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.  
November 2017 (updated with 3Q 2017 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 hand holding a silver 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.

# Introduction & Strategic highlights

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

## Leading **fixed/mobile** operator

4,917k Mobile

635k fixed voice lines

## Leading **fixed BB** provider

771k xDSL (ADSL, VDSL) & LTE

## Fastest growing **Pay TV** provider

265k Pay TV (IPTV, OTT, Multi)

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

1,916k 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



### 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



- **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**



# 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 9M 2017

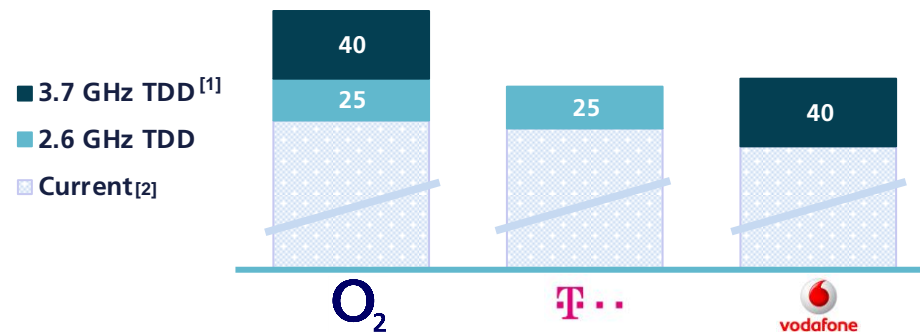


# We confirmed WTTx/5G spectrum leadership... ...and secured O2 brand minimum until 2022

- 40 MHz block in 3.7 GHz spectrum acquired for CZK 203m ...
- ... suitable for WTTx in areas with insufficient xDSL coverage...
- ...leveraging on experience in Slovakia (3.5 & 3.7 GHz)



Current spectrum allocation<sup>[1]</sup>



# 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
- ...CZK ~800m prepayment in 4Q 2017, capex in 3Q

# O<sub>2</sub>

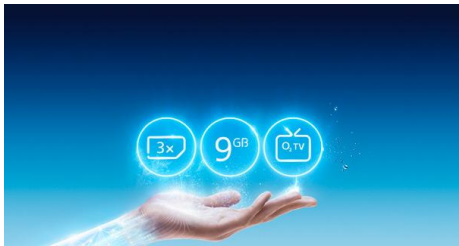
<sup>[1]</sup> following recent 3.7 GHz spectrum auction (new spectrum likely to be paid for and assigned in 4Q 2017);

<sup>[2]</sup> 450 MHz, 800 MHz, 900 MHz, 1,800 MHz, 2,100 MHz, 2,600 MHz FDD

# New O<sub>2</sub> branded device for smart household & fixed BB ... ...convergent product helping mobile & Pay TV sales



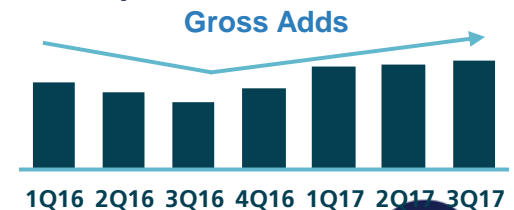
- O<sub>2</sub> Smart Box...fast and powerful Wi-Fi across whole house
- ... online video in HD quality ...
- ...heart of a smart home (home security, lights & sockets remote control, fire alarm)...
- ...intuitive control via mobile application



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



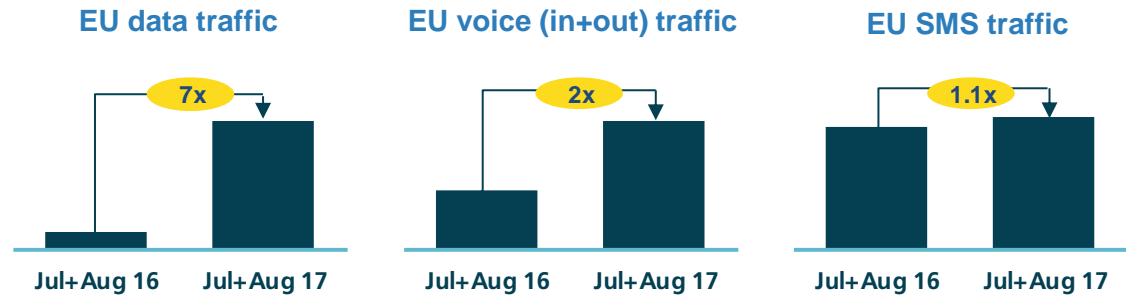
- Unlimited technology agnostic (DSL & LTE) home BB ...
- ...with guaranteed 20Mbps speed..
- ...leading to sales turnaround



# Roaming traffic substantially grew as expected ... ...data monetization works on the back of valuable offer



## Roaming abroad



## Roaming visitors



- Paid data packages upgraded in major tariffs...
- ...mobile data traffic up by 94% y-o-y...
- ...data monetization accelerates...
- ... mobile ARPU keeps growing despite roaming

61%  
smartphone  
penetration<sup>[1]</sup>

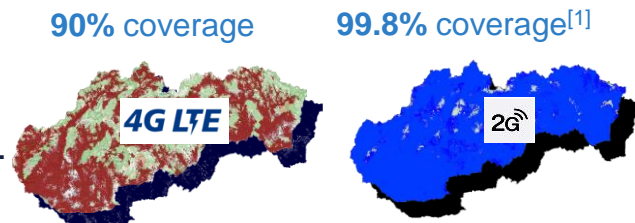
42%  
LTE HW  
penetration<sup>[1]</sup>

34%  
LTE HW&SIM  
penetration<sup>[1]</sup>



# O2 Slovakia already with 90% 4G LTE and 99.8% 2G<sup>[1]</sup> coverage... ... 3% mobile ARPU growth by 31% data revenue uptake

