

The background of the slide is a dynamic splash of water against a dark blue gradient. The water is captured in mid-air, with numerous bubbles and droplets of varying sizes. The lighting highlights the transparency and texture of the water, creating a sense of movement and freshness. The overall color palette is monochromatic, ranging from deep navy blue to a lighter, almost white blue at the top.

O2 Czech Republic, a. s.  
30<sup>th</sup> January 2018

# Quarterly Results January – December 2017

O<sub>2</sub>

# Cautionary statement

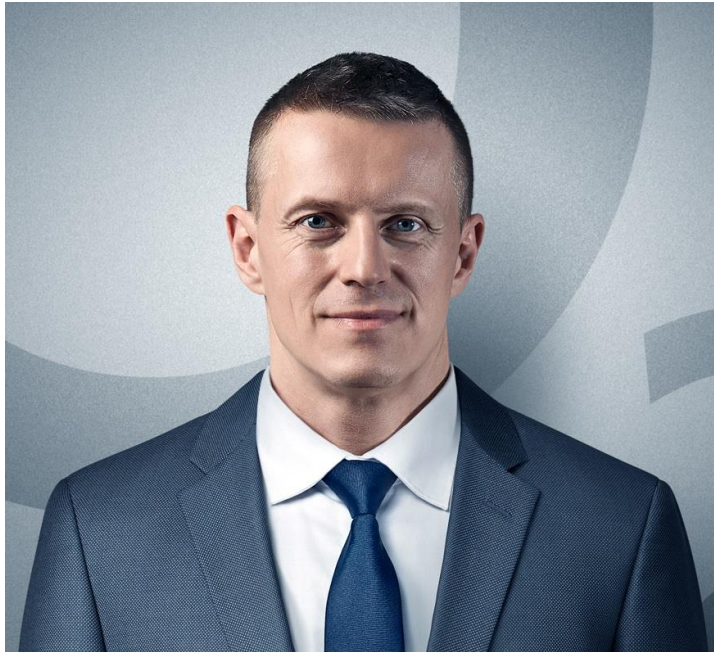
Any forward-looking statements concerning future economic and financial performance of O2 Czech Republic a.s. contained in this Presentation are based on assumptions and expectations of the future development of factors having material influence on the future economic and financial performance of O2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



# Today's speakers



**Jindřich Fremuth**

CEO & Chairman of the Board

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**Tomáš Kouřil**

CFO & Vice-Chairman of the Board

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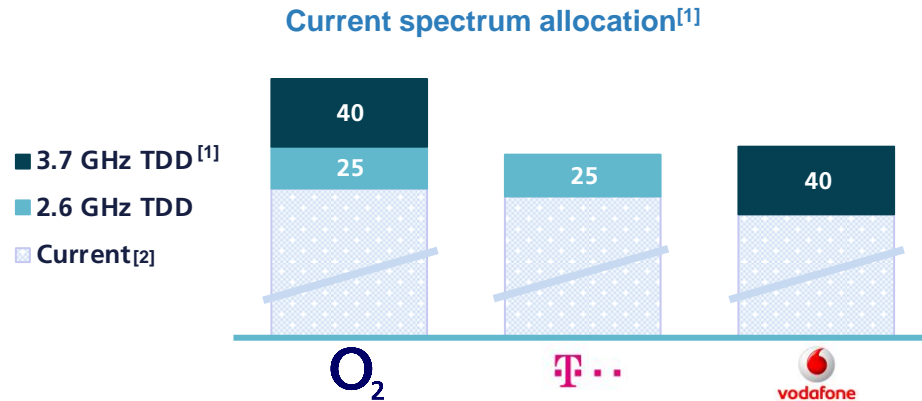




# Strategic commercial initiatives & Performance Highlights

# 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 ...



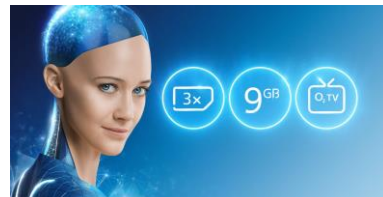
- O<sub>2</sub> Smart Box...fast and powerful Wi-Fi across whole house...
- ...heart of a smart home



