

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.  
28<sup>th</sup> July 2017

# Quarterly Results January – June 2017

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 speakers



**Tomáš Budník**

CEO & Chairman of the Board

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**Tomáš Kouřil**

CFO & Vice- Chairman of the Board

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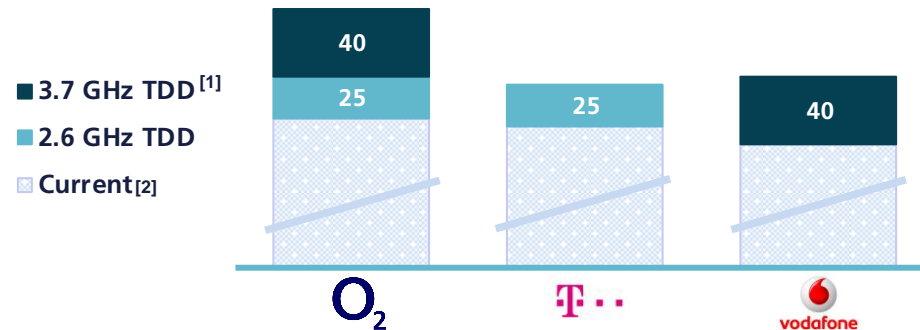
# Strategic commercial initiatives & Performance Highlights

# 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>

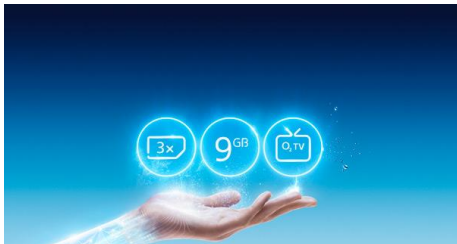
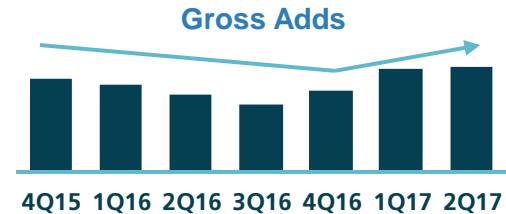
<sup>[1]</sup> following recent 3.7 GHz spectrum auction (new spectrum to be paid for and assigned in 2H 2017);

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

# 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...
- ...mobile data traffic up by 2/3 y-o-y...
- ...data monetization accelerates...
- ... and mobile ARPU keeps growing

39%  
LTE penetration

59%  
smartphone  
penetration



# 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



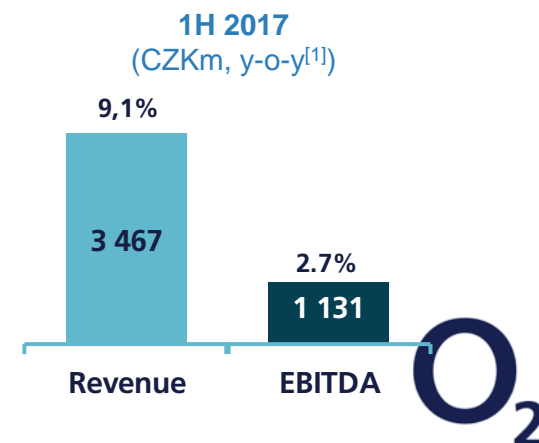
- **LTE handset sales focus... in-house instalment model...**
- ...combined with **new data focused proposition...**
- ... **data customer base +14% & traffic +62%...**
- and **data successfully monetized** (revenue<sup>[1]</sup>: +37%)...