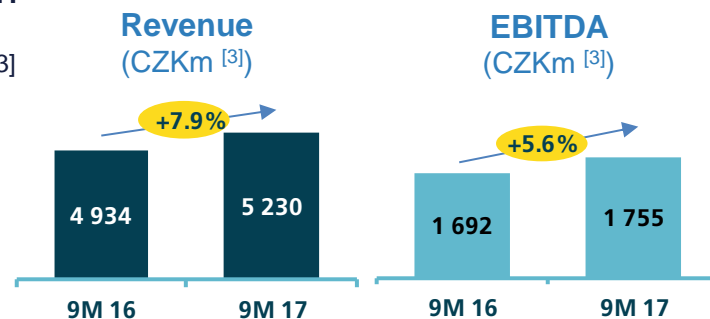
- No. 1 mobile network coverage in Slovakia...
- ...4G LTE +65 p.p. in 2 years, 2G - own NW & national roaming...
- ...national fibre backbone & transmission NW expansion
- WTTx network (3.5&3.7 GHz spectrum) for broadband & Pay TV
- LTE handset sales focus (in-house instalment model)...
- ...customers' demand in rich data proposition...
- ...improving customer mix: already 58% postpay share...
- ... data customer base +13% & traffic +64%...
- Successful monetization: total revenue +7.9%<sup>[3]</sup>...
- ...data revenue +31%<sup>[3]</sup>, hardware revenue +21%<sup>[3]</sup>
- Mobile total & postpay ARPU +3%<sup>[3]</sup>
- Total EBITDA margin 33.6%<sup>[4]</sup> (9M 2017)
- Positive contribution to Group financials



60%  
smartphone  
penetration<sup>[2]</sup>

43%  
LTE HW  
penetration<sup>[2]</sup>

36%  
LTE HW&SIM  
penetration<sup>[2]</sup>







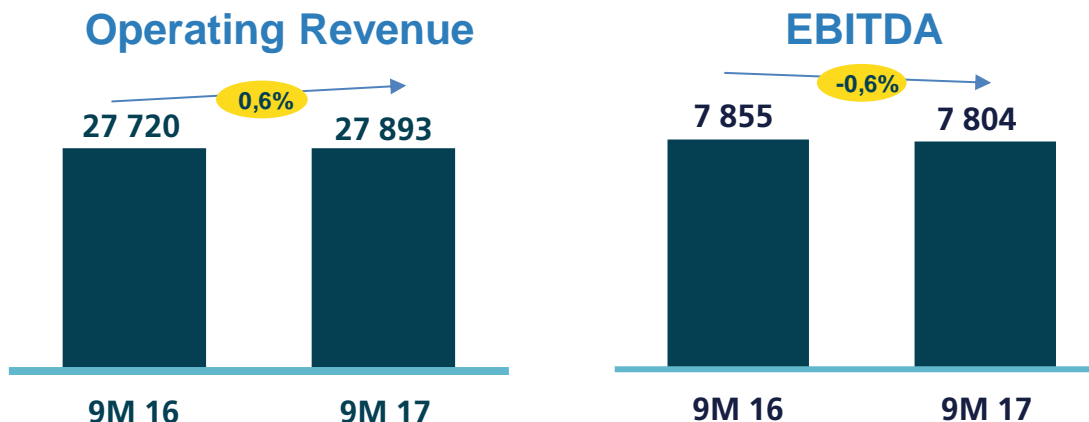
Financial Performance  
January – September 2017

O<sub>2</sub>



# Growth of costs driven by EU roaming regulation ... ... partially compensated by new revenue streams

<i>CZK millions</i>	Jan-Sep 2017	<i>Change 9M17 /9M16</i>
<b>Operating Revenue</b>	<b>27,893</b>	<b>+0.6%</b>
CZ Fixed	8,006	
CZ Mobile	14,816	
Slovakia <sup>[1]</sup>	5,230	
<b>EBITDA</b>	<b>7,804</b>	<b>-0.6%</b>
<i>EBITDA margin</i>	28.0%	
<b>Net Income</b>	<b>4,114</b>	<b>+2.5%</b>
Free Cash Flow <sup>[2]</sup>	3,618	

