

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 at the top.

O2 Czech Republic, a. s.
31st January 2017

Quarterly Results January – December 2016

O₂

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



Tomáš Kouřil

CFO & Vice- Chairman of the Board



Strategic commercial initiatives & Performance Highlights

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



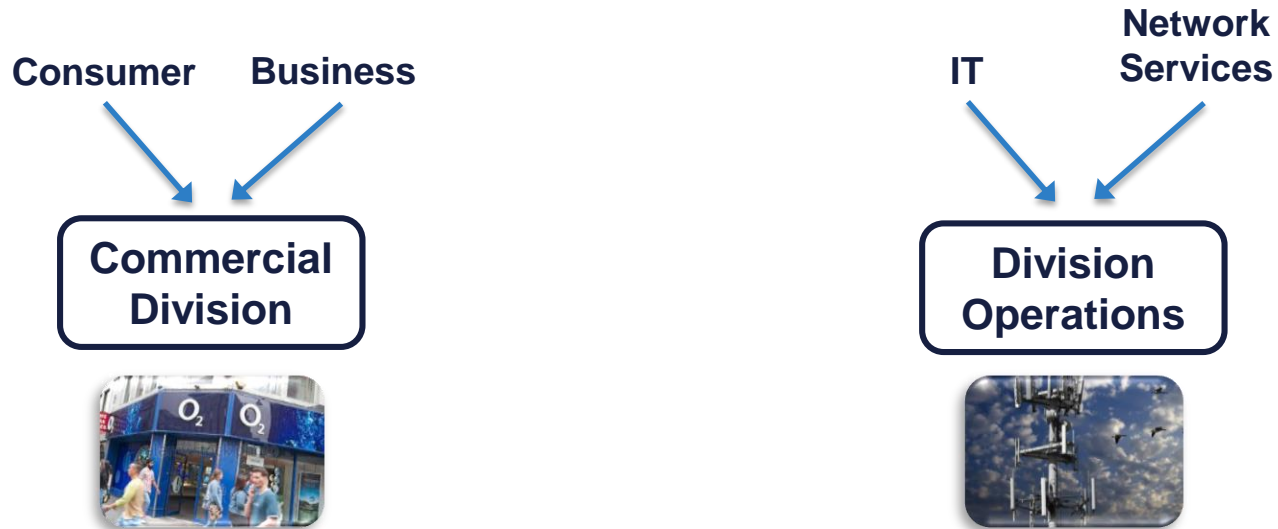
- Close to 150 thousand insurance policies...
- ... focus on hardware...
- ... and also travel insurance



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



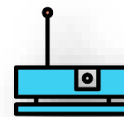
New organizational structure as integral part of transformation... ...aimed at company's simplification & streamlining



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

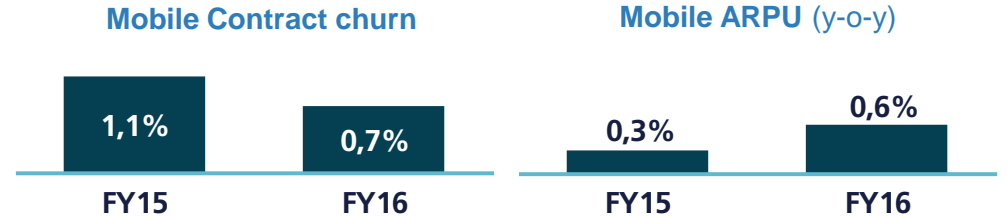


Development of strategic areas



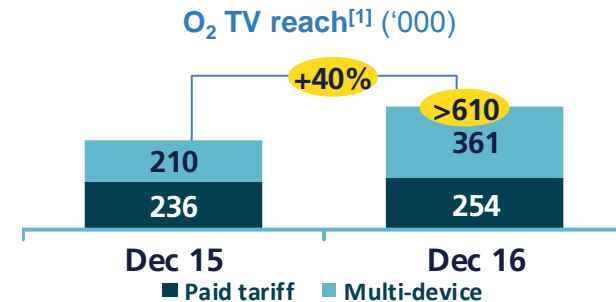
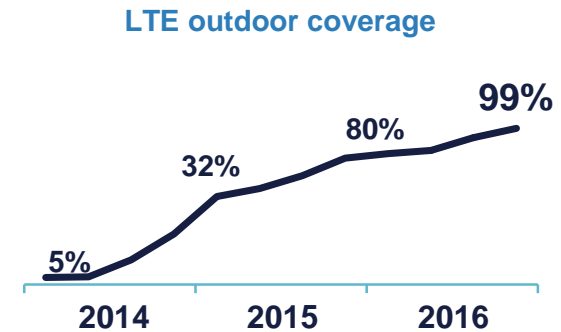
Our value & customer loyalty focused strategy works... ...two digit growth in mobile data, all platforms O2 TV viewers up 40%