**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

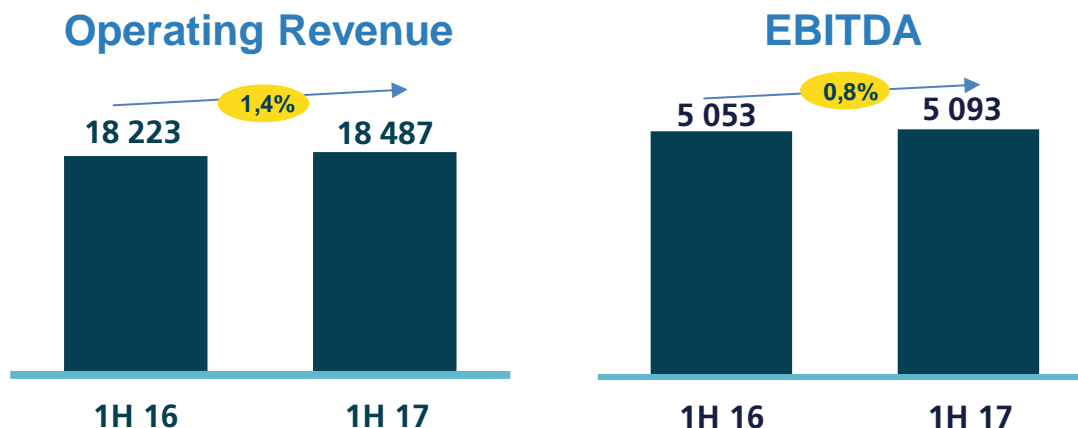
O<sub>2</sub>



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

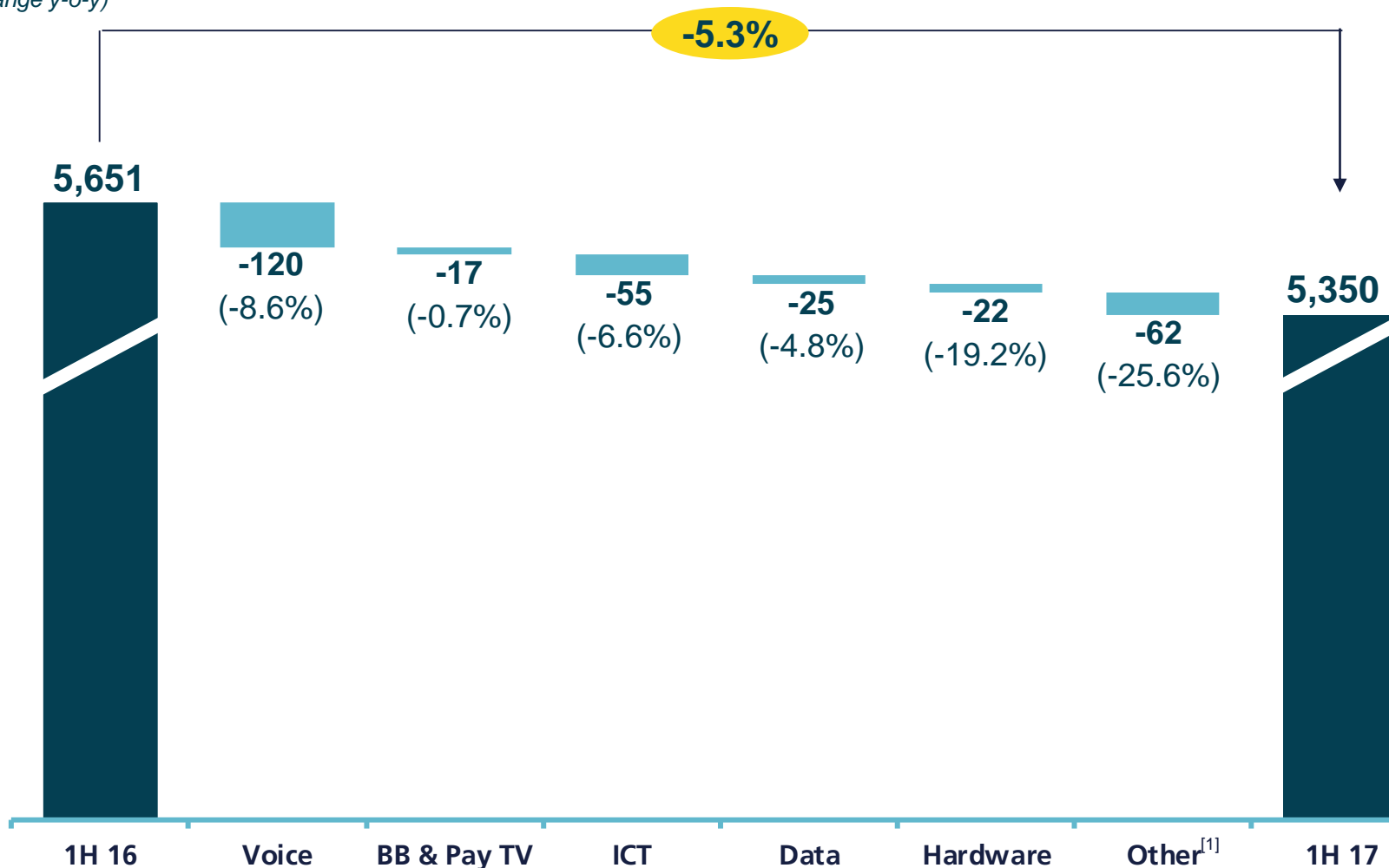
## ...revenue growth driven by mobile data, O<sub>2</sub> TV and hardware...