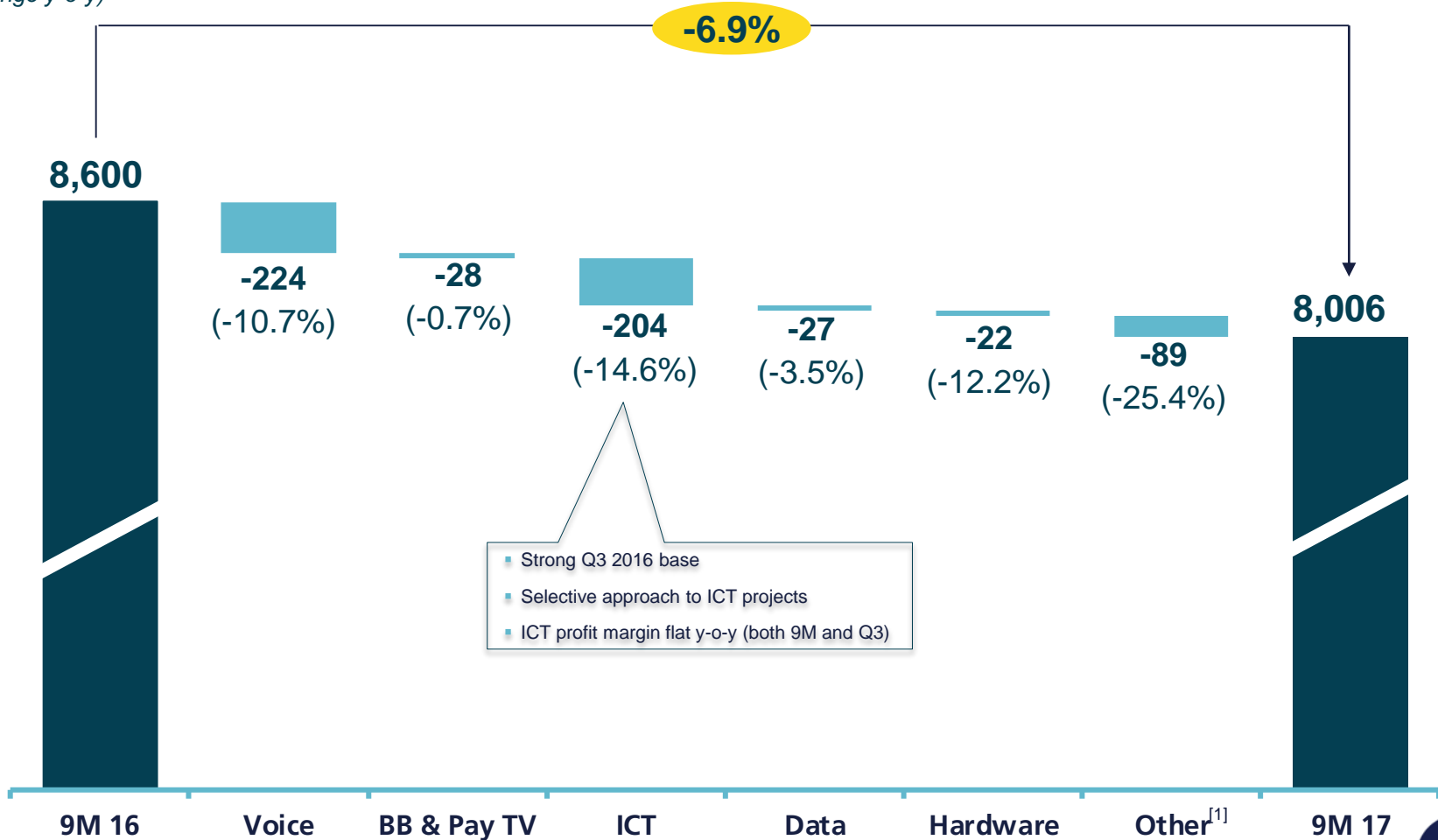


14 <sup>[1]</sup> including O2 Business Services; <sup>[2]</sup> FCF in 9M 17 including 450 MHz license renewal (CZK 210m); 4Q 17 will be impacted by 3.7 GHz spectrum payment (CZK 200m), brand prepayment (CZK ~900m) in the Czech republic, and intensified network capex (2G, 4G, backbone) and hardware installment sales funding in Slovakia



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

CZK millions  
(% change y-o-y)

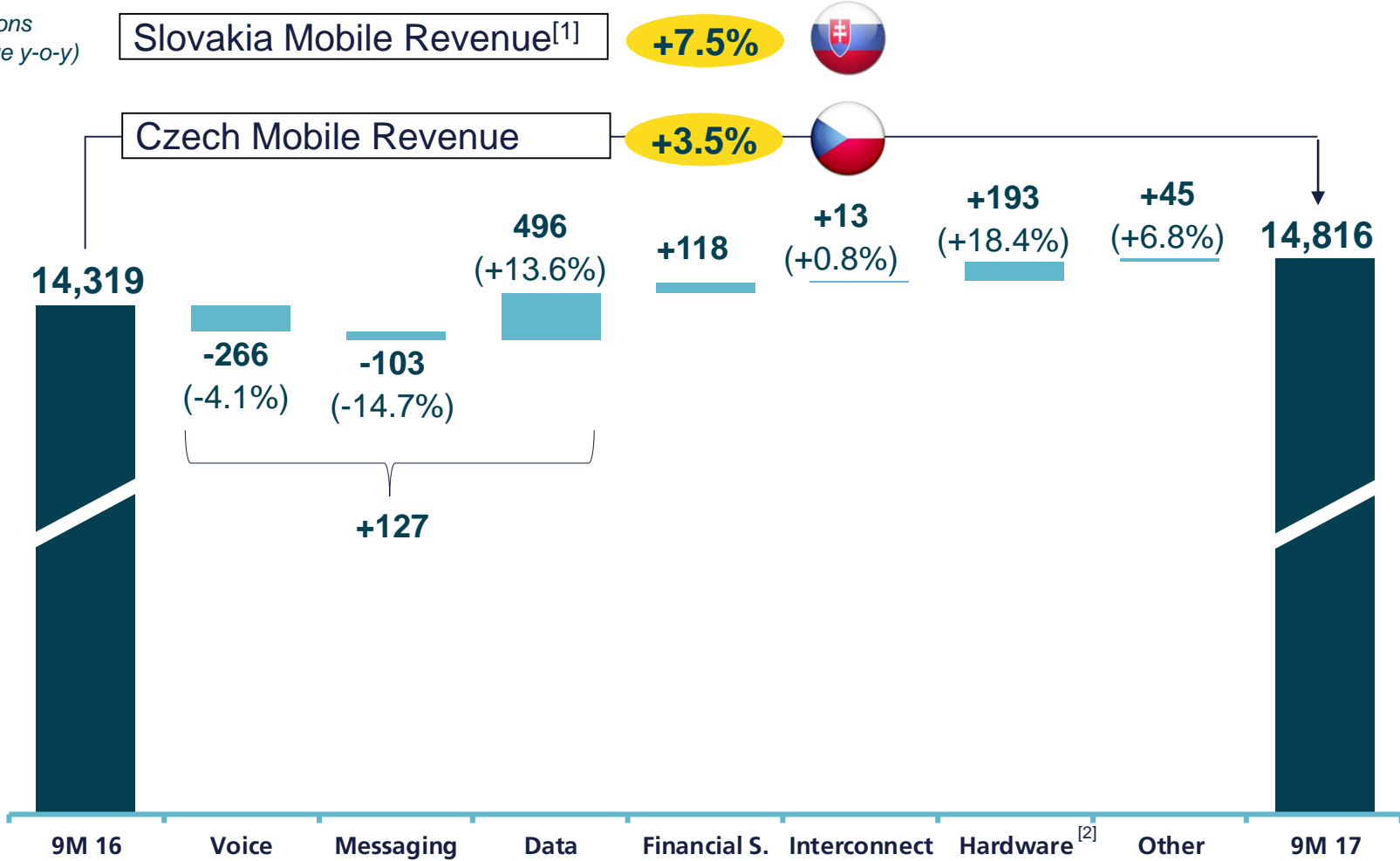






# Double digit growth of data, financial services, and HW revenue ... ...more than compensating roaming abroad & B2B pricing impact

