A dynamic splash of water with numerous bubbles and droplets, set against a solid blue background. The water is captured in mid-air, creating a sense of movement and freshness.

O2 Czech Republic, a. s.  
August 2017 (updated with 2Q 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.





# Introduction & Strategic highlights

O<sub>2</sub>

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

## Leading **fixed/mobile** operator

4,903k Mobile

654k fixed voice lines

## Leading **fixed BB** provider

771k xDSL (ADSL, VDSL) & LTE

## Fastest growing **Pay TV** provider

259k Pay TV (IPTV, OTT, Multi)

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

1,903k Mobile

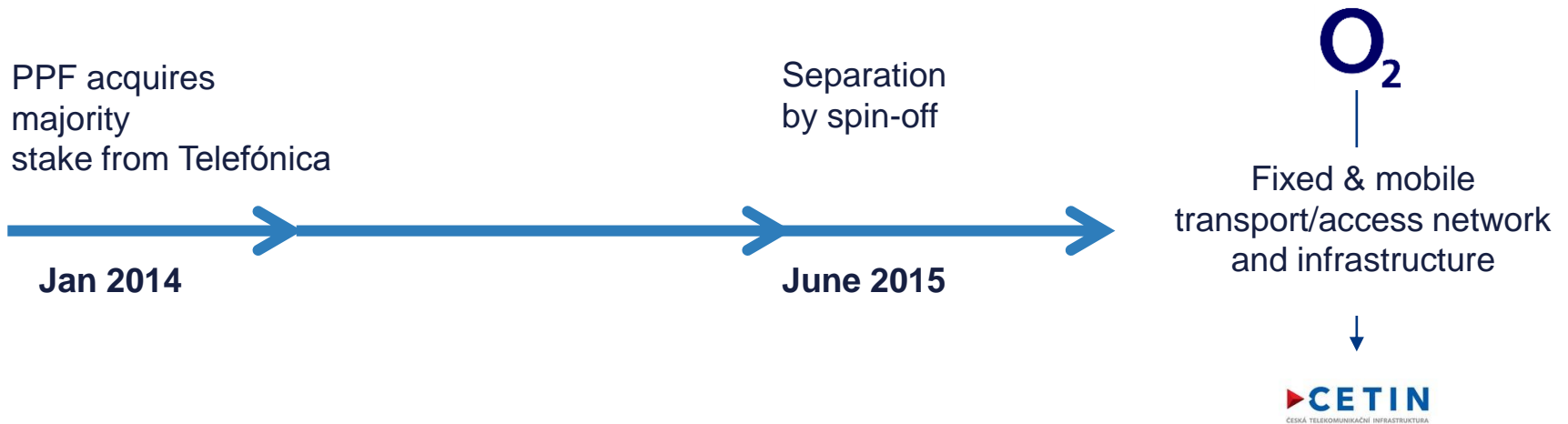
O<sub>2</sub> Czech, O<sub>2</sub> Slovakia, O<sub>2</sub> TV, O<sub>2</sub> Family,  
O<sub>2</sub> IT Services, others\*

\*Tesco Mobile CR, ICA, Bolt Start Up Development, eKasa, O2 Financial Services, O2 Business Services Slovakia

Figures as of 30<sup>th</sup> June 2017

# 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

- 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

taxify



mluvii

- **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**

O<sub>2</sub>

# 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

O<sub>2</sub>





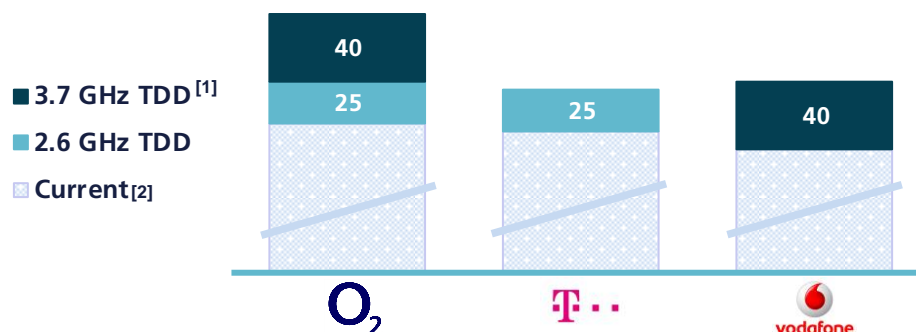
# Strategic commercial initiatives & Performance Highlights in 1Q 2017

