

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.

May 2019 (updated with 1Q 2019 results)

# O2 Czech Republic

General investor presentation



# 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 soft, out-of-focus blue. The text 'Introduction & strategic highlights' is overlaid in white, bold font across the lower half of the image.

# Introduction & strategic highlights

# O2 CZ: largest integrated telco provider in Czech Republic... ...fastest growing mobile player in Slovakia



## Leading mobile operator

5,355k mobile customers  
63% post-pay



## Leading FBB provider

811k xDSL/Fiber & LTE/WTTx  
technology agnostic home BB



## Fastest growing Pay TV & largest IPTV provider

361k Pay TV (IPTV, OTT, Multi)



## Strong position in ICT/B2B



## No. 3 mobile fastest growing

2,048k Mobile



## Entering home BB, Pay TV & B2B





# The most popular sports content exclusively on O2 TV ... ...with unique features and bundled in packages

## Best exclusive sport content



## Unique technology and features



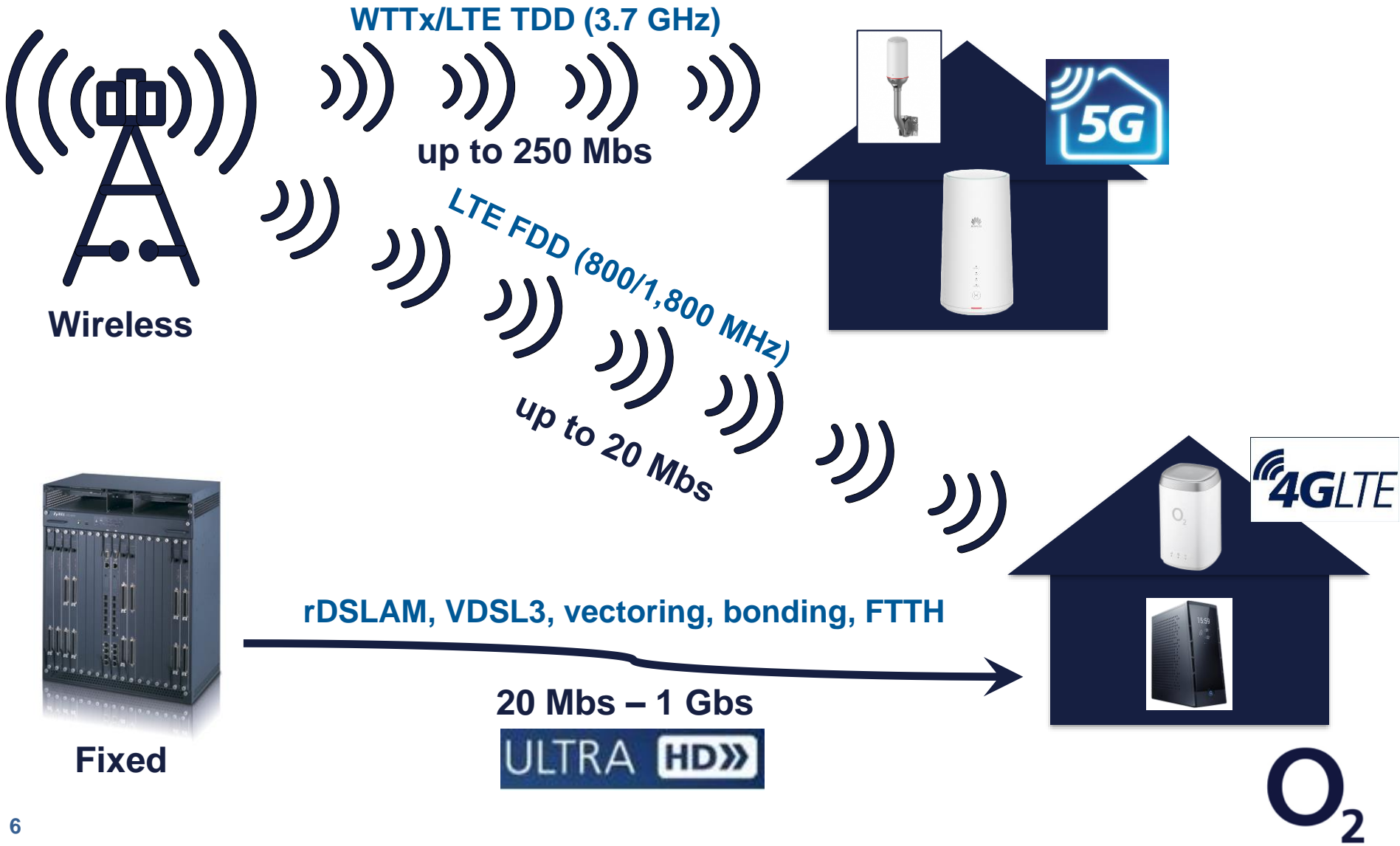
## Included in all bundles



## Best customer experience



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



# IT transformation resulting in One Portal for all... ...O2.cz & MojeO2.cz app sales and customer care system

## TOP 5 new systems delivered:



Ordering systems



Campaign management



Product catalogue

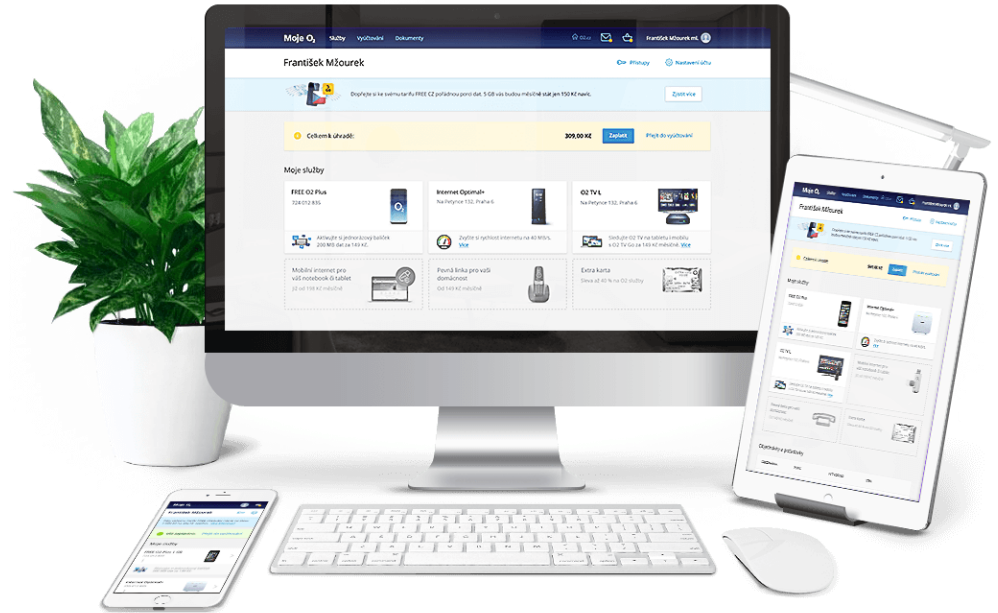


Service inventory



Service provisioning

## ONE PORTAL



*Customers*

*Call Centers*

*Back Office*

*Shops*

*Sales reps*

*KAMs*