<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	



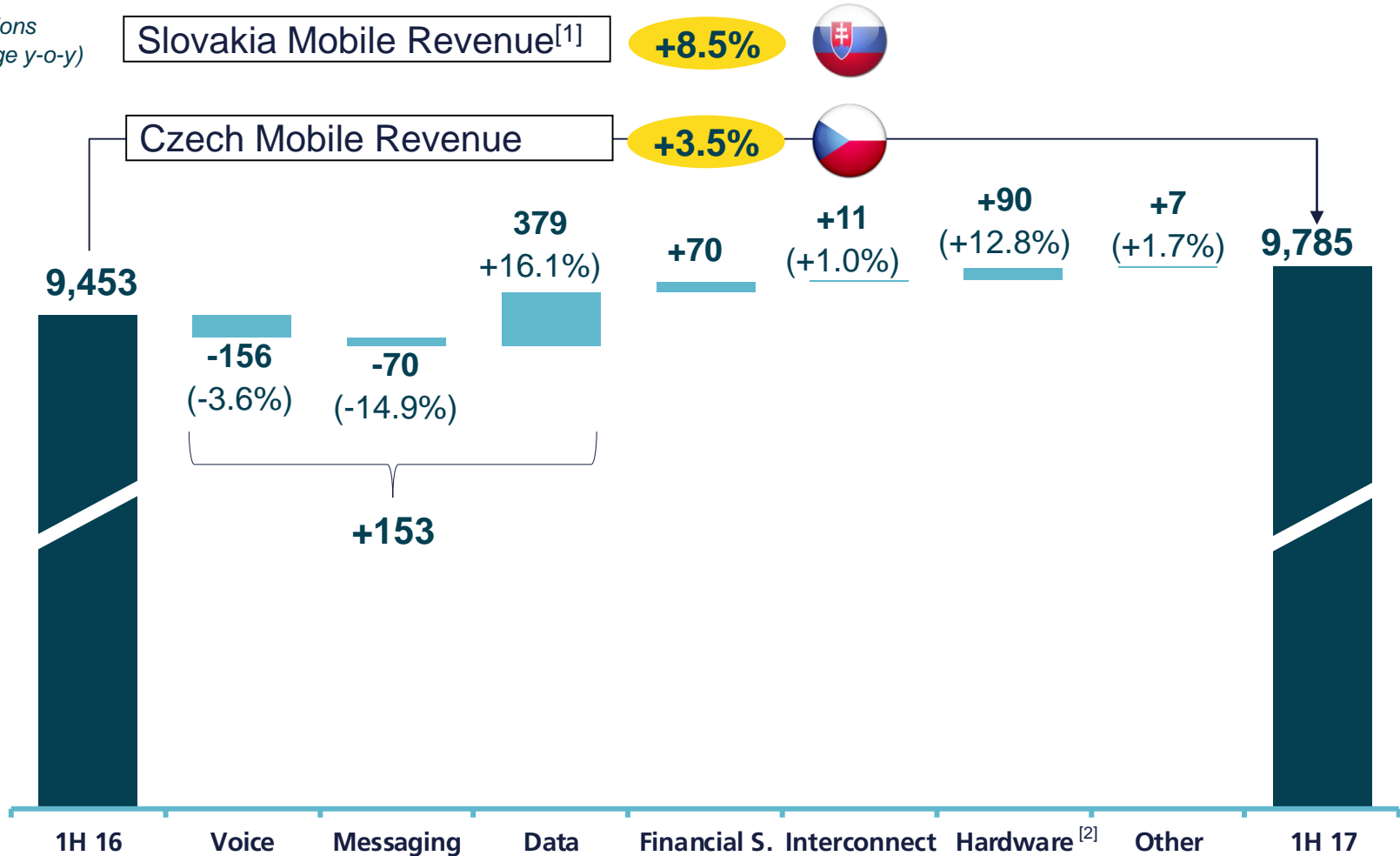
# Fixed voice declining due to fixed to mobile substitution... ...B2B segment still under pressure