- 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 convergent bundle



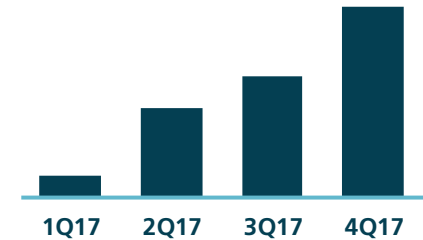


# Our value & customer oriented strategy works... ...growing Pay TV & BB base, visible data monetization



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

Pay TV net adds<sup>[1]</sup>



- 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 6<sup>th</sup> consecutive year<sup>[3]</sup>...

63%  
smartphone  
penetration<sup>[2]</sup>

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

46%  
LTE HW  
penetration<sup>[2]</sup>

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

- ... mobile ARPU keeps growing despite roaming

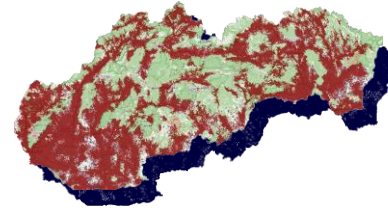


[1] IPTV & OTT; [2] per total number of handsets; [3] source: IPSOS (representative research of mobile internet among Czech operators' customers in 2012 – 2017)

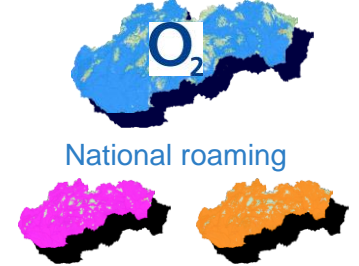
# O2 Slovakia with widest 4G LTE network coverage in market... ... 3% mobile ARPU growth driven by 31% data revenue uptake

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

90.6% 4G LTE coverage



99.8% 2G coverage<sup>[1]</sup>



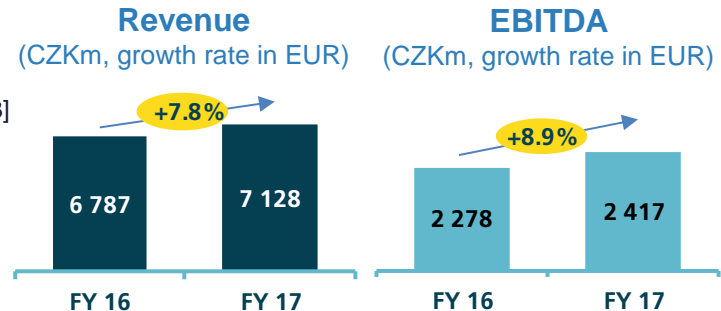
- LTE handset sales focus (in-house instalment model)...
- ...customers' demand in rich data proposition...
- ... data customer base +11% & traffic +55%...

61%  
smartphone  
penetration<sup>[2]</sup>

46%  
LTE HW  
penetration<sup>[2]</sup>



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



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





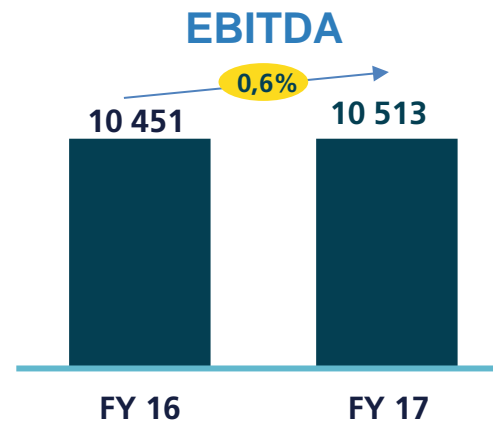
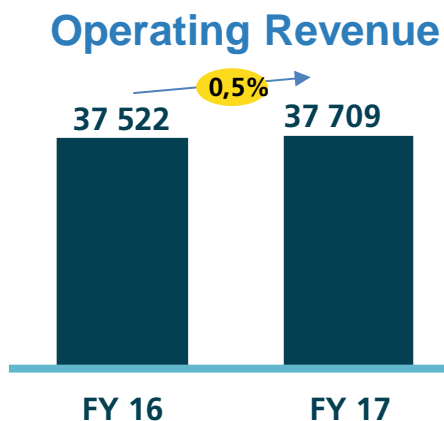
Financial Performance  
January – December 2017

