

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.

O2 Czech Republic, a. s.
27th April 2018

Quarterly Results January – March 2018

O₂

Cautionary statement

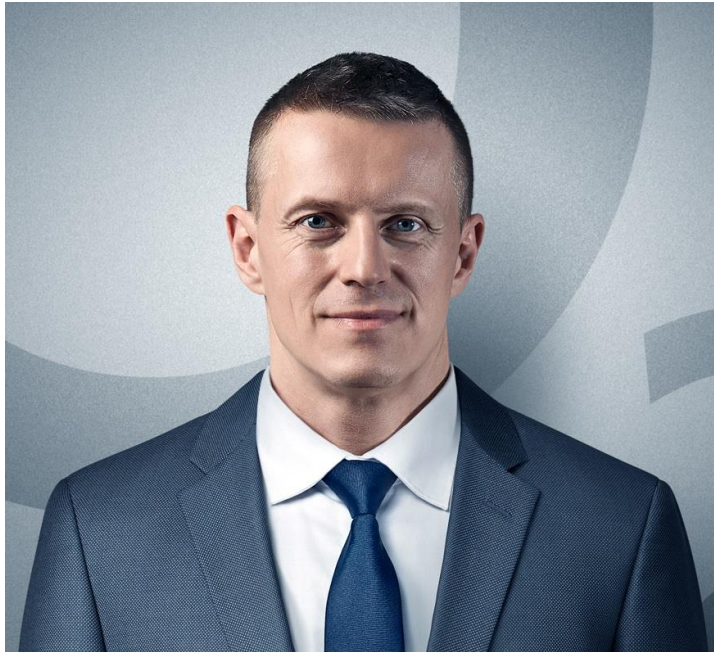
Any forward-looking statements concerning future economic and financial performance of O2 Czech Republic a.s. contained in this Presentation are based on assumptions and expectations of the future development of factors having material influence on the future economic and financial performance of O2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



Today's speakers



Jindřich Fremuth

CEO & Chairman of the Board



Tomáš Kouřil

CFO & Vice-Chairman of the Board



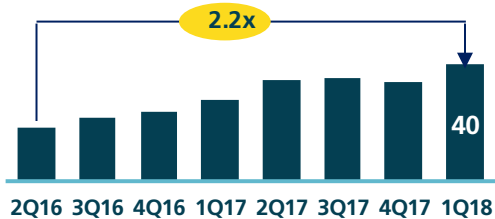
Strategic commercial initiatives & Performance Highlights

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^[1] installation... **4GLTE+**
- ... most intense data traffic localities to be upgraded with 2CC

4G LTE downlink speed in Prague^[2]



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



- 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^[1]

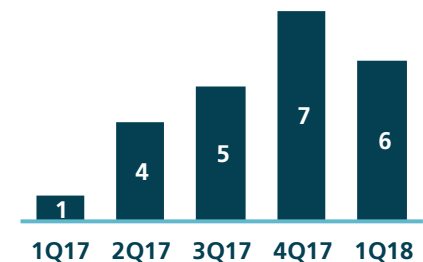
- ...growing LTE hardware penetration...
- ... resulting in **140% y-o-y growth** in mobile data traffic
- **Mobile data revenue: +12% y-o-y**



- **O2 TV base growth** maintained...
- ...helped by **bundled proposition**...
- ...new **exclusive content** acquired..
- ...to improve **O₂ TV attractiveness**



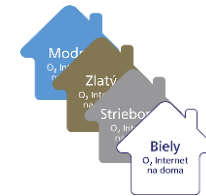
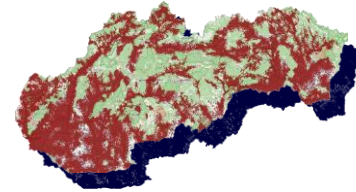
Pay TV net adds^[2]



