

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.  
February 2017

# Investor 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.



# Today's presenters



**Tomáš Kouřil**

CFO & Vice- Chairman of the Board

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**Jakub Hampel**

Head of Investor Relations

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

# Introduction & Strategic highlights

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

## Leading **fixed/mobile** operator

4,941k Mobile

699k fixed voice lines

## Leading **fixed BB** provider

769k xDSL (ADSL, VDSL)

## Fastest growing **Pay TV** provider

221k Pay TV (IPTV, OTT)

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

1,892k 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, Internethome, ICA, Bolt Start Up Development, eKasa, O2 Financial Services, O2 Business Services Slovakia

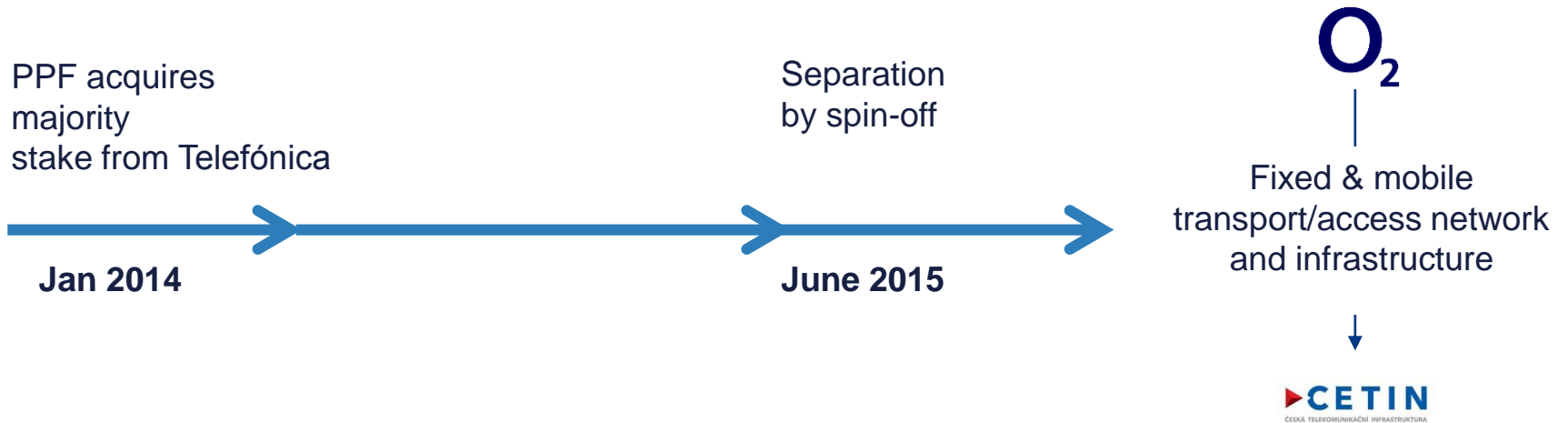
Figures as of 31<sup>st</sup> December 2016

# Stable operating conditions

- ▶ 2016E GDP: ~+2.5% (2017F: ~-2.5%)
- ▶ Lowest unemployment in EU (~4%)
- ▶ Low inflation (2016A:0.7%)
- ▶ Solid household consumption (+2.9%)

# From Telefónica to PPF...

## ...Separation created value



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

O<sub>2</sub>

# 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

- Own studio
- Own professional team
- More content...
- ...More channels



### We entered new businesses

- Hardware insurance
- Travel insurance
- Mobile studio
- New customers





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



## Anytime



Timeshift



Recording



Video on demand

## Anywhere



Multidevice

## Multi-room



## For all



Any connectivity

Retail distribution

## Unique content



Any camera



Any match



# O2 with more than 10 years TV transmission experience... ...now expands into content production

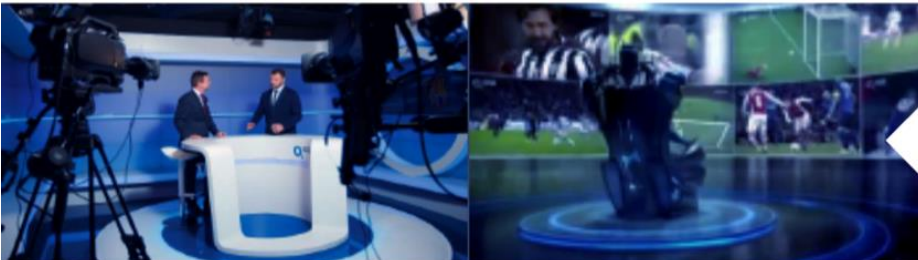
**On site content production**  
(Latest technology)



**Content transmission**  
(Since 2002)



**Surrounding countries opportunity**



**Own O<sub>2</sub> Sport studio**  
(3 sport channels)



# O2 expands its business to financial services... ...and supports unique growth projects

Insurance

Hardware



Travel



Start-up  
accelerator



**Tapito**  
News you want to read  
Browse articles from your favorite websites, conveniently and in one place, with the Tapito mobile application.

