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

O2 Czech Republic, a. s.  
November 2018 (updated with 9M 2018 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 background is a dark blue gradient with soft, out-of-focus light spots. The text 'Introduction & Strategic highlights' is overlaid in white on the lower left side of the image.

# Introduction & Strategic highlights

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

## Leading **fixed/mobile** operator

5,008 Mobile

532k fixed voice lines

## Leading **fixed BB** provider

797k xDSL & LTE home BB

## Fastest growing **Pay TV** provider

308k Pay TV (IPTV, OTT, Multi)

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

2,002k 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 2018

# 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





# The most popular sports content exclusively on O<sub>2</sub> TV ... ...with unique features and bundled in packages

## Best exclusive sport content



## Unique technology and features



Recording



Timeshift



Menu



4 devices



Selection of matches



Multi-angle camera viewing

## Included in all bundles



## Best customer experience



# 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
- **>350k active insurance policies**



End to end startups

taxify CROSS

Tapito 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>**



Strategic commercial initiatives &  
Performance Highlights in 1H 2018

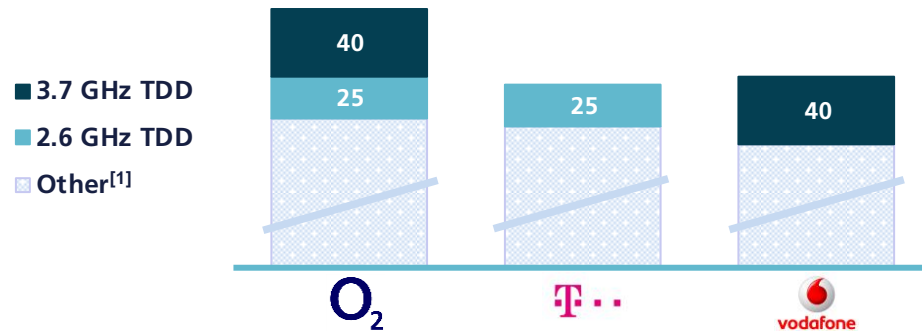


# We are best positioned for WTTx/5G ... ...and secured O2 brand minimum until 2022

- 40 MHz block in 3.7 GHz spectrum acquired...
- ... suitable for WTTx in areas with insufficient xDSL coverage...
- ...450 MHz spectrum renewed for reasonable price



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

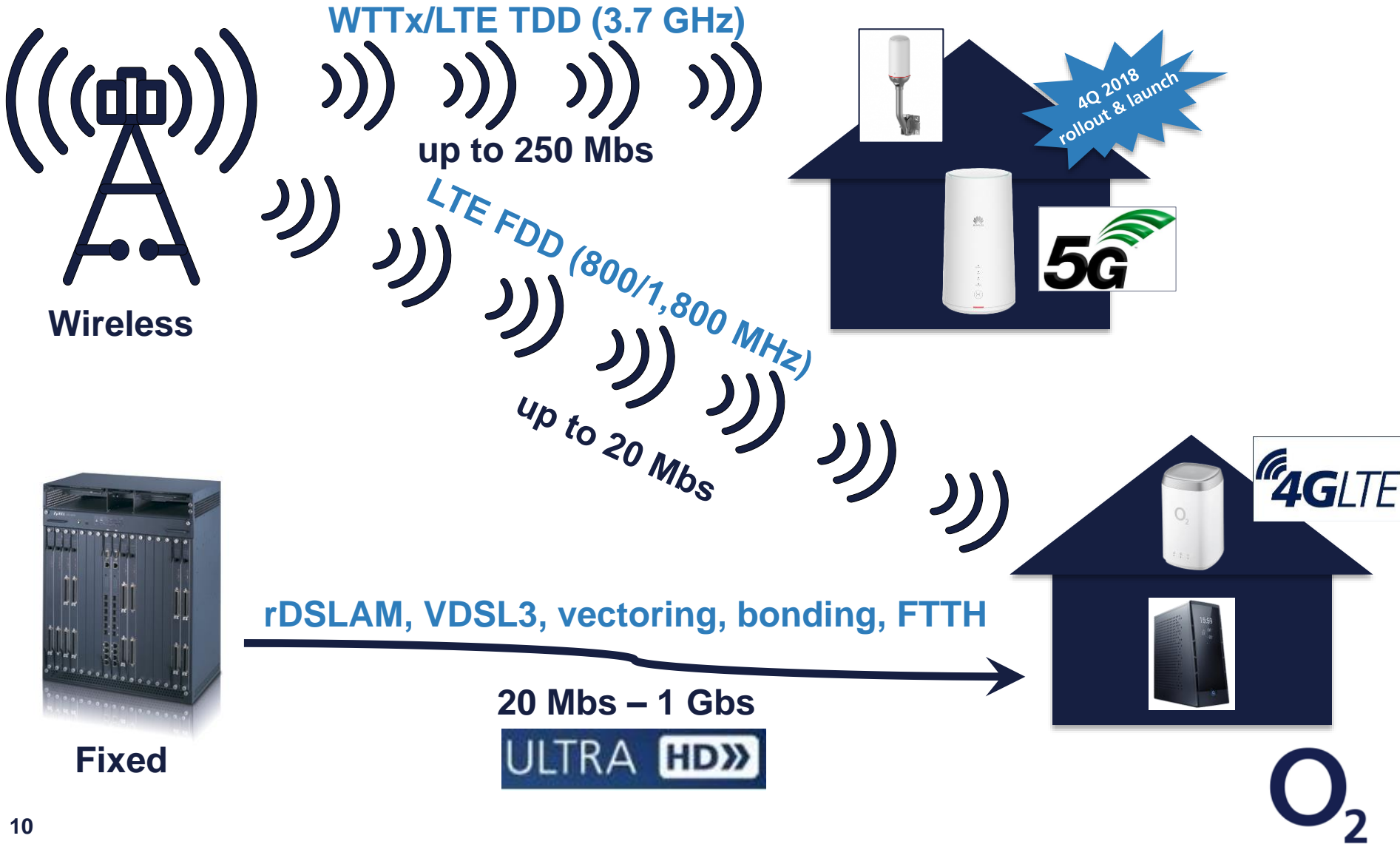


# O<sub>2</sub>

- 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 capex & cash outflow fully booked in 2017

# O<sub>2</sub>

# Expansion of technology agnostic broadband proposition with WTTx/LTE TDD solution using 3.7 GHz spectrum

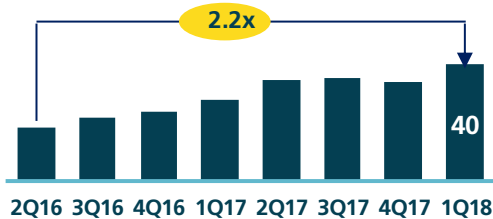


# We improved significantly 4G LTE speed & quality... ...shops redesign to increase sales performance



- 99% 4G LTE coverage (800 MHz) already since 2016 year-end...
- ...further NW densification & 2CC<sup>[1]</sup> installation... **4GLTE+**
- ... most intense data traffic localities to be upgraded with 2CC

