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 is a solid, light blue color.

O2 Czech Republic, a. s.  
June 2018 (updated with 1Q 2018 results)

# General Presentation

O<sub>2</sub>

# 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 background is a soft, out-of-focus blue. The text "Introduction & Strategic highlights" is overlaid in white on the lower-left side of the image.

# Introduction & Strategic highlights

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

## Leading **fixed/mobile** operator

4,954 Mobile

583k fixed voice lines

## Leading **fixed BB** provider

749k xDSL (ADSL, VDSL) & LTE

## Fastest growing **Pay TV** provider

280k Pay TV (IPTV, OTT, Multi)

## No. 3 mobile **fastest growing**

1,944k Mobile

O<sub>2</sub> Czech, O<sub>2</sub> Slovakia, O<sub>2</sub> TV, O<sub>2</sub> Family,  
O<sub>2</sub> IT Services, others\*

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

Figures as of 30<sup>th</sup> 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<sup>[1]</sup>...
- ...and monetized trend
- O2 TV for all
- Sport bars & pubs



## We do things differentially

- O<sub>2</sub> Spolu – convergent bundle...
- ...mobile voice, data & Pay TV
- More content...
- ...More channels



O<sub>2</sub> 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

**O<sub>2</sub> eKasa**

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



**O<sub>2</sub> 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

taxify CROSS

Tapito mluvii

- **Minor cash investments** into **advanced start-ups**
- Typically **own O<sub>2</sub> experience** before investment
- **Not only financial** contribution, but **also O<sub>2</sub> ecosystem**

**O<sub>2</sub>**

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



## Anytime



Timeshift

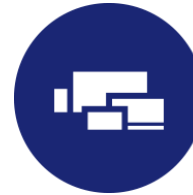


Recording



Video on demand

## Anywhere



Multidevice

For all



Any connectivity

Retail distribution

**O<sub>2</sub>TV FREE**

Free-to-air distribution

Full paid content provided via HbbTV

## Unique content

**O<sub>2</sub>TV FOTBAL**



**O<sub>2</sub>TV TENIS**



**O<sub>2</sub>TV HOKEJ**



Any camera



Any match



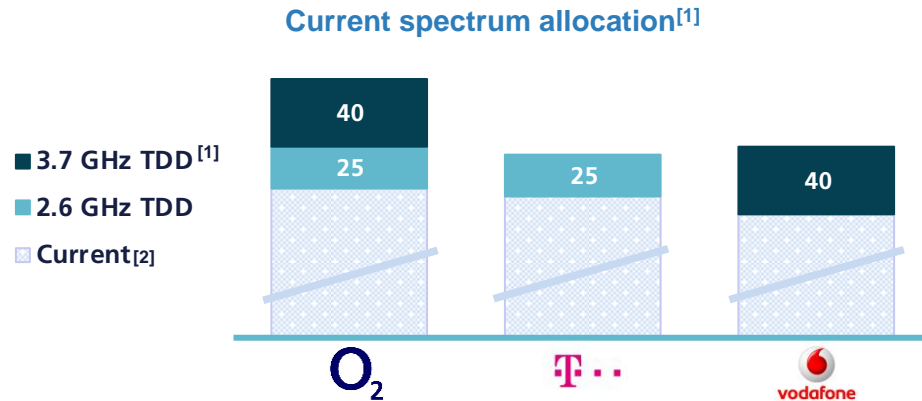


# Strategic commercial initiatives & Performance Highlights in 2017



# We are best positioned for WTTx/5G ... ...and 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



# O<sub>2</sub>

- 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

# O<sub>2</sub>

<sup>[1]</sup> following recent 3.7 GHz spectrum auction;

<sup>[2]</sup> 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..



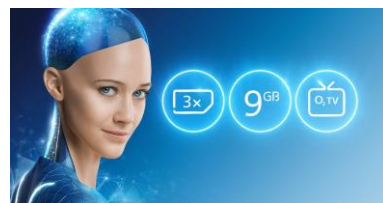
- **O<sub>2</sub> Smart Box**...fast and powerful **Wi-Fi** across whole house
- ...**heart** of a **smart home** (home security, lights & sockets remote control, fire alarm)...



- **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**



- **O<sub>2</sub> Spolu** – flexible family convergent bundle...well accepted
- ...driving **mobile postpay & Pay TV sales uptake**...

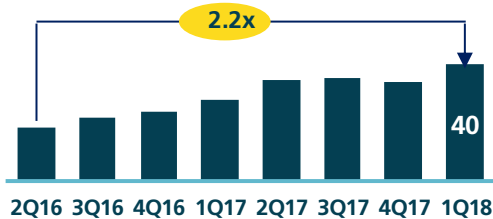


# We improved significantly 4G LTE speed & quality... ...shops redesign to increase sales performance



- 99% 4G LTE coverage (800 MHz) already since 2016 year-end...
- ...further NW densification & 2CC<sup>[1]</sup> installation... **4GLTE+**
- ... most intense data traffic localities to be upgraded with 2CC

4G LTE downlink speed in Prague<sup>[2]</sup>



- 4G LTE speed growing rapidly...
- ...Czech republic in No. 8 in EU and No. 18 worldwide<sup>[3]</sup>



- All retail shops to be redesigned in next 2 years...
- ...focus on sales force/customer interaction..
- .. up-sell/cross-sell potential...
- ...aiming at improving customer experience



# Growing demand for new packages and tariffs... ...driving mobile data traffic uptake; with visible monetization



- unlimited LTE home BB available for **99%** of population...
- ...**3+ GB data tariffs** in **bundled proposition** & **rich tariffs** for heavy data users..