# 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>

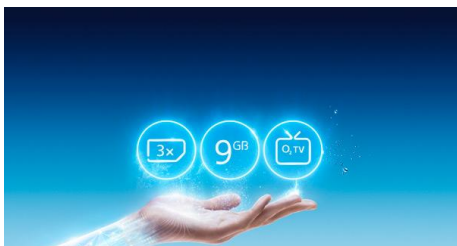
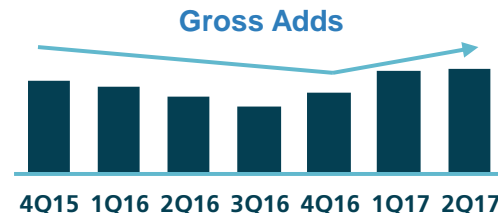
- O2 brand license agreement **extended by 3 years** (Jan 2022)...
- ...another **5-years extension** (till Jan 2027) available...
- .. partnership with **Telefonica** till at least **Jan 2022**
- ...related **CZK ~900m prepayment** in **4Q 2017**

# O<sub>2</sub>

# Home unlimited broadband proposition well accepted... ...unique fixed/mobile convergent product launched



- Unlimited BB available to **99%** of households...
- ... technology agnostic (DSL & LTE)...
- ...with **guaranteed 20Mbps** speed



- O<sub>2</sub> Spolu – flexible family convergent bundle...
- ...**3 unlimited mobile voice & SMS** with flexible **mobile data** (3 to 10 GB<sup>[1]</sup>) bundled with **Pay TV**



- Paid data packages upgraded in major tariffs... **39%**
- ...mobile data traffic up by **2/3** y-o-y...
- ...data monetization accelerates...
- ... and **mobile ARPU** keeps growing

LTE penetration

59%  
smartphone  
penetration

O<sub>2</sub>



# LTE TDD wireless broadband & Pay TV launched in Slovakia... ...mobile ARPU up 2% year-on-year on the back of strong data

- **3.5 & 3.7 GHz spectrum** acquired in 2015/2016...
- ...to build **WTTx network** for **broadband & Pay TV** services..
- ...**commercial launch in 2Q** in first 230 towns & villages in all regions



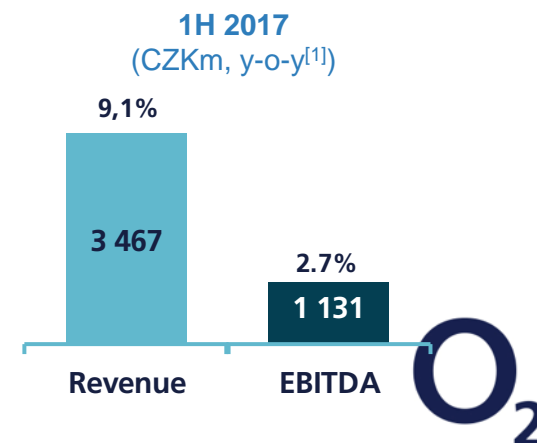
- **LTE handset sales focus... in-house instalment model...**
- ...combined with **new data focused proposition...**
- ... **data customer base +14% & traffic +62%...**
- and **data successfully monetized** (revenue<sup>[1]</sup>: +37%)...

**40%**  
LTE penetration

**59%**  
smartphone  
penetration



- **Solid revenue growth** driven by **data & hardware**
- **B2B** business **dilutes EBITDA margin** by 1.2 p.p.
- Total **EBITDA margin 32.6%**<sup>[2]</sup>
- **Positive contribution** to Group financials