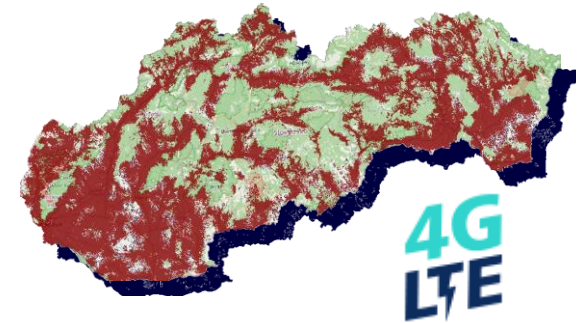


# Growing business in Slovakia thanks to NW quality & proposition with a positive impact on financial performance

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

- over 96% 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)

Modrý O <sub>2</sub> Paušál		Strieborný O <sub>2</sub> Paušál		Zlatý O <sub>2</sub> Paušál		Platinový O <sub>2</sub> Paušál	
100 MB dát v celej EÚ	500 MB dát v celej EÚ	10 GB dát, z toho 8 600 MB v celej EÚ bez priplatku	25 GB dát, z toho 11 900 MB v celej EÚ bez priplatku				
+ 72 € bonus na zariadenie	+ 96 € bonus na zariadenie	+ 168 € bonus na zariadenie	+ 312 € bonus na zariadenie				
500 MB dát v celej EÚ	1 GB dát v celej EÚ	15 GB dát, z toho 11 200 MB v celej EÚ bez priplatku	30 GB dát, z toho 16 700 MB v celej EÚ bez priplatku				
100 minút v celej EÚ	Neobmedzené volania v celej EÚ	Neobmedzené volania v celej EÚ					
Neobmedzené SMS v celej EÚ		Neobmedzené SMS v celej EÚ					
15 €/mes.	20 €/mes.	30 €/mes.	45 €/mes.				



<sup>[1]</sup> based on public information provided by other operators, <sup>[2]</sup> per total number of handsets



# We started 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



- **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 1Q 2019

# Doubled data volumes in flagship tariffs...

# ...leading the way towards 5G network

## Improved data centric proposition



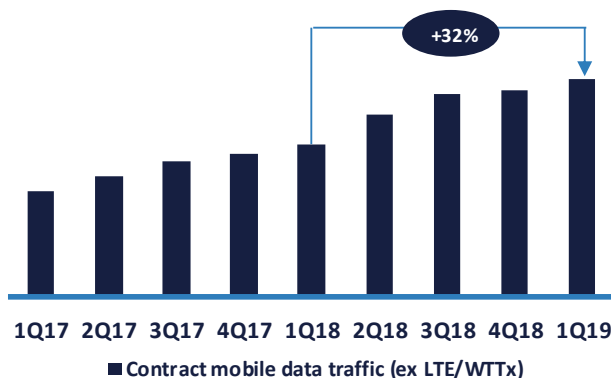
## First mobile network with 5G speeds



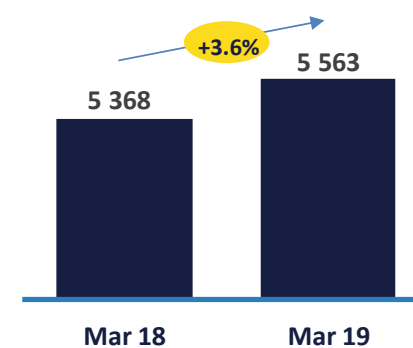
4CC<sup>[1]</sup> in LTE TDD network  
+ 4x4 MIMO a 256QAM