- 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 O₂ TV viewers
- Partnership with leading breweries
- Unique tennis channel (Jan 2017)



32%
LTE penetration

56%
smartphone penetration



[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^[1]: +23%)
- **Revenue^[2] growth maintained** driven by data
- **B2B entry dilutes EBITDA margin** by 1.2 p.p.
- Total **EBITDA margin 33.6%**^[3]
- **Positive contribution** to Group financials

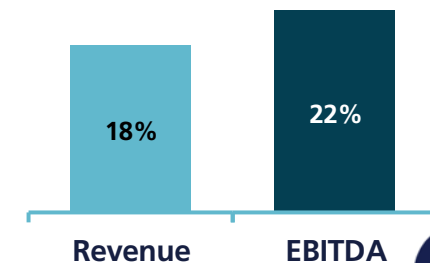


33%
LTE penetration

56%
smartphone
penetration



Contribution to Group
(FY 2016)





2016 Shareholder remuneration

Share premium distribution on top of 2016 regular dividend... ...offering 8% total shareholder return^[1]

Regular Dividend

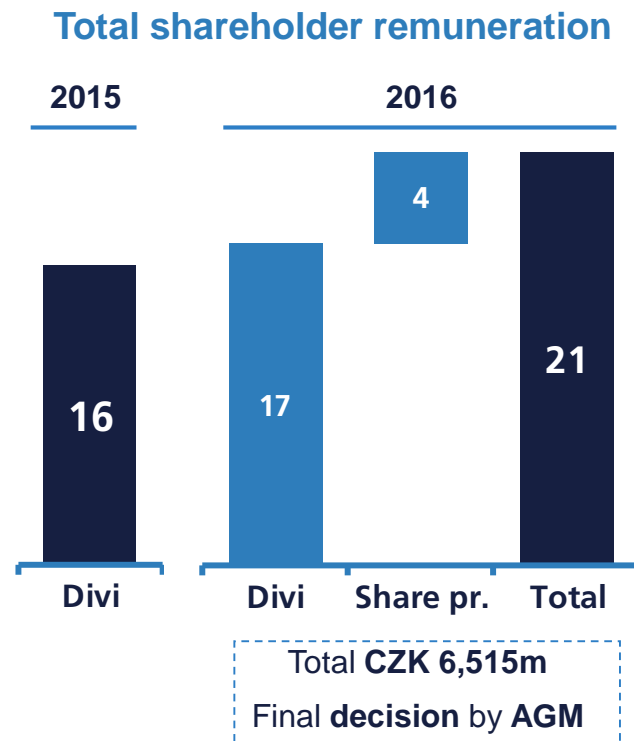
- Intended **DPS proposal: CZK 17**
- In line with dividend policy^[2]...**
- ... (98% of net profit)**