Available on the App Store

Available on Google Play

One-stop solution for all your news  
Never miss an interesting article again  
Let us tailor content for you, for a perfect fit  
Your content on the lock screen  
Read whole articles inside the app, even when offline

**Dateio**

Using artificial intelligence for real-time analysis of the data of customers' behavior, Dateio provides a powerful tool for marketing campaigns.

Thanks to our innovative technology, we have access to shopping behavior data of banks, clients and are able to effectively reach their needs.

Campaign Impact is precisely measurable and partners can provide data for further monitoring insights about market and shopping behavior of their clients.

1 Campaign  
2 Targeting  
3 Offer  
4 Purchase

Campaign starts the form of digital advertising, the target audience is selected based on demographic, geographic, psychographic and behavioral data. The duration of the campaign is determined.

Target audience is selected based on analysis of their online behavior, based on the data collected by the marketing channels.

Selected clients receive the offer through a personalized offer, which can be tailored to their needs and interests and be active only when they are logged into the bank account.

To receive an offer, the customer must have an active bank account and be logged into the bank account.





# Strategic commercial initiatives & Performance Highlights in 2016

# In 2016 we accelerated bringing new propositions to market... ...including expansion to new non-telco businesses



- Q1: O2TV for all, any device, any connection
- Q2: Try and Keep campaign supported by ATL
- Q3: O2TV Football channel launched
- Q4: own content production (OKTAGON MMA reality show)



- Unlimited fixed voice tariff...
- ...well accepted by customers (40% growth in traffic per line)
- ... fixed voice revenue turnaround



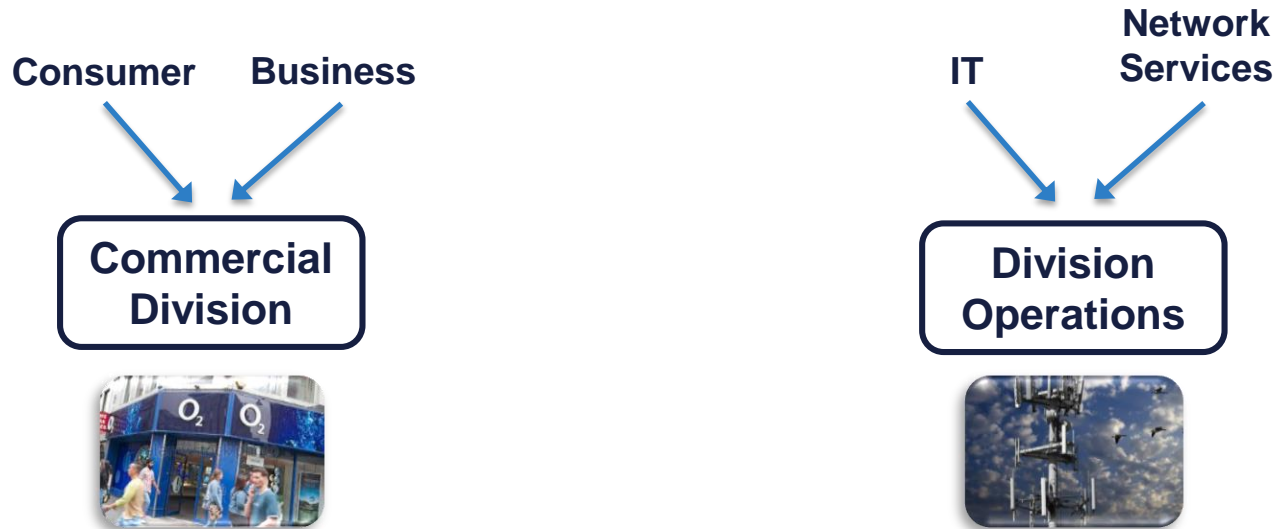
- Close to 150 thousand insurance policies...
- ... focus on hardware...
- ... and also travel insurance



- Electronic sales reporting complete tool for Czech entrepreneurs
- 10 thousand solutions sold in first wave (hotels & restaurant)...
- ...clear market leadership



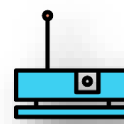
# New organizational structure as integral part of transformation... ...aimed at company's simplification & streamlining



Customer systems/ processes unification & simplification



Integrated product development  
Product portfolio simplification & time-to-market shorten



Customer focused IT & Network IT infrastructure simplification



Clear focus E2E responsibility support



Development of strategic areas



# Our value & customer loyalty focused strategy works... ...two digit growth in mobile data, all platforms O2 TV viewers up 40%

- Highest customer loyalty ever
- Growing ARPU despite B2B pressure & roaming regulation negative impact
- Improving spend via tariff upsell
- LTE densification & capacity improvement
  - 2CC available in Prague, 3CC in selected parts
  - First 4.5G commercial launch (up to 1.2Gbs)
- Tariff upsell & data limit recharges...
  - ...80% mobile data traffic growth (4G: 3x higher)
  - ...and data monetization accelerates
- New record all platforms O<sub>2</sub> TV viewers
- Partnership with leading breweries
- Unique tennis channel (Jan 2017)