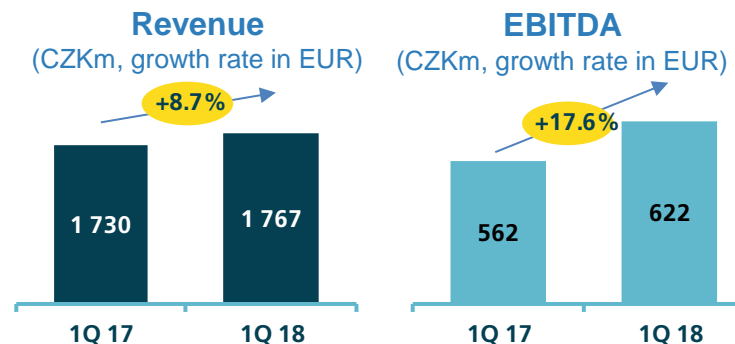
O2 Slovakia further expands 4G LTE network coverage... ... 3% mobile ARPU growth driven by 13% data revenue uptake

- 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^[2]
- Revenue growths driven by data & hardware
- Total EBITDA margin 35.2%^[3], + 2.7 p.p. y-o-y

93.6% 4G LTE
population coverage



63%/50%
smartphone/
LTE smartphone
penetration^[1]





Financial Performance
January – March 2018

O₂

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

Modified cumulative effect method

- Relevant **adjustment** ^[1] 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^[2])
- **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
Operating Revenue	9,198	9,186
CZ Fixed	2,581	2,577
CZ Mobile	4,909	4,900
Slovakia	1,767	1,768
.....		
Commercial Costs ^[3]	(922)	(1,040)
EBITDA	2,606	2,476
D&A	(877)	(772)
.....		
Net income	1,329	1,304

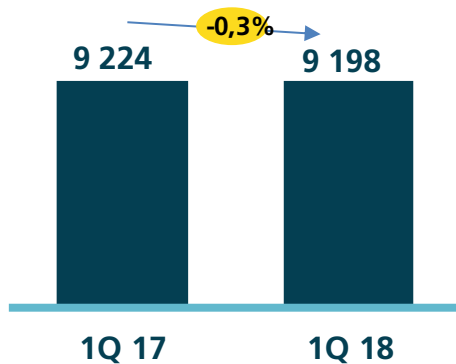




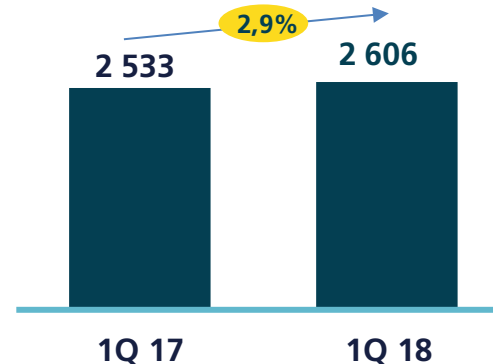
New proposition & Slovakia help to maintain flat revenue y-o-y... ...growing EBITDA on the back of strict cost control

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

Operating Revenue



EBITDA



^[1] including O2 Business Services;