CZK millions  
(% change y-o-y)



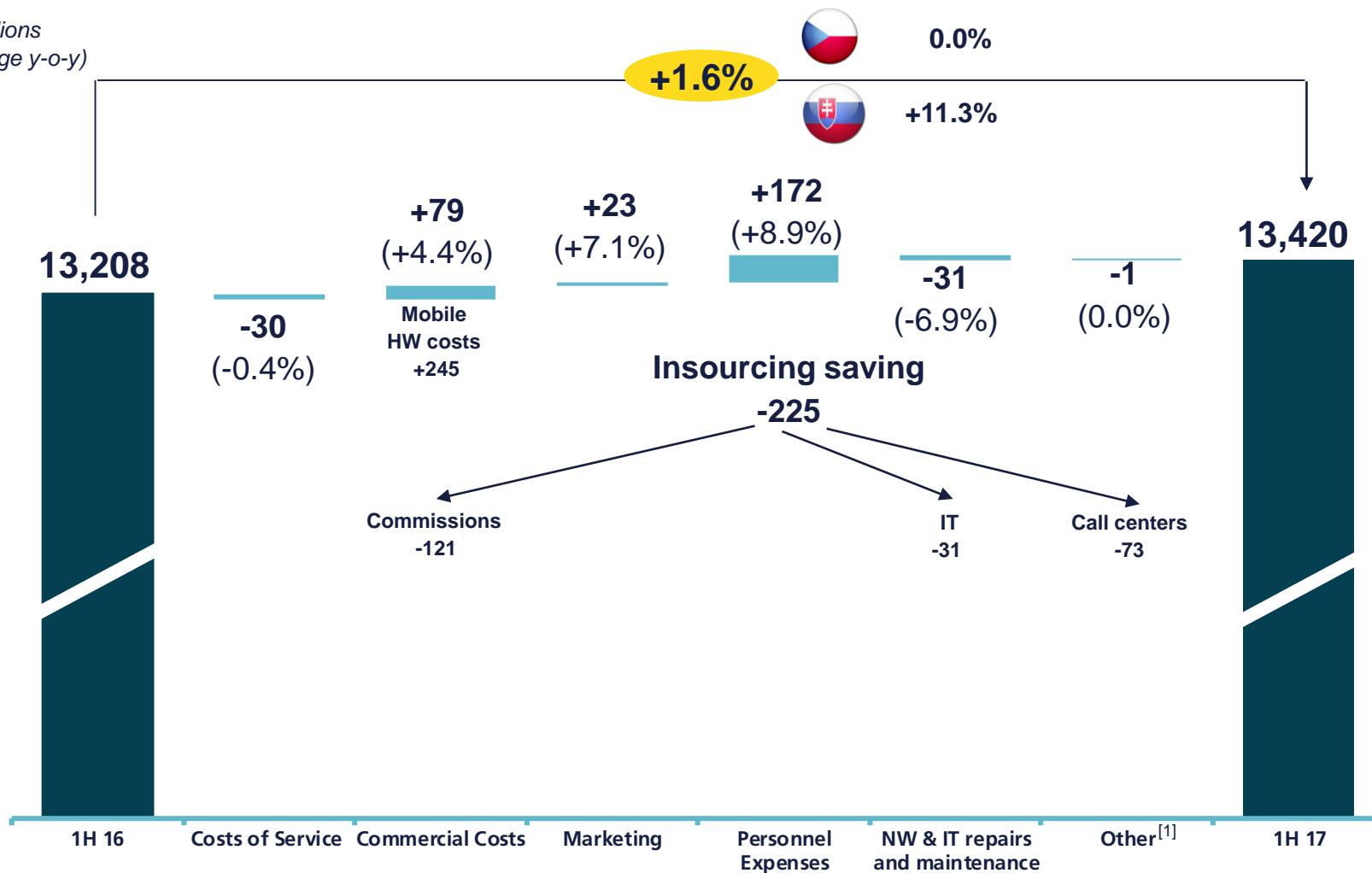
# Double digit growth of data, financial services, and HW revenue ... ...more than compensating B2B pricing & roaming impact