CZK millions  
(% change y-o-y)



16 <sup>[1]</sup> Key drivers: Data: +37%, Hardware: +33%; O2 Slovakia, growth rate in local currency (EUR); <sup>[2]</sup> incl. electronic sales reporting HW

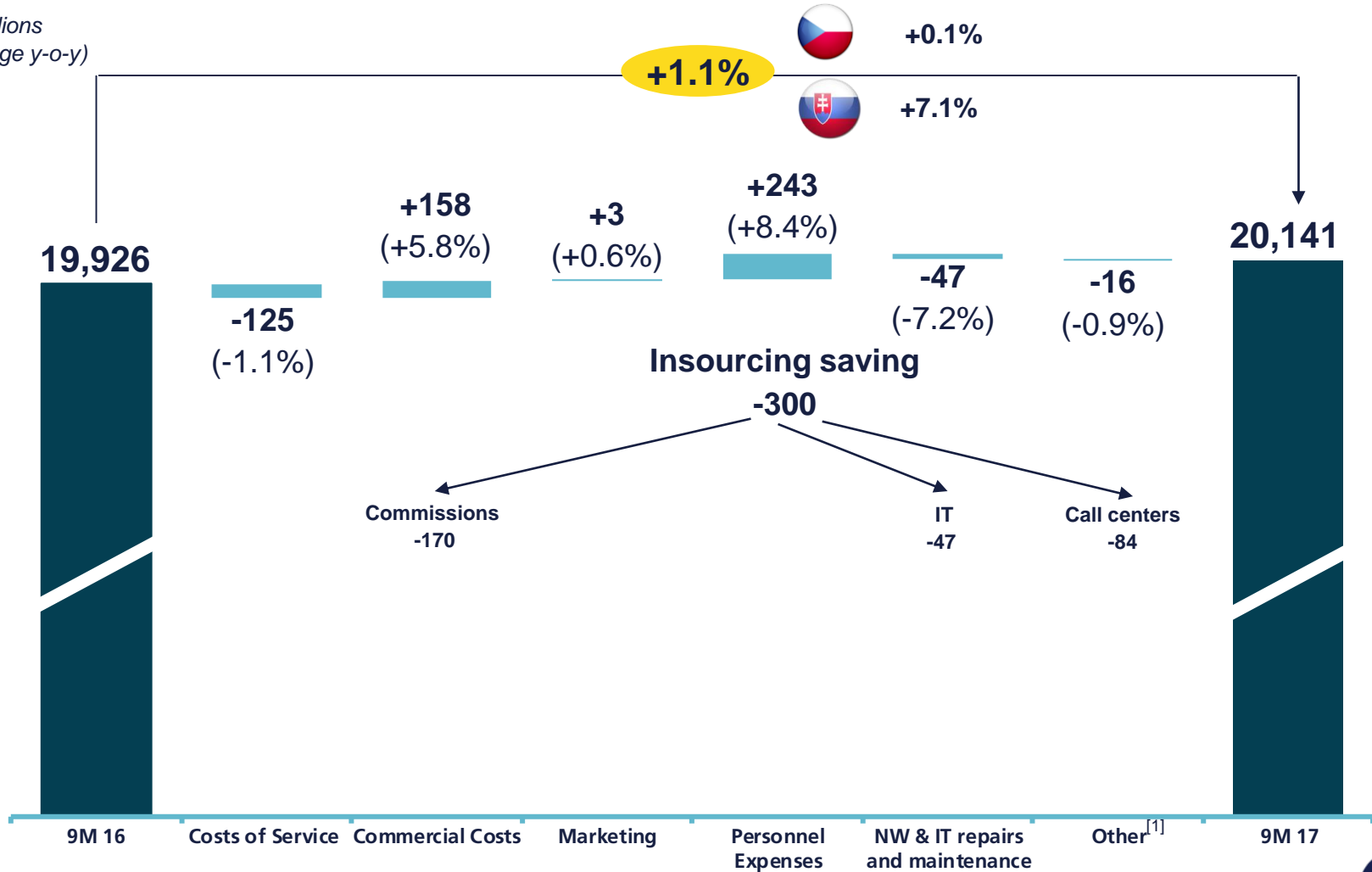






# Cost base under control; with Czech costs flat year-on-year... ...while Slovak up 7% due to higher HW costs & roaming

CZK millions  
(% change y-o-y)