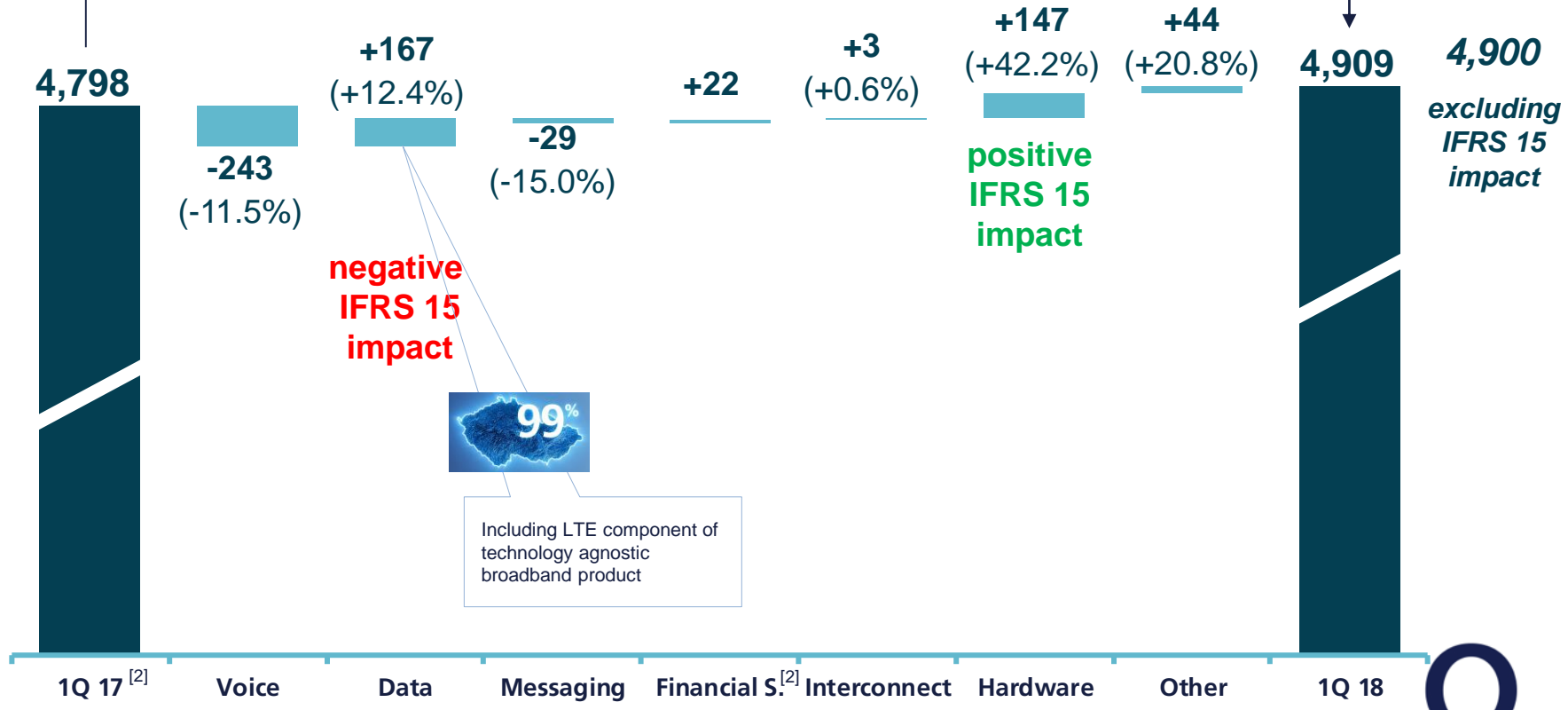
Double digit growth of data, financial services, and HW revenuemore than compensating roaming abroad & B2B pricing impact

CZK millions
(% change y-o-y)