Mobile Contract churn



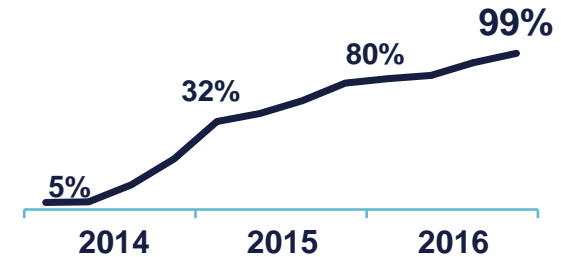
Mobile ARPU (y-o-y)



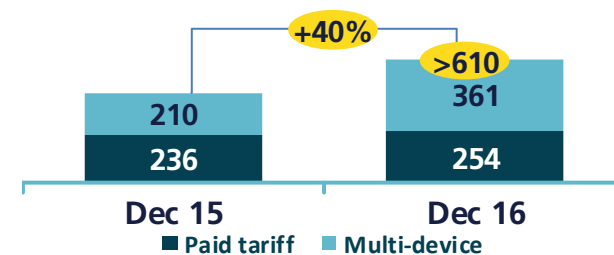
32%  
LTE penetration

56%  
smartphone  
penetration

LTE outdoor coverage



O<sub>2</sub> TV reach<sup>[1]</sup> ('000)



[1] Tariff - IPTV, OTT, Multiroom (second STB), Multi-device (mobile & web application)

# Heavy investments in Slovakia into network coverage & capacity... ...all B2B services already in place

- Full portfolio of services for corporate & public segment...
- ... including **mobile services** in cooperation with O2 Slovakia
- **200 customers' contracts signed** in both segments
- **Accelerated 4G coverage rollout...**
- ... already **70%** at 2016 year-end
- ...building **national fibre backbone network**
- **growing data base: +9% & traffic: +42%...**
- and **data successfully monetized** (revenue<sup>[1]</sup>: +23%)
- **Revenue<sup>[2]</sup> growth maintained** driven by data
- **B2B entry dilutes EBITDA margin** by 1.2 p.p.
- Total **EBITDA margin 33.6%**<sup>[3]</sup>
- **Positive contribution** to Group financials

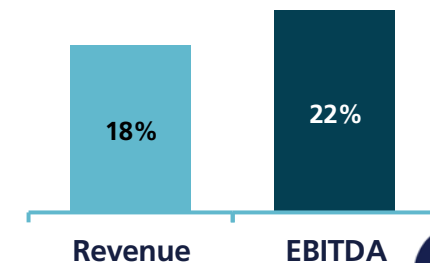


**33%**  
LTE penetration

**56%**  
smartphone  
penetration



Contribution to Group  
(FY 2016)