4G LTE downlink speed in Prague<sup>[2]</sup>



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



- 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

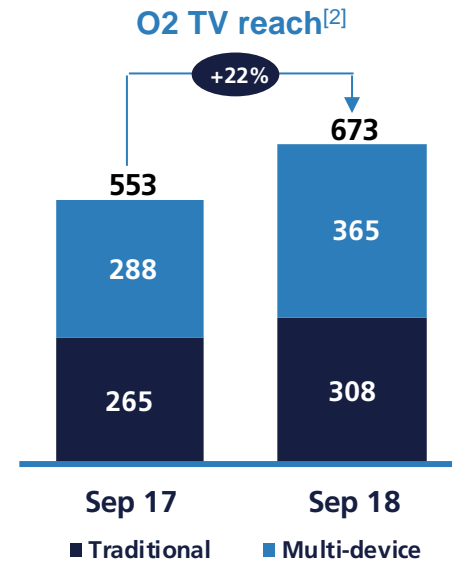
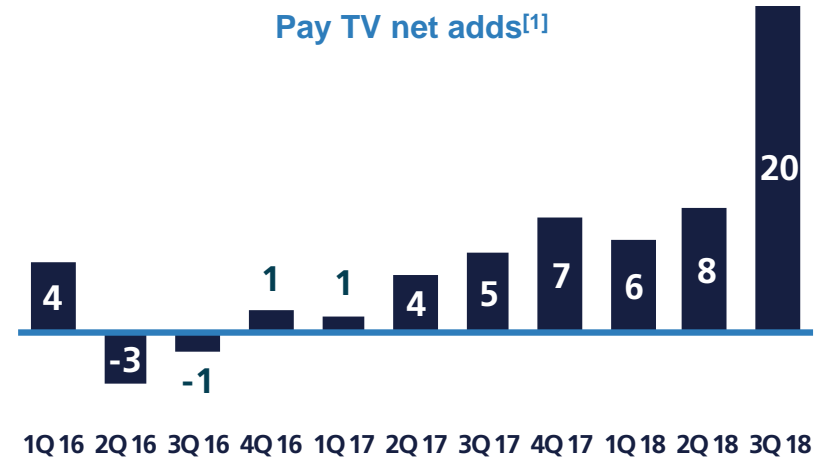


# Exclusive sport content & bundled proposition... ..driving accelerated O<sub>2</sub> TV base uptake

Exclusive content including own



Unique functions & features



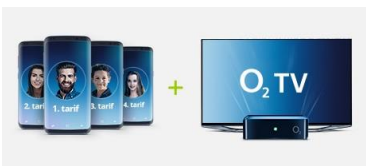
12 <sup>[1]</sup> in thousand; IPTV & OTT, incl. Multi (second STB); <sup>[2]</sup> Traditional paid tariffs: IPTV, OTT, Multi; Multi-device: applications & web (average monthly number of unique users, incl. paid O2 TV Sport Pack)



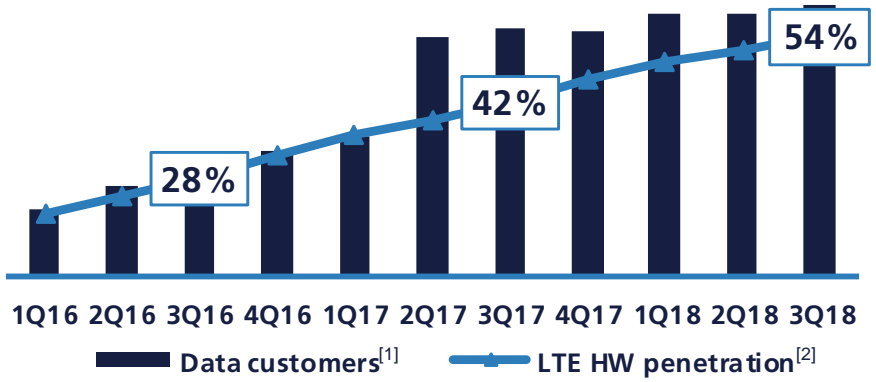
# Demand for bundles, data centric tariffs & LTE smartphone focus... ...driving data traffic growth; data successfully monetized

**Data centric & bundled proposition**

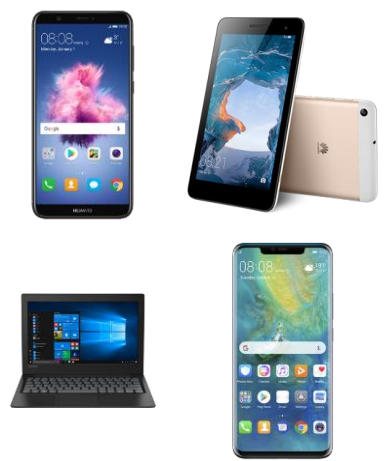
**O<sub>2</sub> Data**  
Vstupte do doby datové



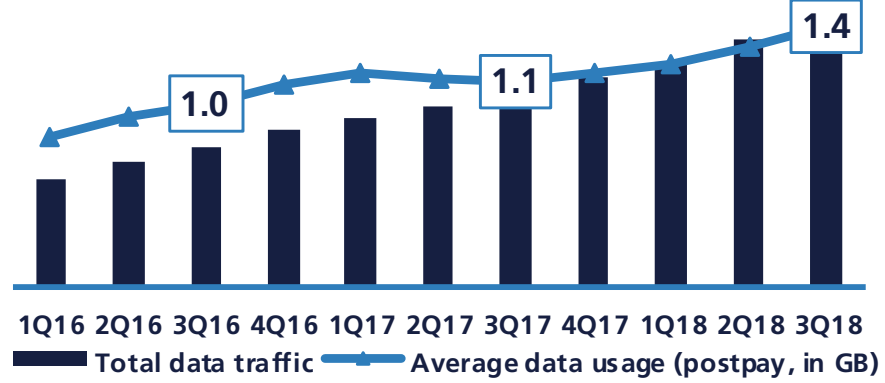
Uptake in LTE HW penetration with further growth potential



**LTE smartphone & tablets/PCs sales focus**



Average monthly postpay data<sup>[1]</sup> usage + 26% y-o-y

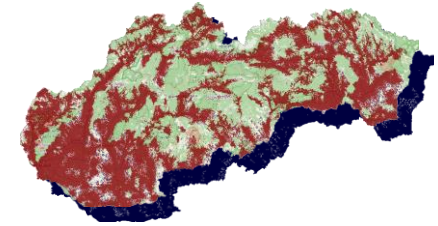


# Strong and improving performance in Slovakia... ...driven by growing base, improving mix & data uptake

## No. 1 4G LTE network coverage in Slovakia<sup>[1]</sup>

- over 95% 4G LTE (800/1800 MHz) population coverage
- WTTx/FWA BB & Pay TV via LTE TDD (3.5/3.7 GHz) & 4G LTE
- national fiber backbone & transmission network expansion