Slovakia Mobile Revenue^[1] **+8.3%**



Czech Mobile Revenue **+2.3%**



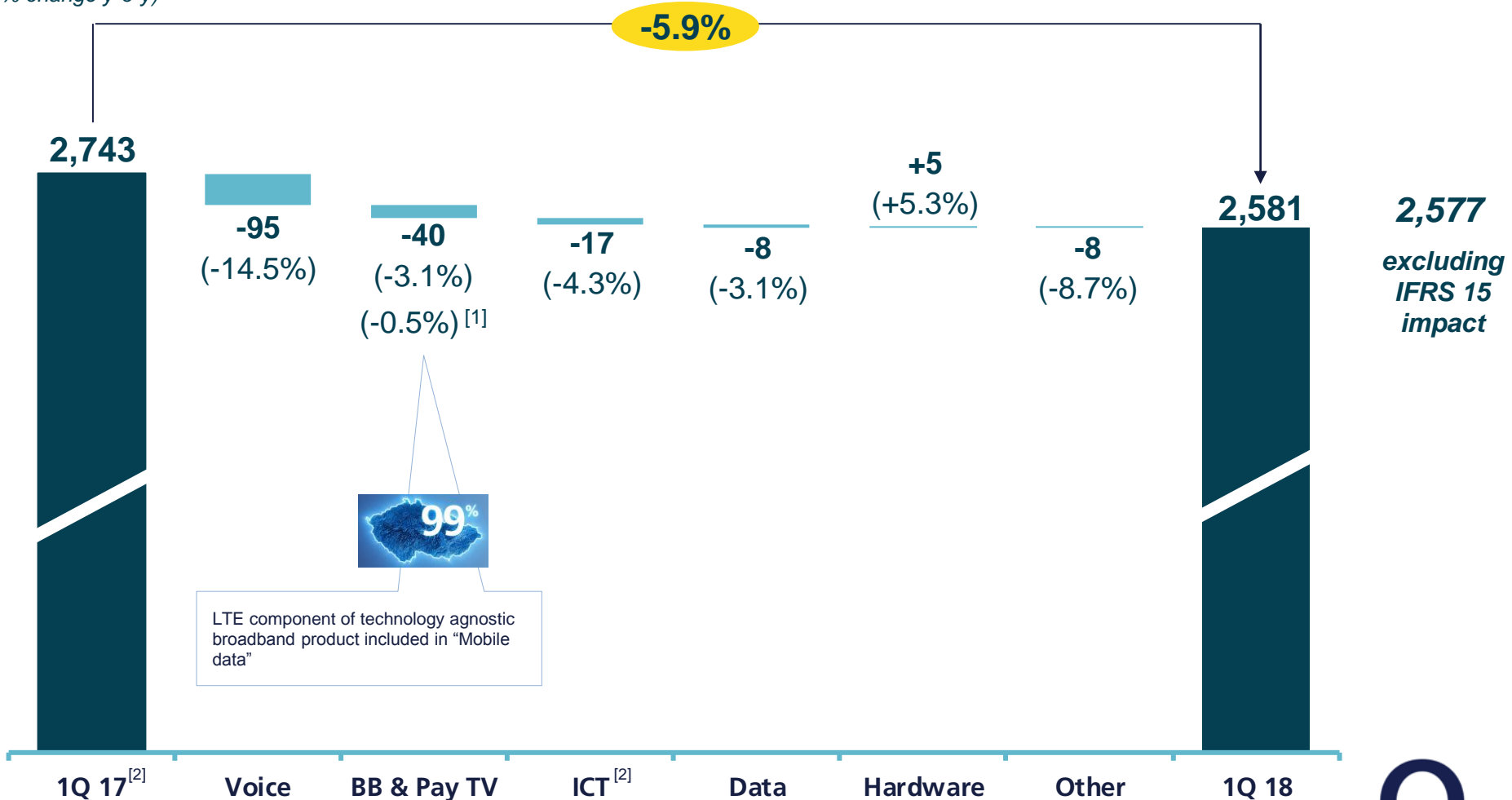
^[1] Key drivers: Data: +13%, Hardware: +27%; O2 Slovakia, growth rate in local currency (EUR); ^[2] 1Q17 pro-forma, i.e. adjusted for change in reporting of electronic sales reporting revenue (included in fixed ICT till 1Q17 and in mobile financial services since 2Q17)





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

CZK millions
(% change y-o-y)