# Financial Performance January – June 2017

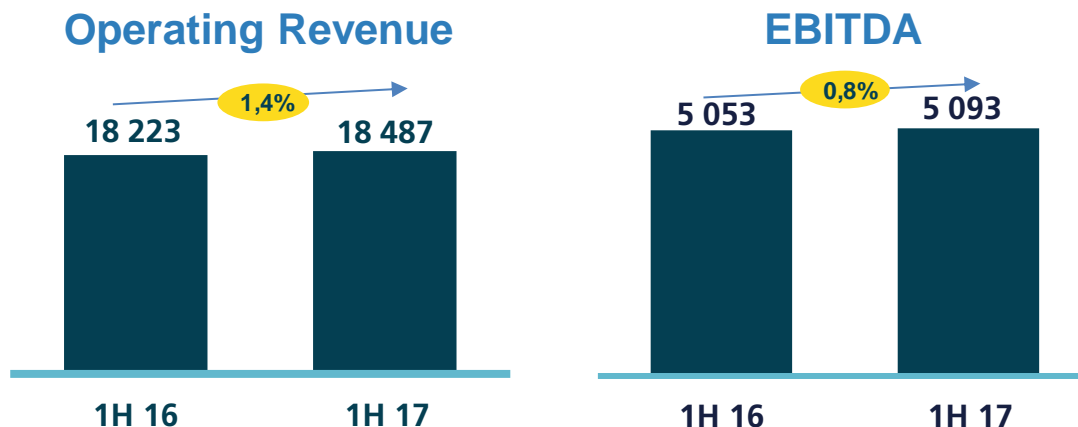
O<sub>2</sub>



# Growing group financials at all levels in 1H 2017...

## ...revenue growth driven by mobile data, O<sub>2</sub> TV and hardware...

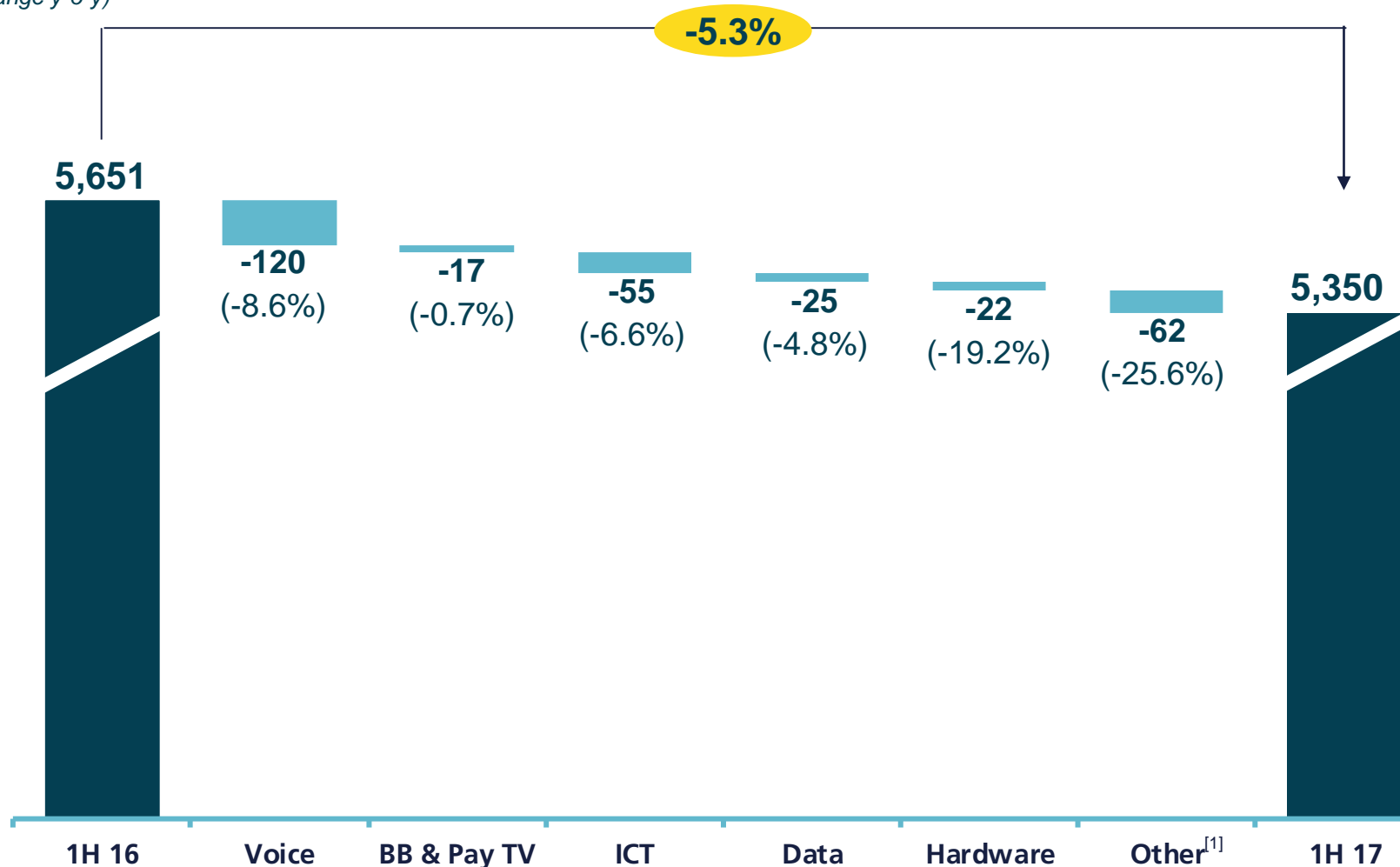
<i>CZK millions</i>	Jan-June 2017	<i>Change 1H17 /1H16</i>
<b>Operating Revenue</b>	<b>18,487</b>	<b>+1.4%</b>
CZ Fixed	5,350	
CZ Mobile	9,785	
Slovakia <sup>[1]</sup>	3,466	
<b>EBITDA</b>	<b>5,093</b>	<b>+0.8%</b>
<i>EBITDA margin</i>	27.5%	
<b>Net Income</b>	<b>2,633</b>	<b>+3.2%</b>
Free Cash Flow <sup>[2]</sup>	2,182	