**65%/49%**  
smartphone/  
LTE smartphone  
penetration<sup>[1]</sup>

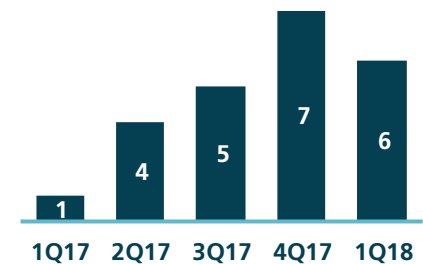
- ...growing LTE hardware penetration...
- ... resulting in **140% y-o-y growth** in mobile data traffic
- **Mobile data revenue: +12% y-o-y**



- **O2 TV base growth** maintained...
- ...helped by **bundled proposition**...
- ...new **exclusive content** acquired..
- ...to improve **O<sub>2</sub> TV attractiveness**



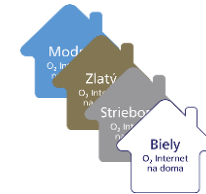
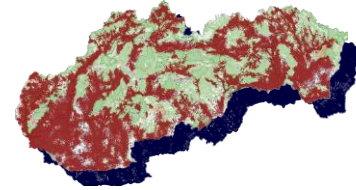
Pay TV net adds<sup>[2]</sup>



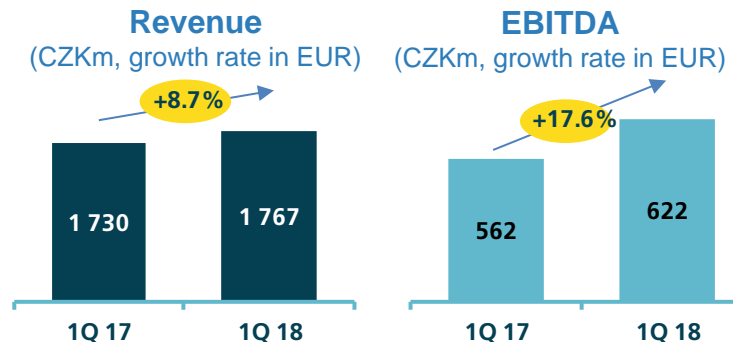
# O2 Slovakia further expands 4G LTE network coverage... ... 3% mobile ARPU growth driven by 13% data revenue uptake

- 4G LTE coverage ahead of competition...
- ...further national fibre backbone & transmission NW expansion
- Fixed home BB via LTE TDD in 3.5/3.7 GHz & nation-wide 4G LTE in 800/1800 MHz
- LTE handset sales & upsell to rich data tariffs...
- mobile data customer base: +12%
- mobile data traffic: +72%...
- Mobile total & postpay ARPU +3% y-o-y<sup>[2]</sup>
- Revenue growths driven by data & hardware
- Total EBITDA margin 35.2%<sup>[3]</sup>, + 2.7 p.p. y-o-y

93.6% 4G LTE  
population coverage



63%/50%  
smartphone/  
LTE smartphone  
penetration<sup>[1]</sup>



<sup>[1]</sup> per total number of handsets, <sup>[2]</sup> year-on-year growth rates in EUR, <sup>[3]</sup> including O2 Business Services and national roaming costs



Financial Performance  
January – March 2018

O<sub>2</sub>

# New IFRS 15 applicable since January 2018... ...impacting revenue & commissions

## Modified cumulative effect method

- Relevant **adjustment** <sup>[1]</sup> to **equity opening balance**, - and **comparative** prior years **not to be restated**

Key impacted areas – **before and after IFRS 15**:

**Revenue timing & classification** for bundles (service and equipment) :

- **higher equipment revenue** (reallocated from service revenue and recognized upfront<sup>[2]</sup>)
- **lower service revenue** (reallocated to equipment revenue)

**Capitalization** of contract **acquisition** incremental **costs** (commissions)

- **higher amortization charge** due to amortization over estimated customer life time
- and **lower commercial costs** (commissions) with a positive EBITDA impact

<i>CZK millions</i>	1Q 2018 reported	1Q 2018 ex. IFRS 15
<b>Operating Revenue</b>	<b>9,198</b>	<b>9,186</b>
CZ Fixed	2,581	2,577
CZ Mobile	4,909	4,900
Slovakia	1,767	1,768
.....		
Commercial Costs <sup>[3]</sup>	(922)	(1,040)
<b>EBITDA</b>	<b>2,606</b>	<b>2,476</b>
D&A	(877)	(772)
.....		
<b>Net income</b>	<b>1,329</b>	<b>1,304</b>

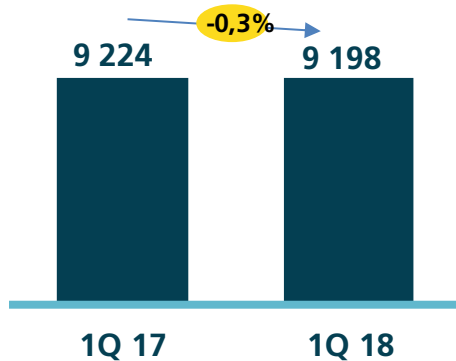




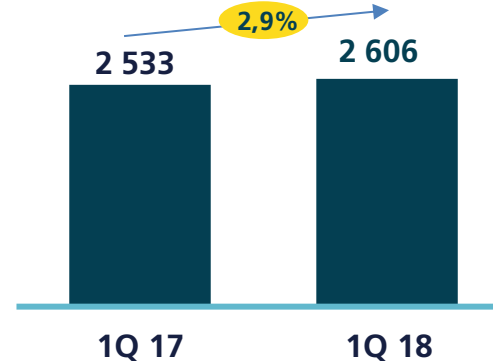
# New proposition & Slovakia help to maintain flat revenue y-o-y... ...growing EBITDA on the back of strict cost control

<i>CZK millions</i>	Jan-Mar 2018	<i>Change 1Q18 /1Q17</i>
<b>Operating Revenue</b>	<b>9,198</b>	<b>-0.3%</b>
CZ Fixed	2,581	
CZ Mobile	4,909	
Slovakia <sup>[1]</sup>	1,767	
<b>EBITDA</b>	<b>2,606</b>	<b>+2.9%</b>
<i>EBITDA margin</i>	28.3%	
<b>Net Income</b>	<b>1,329</b>	<b>+3.4%</b>
Free Cash Flow	429	

### Operating Revenue



### EBITDA



<sup>[1]</sup> including O2 Business Services;