4G LTE coverage

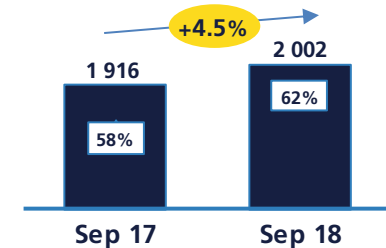


## Competitive data centric proposition

- rich data limits in top “O<sub>2</sub> Pausal” tariffs
- profitable LTE handset sales installment model
- LTE HW penetration<sup>[2]</sup> at 55% (+12 p.p. y-o-y)

Customer base

(‘000; % postpay)

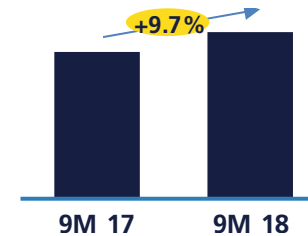


## Growing base & ARPU; strong brand

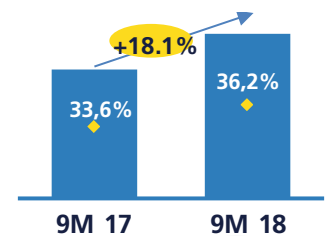
- blended APRU +3.7% (postpaid +3%)<sup>[3]</sup>
- O2 SK voted “Operator of the Year” for the 8<sup>th</sup> consecutive year
- CSI maintained high at 81.7 points



Revenue  
(growth rate in EUR)



EBITDA/margin  
(growth rate in EUR)







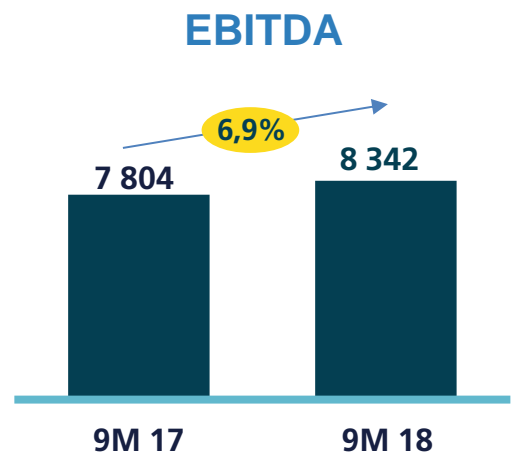
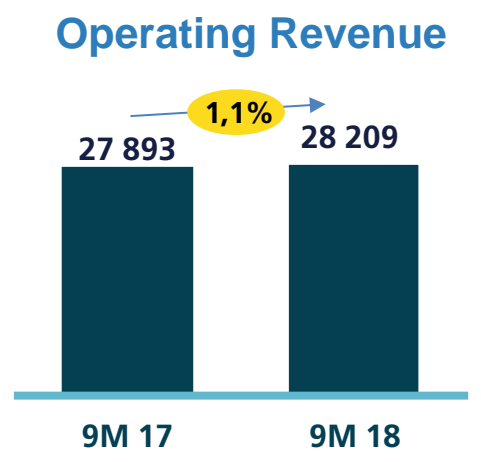
Financial Performance  
January – September 2018

O<sub>2</sub>



# New proposition & Slovakia driving y-o-y revenue growth... ...growing EBITDA on the back of strict cost management

<i>CZK millions</i>	Jan - Sep 2018 <sup>[1]</sup>	<i>Change 9M18 /9M17</i>
<b>Operating Revenue</b>	<b>28,209</b>	<b>+1.1%</b>
CZ Fixed	7,768	
CZ Mobile	15,081	
Slovakia	5,524	
<b>EBITDA</b>	<b>8,342</b>	<b>+6.9%</b>
<i>EBITDA margin</i>	29.6%	
<b>Net Income</b>	<b>4,217</b>	<b>+2.5%</b>
Free Cash Flow	3,415	



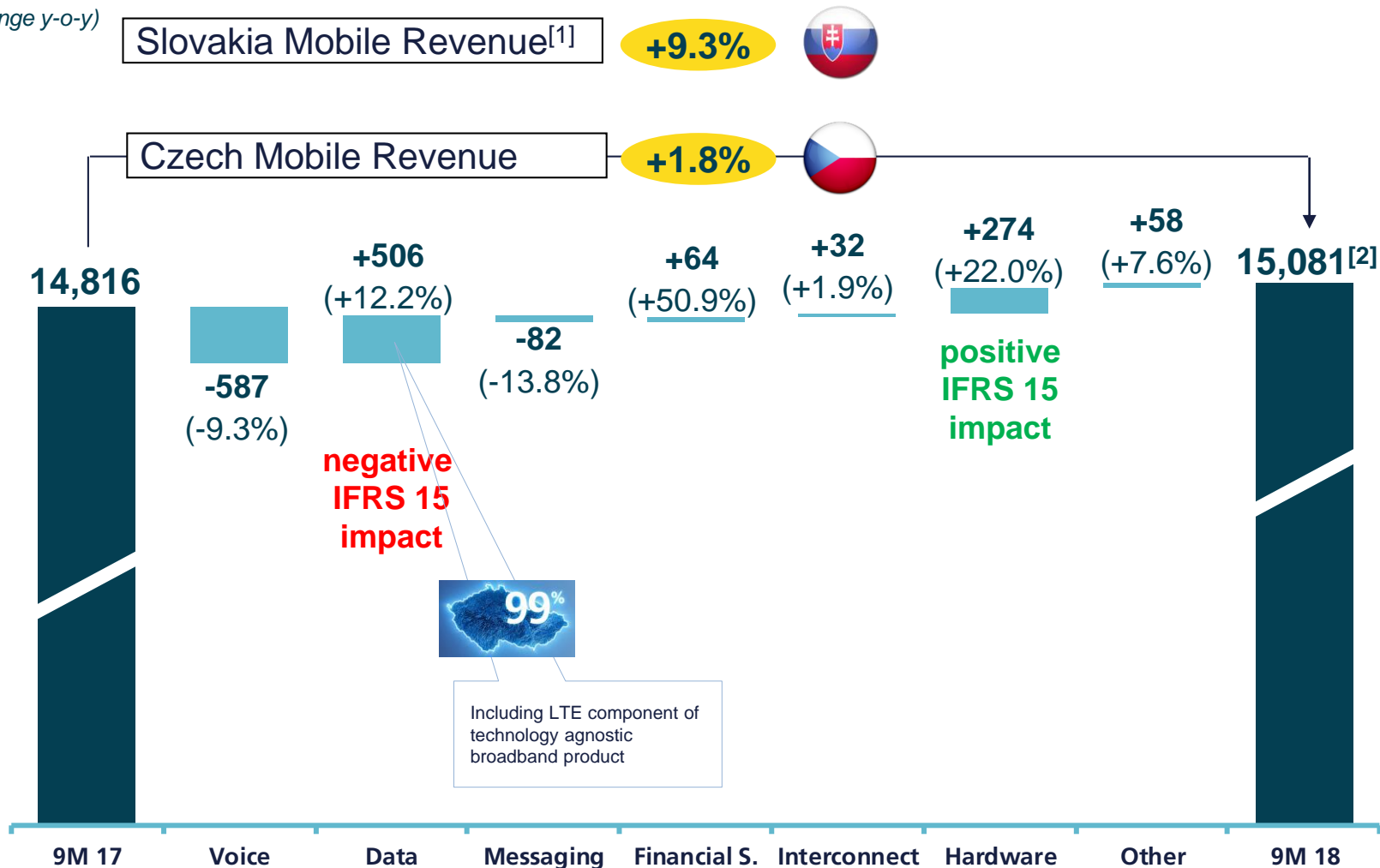
<sup>[1]</sup> including CZK 121 million positive net income effect of IFRS 15