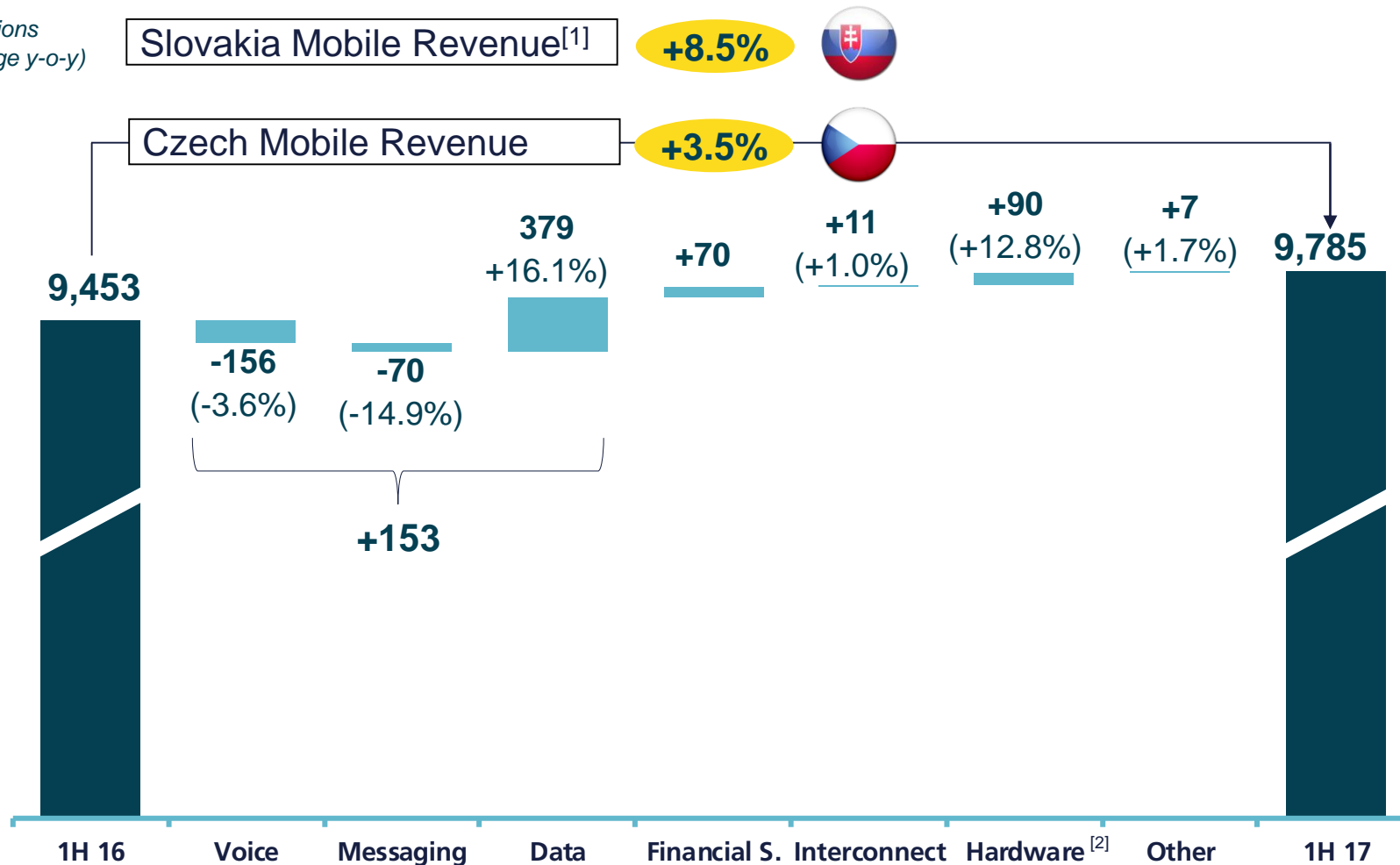
# Fixed voice declining due to fixed to mobile substitution... ...B2B segment still under pressure

CZK millions  
(% change y-o-y)