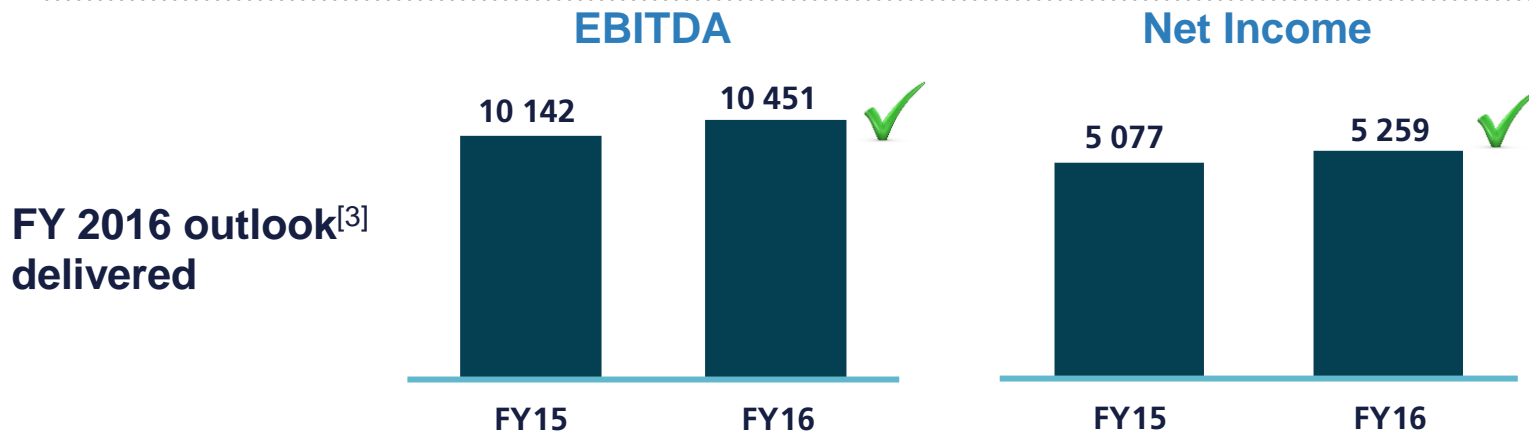


Financial Performance  
January – December 2016

Chytrá síť **O<sub>2</sub>**

# Flat revenue in the second consecutive year... ...while profitability continues growing

<i>CZK millions</i>	Jan-Dec 2016	<i>Change FY16 / FY15</i>
<b>Operating Revenue</b>	<b>37,522</b>	<b>+0.4%</b>
CZ Fixed	11,563	
CZ Mobile	19,339	
Slovakia <sup>[1]</sup>	6,682	
<b>EBITDA</b>	<b>10,451</b>	<b>+3.0%</b>
<i>EBITDA margin</i>	27.9%	
<i>EBITDA margin excl. charge from CETIN</i>	53.6%	
<b>Net Income</b>	<b>5,259</b>	<b>+3.6%</b>
Free Cash Flow <sup>[2]</sup>	4,691	

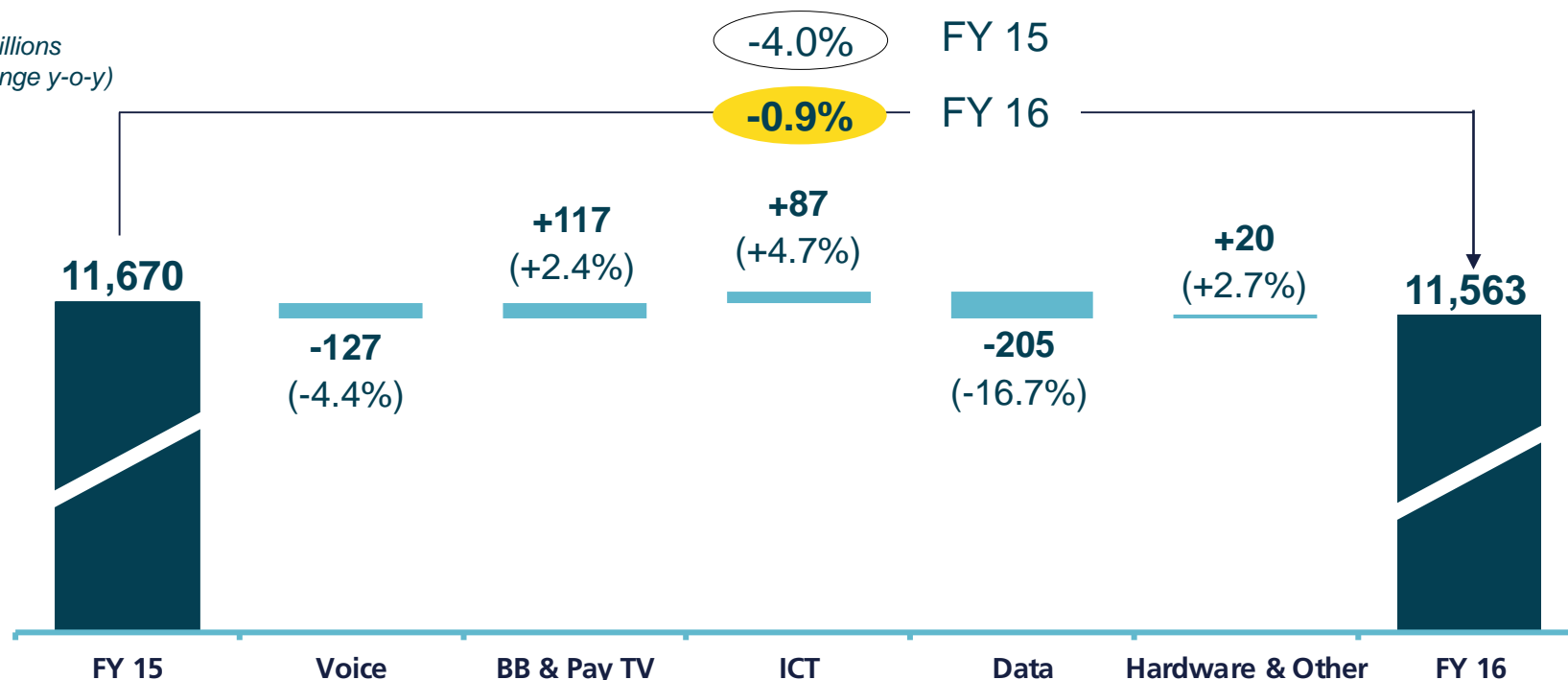


<sup>[1]</sup> including O2 Business Services, <sup>[2]</sup> including CZK 1.5bn payment for 1.8GHz and 2.6GHz spectrum, <sup>[3]</sup> Net Income CZK 5.1 to 5.4 bn., EBITDA CZK 10.4 to 10.7 bn.