# Double digit growth of data, financial services, and HW revenue... ...mobile data still include also technology agnostic BB product

CZK millions  
(% change y-o-y)

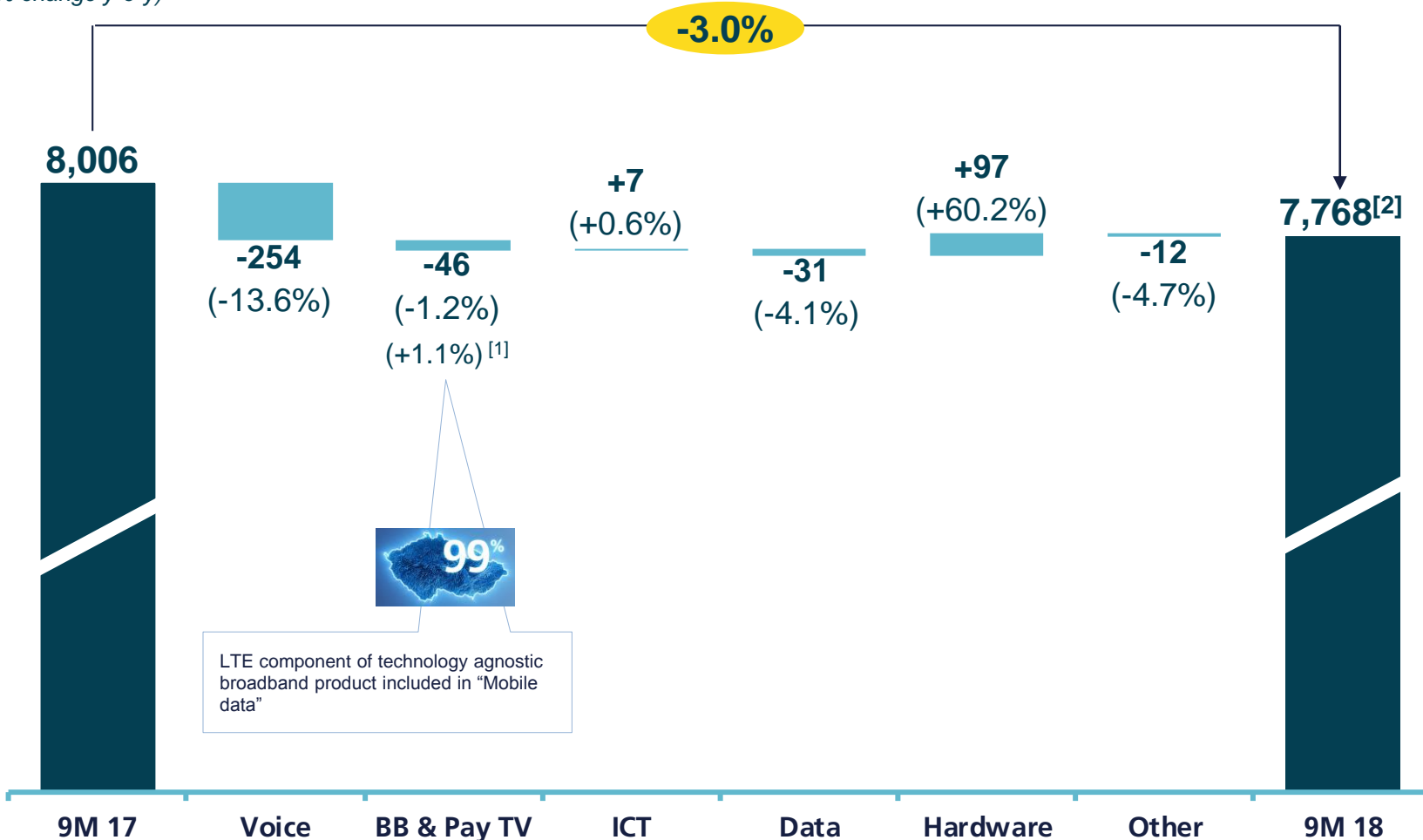


<sup>[1]</sup> Key drivers: Data: +16%, Hardware: +31%; O2 Slovakia, growth rate in local currency (EUR); <sup>[2]</sup> CZK 4 million negative effect of IFRS 15