O<sub>2</sub>



# 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>
<b>Operating Revenue</b>	<b>37,709</b>	<b>+0.5%</b>
CZ Fixed	10,785	
CZ Mobile	19,339	
Slovakia <sup>[1]</sup>	7,128	
<b>EBITDA</b>	<b>10,513</b>	<b>+0.6%</b>
<i>EBITDA margin</i>	27.9%	
<b>Net Income</b>	<b>5,587</b>	<b>+6.2%</b>
Free Cash Flow <sup>[2]</sup>	3,929	

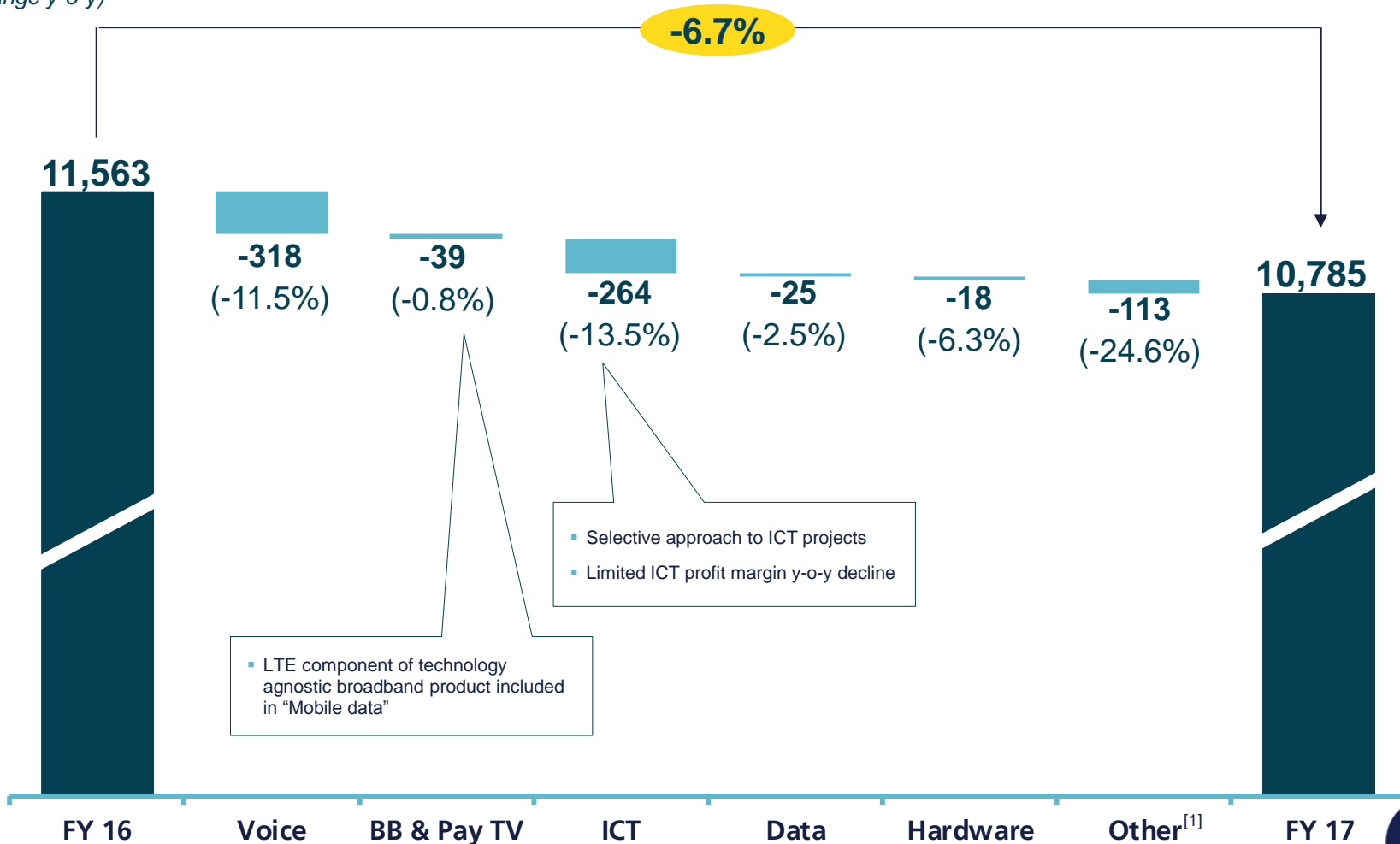


**10** <sup>[1]</sup> including O2 Business Services; <sup>[2]</sup> FCF in FY 17 including - Czech republic: 450 MHz license renewal (CZK 210m), 3.7 GHz spectrum payment (CZK 200m), O2 brand prepayment (CZK 765m), Slovakia: intensified network capex in 2G & 4G coverage, backbone (CZK ~ 800m) and hardware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