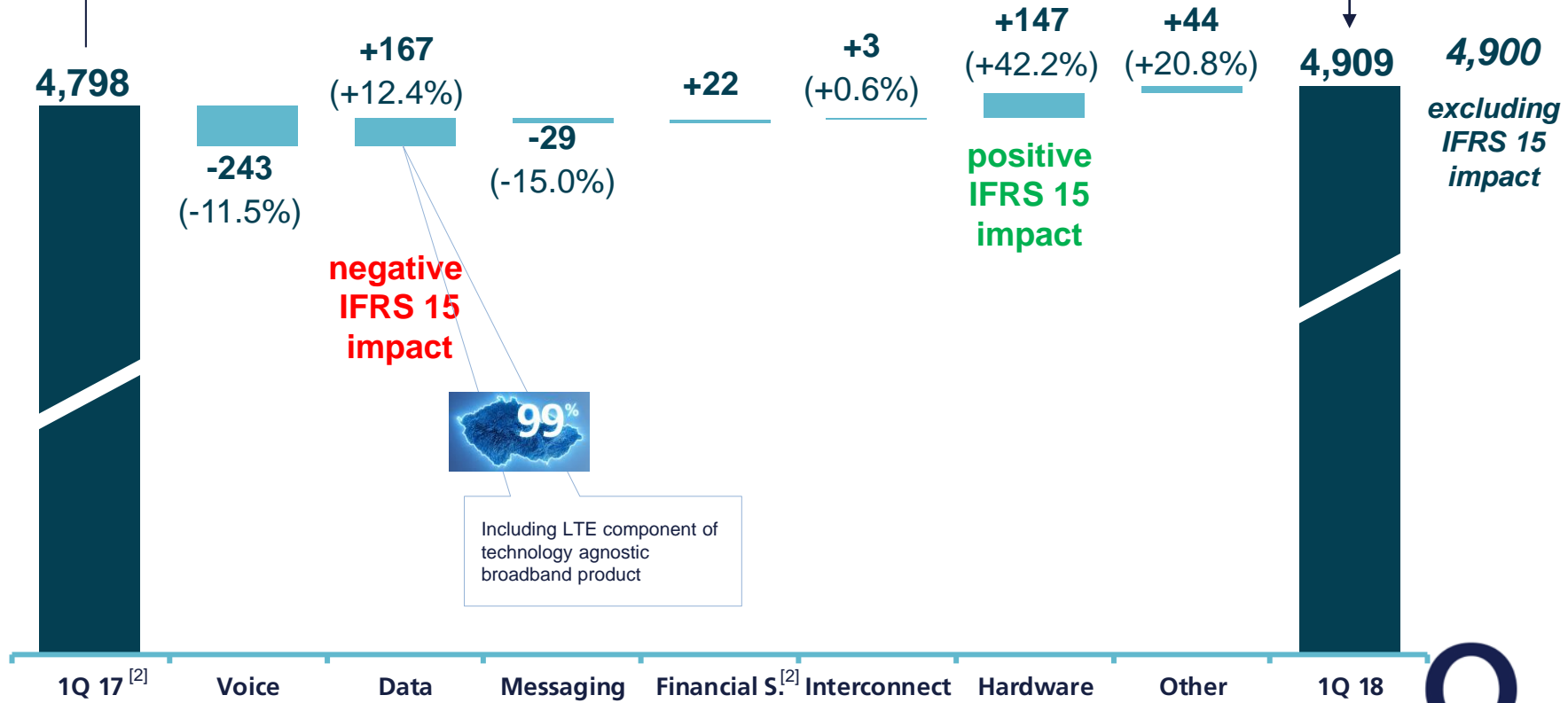
# Double digit growth of data, financial services, and HW revenue ... ...more than compensating roaming abroad & B2B pricing impact

CZK millions  
(% change y-o-y)

Slovakia Mobile Revenue<sup>[1]</sup> **+8.3%**



Czech Mobile Revenue **+2.3%**



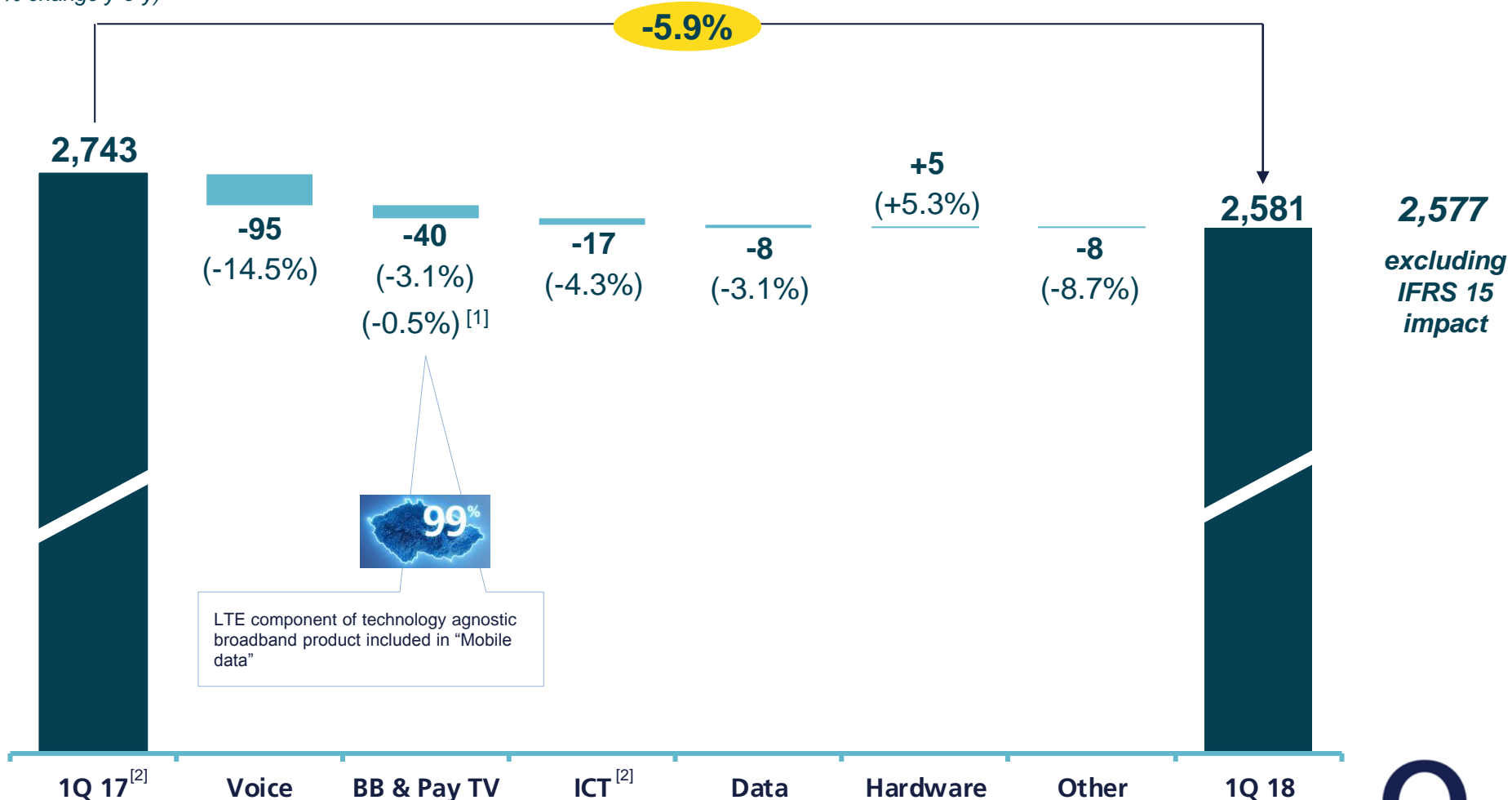
<sup>[1]</sup> Key drivers: Data: +13%, Hardware: +27%; O2 Slovakia, growth rate in local currency (EUR); <sup>[2]</sup> 1Q17 pro-forma, i.e. adjusted for change in reporting of electronic sales reporting revenue (included in fixed ICT till 1Q17 and in mobile financial services since 2Q17)





