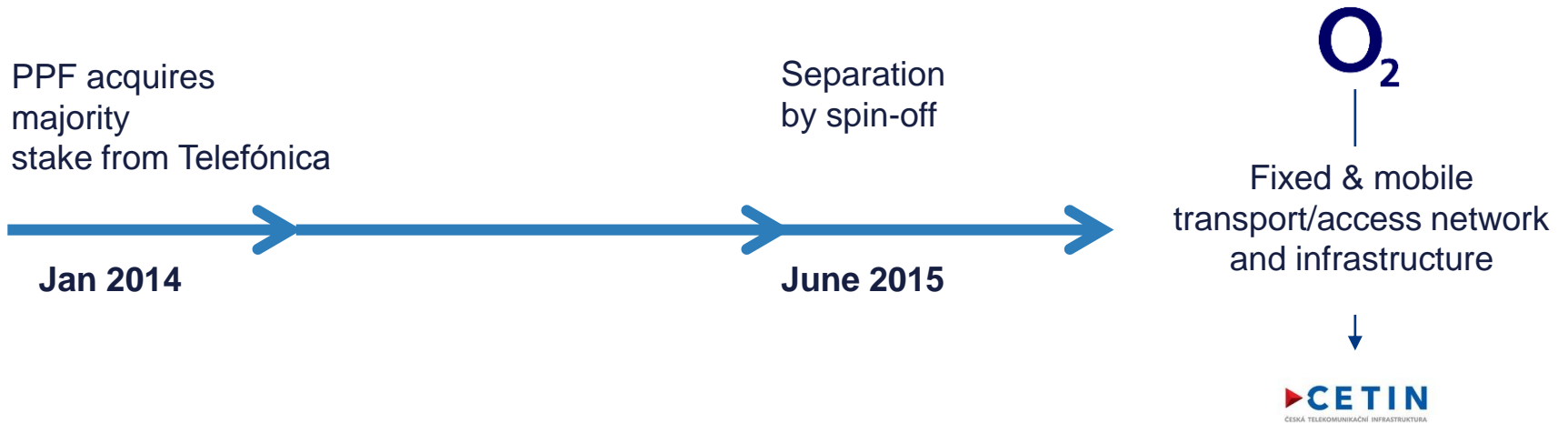


Note: (1) O₂ also has 1.7x higher broadband subscriber base than UPC, the largest broadband competitor; (2) Data for Orange are best estimate



From Telefónica to PPF...

...Separation created value



- Focus & Flexibility
- Less regulation
- Light financial profile (assets, capex)



Separation created retail player O2... ...and national telco infrastructure player CETIN

Customer relationship

O₂

Mobile subscribers



- Spectrum and brand
- Marketing, sales channels
- Service provisioning
- Customer care, billing & collection



 Fix voice subscribers
 Fix data subscribers
 IPTV subscribers

Infrastructure owner

CETIN

Access Network

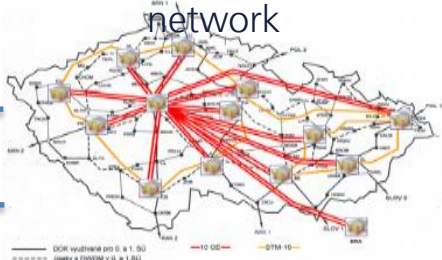
6,000 sites for mobile services

Access nodes for fixed services
20 million km-pairs of metallic cables

Transport Network

Country wide aggregation and backbone transport fibre network



38,000 km of fibre optic cables, thousands of network elements

Fundamental rationale for separation followed 3 simple goals..

**Streamlining
the business**

Focus

Acceleration

Approach

New

Fundamental rationale for separation followed 3 simple goals..

Streamlining
the business

Easing of
regulation

O₂

Spin-off
(1st June 2015)