## Contract mobile data traffic up by 1/3



## Total mobile customers<sup>[2]</sup> (‘000)



<sup>[1]</sup> four-component carrier aggregation (LTE 800 FDD, LTE 1800 FDD, LTE 2100 FDD, LTE 2600 FDD); <sup>[2]</sup> Since Q1 2019, O2 reports mobile customers base in the Czech Republic using the 13M activity criteria (in line with the market standard), and excluding 4G LTE FDD/WTTx LTE TDD mobile broadband customers of technology agnostic home broadband service





# Increasing coverage of fixed wireless broadband via WTTX... ...new unique device expanding home WiFi connection

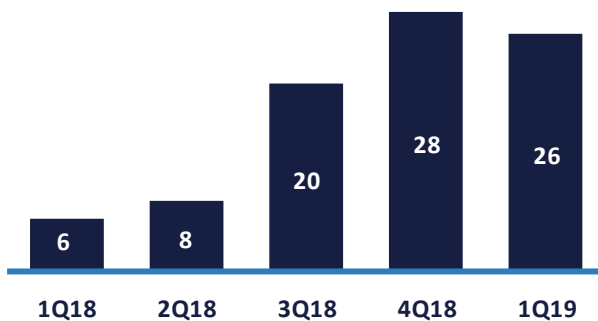
## Fixed Wireless Access (WTTx 3.7 GHz) commercial launch



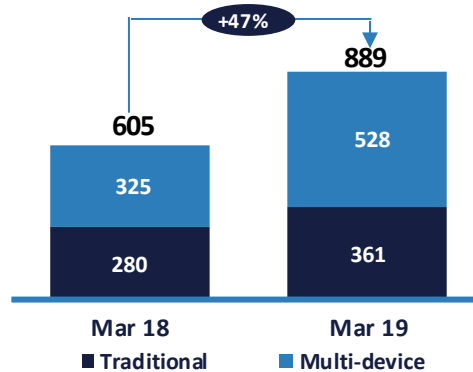
## O<sub>2</sub> Smart Booster expands home WiFi network



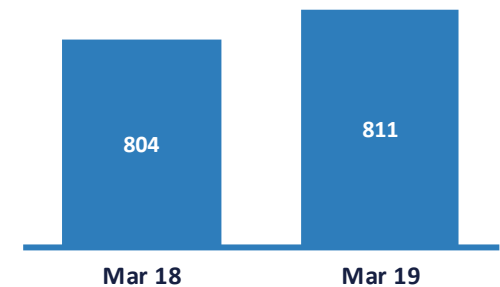
## Pay TV net adds<sup>[1]</sup> (‘000)



## O<sub>2</sub> TV users<sup>[2]</sup> (‘000)



## Fixed broadband customers<sup>[3]</sup> (‘000)



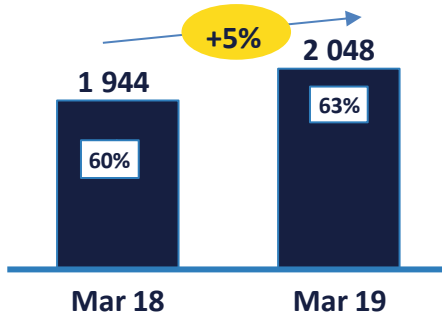
<sup>[1]</sup> IPTV & OTT, incl. Multi (second STB); <sup>[2]</sup> Traditional paid tariffs: IPTV, OTT, Multi; Multi-device: applications & web (average monthly number of unique users, incl. paid O<sub>2</sub> TV Sport Pack); <sup>[3]</sup> Technology agnostic (xDSL, fiber, WTTx, LTE)



# Growing base & ARPU in Slovakia thanks to NW quality & proposition with a positive impact on financial performance



**Improving customer mix**  
(total base in '000; of which post-pay in %)

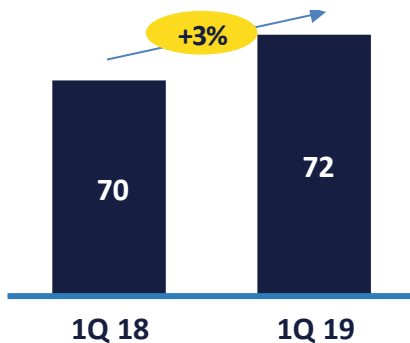


**ARPU growth driven by post-pay**  
(EUR/month)

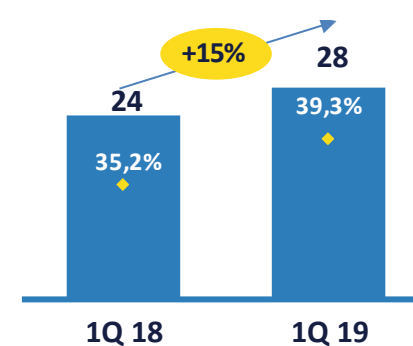


## Strong financial performance

**Revenue**  
(EURm)



**EBITDA/margin**  
(EURm)



<sup>[1]</sup> including IFRS 16 positive EBITDA impact; normalized EBITDA growth +6.4% y-o-y