# Fixed voice declining due to fixed to mobile substitution... ...traditional data under pressure

CZK millions  
(% change y-o-y)



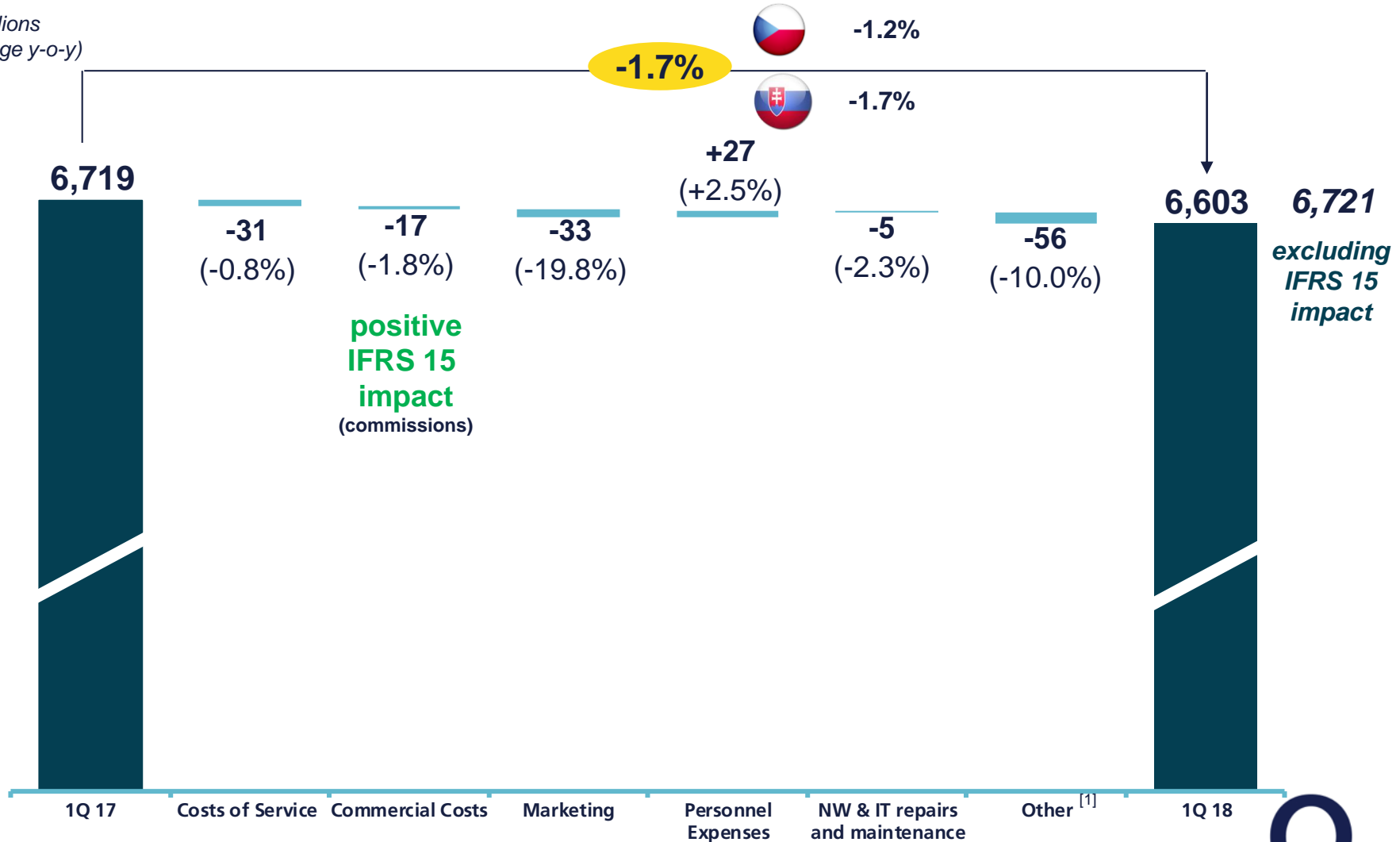
[1] including LTE component of technology agnostic broadband product; [2] 1Q17 pro-forma, i.e. adjusted for change in reporting of electronic sales reporting revenue (included in fixed ICT till 1Q17 and in mobile financial services since 2Q17)



# Cost base under control...

## ...with savings in Czech as well as in Slovakia

CZK millions  
(% change y-o-y)