# Fixed voice declining due to fixed to mobile substitution... ... technology agnostic BB product still in mobile data

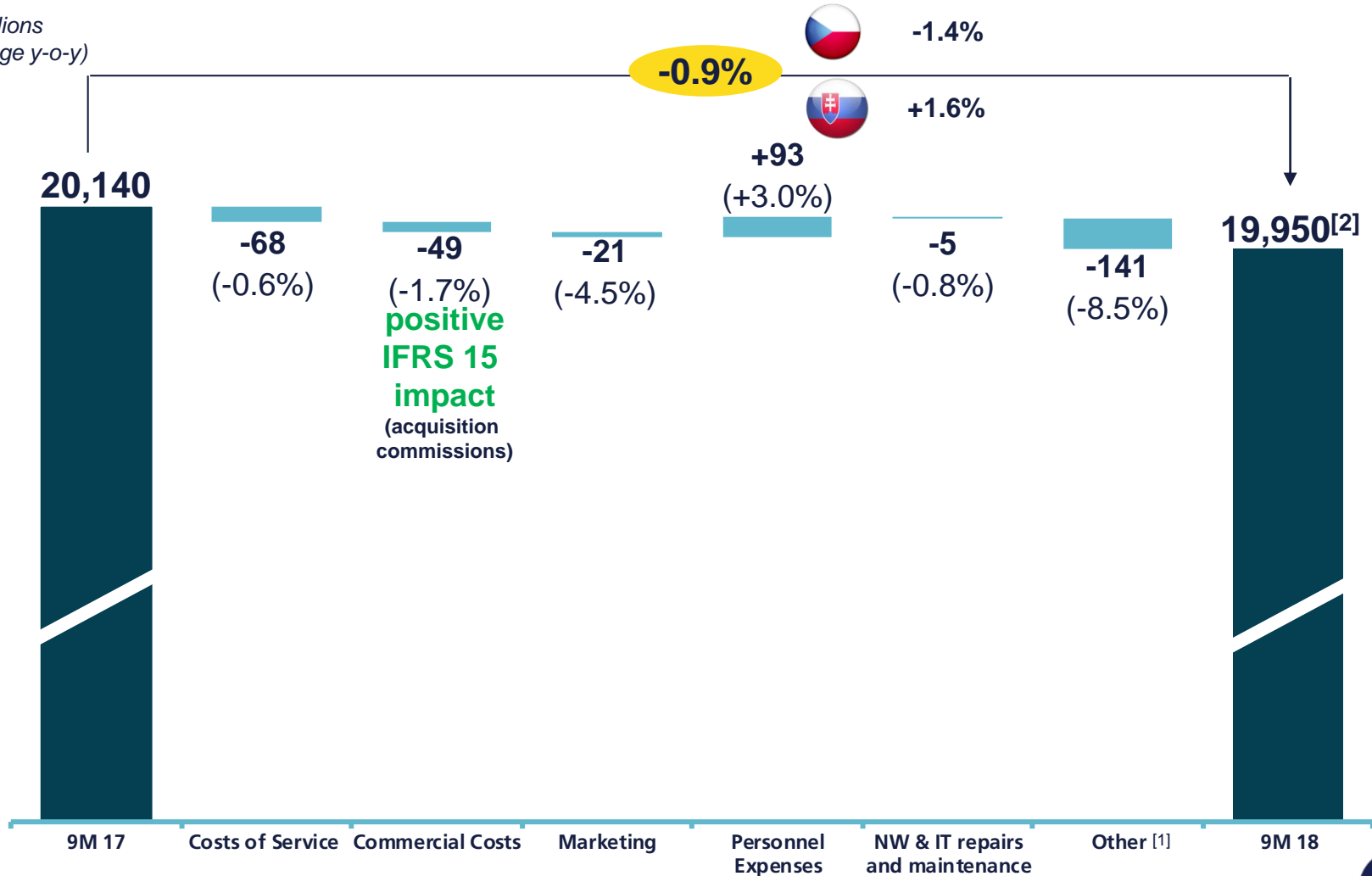
CZK millions  
(% change y-o-y)





# Cost base under control...with savings in Czech... ...and minor revenue related growth in Slovakia

CZK millions  
(% change y-o-y)



<sup>[1]</sup> Taxes other than income taxes, Bad debt provisions, Rentals, Buildings, Vehicles, Consumables, Consultancy, Billing, Collection, Call Centers, management fees and other; including Internal expenses capitalized in fixed assets; <sup>[2]</sup> CZK 417 million positive effect of IFRS 15 (commissions only)

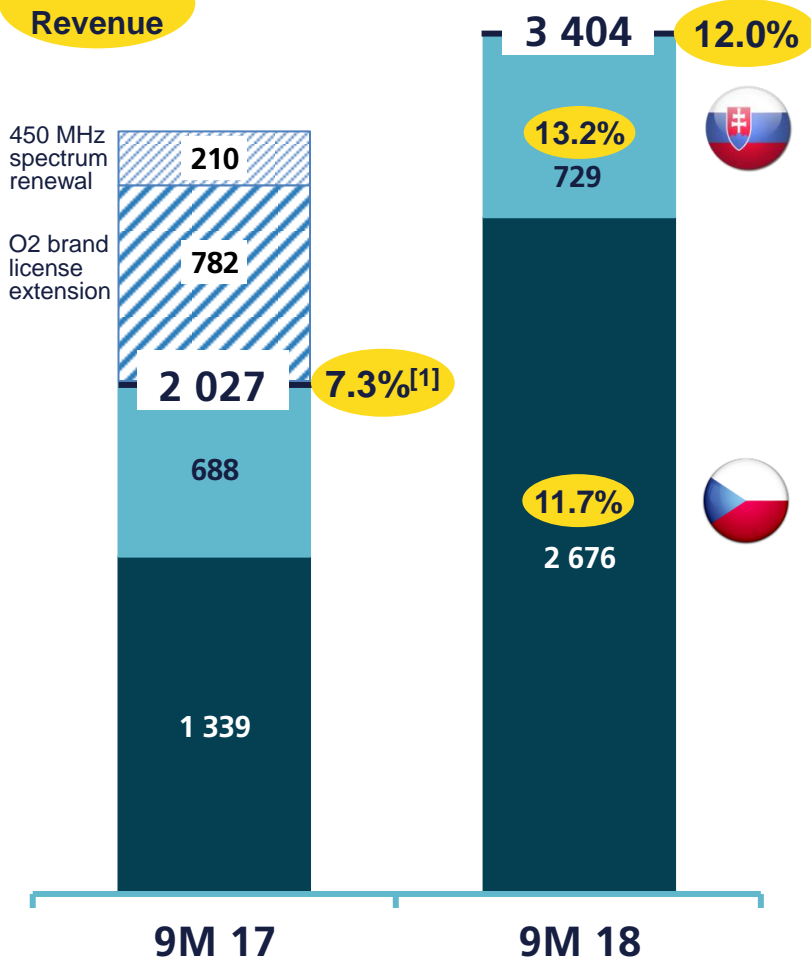




# Czech CAPEX spent on IT transformation & sport content... ...full year CAPEX/Revenue will exceed 10%

CZK millions

CAPEX/  
Revenue



## Slovakia (+5.9% y-o-y):

- Mobile NW capacity (transmission, backbone)
- 2G NW expansion to reduce national roaming

## Czech Republic (+99.8% y-o-y<sup>[1]</sup>):

- Sport content (Q3 2018)
  - UEFA Champions League (3 seasons till 2021)
  - Domestic Fortuna football league (4 seasons till 2022)
  - Domestic Tipsport ice-hockey league (5 seasons till 2023)
- IT transformation (Q3 and also in Q4 2018)
- Retail shops redesign

20 <sup>[1]</sup> 9M 2017: excluding 450 MHz spectrum renewal & capitalization of O2 brand license extension