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)

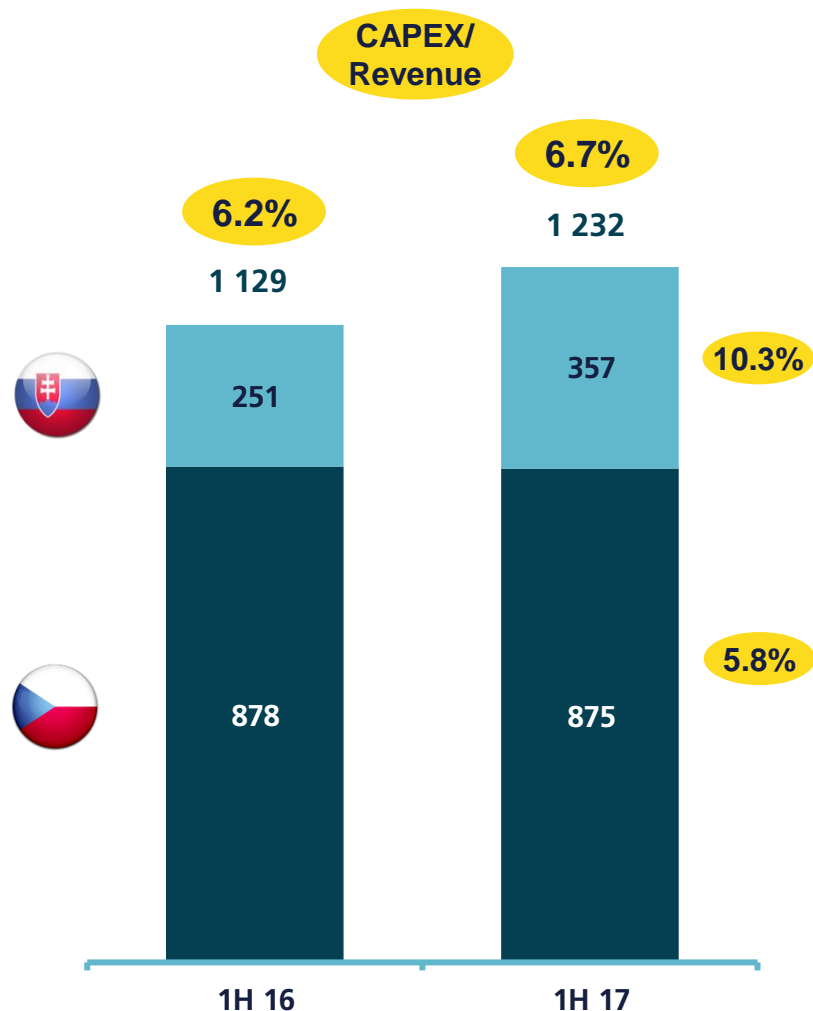


12 <sup>[1]</sup> Taxes other than income taxes, provisions and fees, Rentals, Buildings, Vehicles, Consumables, Consultancy, Billing, Collection, Call Centers, management fees and other; including Internal expenses capitalized in fixed assets



# 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>	22,071	21,762	-1.4%
- 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>	11,235	9,908	+11.8%
- of which cash & cash equivalents	4,137	2,884	-30.3%
<b>Total assets</b>	33,306	31,671	-4.9%
<b>Equity</b>	17,505	13,104	-25.1%
<b>Non-current liabilities</b>	7,382	10,850	+47.0%
- of which financial debt	6,976	10,457	+49.9%
<b>Current liabilities</b>	8,419	7,761	-8.4%