O₂

10%

 **CETIN**
ČESKÁ TELEKOMUNIKAČNÍ INFRASTRUKTURA

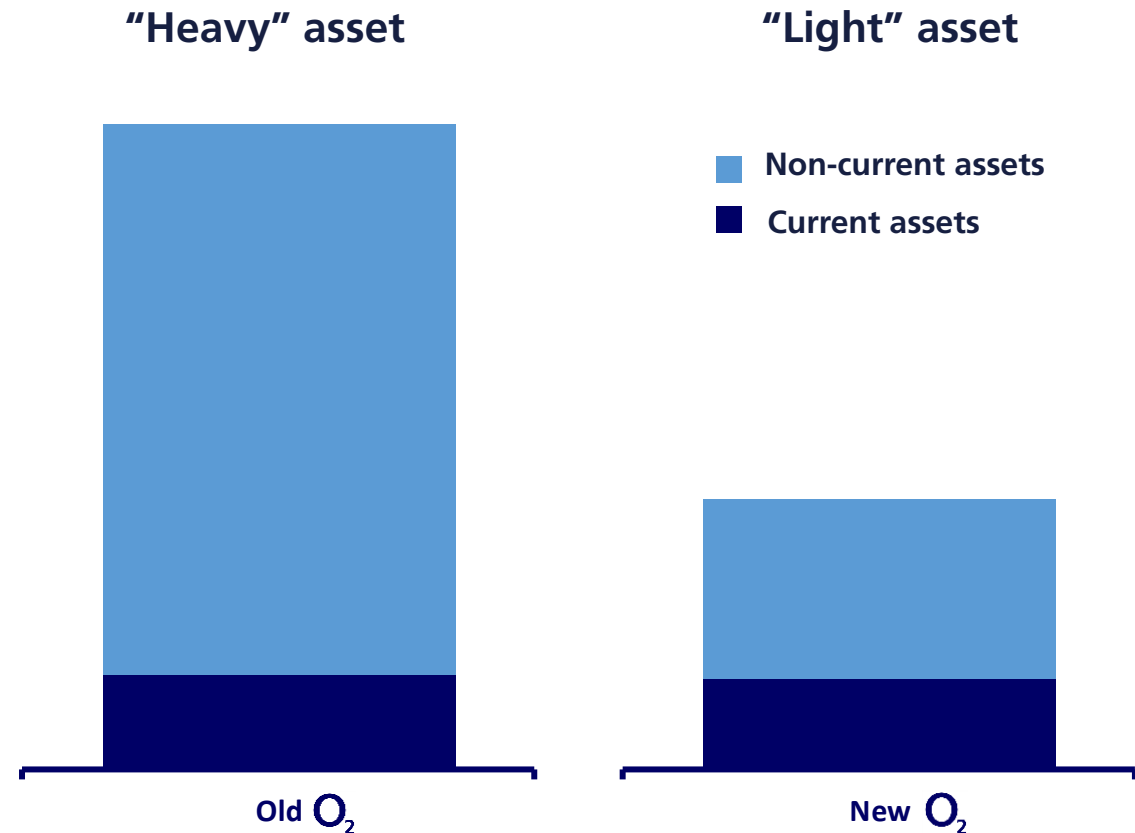
60%

CANCELLED

30%

O₂

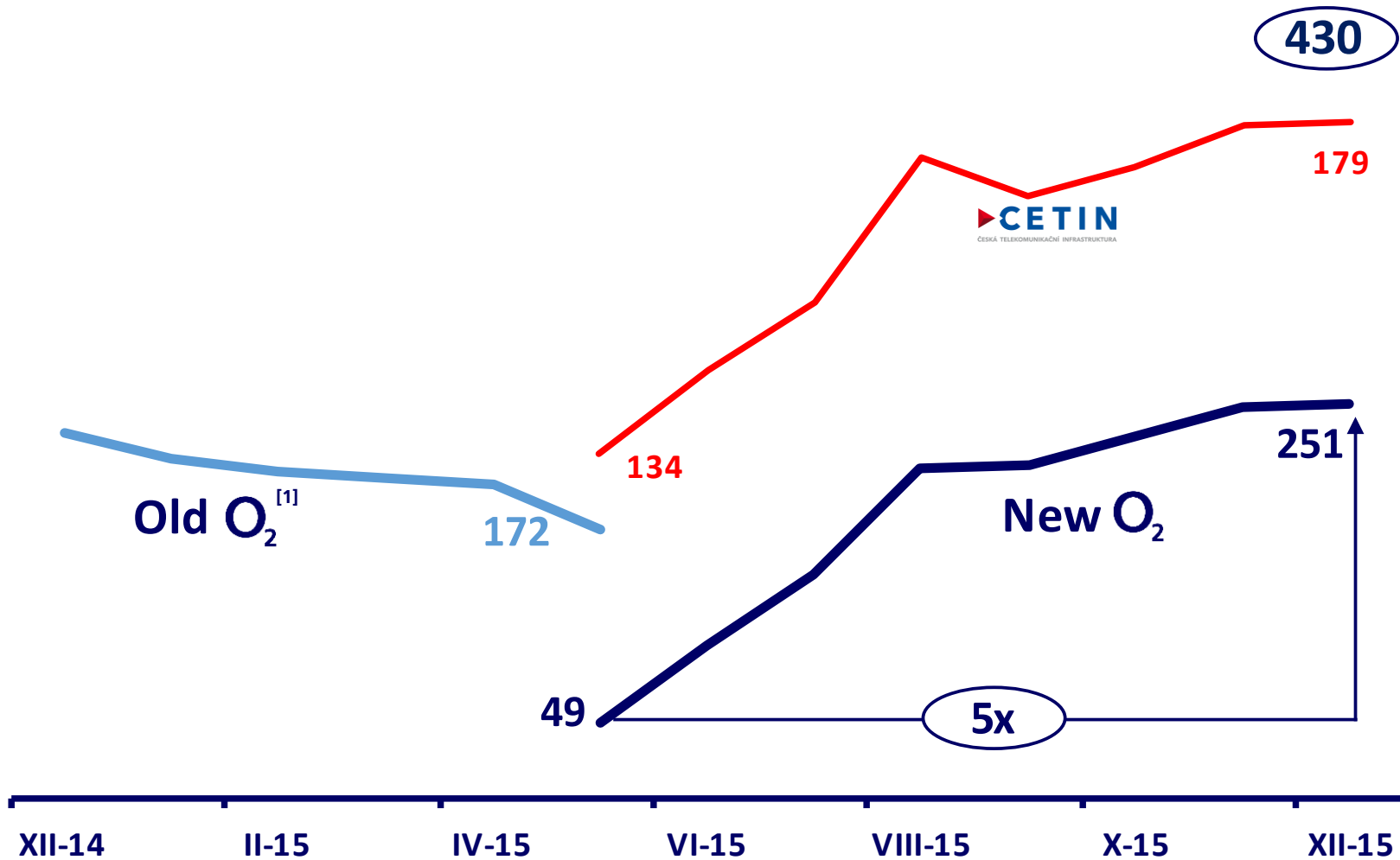
Fundamental rationale for separation followed 3 simple goals.. total assets decreased...and completely changed its structure



O₂

O2 share price responded...

...by recognizing CZK 63bn extra value



Post separation setup...

...Two strong independent companies

O₂

PPF stake: 81.06%

 **CETIN**
ČESKÁ TELEKOMUNIKAČNÍ INFRASTRUKTURA

PPF stake: 100.00%

O2 CR x
CETIN
relationship

- **Independent conduct** solely on **commercial basis**
- **Independent IT, corporate bodies, business plan and goals**