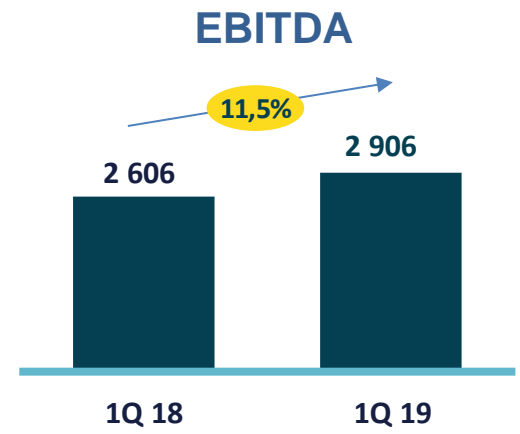
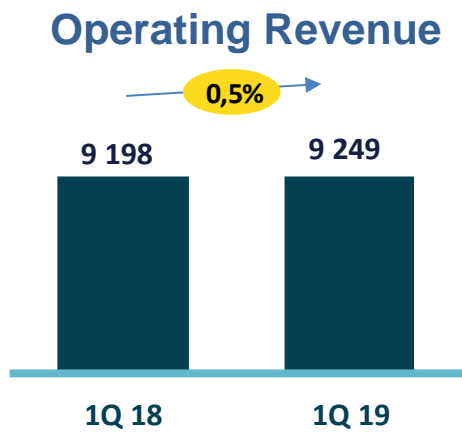
Financial performance  
January – March 2019

O<sub>2</sub>



# Investment into pro-growth areas impacted net income... ...but boosted EBITDA

<i>CZK millions</i>	Jan - Mar 2019 <sup>[1]</sup>	Change 1Q19 /1Q18
<b>Operating Revenue</b>	<b>9,249</b>	<b>+0.5%</b>
CZ Fixed	2,618	
CZ Mobile	4,851	
Slovakia	1,839	
<b>EBITDA</b>	<b>2,906</b>	<b>+11.5%</b>
<i>EBITDA margin</i>	31.4%	
<b>Net Income</b>	<b>1,236</b>	<b>-7.0%</b>
Free Cash Flow	703	
<b>Capex</b>	<b>474</b>	<b>-12.7%</b>
CZ Capex	264	-23.5%
SK Capex	210	+6.1%