17 <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

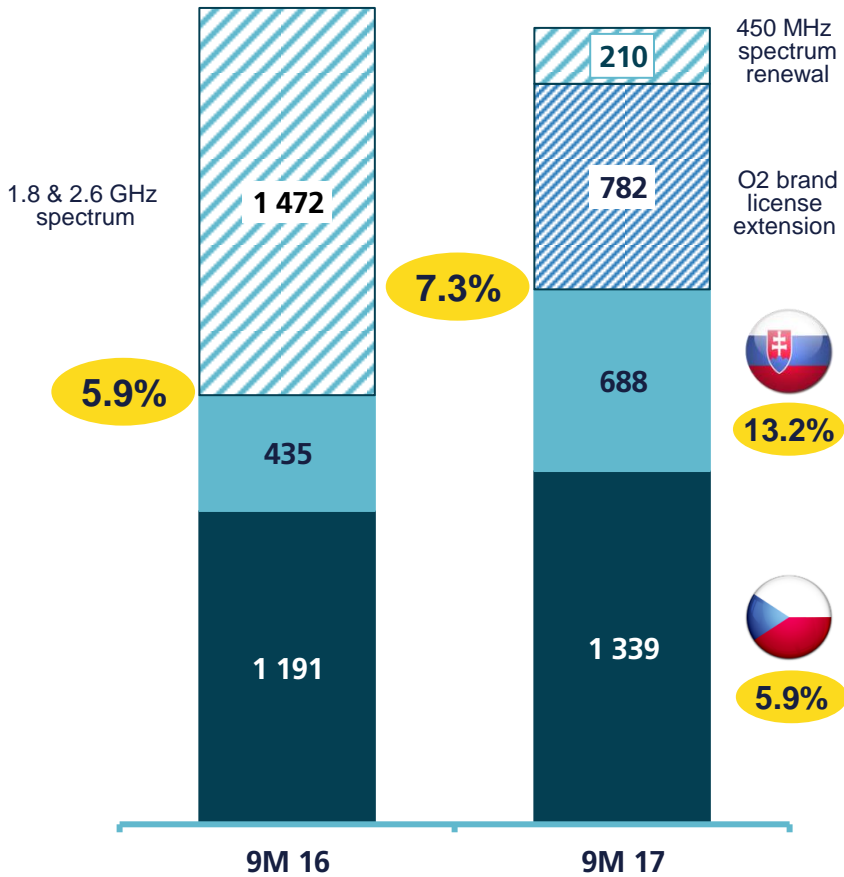




# Underlying capex up by 25% y-o-y... ...driven by 2G/4G & capacity in SK & IT transformation

CZK millions

CAPEX/  
Revenue



## 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
- Est. in Q7 2017: 3.7 GHz spectrum (CZK 203m)





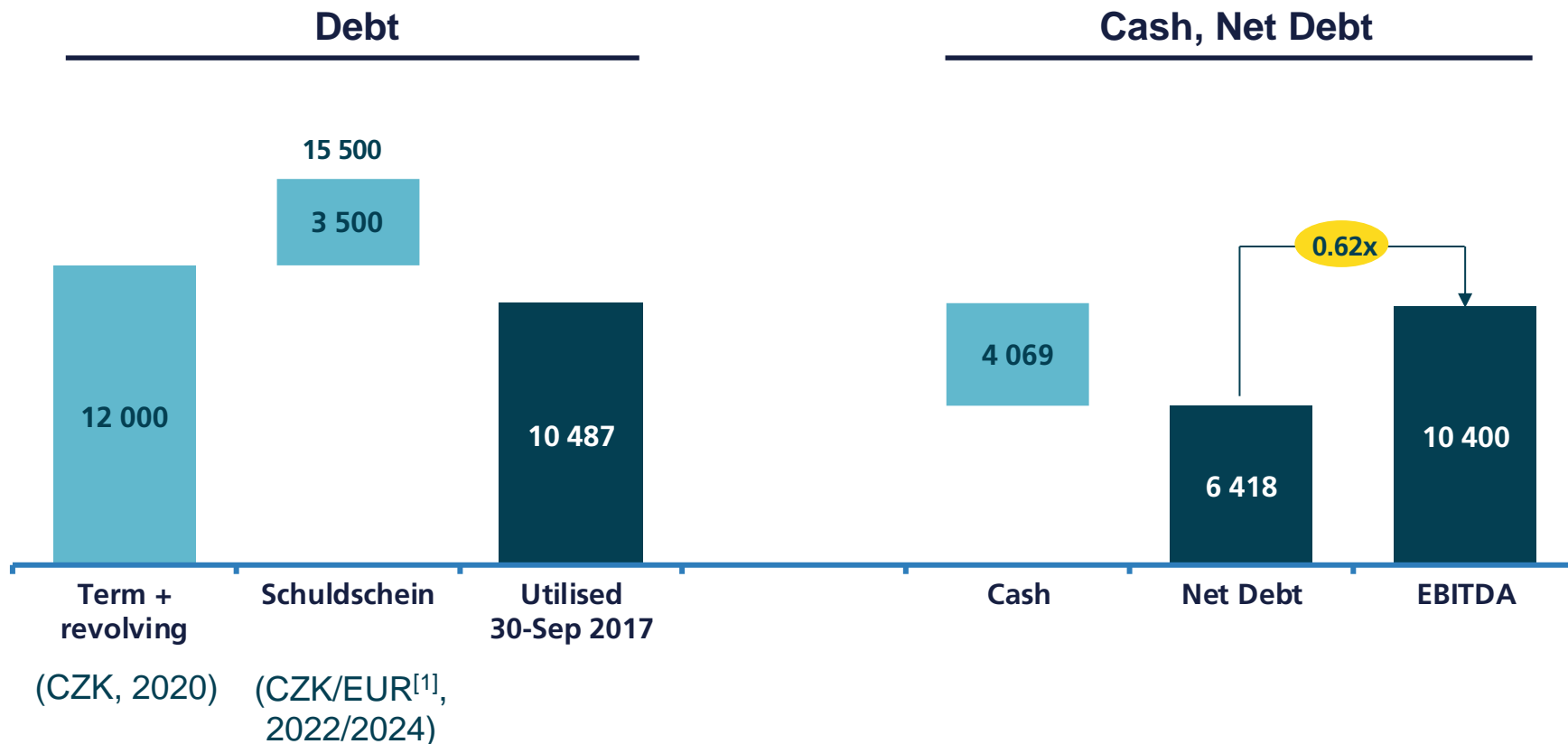
## CZK 6.4bn of 2016 shareholder remuneration paid... ...new CZK 3.5bn debt withdrawn in 2Q 2017

<i>CZK millions</i>	31 Dec 2016	30 Sep 2017	30 Sep 17 /31 Dec 16
<b>Non-current assets</b>	<b>22,071</b>	<b>22,751</b>	<b>+3.1%</b>
- of which intangible assets	16,515	16,816	+1.8%
- of which property, plant & equipment	5,075	5,194	+2.3%
<b>Current assets</b>	<b>11,235</b>	<b>11,329</b>	<b>+0.8%</b>
- of which cash & cash equivalents	4,137	4,069	-1.6%
<b>Total assets</b>	<b>33,306</b>	<b>34,079</b>	<b>+2.3%</b>
<b>Equity</b>	<b>17,505</b>	<b>14,319</b>	<b>-18.2%</b>
<b>Non-current liabilities</b>	<b>7,382</b>	<b>10,814</b>	<b>+46.5%</b>
- of which financial debt	6,976	10,455	+49.9%
<b>Current liabilities</b>	<b>8,419</b>	<b>8,947</b>	<b>+6.3%</b>