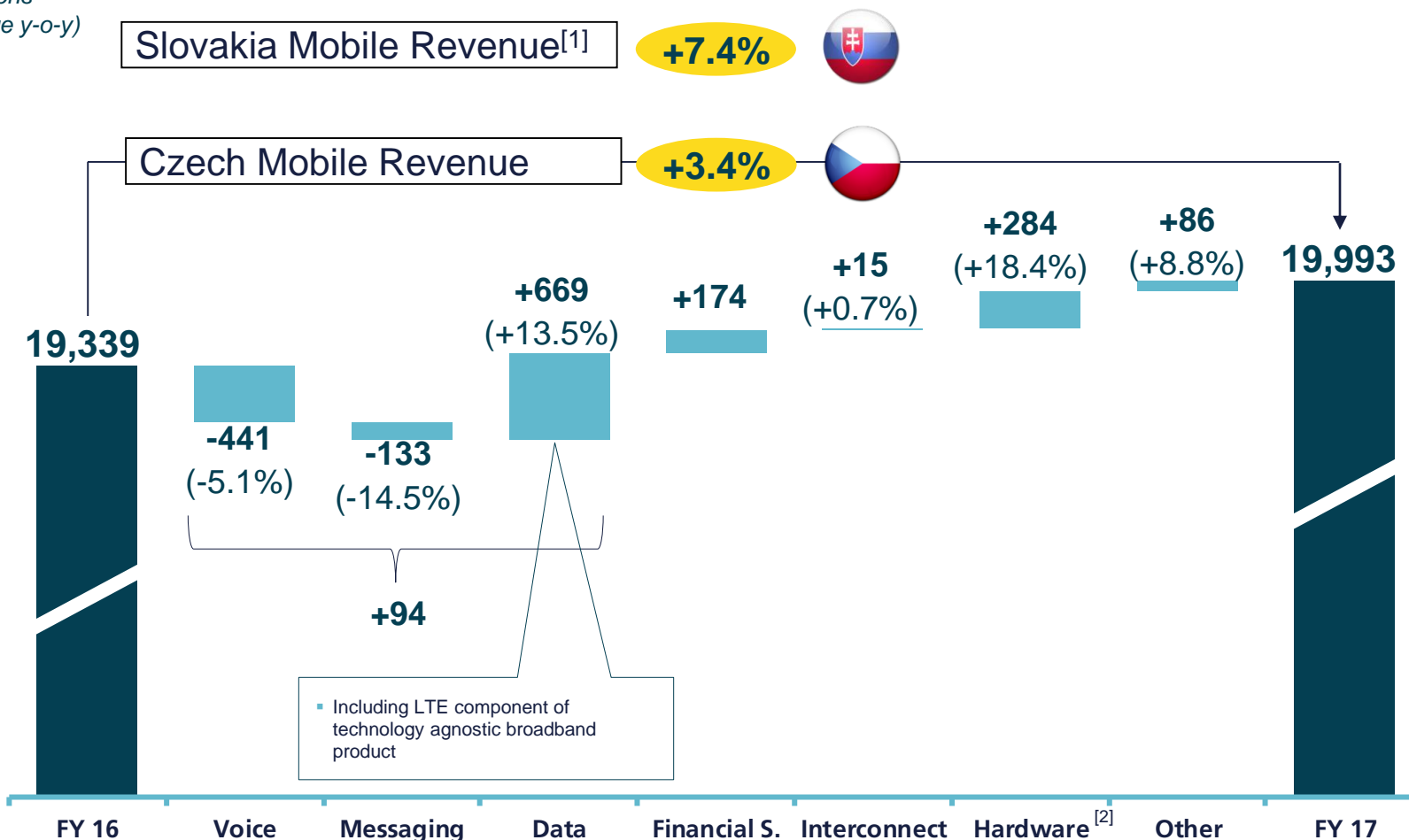






# Double digit growth of data, financial services, and HW revenue ... ...more than