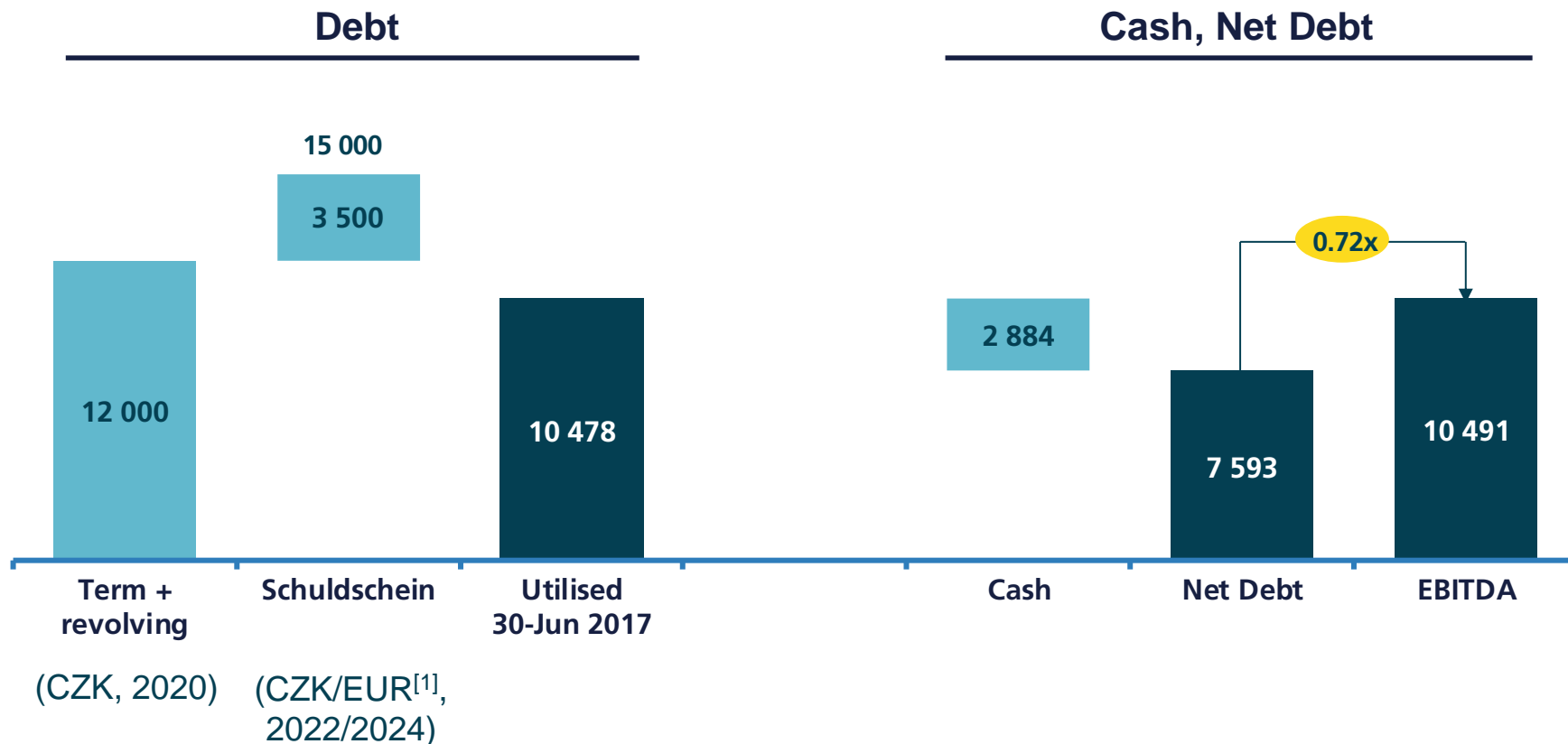


Back up

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

CZK millions





## Change in the reporting and accounting for financial services

Since June 2017, there has been a change in the reporting and accounting for financial services. Till May 2017, hardware and travel insurance revenues were reported within the mobile segment (mobile terminated) by the net method (i.e. revenues less costs of service). Since June 2017, these revenues are reported using the gross method (within the new separate category "financial services") and the relevant costs of service are recognized in the mobile costs of service. The reporting change also applies to revenues from electronic sales recording (fiscalization). Till May 2017, revenue from fiscalization services and from sale of related hardware were reported within fixed segment (ICT: fiscalization services, hardware revenue: fiscalization hardware sales). Since June 2017, these revenues have been reported within in mobile segment (financial services: fiscalization services, hardware revenue: fiscalization hardware sales). Additionally, in June 2017, a retrospective adjustment (restatement) in accounting for financial services for January to May 2017. The 2016 figures have not been restated due to immateriality.

This change was reflected in fixed and mobile segment results for the second quarter of 2017, but had no impact on earnings before depreciation, amortization (EBITDA).



A low-angle, rear-view shot of a person's legs from the knees down. They are 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 towards the person's feet. The background is a bright, hazy blue landscape under a clear sky.

Investor Relations contact

O<sub>2</sub>

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