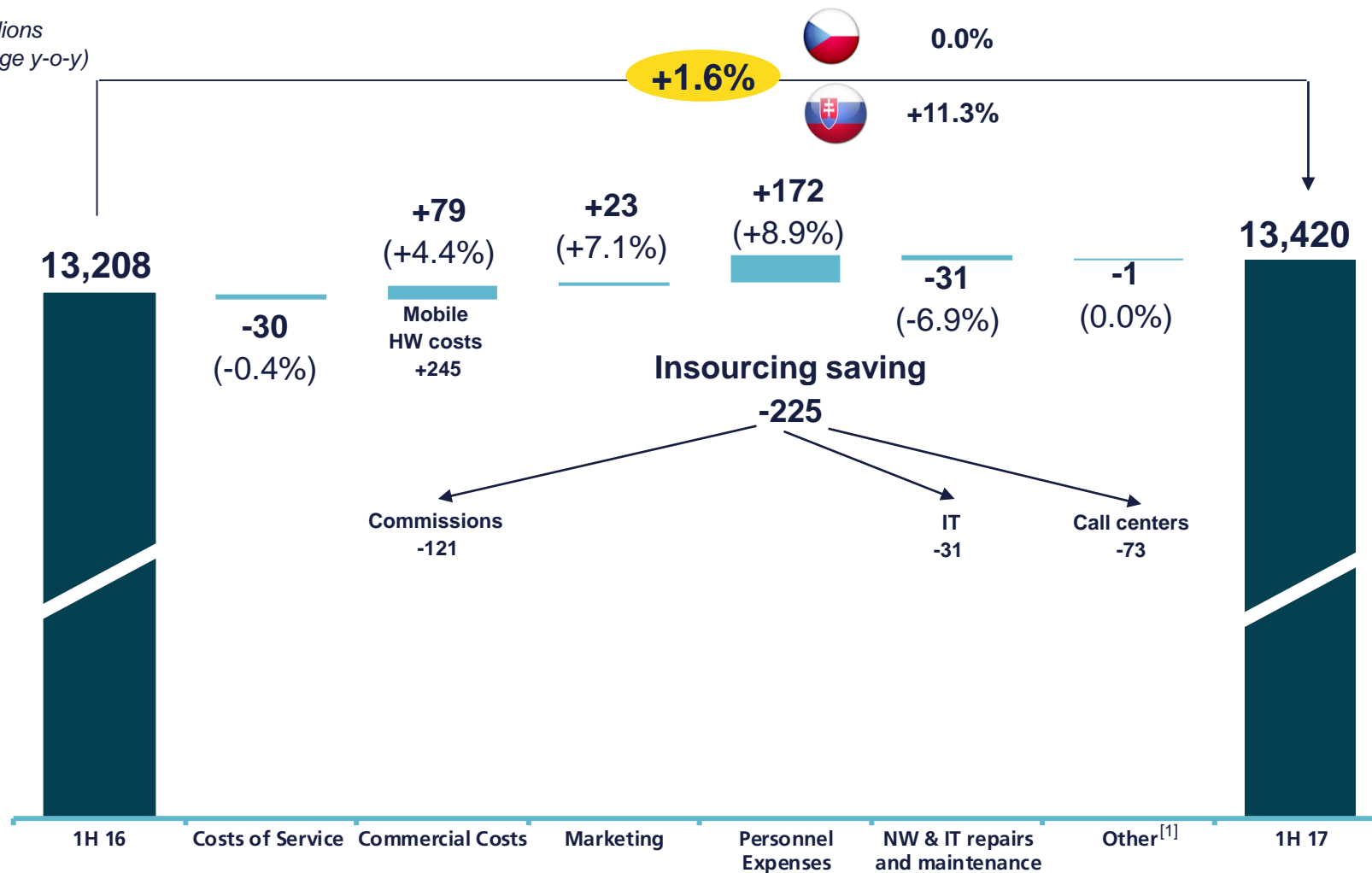
# Double digit growth of data, financial services, and HW revenue ... ...more than compensating B2B pricing & roaming impact

CZK millions  
(% change y-o-y)



# Cost base under control; with Czech costs flat year-on-year... ...while Slovak up 11% due to higher HW costs & roaming

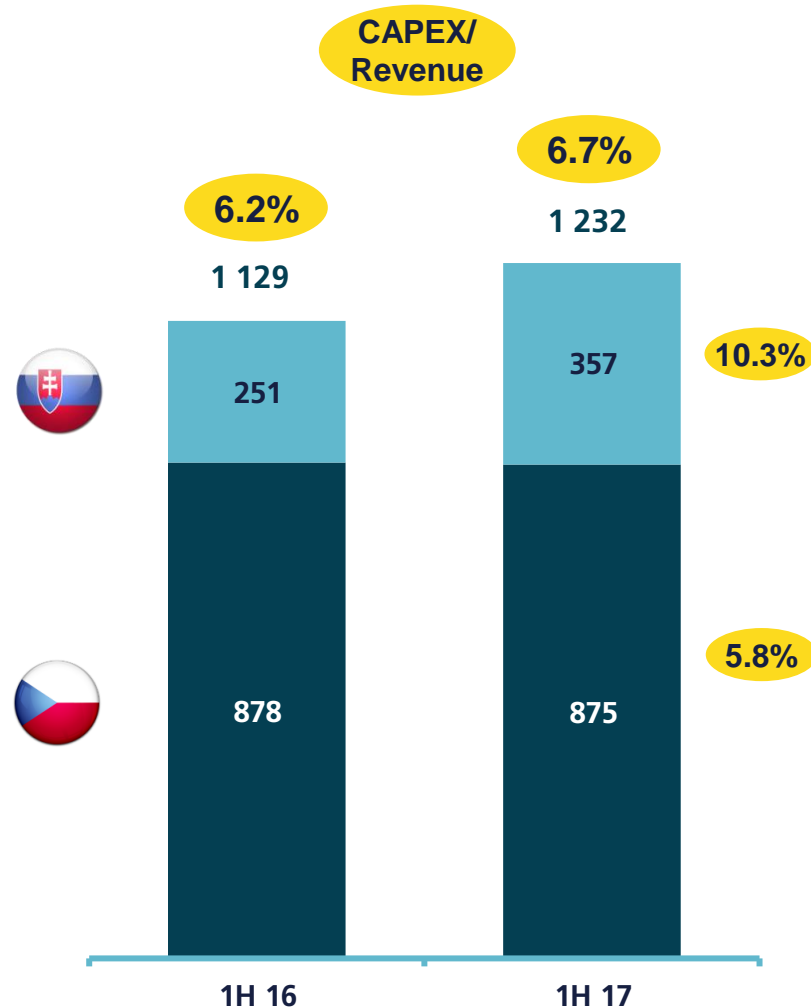
CZK millions  
(% change y-o-y)