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

CZK millions







# 2016 Shareholder remuneration

# Share premium distribution on top of 2016 regular dividend... ...complemented by share buy back

Regular Dividend

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

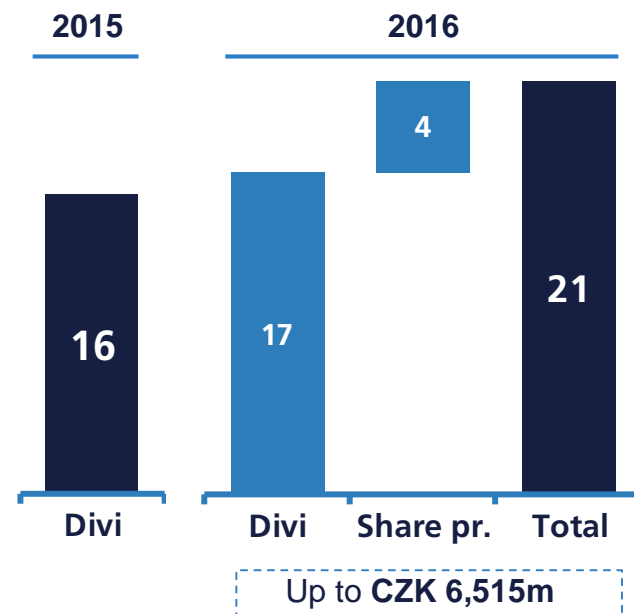
Share Premium distribution

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

Share Buy Back

- **up to 10% in 5 years..**
- **7.8m, i.e. 2.5% shares... already<sup>[1]</sup> repurchased...**
- **...for total acquisition cost of CZK 1,968m**

Total shareholder remuneration







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

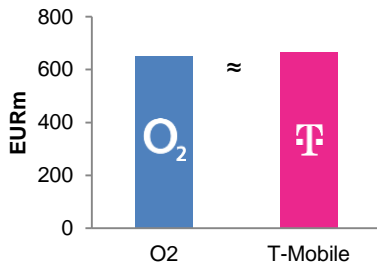
## Solid GDP growth and retail purchasing power



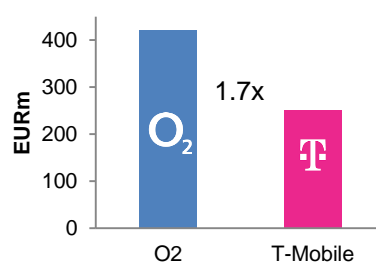
- Strong link to German economy
- GDP growth above EU level
- Unemployment in CZ at the lowest levels in past 20 years

## Market leader in the Czech Republic

Mobile Service Revenue

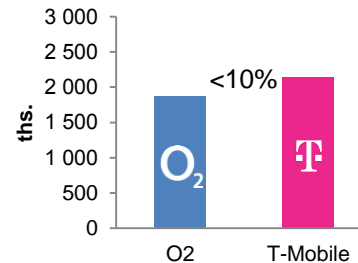


Fixed Service Revenue<sup>(1)</sup>

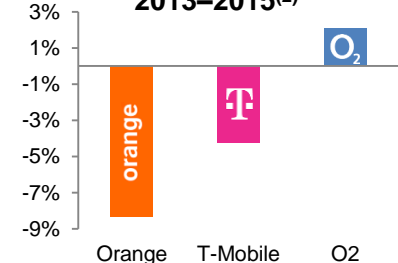


## Fastest growing player in Slovakia

Mobile customers



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



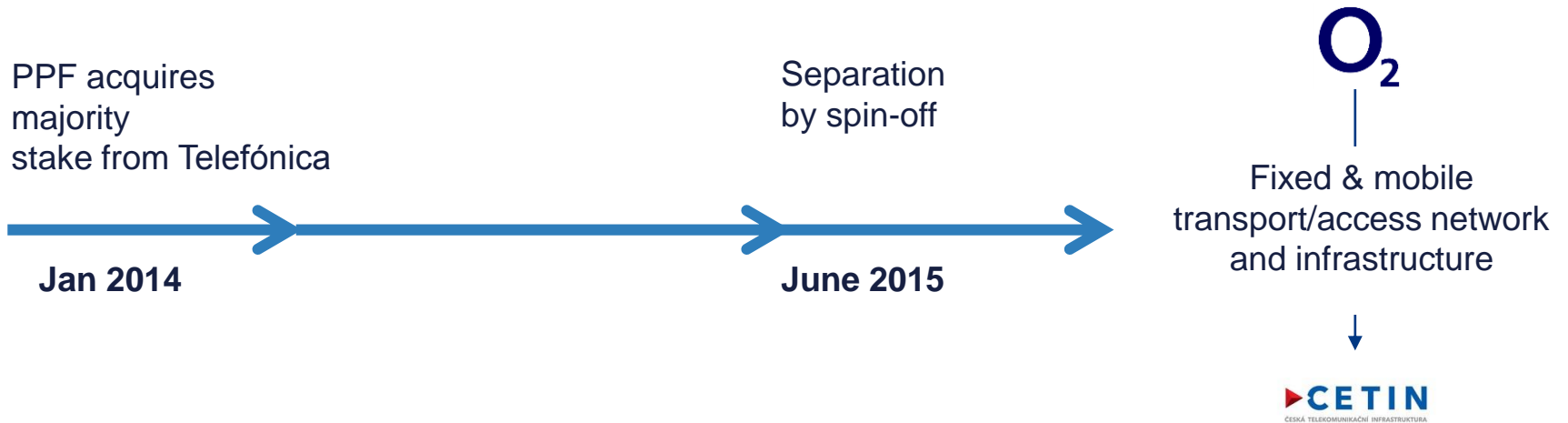
Note: (1) O<sub>2</sub> also has 1.7x higher broadband subscriber base than UPC, the largest broadband competitor; (2) Data for Orange are best estimate