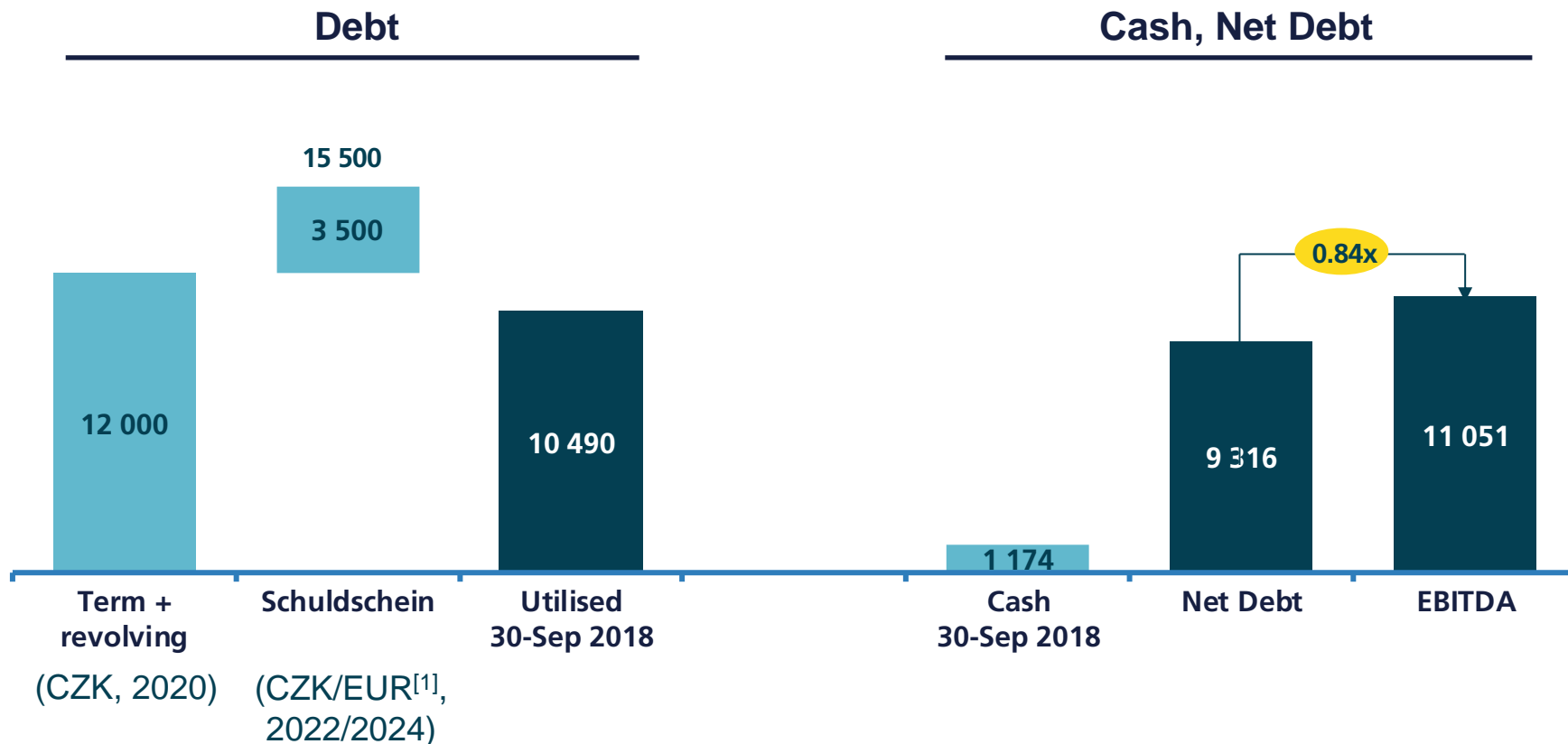
## 2017 shareholder remuneration distributed in 3Q... ...impacting cash & liabilities

<i>CZK millions</i>	31 Dec 2017	30 Sep 2018	30 June 18 /31 Dec 17
<b>Non-current assets</b>	<b>23,411</b>	<b>25,075</b>	<b>+7.1%</b>
- of which intangible assets	16,815	17,488	+4.0%
- of which property, plant & equipment	5,636	5,843	+3.7%
<b>Current assets</b>	<b>11,431</b>	<b>9,070</b>	<b>-20.7%</b>
- of which cash & cash equivalents	4,088	1,174	<b>-71.3%</b>
<b>Total assets</b>	<b>34,842</b>	<b>34,145</b>	<b>-2.0%</b>
<b>Equity</b>	<b>15,475</b>	<b>14,026</b>	<b>-9.4%</b>
<b>Non-current liabilities</b>	<b>10,887</b>	<b>11,651</b>	<b>+7.0%</b>
- of which financial debt	10,448	10,458	+0.1%
<b>Current liabilities</b>	<b>8,479</b>	<b>8,467</b>	<b>-0.1%</b>



# CZK 10.5bn debt utilized out of CZK 15.5bn capacity... ...Net Debt/EBITDA at low 0.8x, well below “up to 1.5x” guidance

CZK millions





# Shareholder remuneration

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

2017  
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**
- **CZK 4 per share**
- **Not one-off, but mid-term intention**

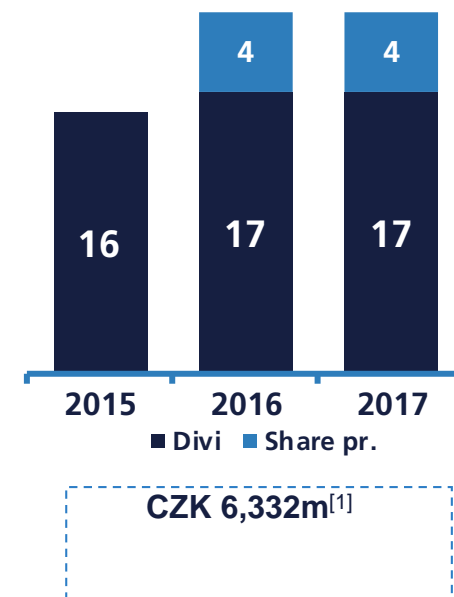
Key dates

- **Record date: 4<sup>th</sup> June 2018**
- **Payment date: 4<sup>th</sup> July 2018**

Share Buy Back

- **2.8% (8.7m) shares repurchased<sup>[2]</sup> under “Program”...for CZK 2,204m...**
- In December, Board approved **“New Program” for 2 years...**
- ... of **up to 4% cumulative for both Programs**

Total shareholder remuneration  
(CZK per share)



<sup>[1]</sup> O2 CR had no entitlement to dividend payment and amount related to the distribution of the share premium related to the treasury shares; <sup>[2]</sup> as of 31<sup>st</sup> August 2018