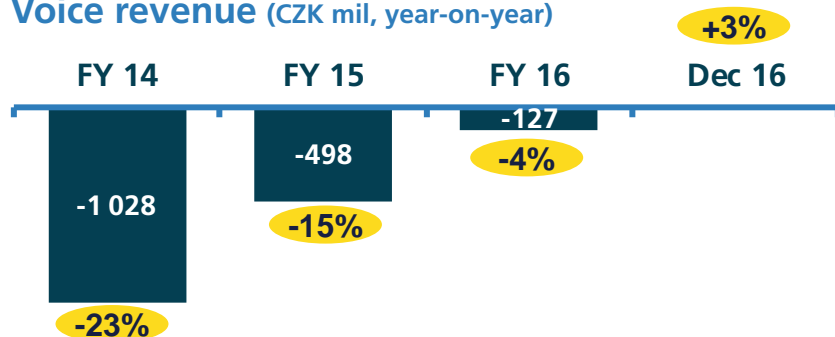


# Fixed revenue improving trends compared to last year... ... with B2B segment still under pressure

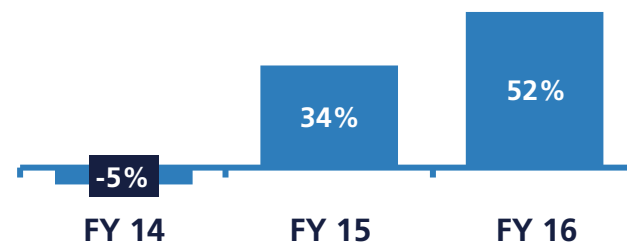
CZK millions  
(% change y-o-y)



Voice revenue (CZK mil, year-on-year)

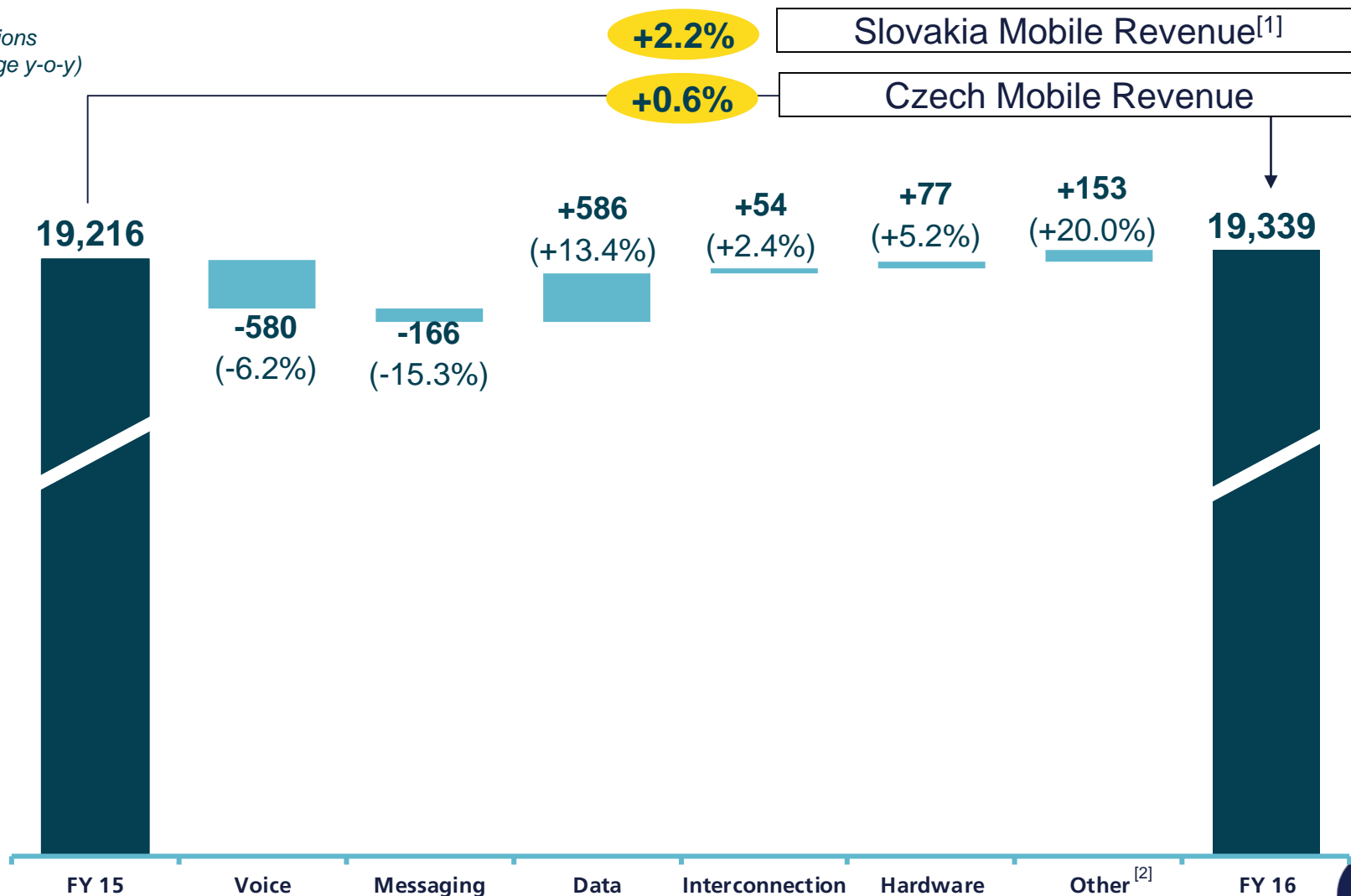


Pay TV revenue (year-on-year)