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...**



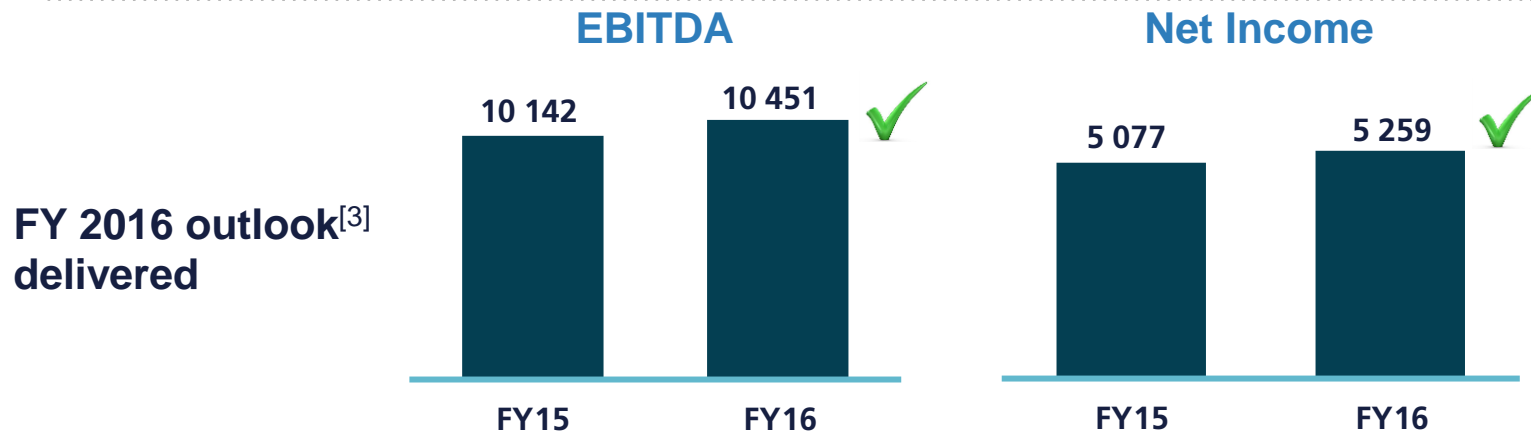


Financial Performance
January – December 2016

Chytrá síť **O₂**

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

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

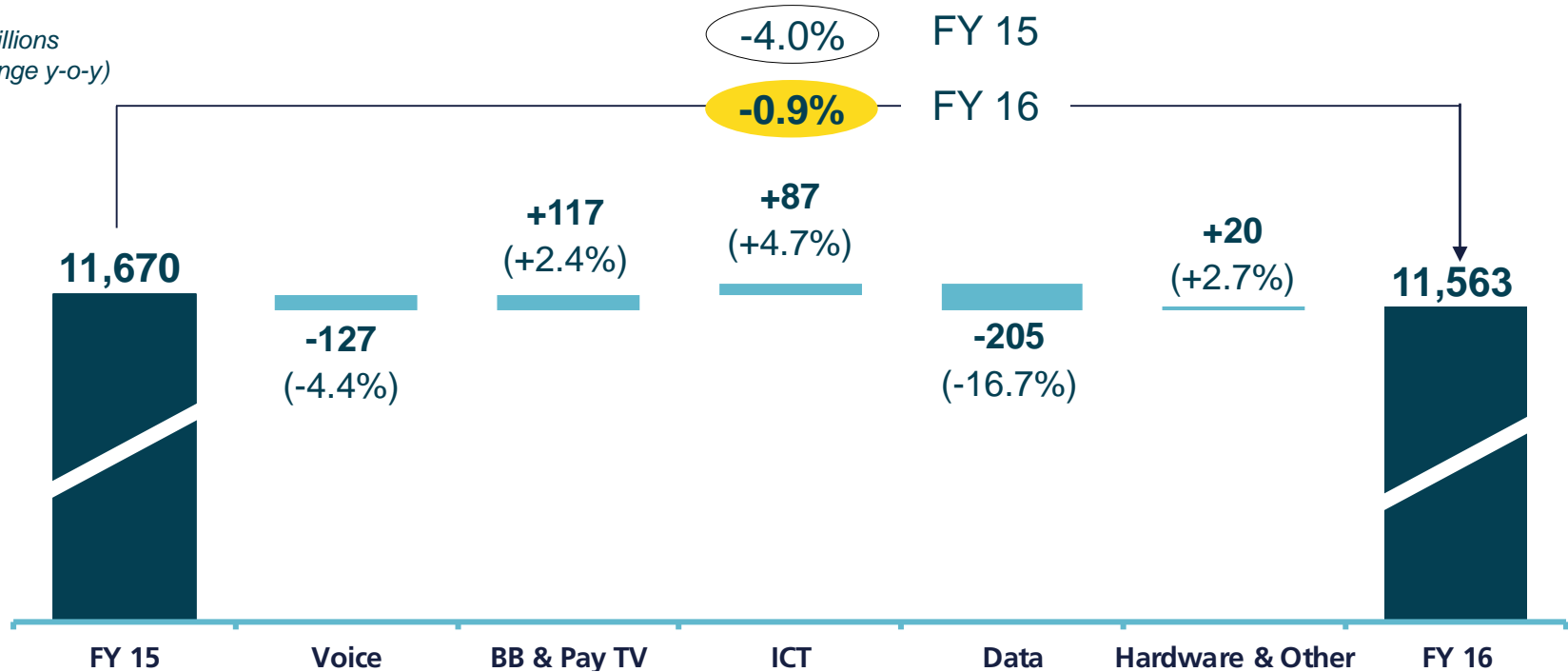


^[1] including O2 Business Services, ^[2] including CZK 1.5bn payment for 1.8GHz and 2.6GHz spectrum, ^[3] Net Income CZK 5.1 to 5.4 bn., EBITDA CZK 10.4 to 10.7 bn.