# From Telefónica to PPF...

## ...Separation created value



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

O<sub>2</sub>

# 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

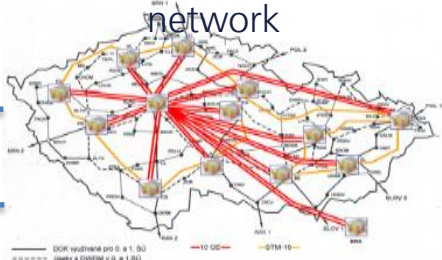
6,000 sites for mobile services

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

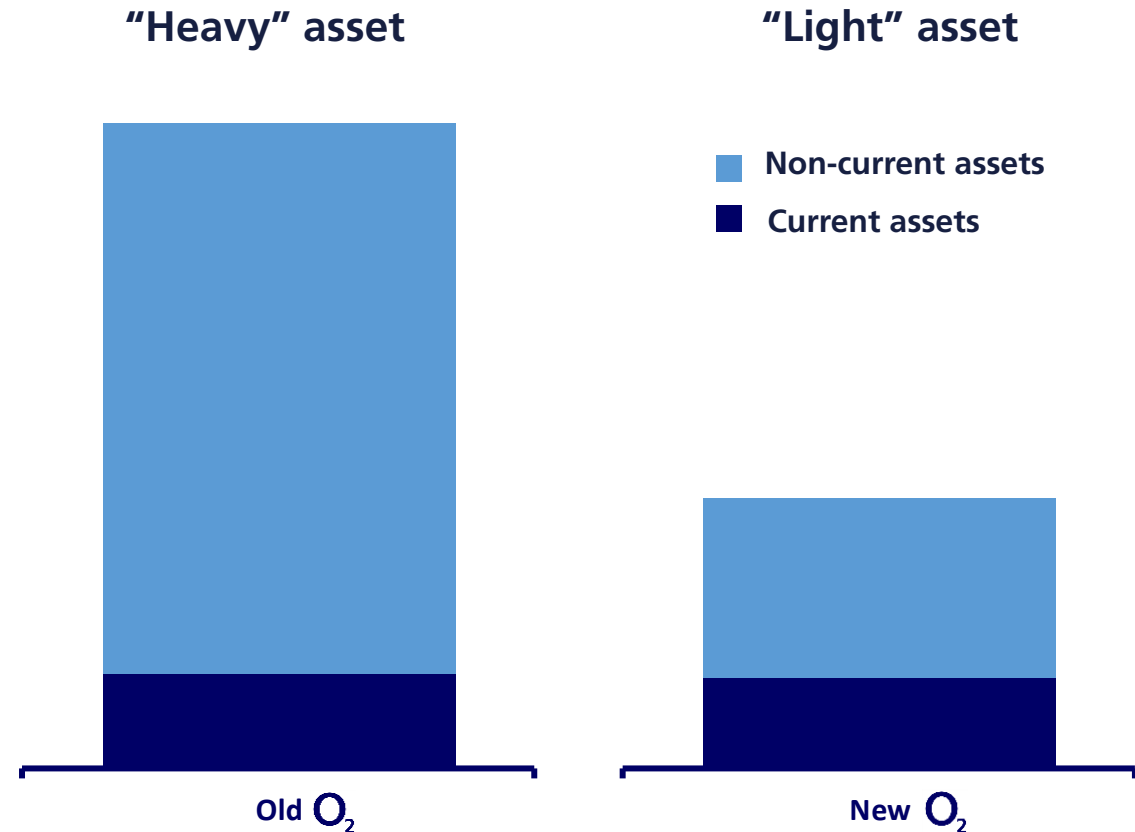
60%

**CANCELLED**

30%

O<sub>2</sub>

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

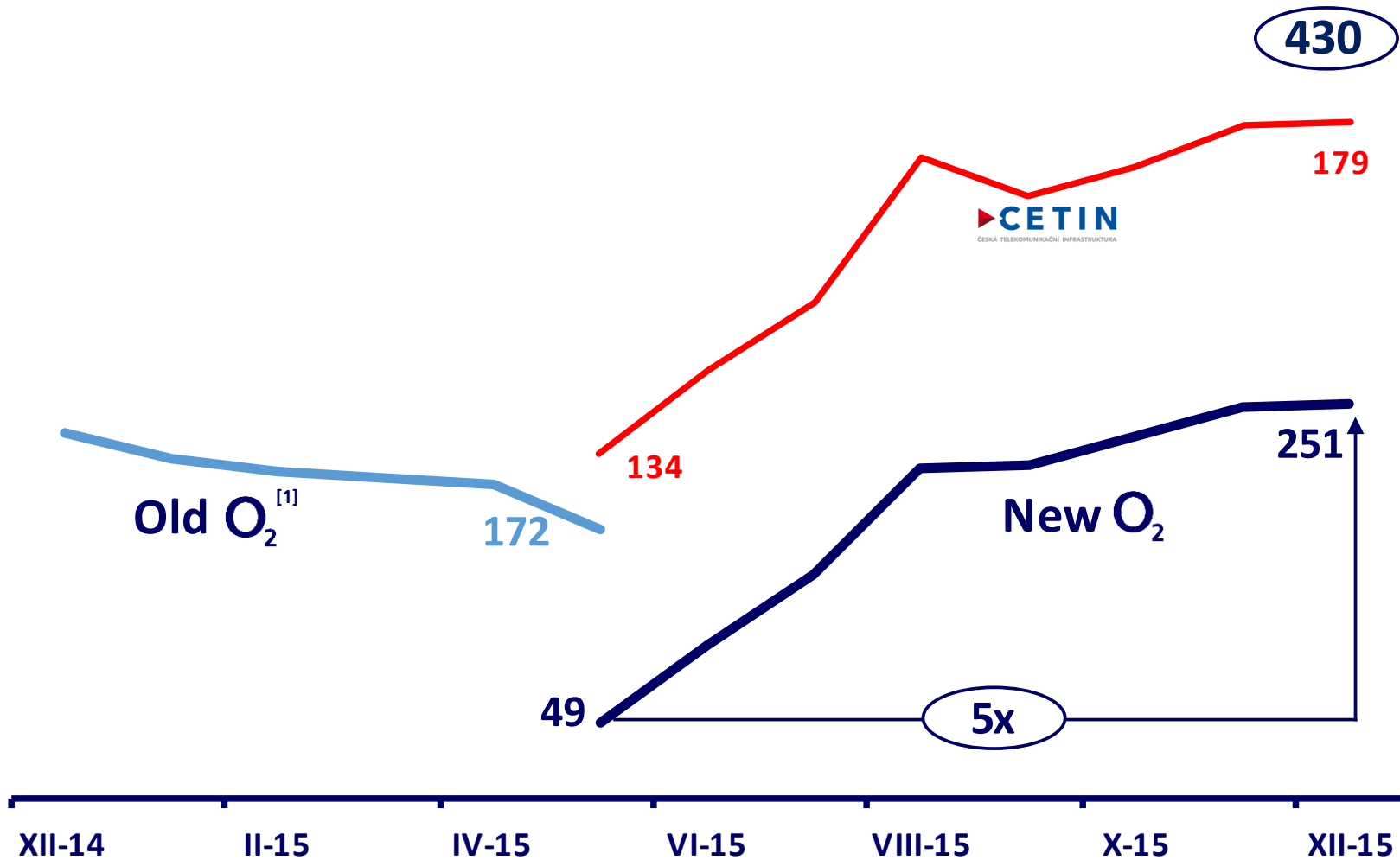


O<sub>2</sub>



# 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.

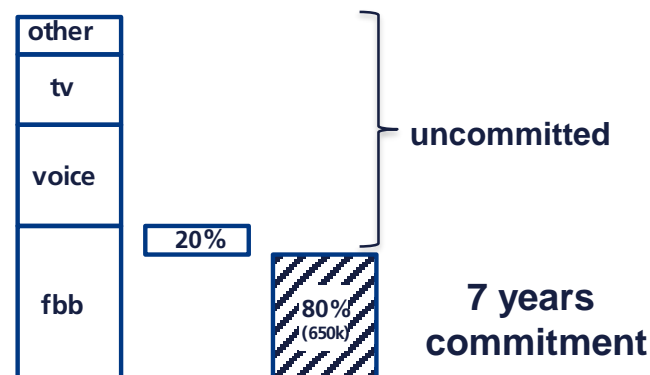
**O2 CR x  
PPF  
relationship**

- 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

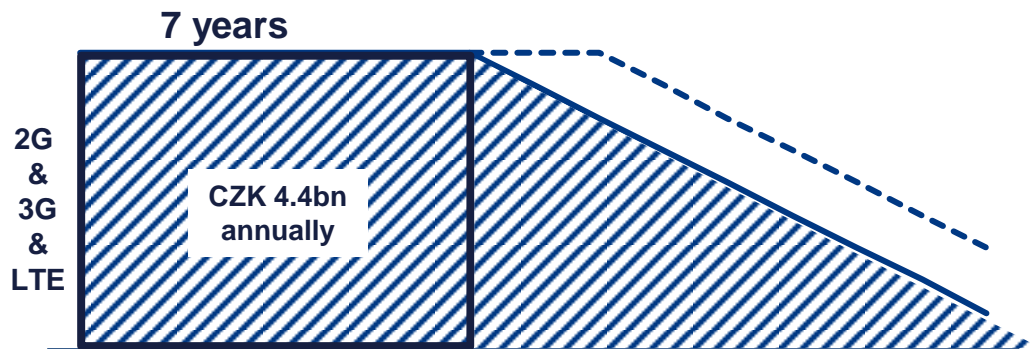
Fixed charge & commitment (illustrative)



