



Statement on Media Reports Concerning Regulation of Data Services' Retail Prices

17 February 2017

Dear Shareholders,

In recent days, you might have registered media coverage regarding meeting of the Prime Minister, the Chairman of the Office for the Protection of Competition and the Chairman of the Czech Telecommunication Office taken place on 7 February 2017 on potential reduction of mobile data services retail prices. These media reports were released after we presented our financial results for 2016, on 31 January 2017. Following the release of the news about the meeting share price of O2 Czech Republic a.s. decreased significantly with no other rational reason.

Following this we would like to offer concise explanation commenting this issue.

O2 Czech Republic a.s. respects and follows the perpetually changing regulatory framework in the field of electronic communications services. However, we always strongly emphasize on the principle that the regulation must be applied predictably, constructively and with certain long-term vision, as the regulator is responsible for the development of the entire industry. Implementing these logical conditions are the key to whether operators will remain to be able to invest in expensive technologies with reasonable economic perspective.

Even though electronic communications services are not visible, they do not come into existence by themselves. They are not an element of nature costing nothing to be created and we don't have unlimited amounts of it. Networks – as everything else created by humans - have inherently limited capacity, which should be cautiously planned and allocated.

O2 Czech Republic a.s. continuously communicates with regulators and transparently explains its position and fundamental economic principles. We also believe that the multiplication of regulatory interventions along with application of "anti-operators" propaganda could hardly bring about new technologies and other innovations.

We would like to take this opportunity to assure our investors that O2 Czech Republic a.s. is adopting all measures necessary in order to protect our shareholders' value, scope for our future profitable business growth but also innovation for customers. We have already pointed to the phenomenon, that is so typical for the current functioning of the regulator causing unjustified fears and disseminate false or distorted image.

The regulator only concentrates on negative confrontation with "big operators" at the moment instead of constructive and predictable regulation of the entire market. In addition, it is necessary to remind that regulatory interventions must be applied within the legal framework. Instead, the regulator through its twitter glosses raises false expectations spreading inaccurate information, that are means clearly being out of standard regulatory procedures.

We would like to emphasize that both authorities (the Telecommunication Office and the Office for the Protection of Competition) are established as the professional, apolitical, independent regulatory authorities. As such **they must not accept purely political tasks of "focusing on retail prices"**.

It should be noted that the Czech Telecommunications Office itself in its decision no. OOP / 1 / 04.2015-2 of 1. 4. 2015 clearly defined only five relevant markets. In these markets only, regulatory remedies (including, in extreme cases, the regulation of prices) may be implemented. **Neither of these markets is a retail market.** And neither of these defined markets includes mobile data services.

On the contrary, the Czech Telecommunication Office recently delisted retail market "No. 8 - Access and call origination in public mobile telephone networks", which was newly introduced only in 2012. In addition, in its March 2016 market analysis, the Czech Telecommunication Office stated that "*the market failed to meet three criteria test, and therefore it*

cannot continue to be considered a relevant market. Applying an ex-ante regulation in the market, which is the subject of the analysis, is not possible. "

O2 Czech Republic a.s. believes that State power can only be exercised strictly within the limits set and in a manner prescribed by, the law. At the same time we presume that a prosperous economy based upon private ownership and private enterprise is in the State's interest, with profitable companies across all sectors giving people jobs and meeting their own obligations.

The Czech Telecommunication Office has enough regulatory tools for an *ex-ante* regulation of the electronic communications sector and in our opinion, it is key to use these powers predictably and constructively in order not to not discourage further investment, driving positive changes and innovation.

The State had already countless opportunities to express how to manage and develop telecommunications infrastructure sadly resulting in consequences we tackled for the past 20 years. Listening "Wannabe professional" having zero experience with bearing any kind of business risk and saying that it could be done "better and cheaper" are simply not authentic. Unfortunately, they can threaten investor confidence as we see it.

Therefore, I would like to assure our shareholders that we stand ready to defend ourselves and the entire industry against any actions that are damaging interests of our company, for the simple reason of our basic obligation is to act with due diligence.

Tomáš Budník
Chairman of the Board of Directors & CEO
O2 Czech Republic a.s.