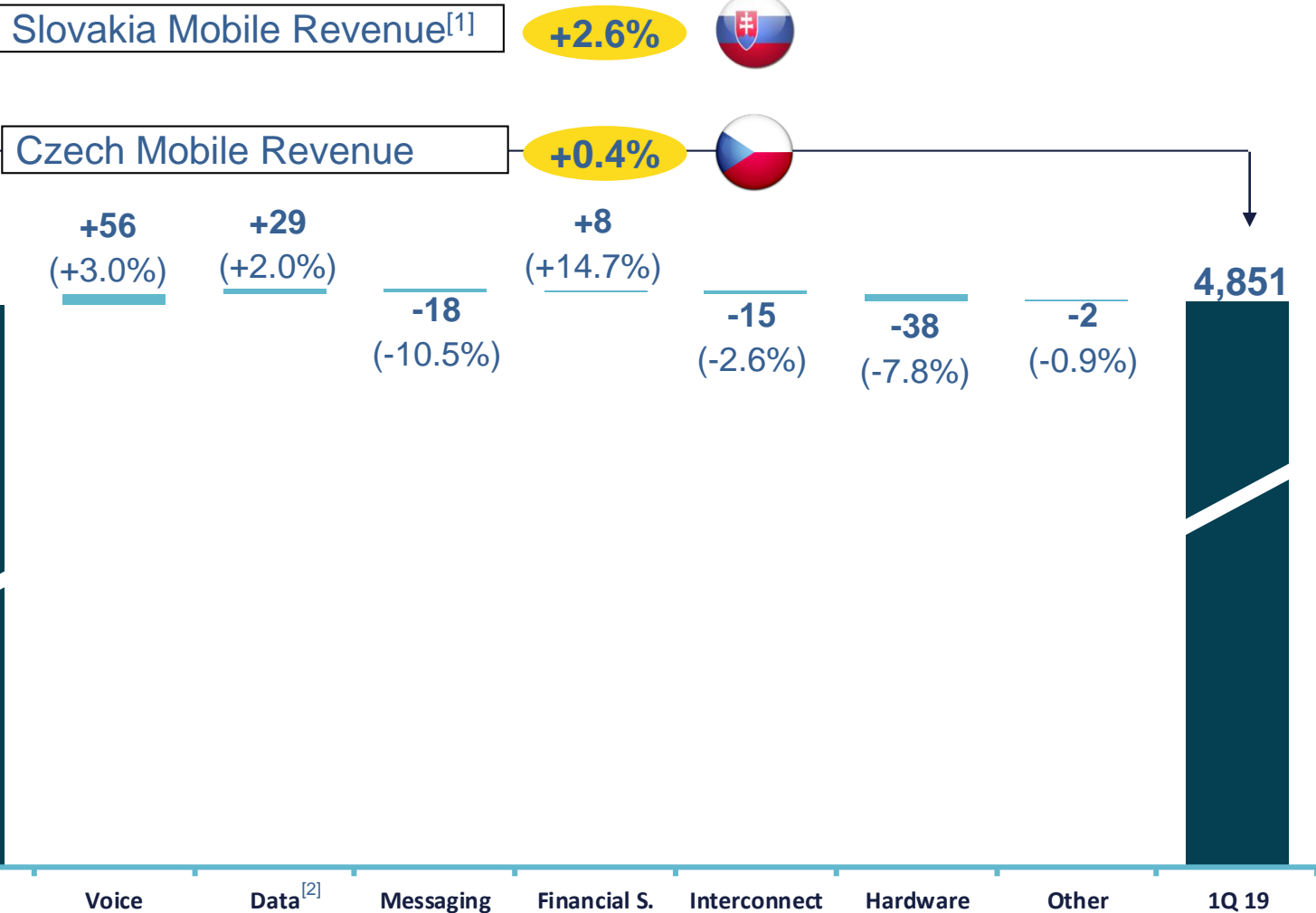


15 <sup>[1]</sup> including IFRS 16 effect with CZK 12 million negative net income impact; normalized EBITDA growth +4.1% y-o-y



# Growth of mobile voice & data and financial services revenue... ...compensated lower messaging and hardware sales

CZK millions  
(% change y-o-y)



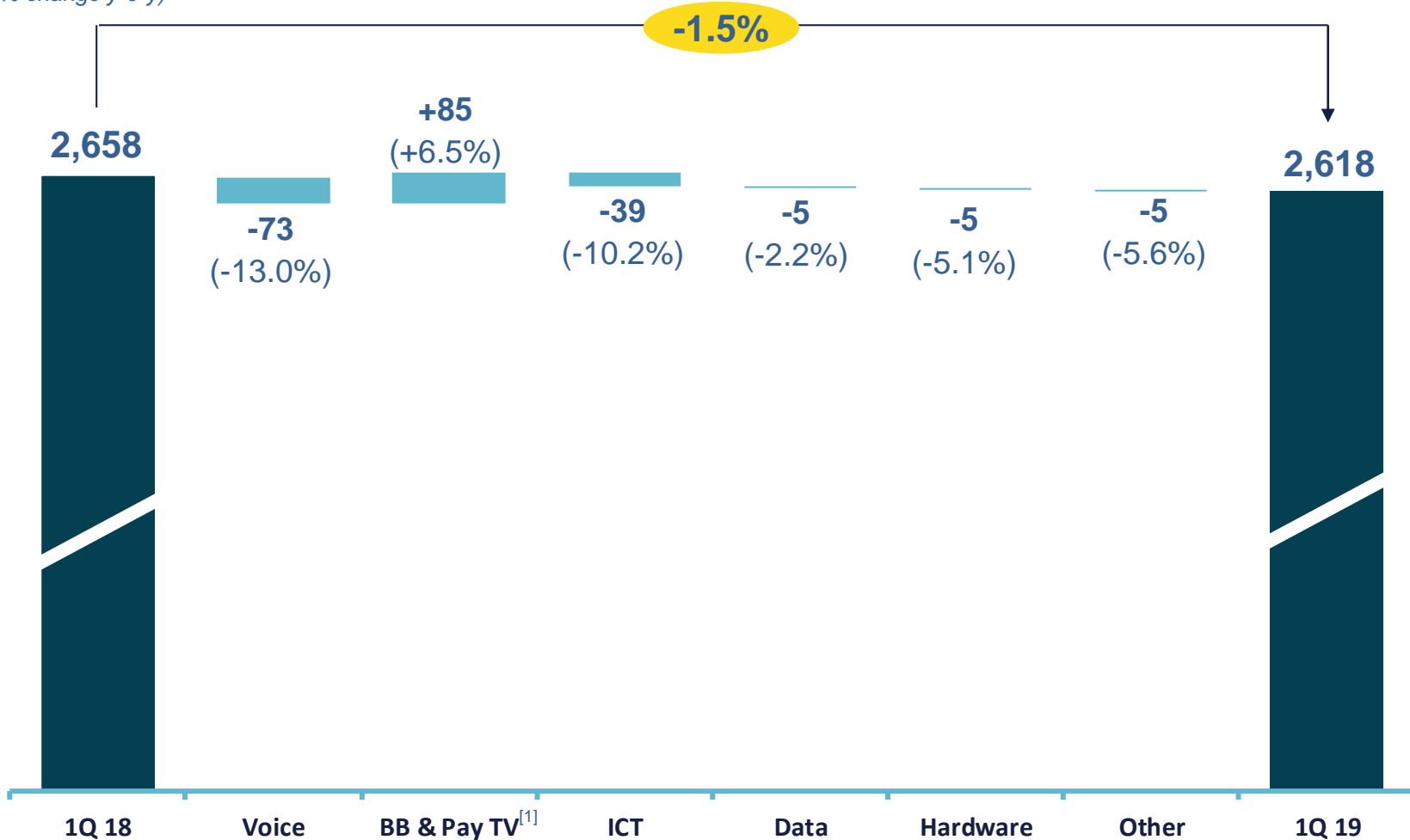
16 <sup>[1]</sup> Key driver: Data: +31%; O2 Slovakia, growth rate in local currency (EUR); <sup>[2]</sup> excluding fixed wireless BB (LTE, WTTx), which is included in fixed revenue since 2019