O<sub>2</sub>

# Low capex profile... ...investments directed to 2G/4G in SK & IT transformation

CZK millions



## ■ Slovakia:

- 4G rollout (also in rest of 2017)
- Mobile network expansion (peak in 2H 2017)
- 3.5 & 3.7 GHz – LTE TDD (BB + Pay TV)

## ■ Czech Republic:

- IT transformation (peak in 2H 2017)
- Mobile core NW upgrade
- 2H 2017: 450 MHz & 3.7 GHz spectrum

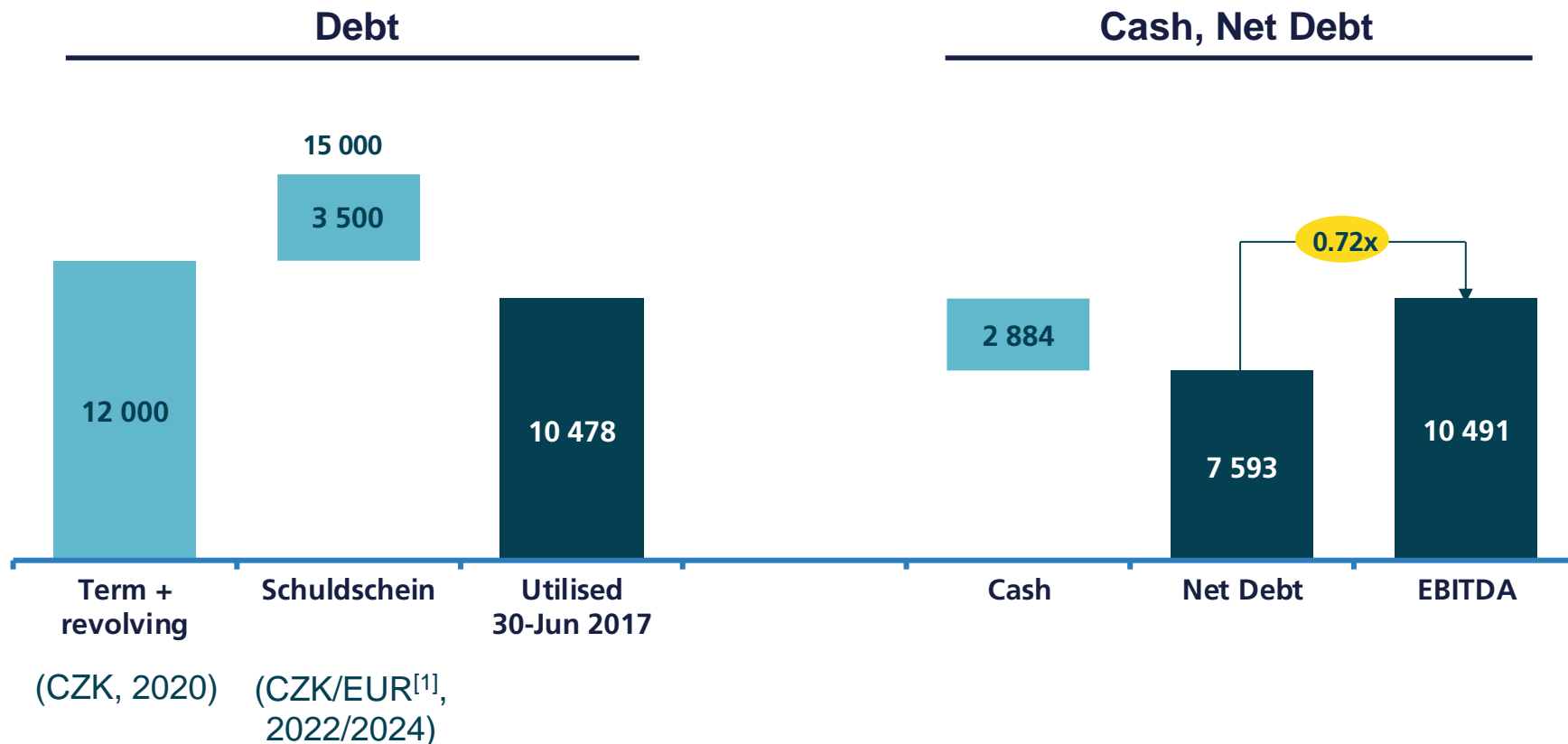
# CZK 6.4bn of 2016 shareholder remuneration paid... ...new CZK 3.5bn debt withdrawn