# Mobile revenue impacted by B2B pricing & roaming... ...while data revenue growing double digit

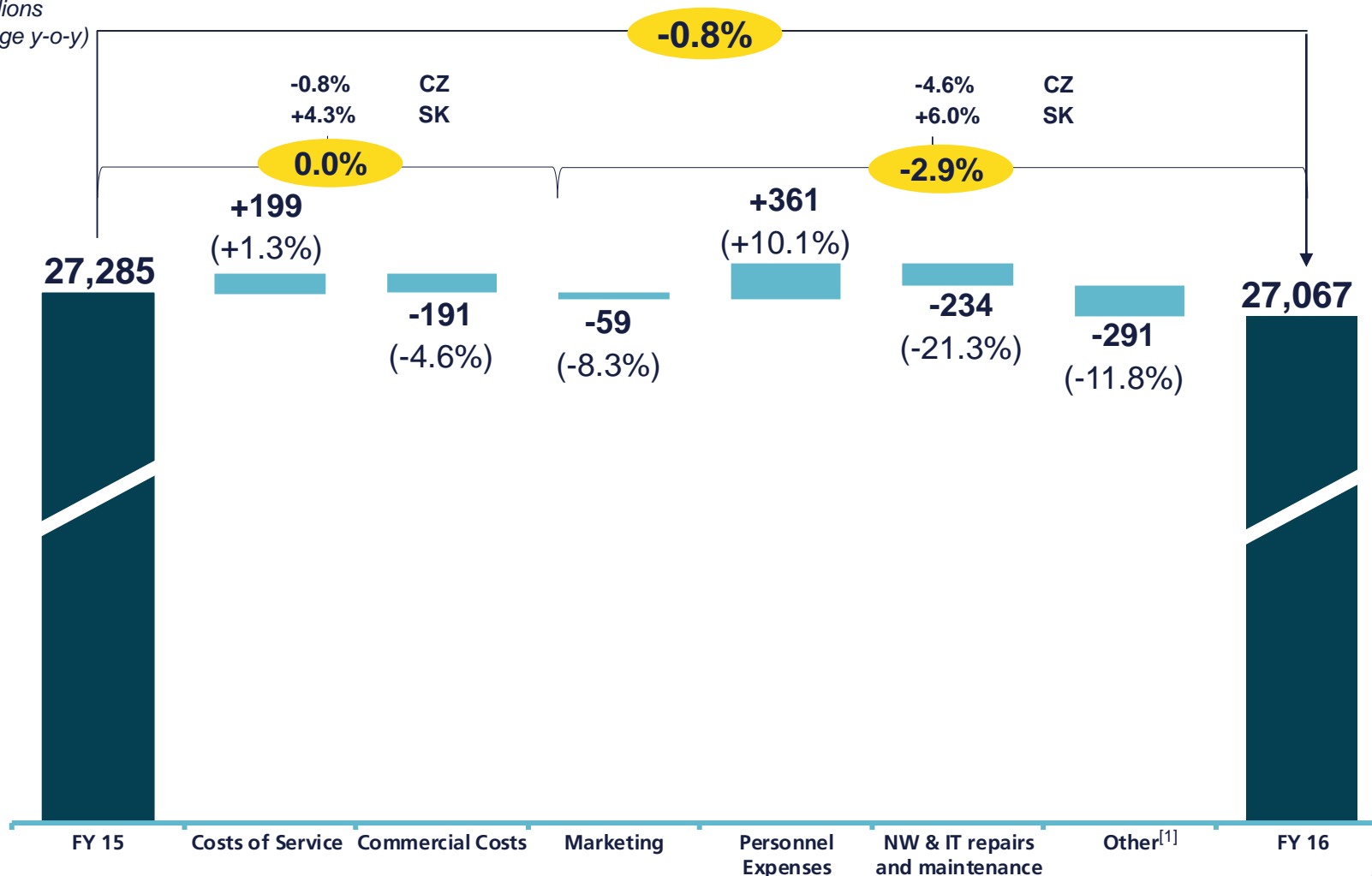
CZK millions  
(% change y-o-y)



<sup>[1]</sup> including O2 Business Services, growth rate in local currency (EUR) <sup>[2]</sup> Inbound Roaming, M2M, Other revenue