# Technology agnostic Broadband & Pay TV growing... ...while fixed voice still declining

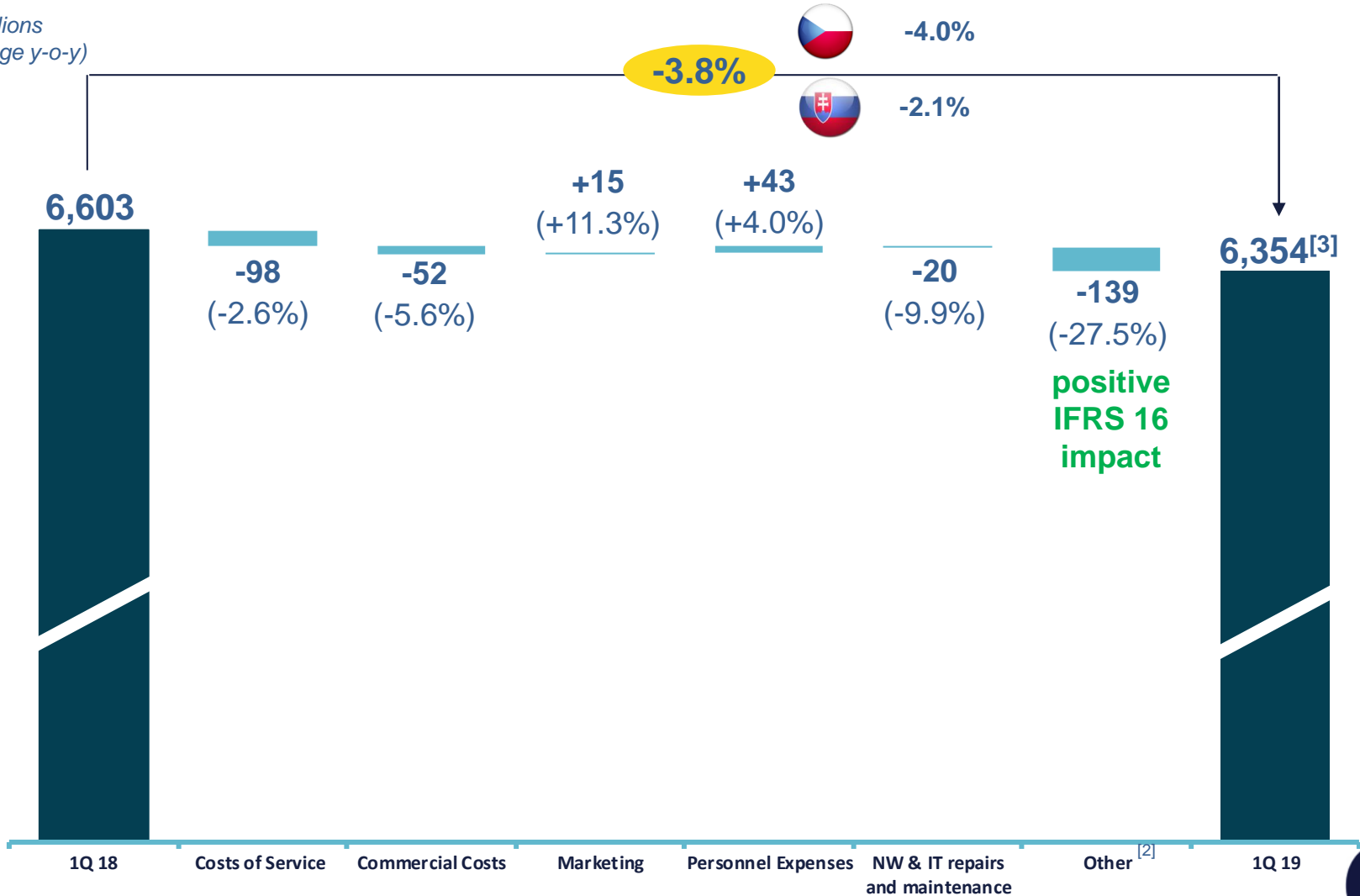
CZK millions  
(% change y-o-y)