<i>CZK millions</i>	31 Dec 2016	30 June 2017	30 Jun 17 /31 Dec 16
<b>Non-current assets</b>	<b>22,071</b>	<b>21,762</b>	<b>-1.4%</b>
- of which intangible assets	16,515	16,044	-2.9%
- of which property, plant & equipment	5,075	5,023	-1.0%
<b>Current assets</b>	<b>11,235</b>	<b>9,908</b>	<b>+11.8%</b>
- of which cash & cash equivalents	4,137	2,884	-30.3%
<b>Total assets</b>	<b>33,306</b>	<b>31,671</b>	<b>-4.9%</b>
<b>Equity</b>	<b>17,505</b>	<b>13,104</b>	<b>-25.1%</b>
<b>Non-current liabilities</b>	<b>7,382</b>	<b>10,850</b>	<b>+47.0%</b>
- of which financial debt	6,976	10,457	+49.9%
<b>Current liabilities</b>	<b>8,419</b>	<b>7,761</b>	<b>-8.4%</b>



# CZK 10.5bn debt utilized out of CZK 15.5bn capacity... ...Net Debt to EBITDA maintained at low level

CZK millions







# 2016 Shareholder remuneration

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

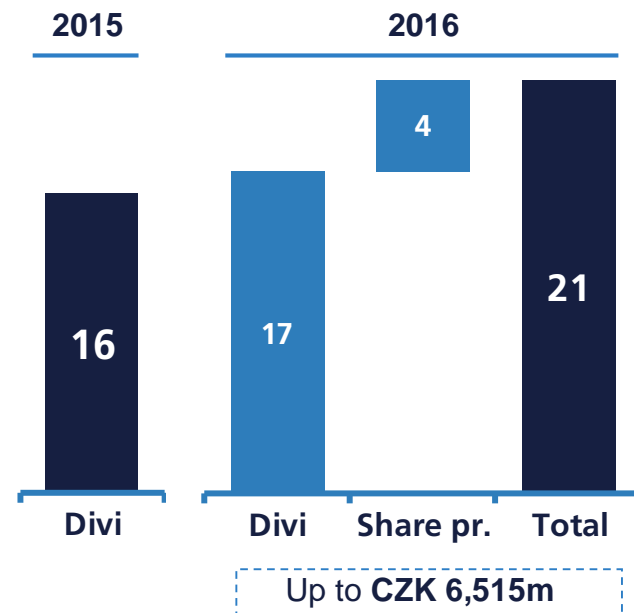
Regular  
Dividend

- **DPS: 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**
- **CZK 4 per share**

Total shareholder remuneration



Share Buy Back

- **up to 10% in 5 years..**
- **7.1m, i.e. 2.3% shares... already repurchased...**
- **...for total acquisition cost of CZK 1,787m...**







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

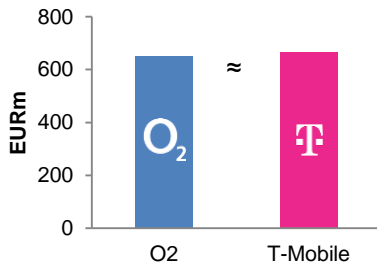
### Solid GDP growth and retail purchasing power



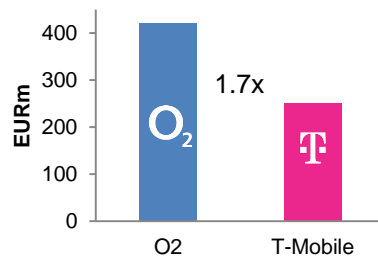
- Strong link to German economy
- GDP growth above EU level
- Unemployment in CZ at the lowest levels in past 20 years