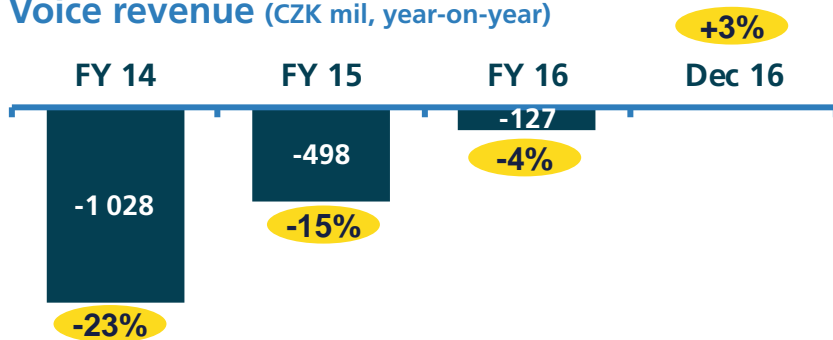


Fixed revenue improving trends compared to last year... ... with B2B segment still under pressure

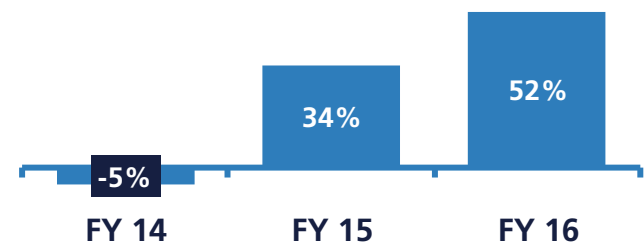
CZK millions
(% change y-o-y)