# Underlying<sup>[1]</sup> cost base is under control... ...with savings in both Czech republic as well as Slovakia

CZK millions  
(% change y-o-y)



positive  
IFRS 16  
impact

<sup>[1]</sup> -0.9% year-on-year excluding IFRS 16 positive impact; <sup>[2]</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>[3]</sup> CZK 193 million positive effect of IFRS 16 (Rentals, Buildings, Vehicles)







# Light CAPEX profile in Czech Republic... ...continuous investments in mobile network in Slovakia

CZK millions

CAPEX/  
Revenue

543

5.9%

198

474

5.1%

210

346

264

1Q 18

1Q 19

## Slovakia

- 60% of Capex directed into network
  - 2G expansion to reduce national roaming
  - Mobile NW capacity (transmission) improvement



## Czech Republic

- IT upgrade
- Retail shops redesign



# New IFRS 16 “Leases” applicable since January 2019... ...negligible net income impact, increase in assets & liabilities

## Key impacted leases in O2 CZ Group:

- operating leases of stores, offices, vehicles and telecommunication towers (in Slovakia)

## Balance sheet treatment:

- lease payments newly capitalized to **assets** and corresponding **lease liabilities** newly recognized (~ CZK 4.3 billion)

## P&L treatment:

- before: operating costs/costs of sales (EBITDA)
- after: amortization of right-of-use assets and interest expense (below EBITDA)

<i>CZK millions</i>	1Q 2019 reported	1Q 2019 ex. IFRS 16	IFRS 16 impact
<b>EBITDA</b>	2,906	2,713	+193
D&A (Amortization of right-of-use asset)	(183)	-	(183)
Financial (interest) expense	(81)	(58)	(23)
<b>Net income</b>	<b>1,236</b>	<b>1,250</b>	<b>(12)</b>





## IFRS 16 increased both, assets and liabilities by ~ CZK 4.3 billion... ...no major movements in other balance sheet items

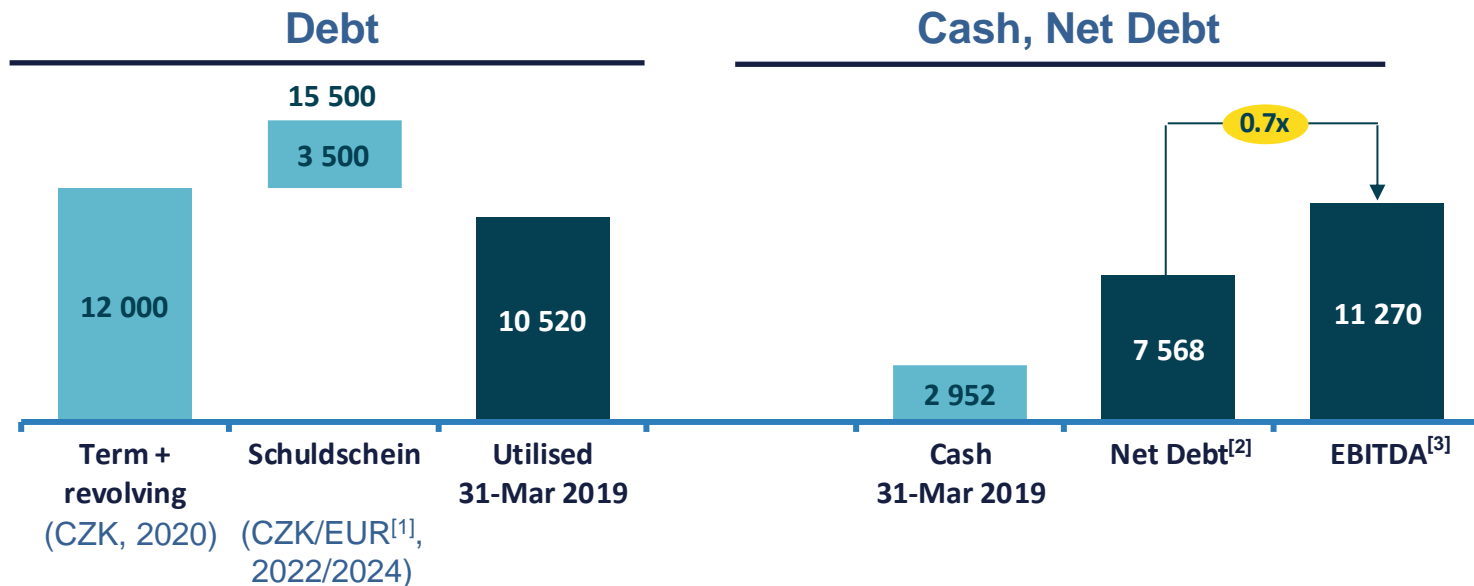
<i>CZK millions</i>	<b>31 Dec 2018</b>	<b>31 Mar 2019</b>	<b>31 Mar 19 /31 Dec 18</b>
<b>Non-current assets</b>	<b>25,190</b>	<b>28,939</b>	<b>+14.9%</b>
- of which intangible assets	17,164	16,700	-2.7%
- of which property, plant & equipment	6,130	6,134	+0.1%
- of which right-of-use assets	-	4,285	<i>n.m.</i>
<b>Current assets</b>	<b>10,940</b>	<b>11,866</b>	<b>+8.5%</b>
- of which cash & cash equivalents	2,475	2,952	+19.3%
<b>Total assets</b>	<b>36,130</b>	<b>40,805</b>	<b>+12.9%</b>
<b>Equity</b>	<b>15,225</b>	<b>16,465</b>	<b>+8.1%</b>
<b>Non-current liabilities</b>	<b>12,083</b>	<b>15,504</b>	<b>+28.3%</b>
- of which financial debt	10,461	10,464	+0.0%
- of which lease liability	-	3,610	<i>n.m.</i>
<b>Current liabilities</b>	<b>8,822</b>	<b>8,836</b>	<b>+0.2%</b>
- of which lease liability	-	709	<i>n.m.</i>