- **CETIN key vendor** of O2
- **Commercial relationship established & working...**
- **... 12 main business contracts** on commercial as well as regulated basis
 - **Fixed** – based on reference/regulated price
 - **Mobile** – open book principle @ CZK 4.4 bn. for 7 years
 - Data centers, Roaming, Collocation, etc.

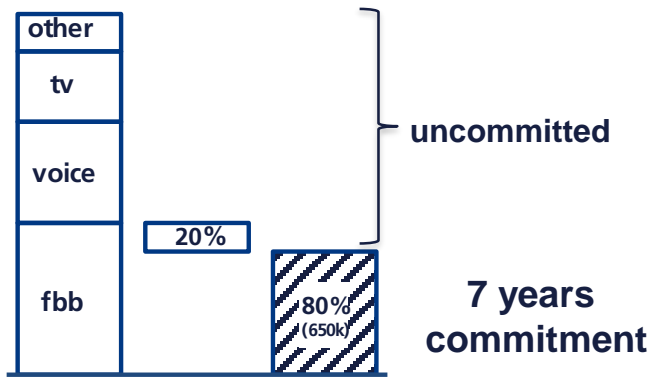
O2 CR x
PPF
relationship

- PPF considers O2 as **financial investment**, i.e. **not as part of PPF Group**
- PPF **does not interfere** with **daily management**, **O2 does not pay any management fee** to PPF
- PPF **not seeking to squeeze out** minorities, **supports** increase in O2 **liquidity** and **free-float**