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

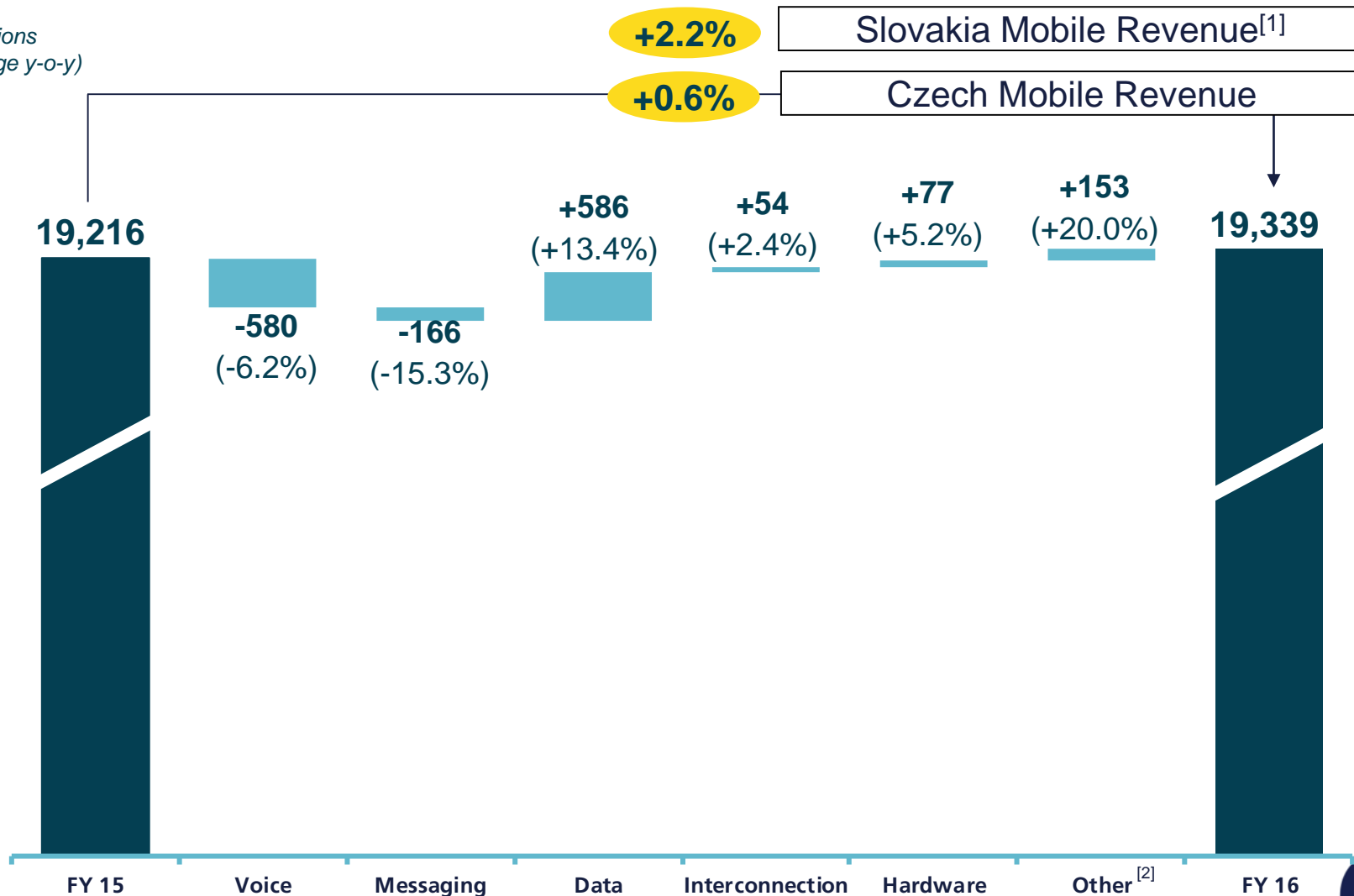


Pay TV revenue (year-on-year)