compensating roaming abroad & B2B pricing impact

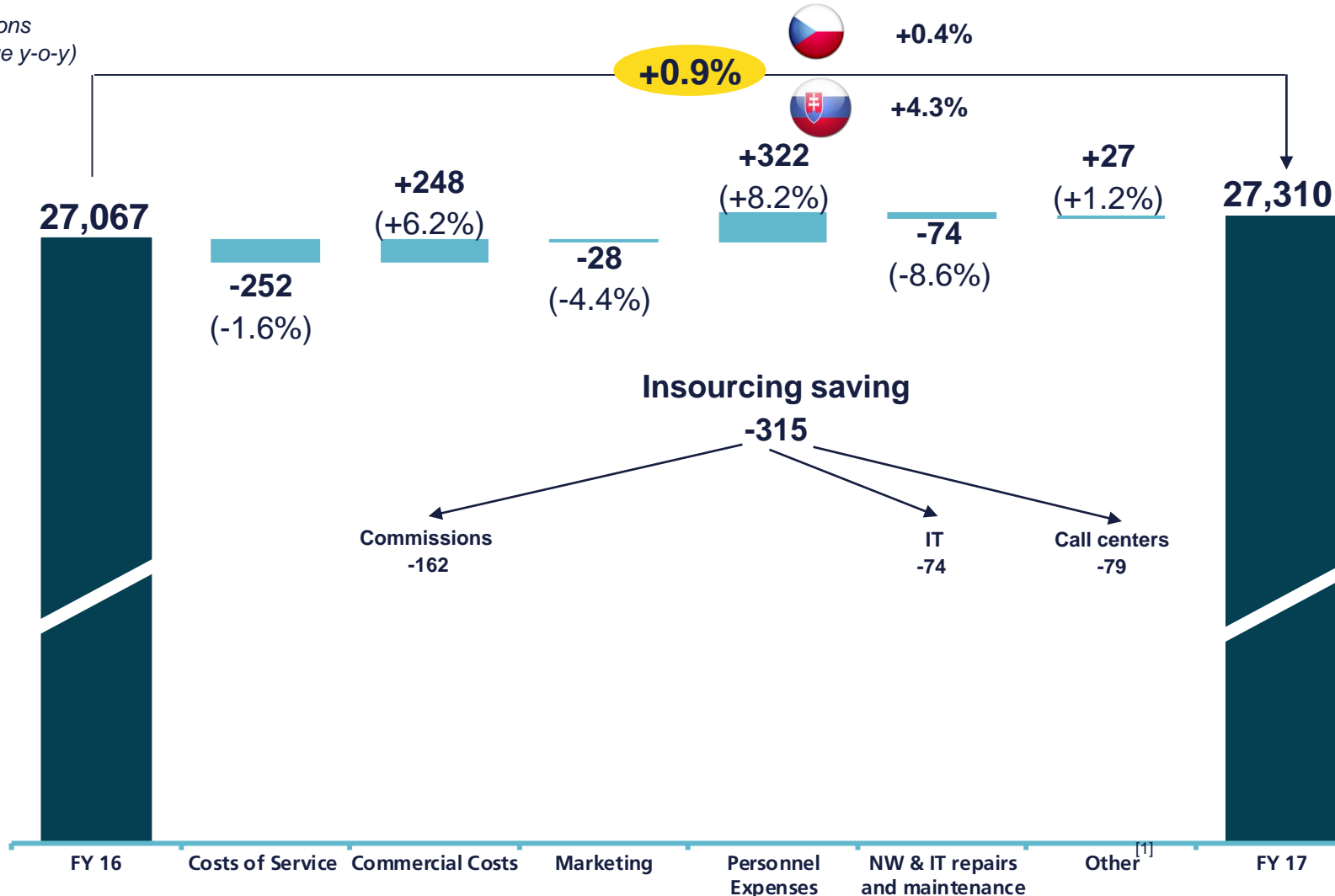
CZK millions  
(% change y-o-y)