# Net Debt/EBITDA at low 0.7x...

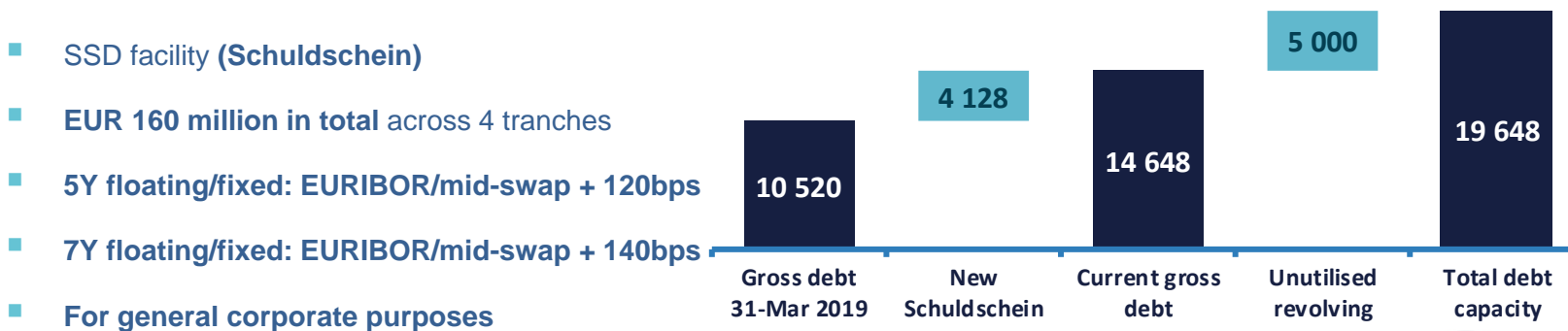
...new EUR 160 million 5/7 years funding raised

CZK millions

**End of Q1 2019**



**After new funding (Q2 2019)**



22 <sup>[1]</sup> CZK 3,000m, EUR 20m; <sup>[2]</sup> Cash less financial debt (excluding IFRS 16 lease liability); <sup>[3]</sup> Twelve months EBITDA ending 31 March 2019 (excluding IFRS 16 impact in 1Q 2019)



# Shareholder remuneration



# CZK 21 per share total shareholder remuneration for 2018... share premium distribution on top of regular dividend...

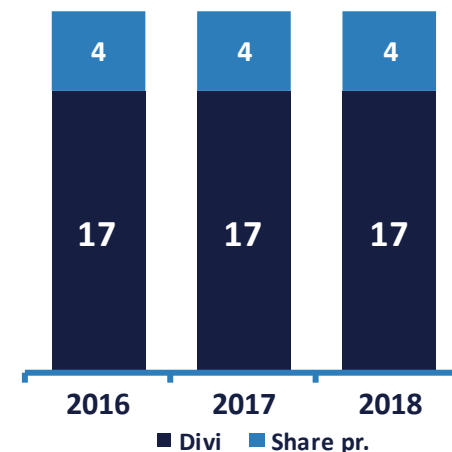
2018<sup>[1]</sup>  
Regular  
Dividend

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

Share Premium  
distribution<sup>[1]</sup>

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

Total shareholder remuneration  
(CZK per share)



up to **CZK 6,515m<sup>[2]</sup>**  
Final **decision by AGM**

Key dates

- **Annual General Meeting: 4<sup>th</sup> June 2019**
- **Record date: 4<sup>th</sup> June 2019<sup>[1]</sup>** (ex-date: 3<sup>rd</sup> June 2019<sup>[3]</sup>)
- **Payment date: 4<sup>th</sup> July 2019<sup>[1]</sup>**

<sup>[1]</sup> Proposal by the Board of Directors to the General Meeting for discussion and voting, <sup>[2]</sup> O2 CR will have no entitlement to dividend payment and amount related to the distribution of the share premium related to the treasury shares. Final total amount paid to the shareholders will depend on the actual number of treasury shares held by O2 CR as at the record date; <sup>[3]</sup> based on T+2 days settlement on Prague Stock Exchange



A low-angle shot of a person's legs from the knees down, wearing dark blue denim jeans and tan leather loafers. They are 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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