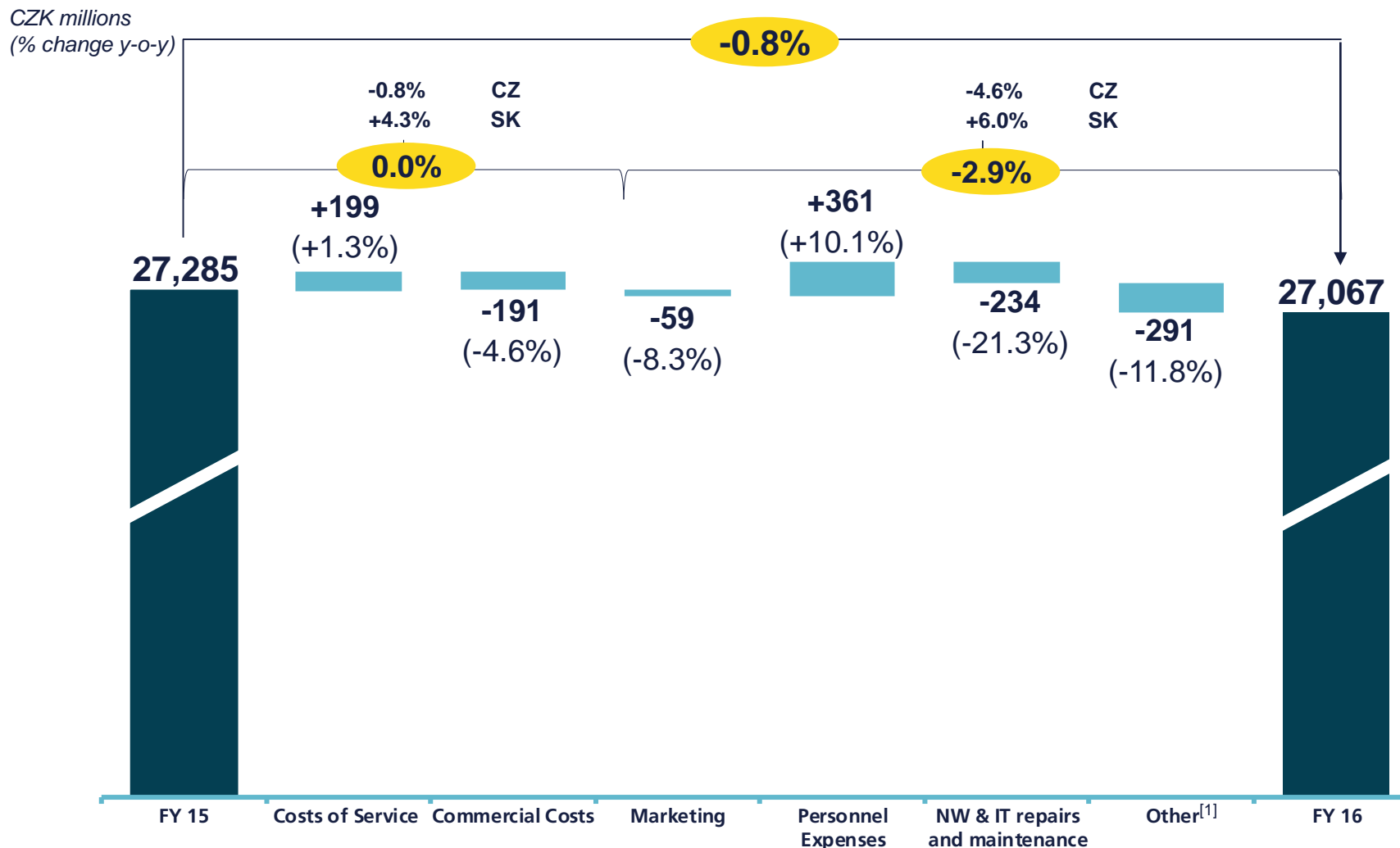


Mobile revenue impacted by B2B pricing & roaming... ...while data revenue growing double digit

CZK millions
(% change y-o-y)



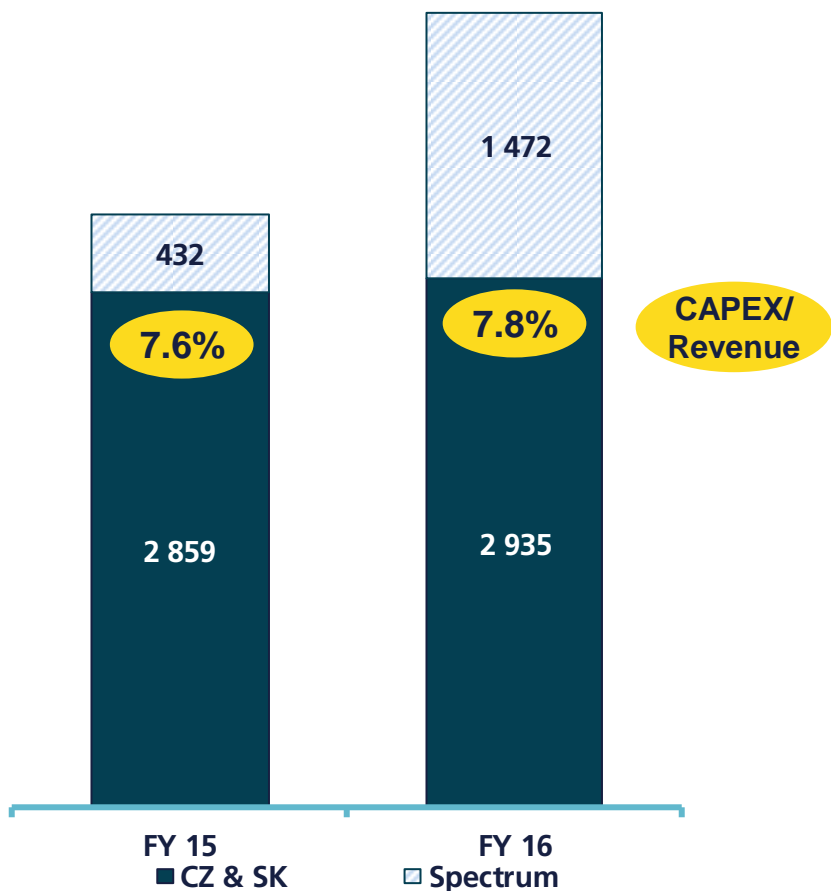
Cost base under control; with Czech manageable OpEx down 5%... ... while Slovak up 6% due to entry in B2B market



^[1] 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
Non-current assets	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%
Current assets	8,848	11,235	+27.0%
- of which cash & cash equivalents	1,970	4,137	+110.0%
Total assets	30,268	33,306	+10.0%
Equity	18,344	17,505	-4.6%
Non-current liabilities	3,146	7,382	+134.7%
- of which financial debt	2,970	6,976	+134.9%
Current liabilities	8,778	8,419	-4.1%