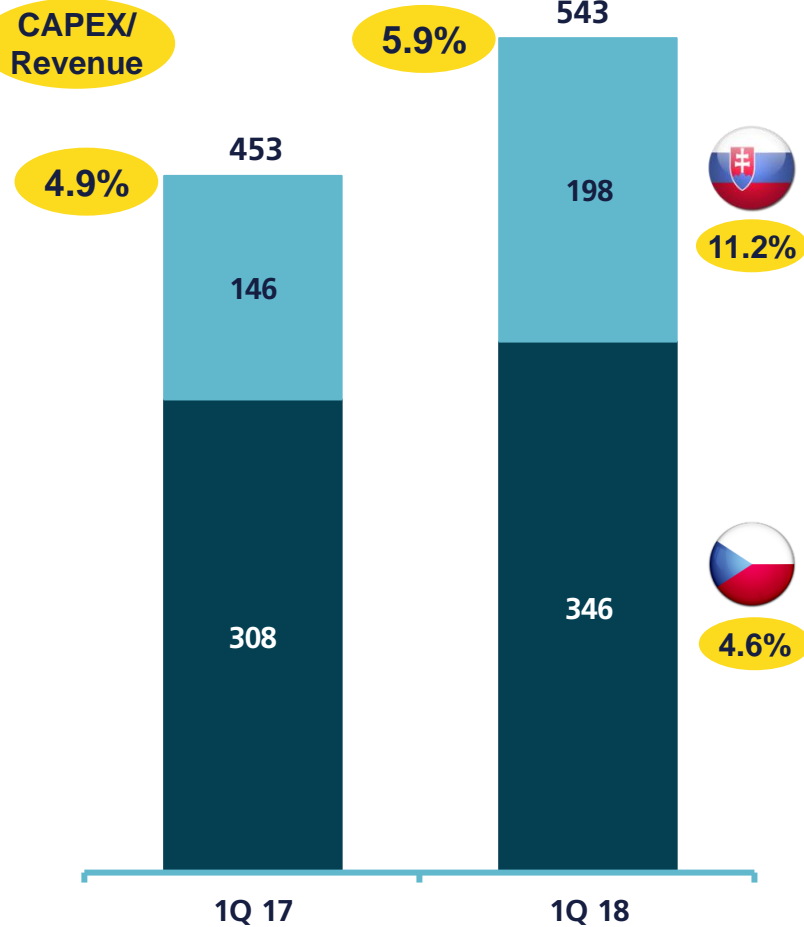
<sup>[1]</sup> Taxes other than income taxes, provisions and fees, Rentals, Buildings, Vehicles, Consumables, Consultancy, Billing, Collection, Call Centers, management fees and other; including Internal expenses capitalized in fixed assets





# Capex up by 20% y-o-y... ...driven by mobile NW capacity in SK & IT transformation

CZK millions



### Slovakia:

- Mobile NW capacity (transmission, backbone)
- 2G NW expansion to reduce national roaming

### Czech Republic:

- IT transformation (also in 2Q/3Q 2018)
- Mobile core NW upgrade
- Sport content (Pay TV)





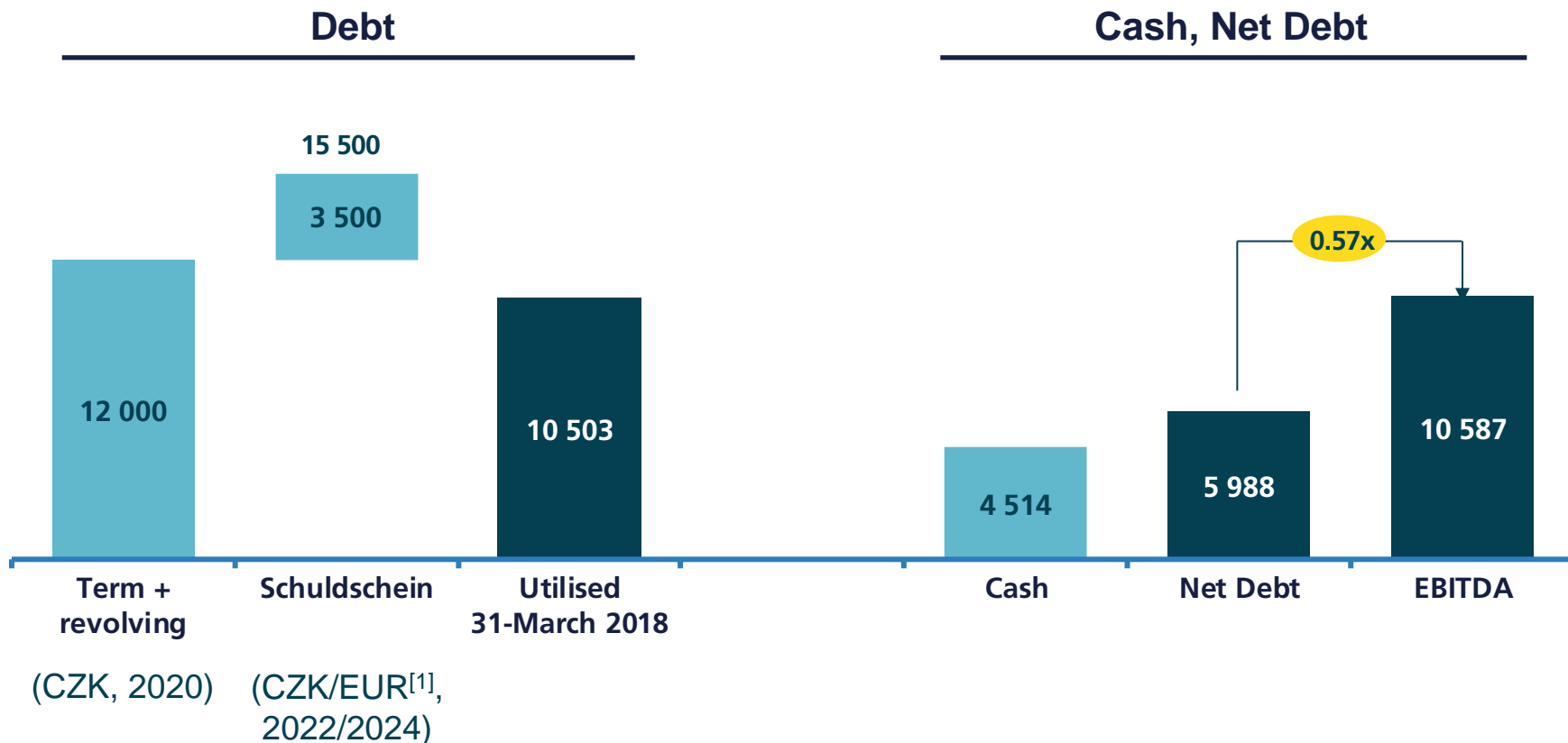
## Higher equity due to IFRS 15 opening balance adjustment...