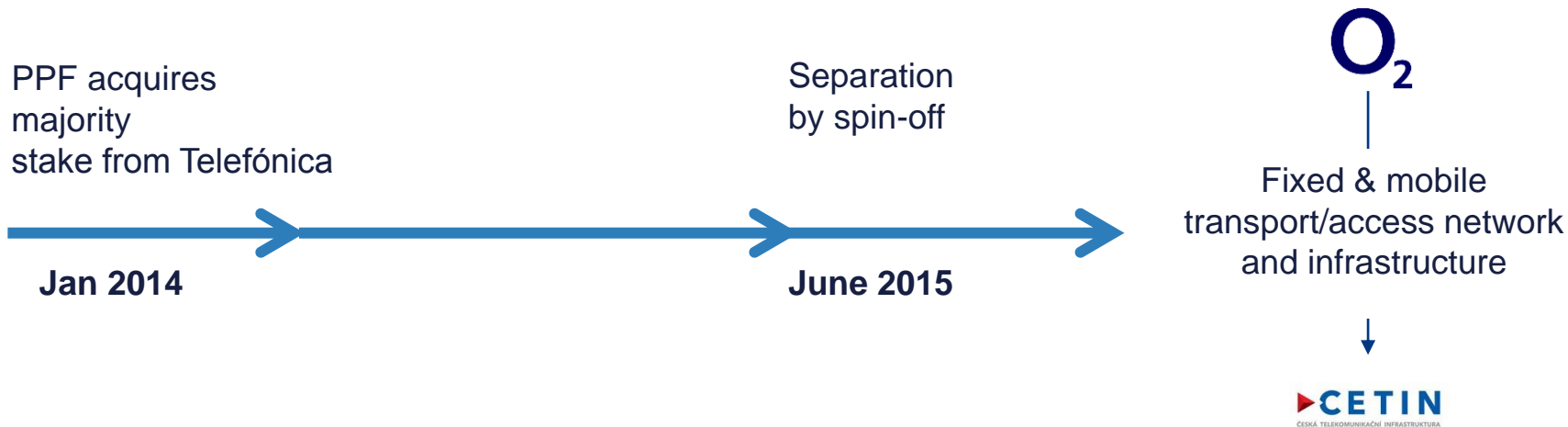
Back up

O<sub>2</sub>



# 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

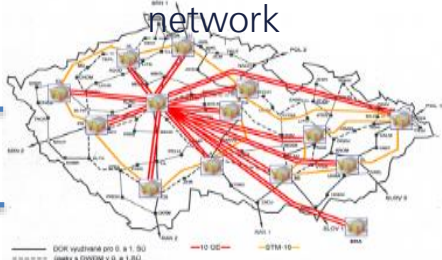
6,000 sites for mobile services

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

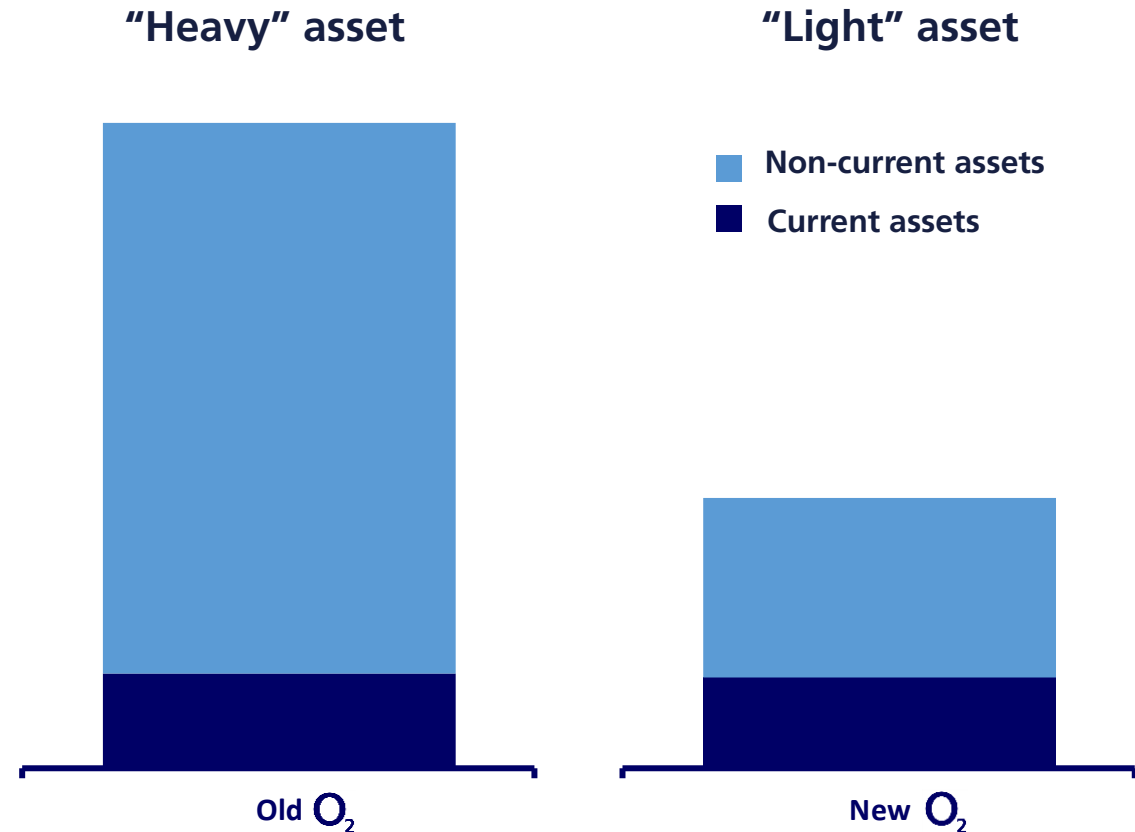
60%

 **CANCELLED**

30%

O<sub>2</sub>

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

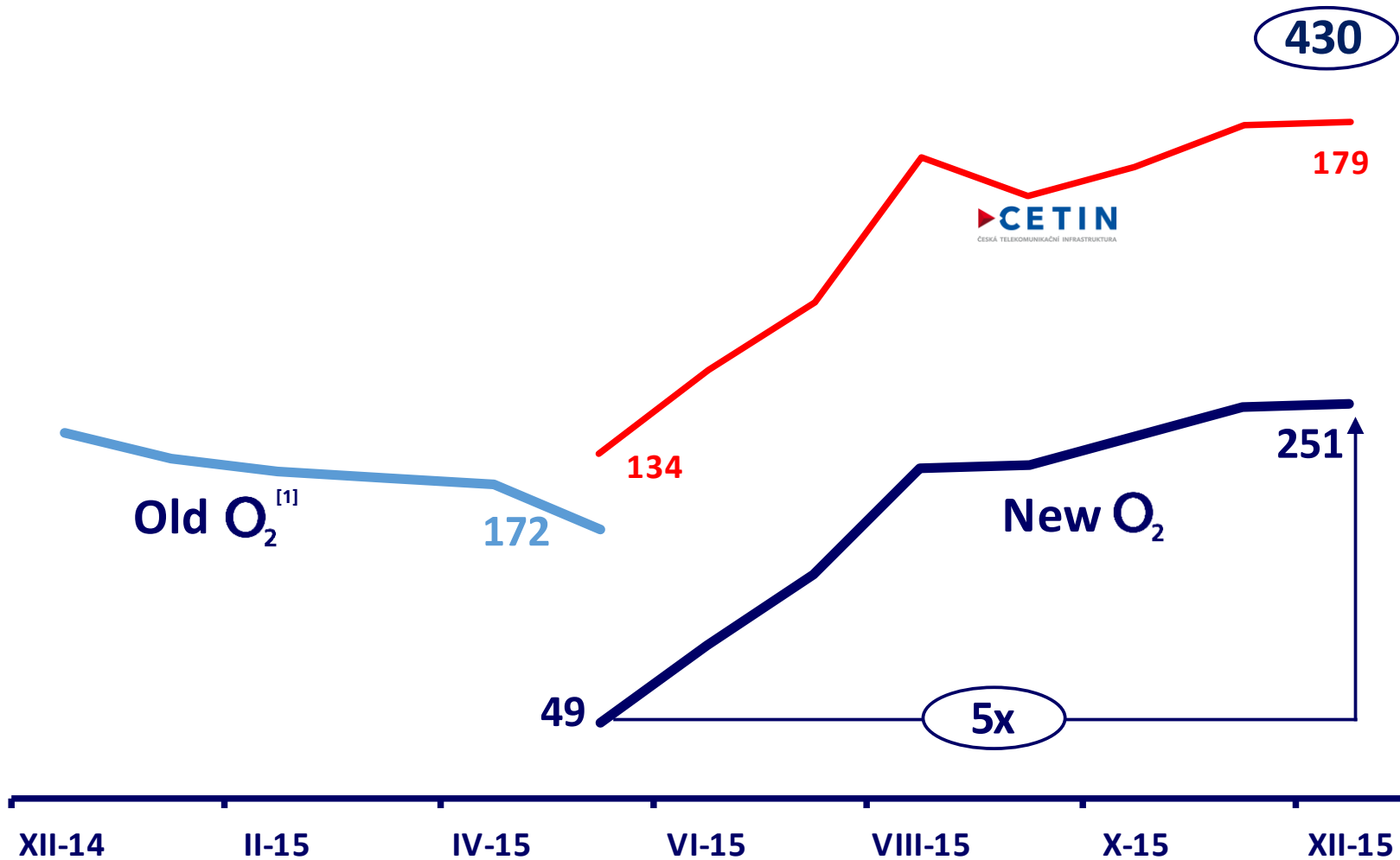


O<sub>2</sub>



# 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.

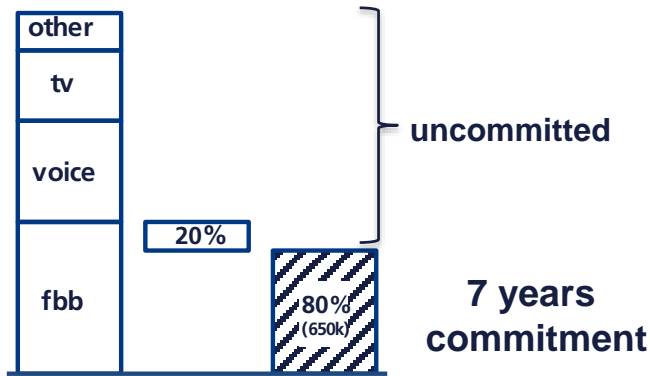
**O2 CR x  
PPF  
relationship**

- 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

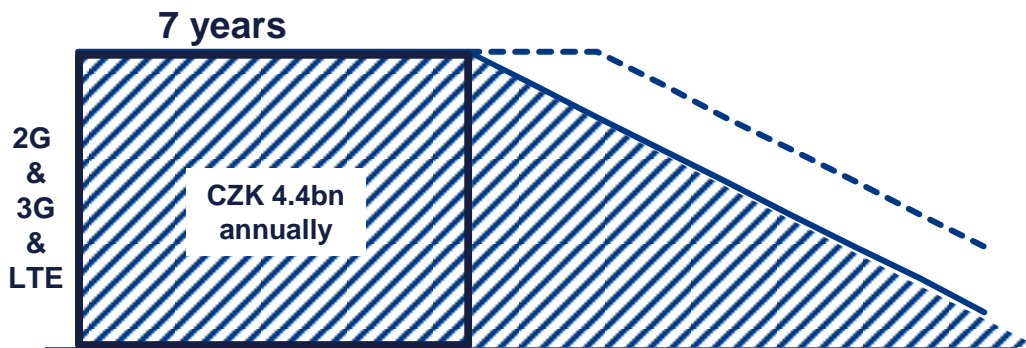
Fixed charge & commitment (illustrative)



CETIN's wholesale FBB offer (illustrative)

		TIME commitment	
VOLUME commitment			x