CETIN's wholesale FBB offer (illustrative)

		TIME commitment	
VOLUME commitment			X
			650k/ 7 years

Mobile charge & commitment (illustrative)



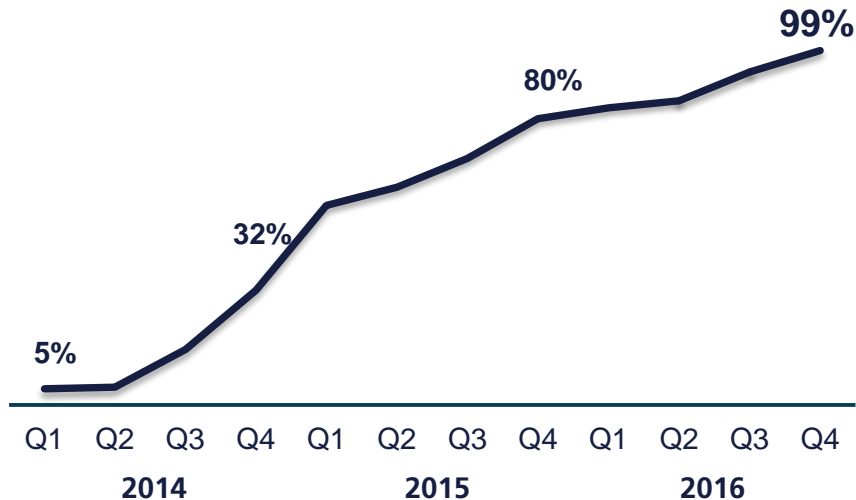
- Open book principle
- 7 years commitment
- Additional savings shared



# 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 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<sup>[1]</sup>... ... with further increase in speeds

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



## Household coverage

 <sup>[1]</sup> 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

<sup>[1]</sup> through CETIN  
<sup>[2]</sup> 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

O<sub>2</sub>

# Investor Relations contacts

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