<i>CZK millions</i>	<b>31 Dec 2017</b>	<b>31 Mar 2018</b>	<b>31 Mar 18 /31 Dec 17</b>
<b>Non-current assets</b>	<b>23,411</b>	<b>23,713</b>	<b>+1.3%</b>
- of which intangible assets	16,815	16,601	-1.3%
- of which property, plant & equipment	5,636	5,601	-0.6%
<b>Current assets</b>	<b>11,431</b>	<b>12,227</b>	<b>+7.0%</b>
- of which cash & cash equivalents	4,088	4,514	+10.4%
<b>Total assets</b>	<b>34,842</b>	<b>35,940</b>	<b>+3.2%</b>
<b>Equity</b>	<b>15,475</b>	<b>17,396</b>	<b>+12.4%</b>
<b>Non-current liabilities</b>	<b>10,887</b>	<b>10,972</b>	<b>+0.8%</b>
- of which financial debt	10,448	10,448	+0.0%
<b>Current liabilities</b>	<b>8,479</b>	<b>7,572</b>	<b>-10.7%</b>



# 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... ...CZK 21 per share in total

2017  
Regular  
Dividend

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

Share Premium  
distribution

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

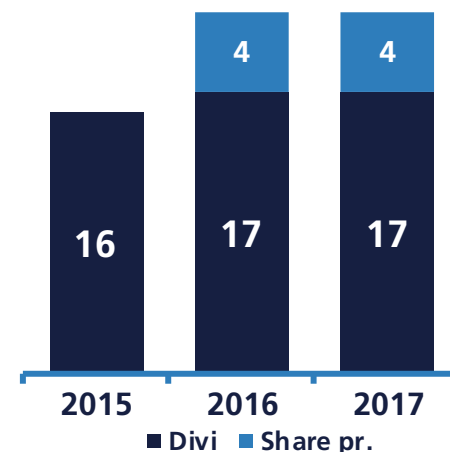
Key dates

- **Record date: 4<sup>th</sup> June 2018**
- **Payment date: 4<sup>th</sup> July 2018**

Share Buy Back

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

Total shareholder remuneration  
(CZK per share)



up to **CZK 6,515m<sup>[1]</sup>**  
Final decision by AGM

<sup>[1]</sup> 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; <sup>[3]</sup> as of 31<sup>st</sup> May 2018







Back up

O<sub>2</sub>

# O<sub>2</sub> is market leader in Czech Republic (CZ)... ... and fastest growing player in Slovakia (SK)

## Strong position in both CZ and SK market



- Market leader in CZ
- Fastest growing player in SK

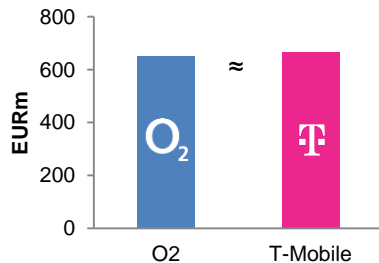
## Solid GDP growth and retail purchasing power



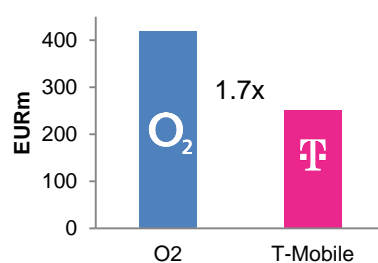
- Strong link to German economy
- GDP growth above EU level
- Unemployment in CZ at the lowest levels in past 20 years

## Market leader in the Czech Republic

Mobile Service Revenue

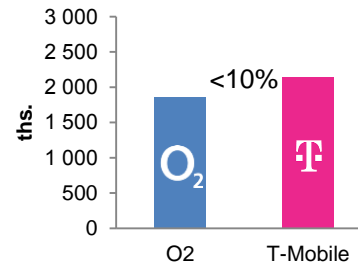


Fixed Service Revenue<sup>(1)</sup>

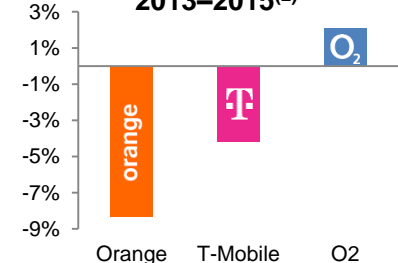


## Fastest growing player in Slovakia

Mobile customers



Mobile revenue CAGR 2013–2015<sup>(2)</sup>

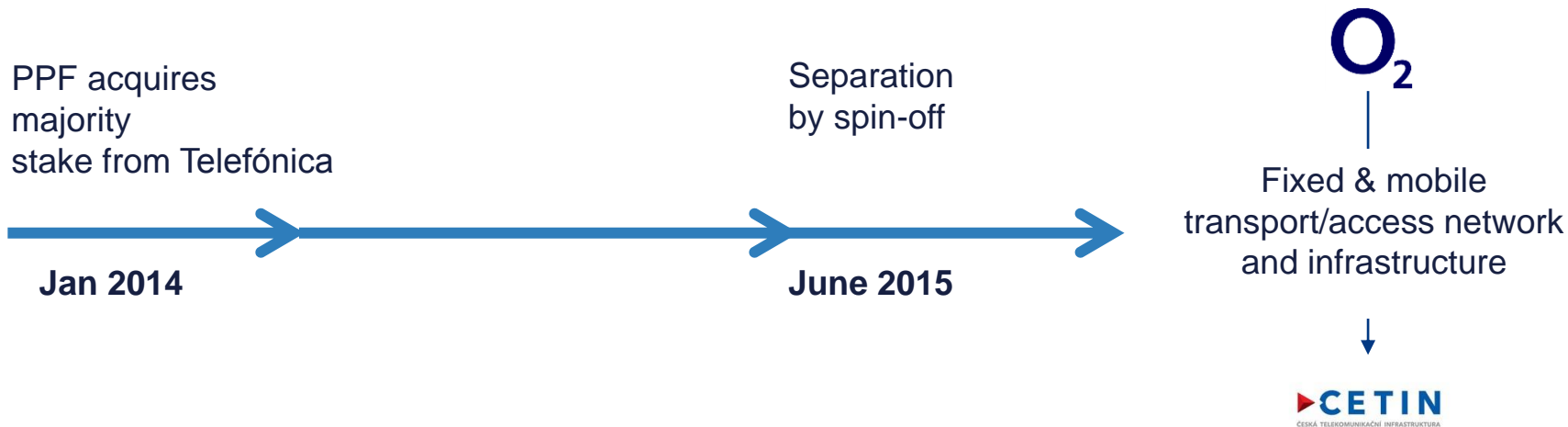


Note: (1) O<sub>2</sub> also has 1.7x higher broadband subscriber base than UPC, the largest broadband competitor; (2) Data for Orange are best estimate



# 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

**O<sub>2</sub>**

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

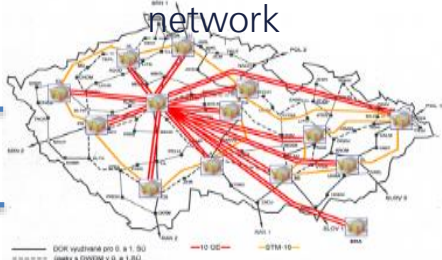
6,000 sites for mobile services

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

O<sub>2</sub>

Spin-off  
(1<sup>st</sup> June 2015)