			650k/ 7 years

Mobile charge & commitment (illustrative)



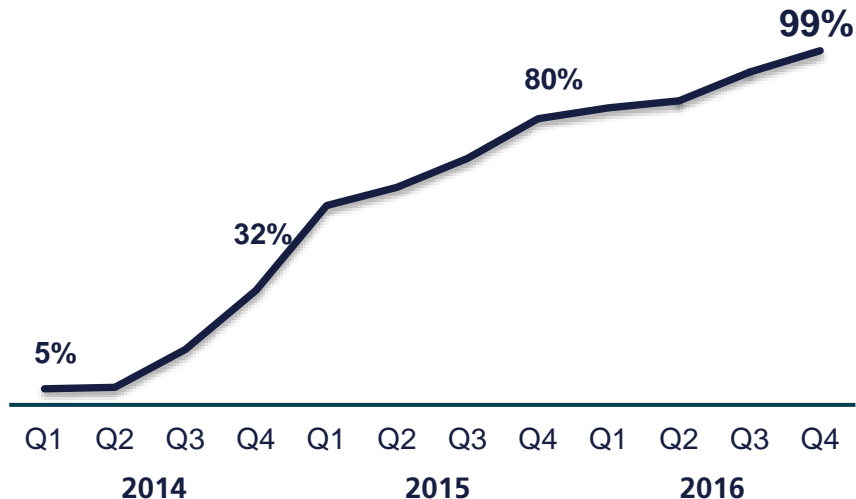
- Open book principle
- 7 years commitment
- Additional savings shared



# 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 100% of Prague (Brno to be covered during 2018)
- 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
  
- 10/2017 – upgrade of PREMIUM from 80Mbps to 100 Mbps
- 6/2018 – ULTRA HD (250 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 and feet. The person is wearing dark blue denim jeans and tan leather loafers. They are 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 sky and a distant horizon line, suggesting an open, forward-looking path.

Investor Relations contact

O<sub>2</sub>

# Investor Relations contacts

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