### Market leader in the Czech Republic

Mobile Service Revenue

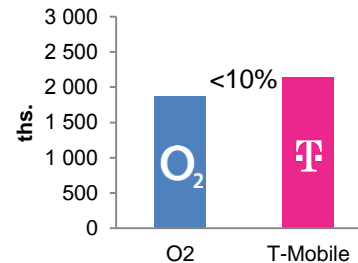


Fixed Service Revenue<sup>(1)</sup>

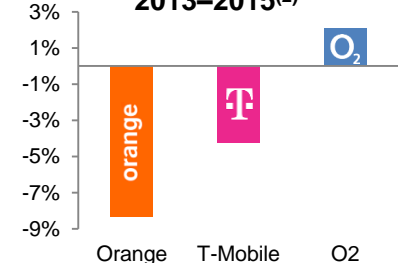


### Fastest growing player in Slovakia

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



# 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.

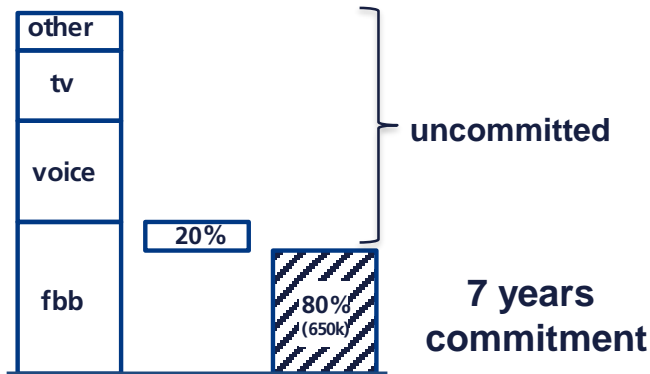
### O2 CR x PPF relationship

- 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

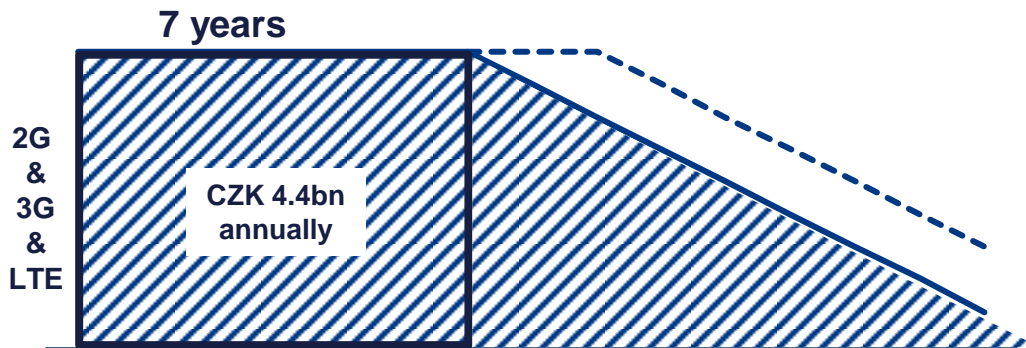
Fixed charge & commitment (illustrative)




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

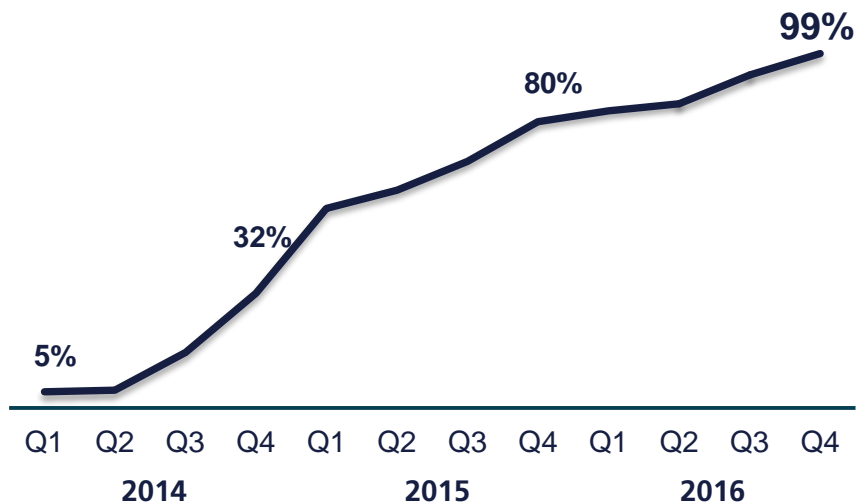
O<sub>2</sub>



# 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

**4GLTE+**

- ~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

**O<sub>2</sub>**<sup>[1]</sup> 90%

 33%  
upc

## 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

**O<sub>2</sub>**

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

<sup>[2]</sup> 20 million kmp of cables

A low-angle shot of a person's legs from the knees down, wearing dark blue jeans and tan leather loafers. They are walking on a vibrant blue carpet. A large, white, hand-painted arrow points directly towards the viewer, starting from the bottom left and extending towards the center. The background is a bright, hazy blue sky or light source, creating a sense of openness and forward movement.

Investor Relations contact

O<sub>2</sub>

# Investor Relations contacts

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