O<sub>2</sub>

10%

 **CETIN**  
ČESKÁ TELEKOMUNIKAČNÍ INFRASTRUKTURA

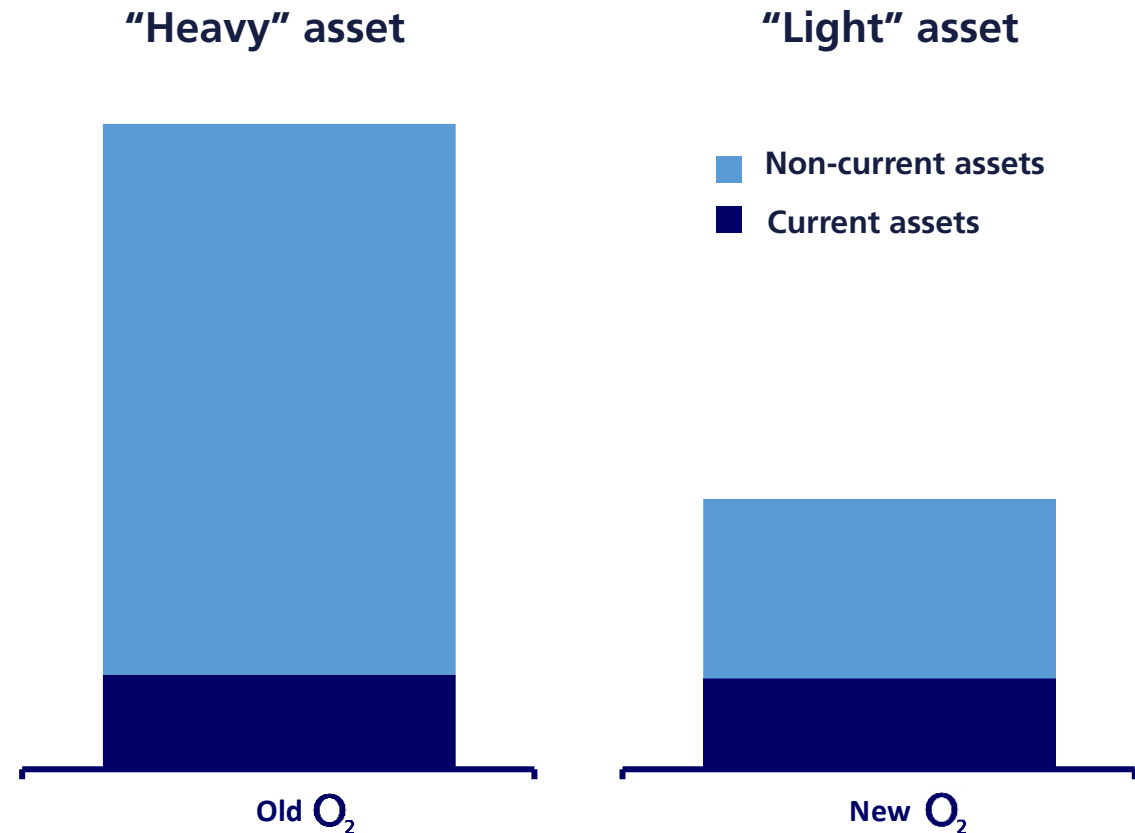
60%

 **CANCELLED**

30%

O<sub>2</sub>

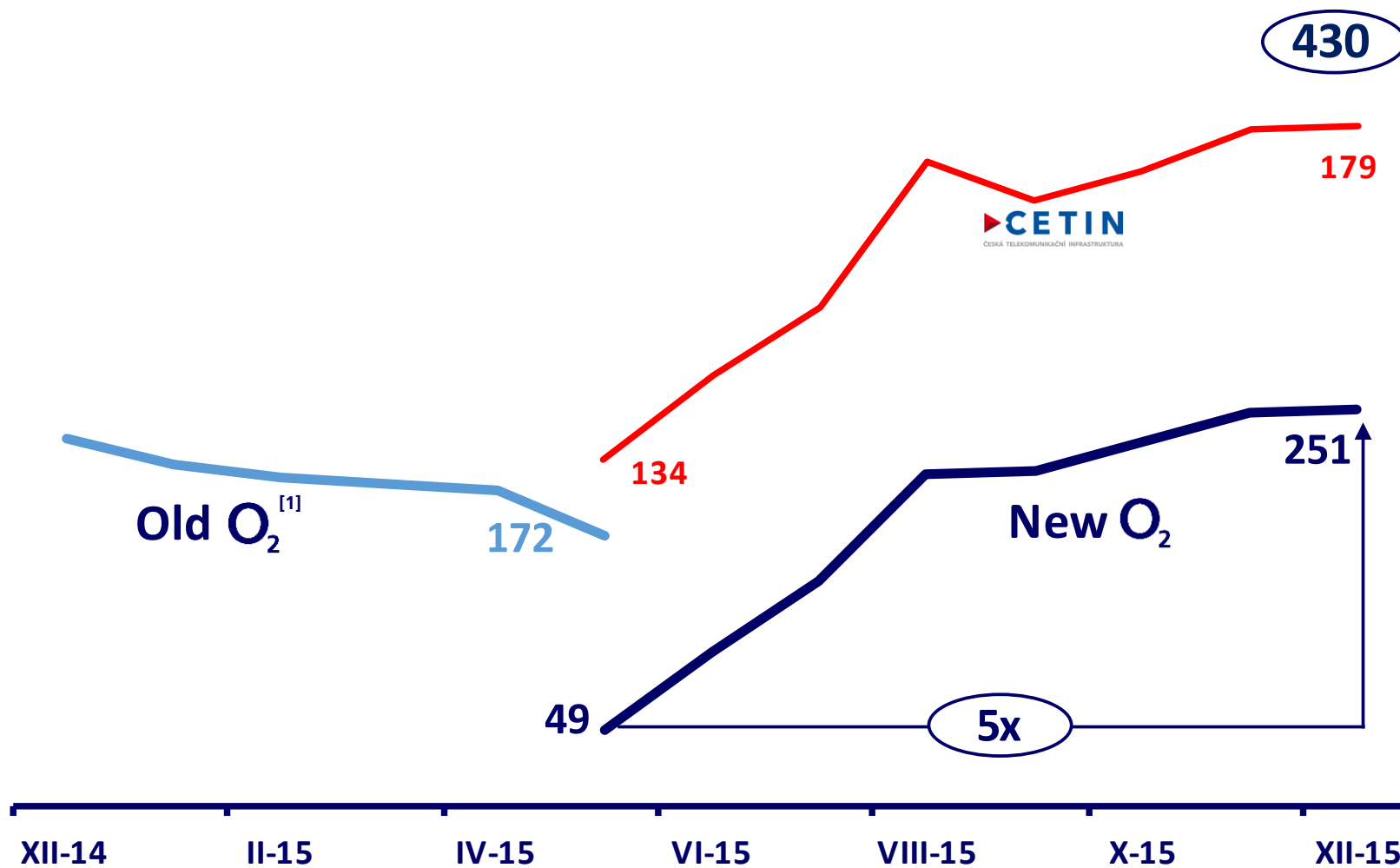
# Fundamental rationale for separation followed 3 simple goals.. total assets decreased...and completely changed its structure