# 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)



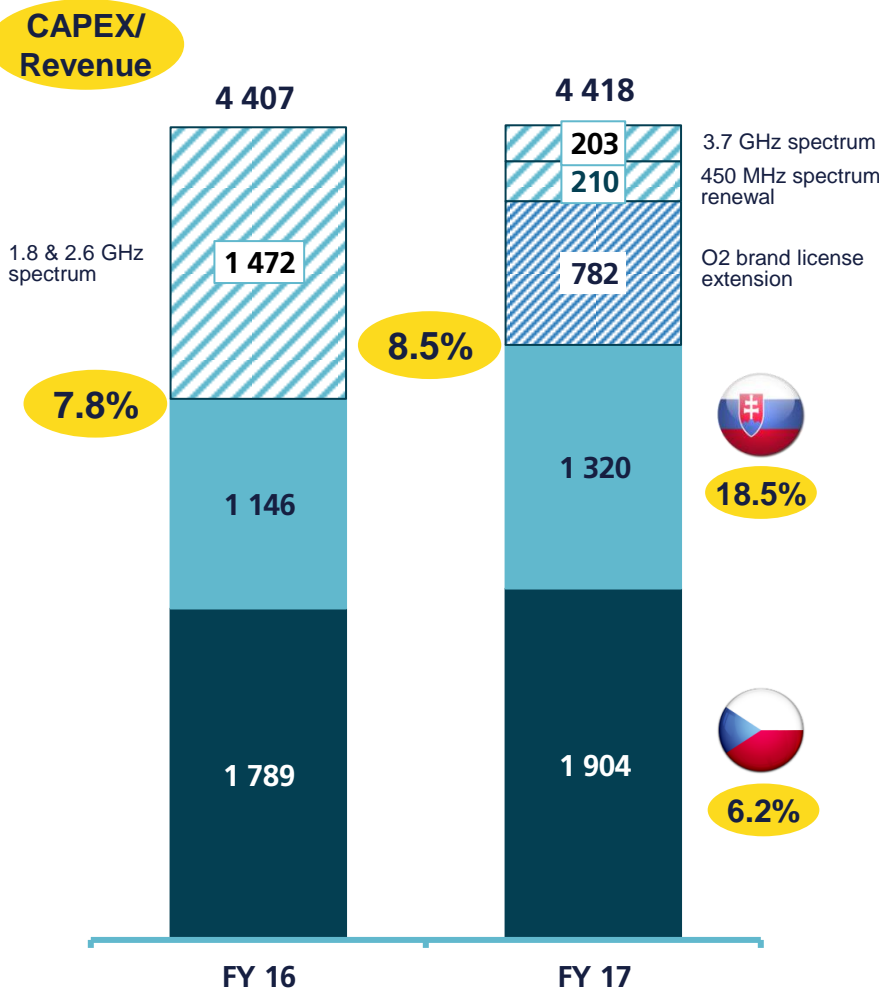
13 <sup>[1]</sup> Taxes other than income taxes, provisions and fees, Rentals, Buildings, Vehicles, Consumables, Consultancy, Billing, Collection, Call Centers, management fees and other; including Internal expenses capitalized in fixed assets





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



Back up

O<sub>2</sub>

# 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