# Cost base under control; with Czech manageable OpEx down 5%... ... while Slovak up 6% due to entry in B2B market

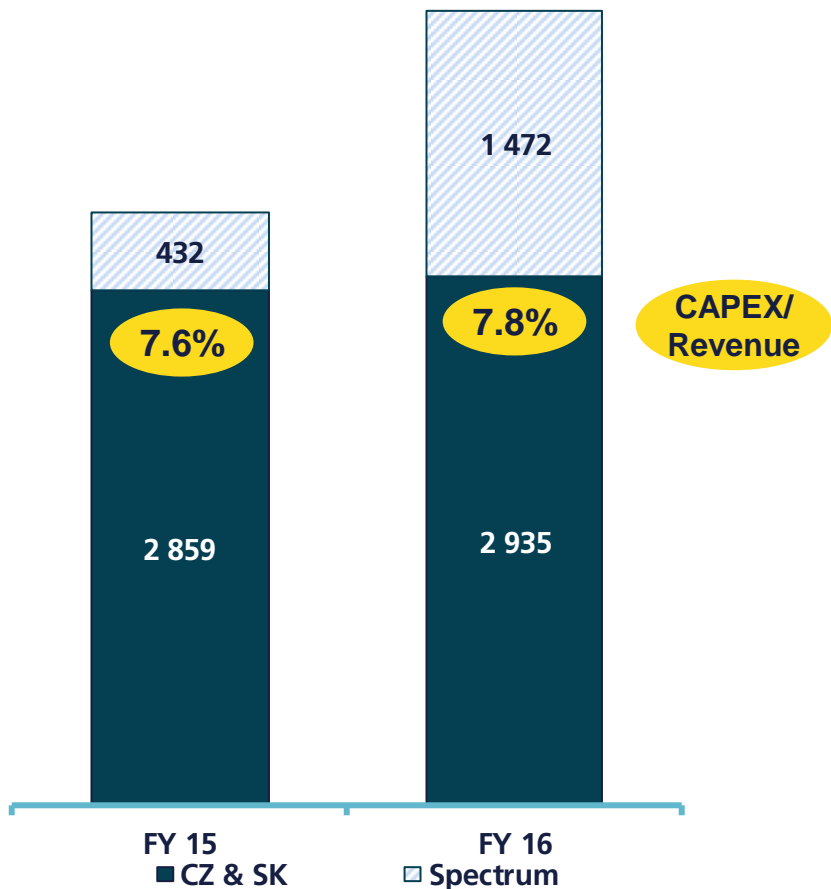
CZK millions  
(% change y-o-y)



<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

# 2016 investments directed to spectrum, 4G LTE rollout in SK... ... content & IT transformation

CZK millions



## ■ Czech Republic:

- 1,800 & 2,600 MHz spectrum (3Q 16)
- Sport content
- IT transformation (also in 2017)

## ■ Slovakia:

- Accelerated 4G rollout (also in 2017)
- Own network coverage expansion
- National fiber backbone network
- 3.4/3.5 & 3.7 GHz spectrum
- IT upgrade (also in 2017)



## Higher non-current assets driven largely by new spectrum... ...CZK 7bn out of CZK 12bn debt capacity withdrawn

<i>CZK millions</i>	31 Dec 2015	31 Dec 2016	31 Dec 16 /31 Dec 15
<b>Non-current assets</b>	21,420	22,071	+3.0%
- of which intangible assets	16,147	16,515	+2.3%
- of which property, plant & equipment	4,638	5,075	+9.4%
<b>Current assets</b>	8,848	11,235	+27.0%
- of which cash & cash equivalents	1,970	4,137	+110.0%
<b>Total assets</b>	30,268	33,306	+10.0%
<b>Equity</b>	18,344	17,505	-4.6%
<b>Non-current liabilities</b>	3,146	7,382	+134.7%
- of which financial debt	2,970	6,976	+134.9%
<b>Current liabilities</b>	8,778	8,419	-4.1%





# 2016 Shareholder remuneration



# Share premium distribution on top of 2016 regular dividend... ...offering 8% total shareholder return<sup>[1]</sup>

Regular Dividend

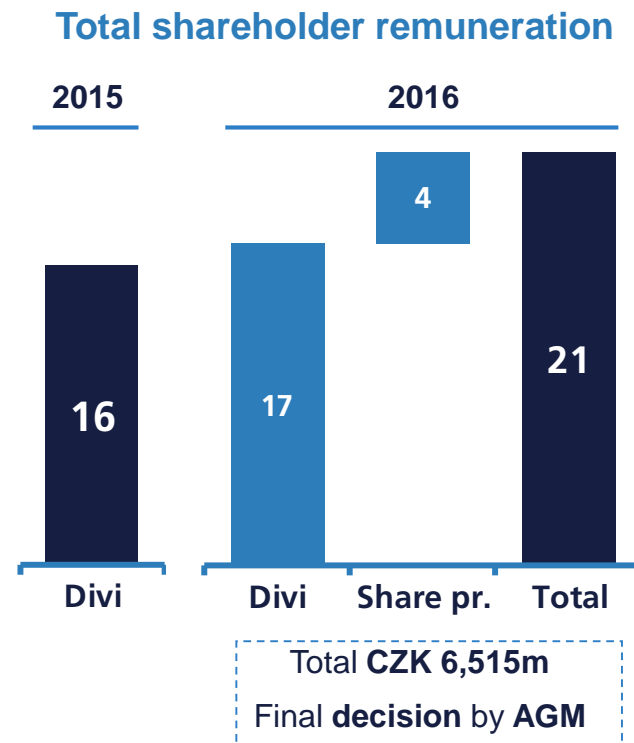
- Intended **DPS proposal: CZK 17**
- ... **98% of net profit**
- In line with **dividend policy<sup>[2]</sup>...**