O<sub>2</sub>

# O2 share price responded...

...by recognizing CZK 63bn extra value





# Post separation setup...

## ...Two strong independent companies

O<sub>2</sub>

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.

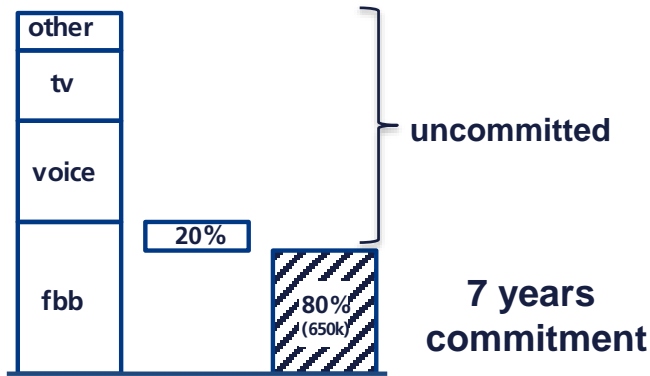
**O2 CR x  
PPF  
relationship**

- 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**

O<sub>2</sub>

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

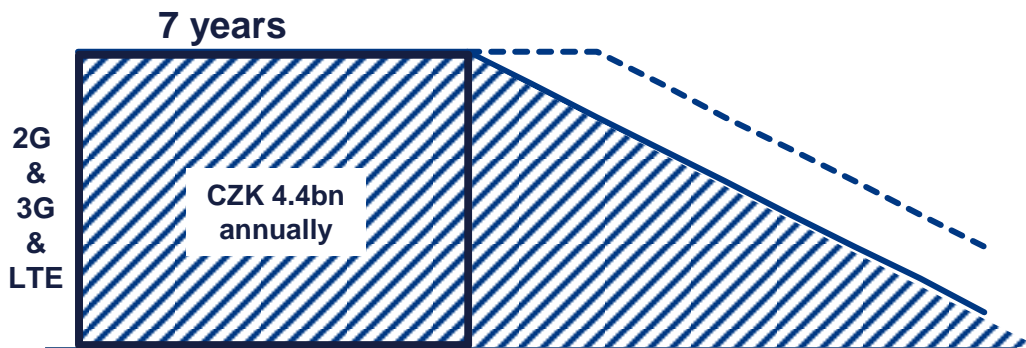
Fixed charge & commitment (illustrative)



CETIN's wholesale FBB offer (illustrative)

		TIME commitment	
VOLUME commitment			x
			650k/ 7 years

Mobile charge & commitment (illustrative)



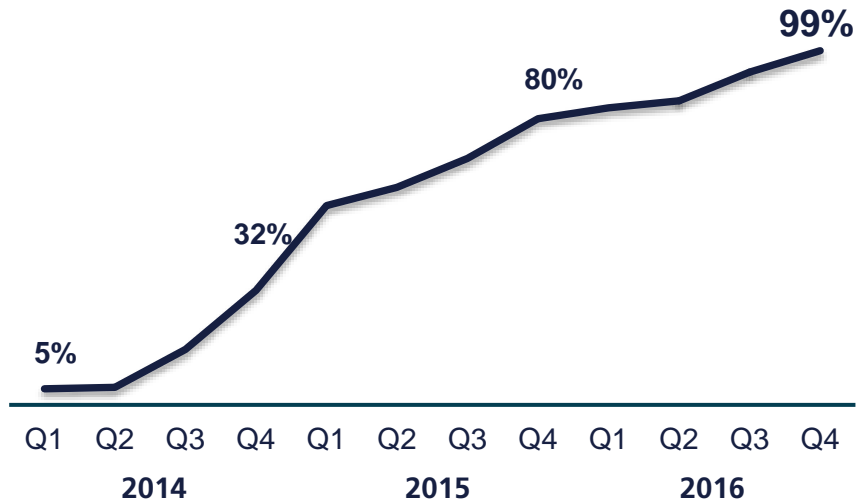
- Open book principle
- 7 years commitment
- Additional savings shared



# 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 100% of Prague (Brno to be covered during 2018)
- 3CC available in selected parts of two major cities
- First 4.5G commercial launch (up to 1.2Gbs)



# Superior fixed broadband coverage<sup>[1]</sup>... ... with further increase in speeds

## Fixed broadband infrastructure<sup>[1]</sup> <sup>[2]</sup>



## Household coverage

**O<sub>2</sub>**<sup>[1]</sup> 90%

 33%  
upc

## O2 current proposition

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

## Speed upgrade through:

- Remote DSLAMs
- Vectoring
- Bonding
  
- 10/2017 – upgrade of PREMIUM from 80Mbps to 100 Mbps
- 6/2018 – ULTRA HD (250 Mbps)

<sup>[1]</sup> through CETIN

<sup>[2]</sup> 20 million kmp of cables



A low-angle, rear-view shot of a person's legs and feet. The person is wearing dark blue denim jeans and tan leather loafers. They are 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

O<sub>2</sub>

# Investor Relations contacts

Jakub Hampl

Head of Investor Relations

T: +420 271 463 935

E: [jakub.hampl@o2.cz](mailto:jakub.hampl@o2.cz)

[investor\\_relations@o2.cz](mailto:investor_relations@o2.cz)

[www.o2.cz/spolecnost/en/investor-relations/](http://www.o2.cz/spolecnost/en/investor-relations/)