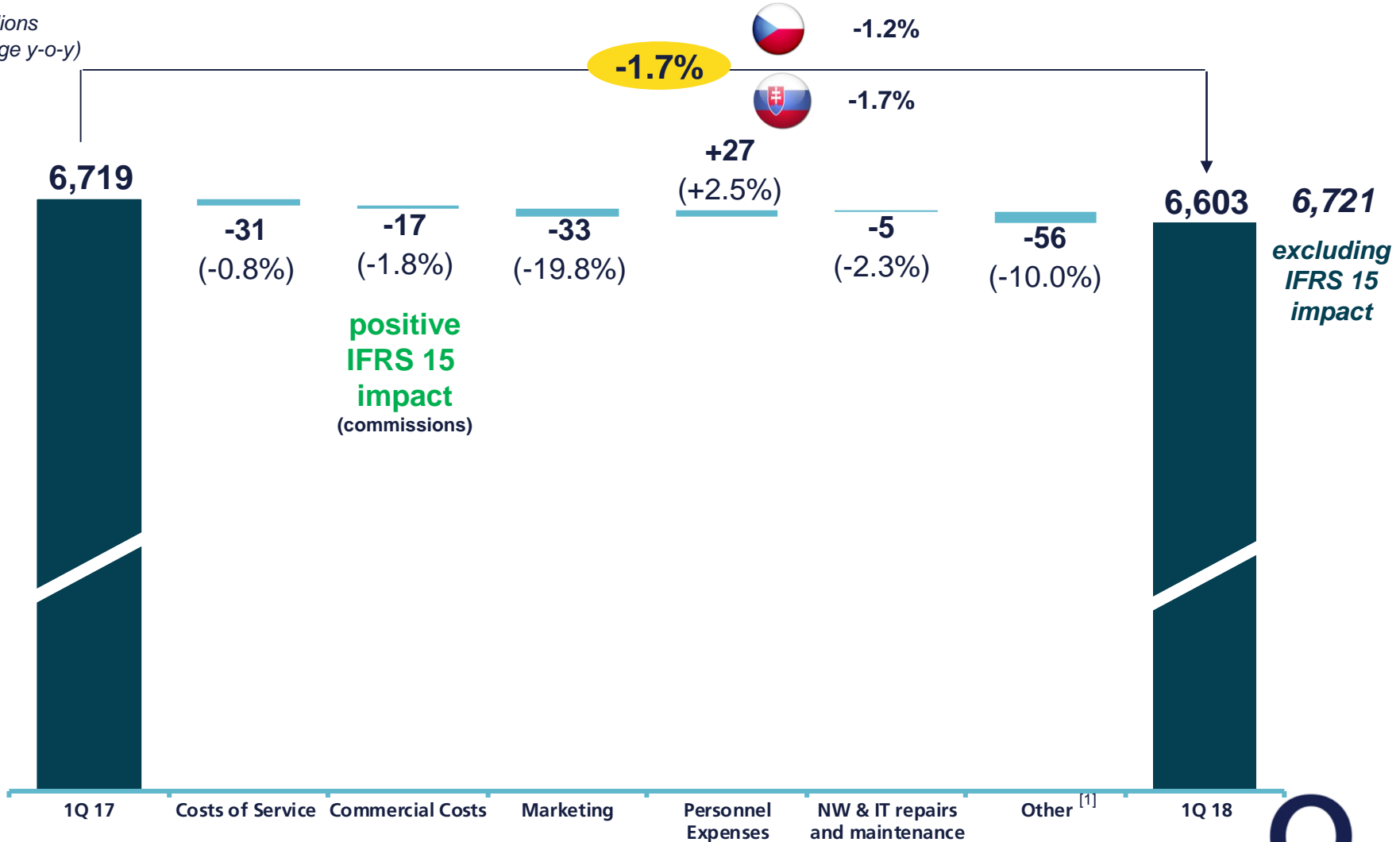
^[1] including LTE component of technology agnostic broadband product; ^[2] 1Q17 pro-forma, i.e. adjusted for change in reporting of electronic sales reporting revenue (included in fixed ICT till 1Q17 and in mobile financial services since 2Q17)



Cost base under control...

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

CZK millions
(% change y-o-y)



^[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





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

CZK millions

CAPEX/
Revenue

4.9%

453

146

308

1Q 17

5.9%

543

198

346

1Q 18



11.2%



4.6%

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





2017 Shareholder remuneration proposal



Share premium distribution on top of regular dividend... ...CZK 21 per share in total

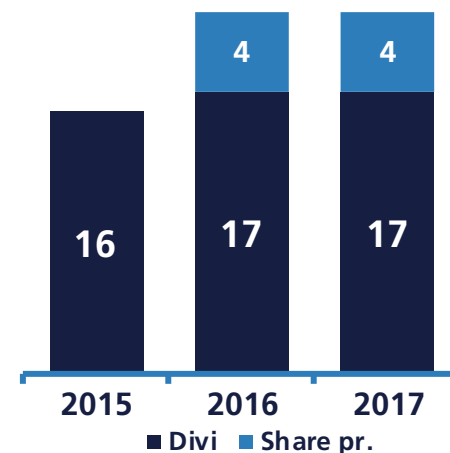
2017^[1]
Regular
Dividend

- Proposed **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**
- Proposed **CZK 4 per share**
- **Not one-off, but mid-term intention**

Total shareholder remuneration
(CZK per share)



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

Key dates

- **Annual General Meeting: 4th June 2018**
- **Record date: 4th June 2018^[1] (ex-date: 1st June 2018^[3])**
- **Payment date: 4th July 2018^[1]**

^[1] Proposal by the Board of Directors to the General Meeting for discussion and voting, ^[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] based on T+2 days settlement on Prague Stock Exchange





Back up

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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