O₂

Reasonable commitment for pro-growth areas... ... with further potential

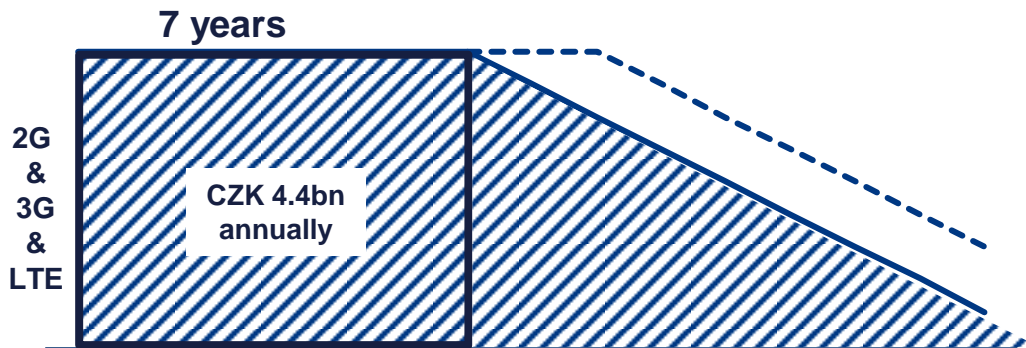
Fixed charge & commitment (illustrative)



CETIN's wholesale FBB offer (illustrative)

		TIME commitment	
VOLUME commitment			x
			650k/ 7 years

Mobile charge & commitment (illustrative)



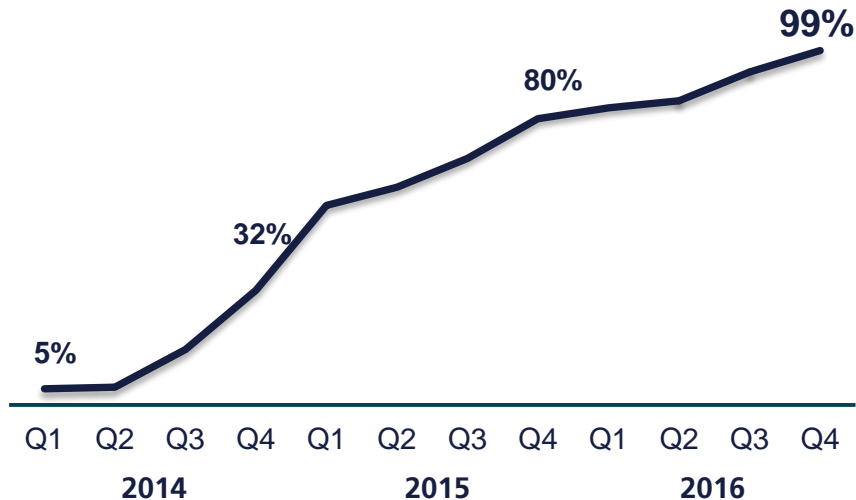
- Open book principle
- 7 years commitment
- Additional savings shared



Improving coverage & capacity of mobile data network... ...to monetize future increasing demand for mobile data



LTE outdoor coverage



Pioneers in active network sharing

- Joint rollout (3G: 2011, 4G/LTE: 2014)
- 2G/3G consolidation since 2013 (40% target)
...execution to be continued by CETIN

LTE densification & capacity improvement



- ~2.5 thousand new LTE sites in 2016/17
- 2CC (4GLTE+) already available in 99% of Prague (Brno to be covered during 2017)
- 3CC available in selected parts of two major cities
- First 4.5G commercial launch (up to 1.2Gbs)



Superior fixed broadband coverage^[1]... ... with further increase in speeds

Fixed broadband infrastructure^[1] ^[2]



Household coverage

 ^[1] 90%

 33%

O2 current proposition

- 1/3 of customers with >80Mbps (PREMIUM)
- 2/3 with 6 to 20Mbps

Speed upgrade through:

- Remote DSLAMs
- Vectoring
- Bonding

- 5/2017 – SUPERFAST (100 to 250 Mbps)
- 2H/2017 – upgrade of PREMIUM from 80Mbps to 100 Mbps

^[1] through CETIN
^[2] 20 million kmp of cables



A low-angle, rear-view shot of a person's legs wearing dark blue denim jeans and tan leather loafers. The person is standing on a vibrant blue carpet. A large, white, hand-painted arrow points from the bottom left towards the center of the frame, leading the eye towards the person's feet. The background is a bright, hazy blue landscape under a clear sky.

Investor Relations contact

O₂

Investor Relations contacts

Jakub Hampl

Head of Investor Relations

T: +420 271 463 935

E: jakub.hampl@o2.cz

investor_relations@o2.cz

www.o2.cz/spolecnost/en/investor-relations/