Share Premium distribution

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

Share Buy Back

- 1.6% (4.9m) shares...**
- ... already **repurchased...**
- ...for **total acquisition cost of CZK 1,152m...**





Back up

O<sub>2</sub>

# Post separation setup...

## ...Two strong independent companies

O<sub>2</sub>

PPF stake: 84.06%

 **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.

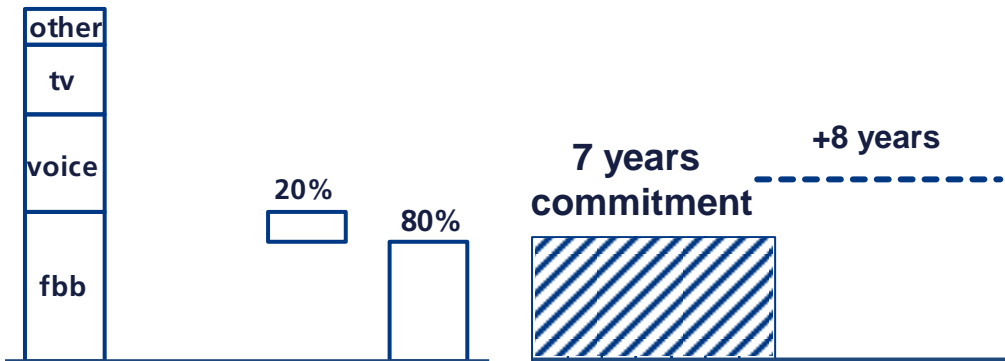
### O2 CR x PPF relationship

- 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**

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

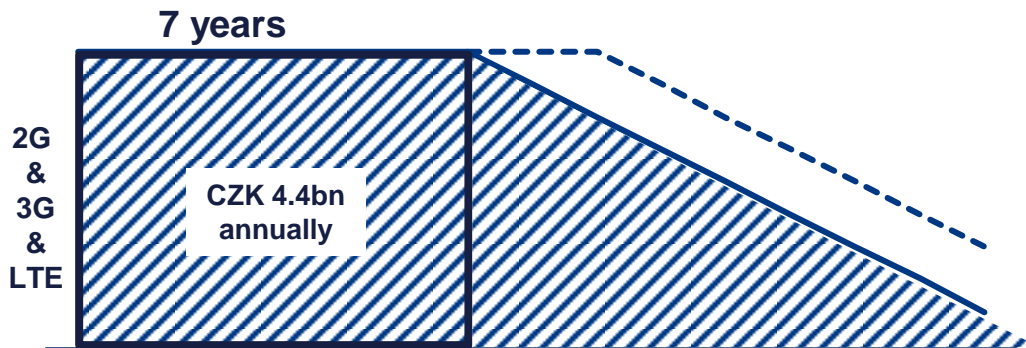
Fixed charge & commitment (illustrative)



CETIN's wholesale FBB offer (illustrative)

		TIME commitment	
VOLUME commitment			X
			650k/ 7 years

Mobile charge & commitment (illustrative)



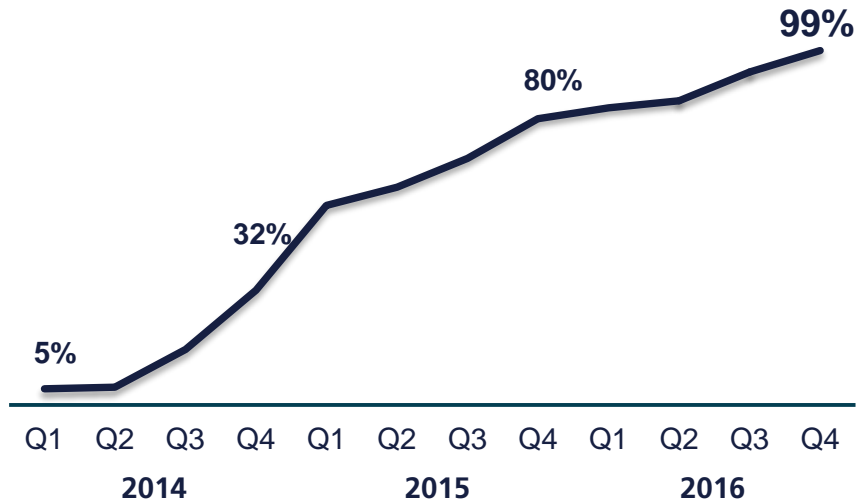
- Open book principle
- 7 years commitment
- Additional savings shared



# 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 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 blue carpet. A large, white, hand-painted arrow points from the bottom left towards the center of the frame. The background is a bright, hazy blue landscape under a clear sky.

Investor Relations contact

O<sub>2</sub>

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