

# In the first quarter 2017, O2 increased revenue by 2%, net profit grew 3%

Apr 28, 2017

**Consolidated revenue reached CZK 9.2 billion, up 2.1%. Higher revenue from O<sub>2</sub> TV, mobile data and Slovakia were the key growth drivers**

**Net profit grew by 3% to CZK 1.3 billion in the first quarter 2017, operating profit EBITDA increased to CZK 2.5 billion.**

**O2's home internet is now available to 99% of Czech households**

**At the beginning of the year, O2 added new O<sub>2</sub> TV Tennis to its sport dedicated channels portfolio**

**O2 newly offers its sport content via free-to-air O<sub>2</sub> TV Free channel terrestrial broadcasting; the complete content and favourite functions are available via HbbTV technology**

**Number of mobile contract customers in the Czech Republic grew by 3% year-on-year, by close to 10% in Slovakia**

O2 Czech Republic today reports its unaudited operating and financial results for the first quarter 2017. Consolidated figures include results of all daughter companies.

*"In the first quarter 2017, again, we brought several new propositions to our customers. Unlimited home internet is now available to 99% households in the country,"* comments Tomáš Budník, Chief Executive Officer and the Chairman of the Board of Directors of O2 Czech Republic on the results, and adds: *"We provide selected sport content via new O2 TV Free channel, which is distributed through terrestrial free-to-air broadcasting. Through HbbTV technology, our customers can access complete content and all favourite functions, like time shift."*

*"Our financial results through 2017 will be negatively impacted by European regulation. That's why I am glad that customers' interest in our services led to revenue and profitability growth,"* amends Tomáš Kouřil, company's Chief Financial Officer and Vice-Chairman of the Board of Directors, and continues: *"In April, we have been able to arrange new funding. We benefited from current favourable conditions to finance future company's need. "*

## Operating overview

### Mobile segment

As of 31 March 2017, total number of mobile customers reached **4.924** million, up by 0.7% year-on-year. The number of **contract customers** increased by **3.0%** year-on-year reaching **3.372 million**. They represented already 68.5% of the mobile customer base, up by 1.5 percentage point. Number of prepaid customers reached 1.552 million customers.

Helped by broadband network rollout and tariff proposition with increased data package mobile data traffic increased by two thirds. Number of internet in handset service went up by 15% year-on-year to 1.824 million.

Already 58% of handsets in O2 network is already a smartphone and 36% supports LTE technology. Number of customers with LTE smartphone and with USIM card, which supports the new technology, reached over 930 thousand at the end of March.

## Fixed segment

Number of **O<sub>2</sub> TV** service customers provided on O2 fixed line as well as on internet connection from any provider reached **222 thousand** (IPTV and OTT) as at 31 March 2017, up by 5% year-on-year. A complementary service MULTI which enables customers watching TV on more TV sets at one time became very popular. Already over **34 thousand** customers subscribed for this service and thus O2 can show off with **over 255 thousand** active set top boxes. At the beginning of January 2017, O2 added to its sport dedicated channels proposition new O<sub>2</sub> TV Tennis channel, which offers the customers exclusively all tournaments of WTA women's series, as well as 14 men's ATP tournaments. Thanks to focus on Czech players track, O<sub>2</sub> TV Tennis immediately ranked among the most watched sport channels in O<sub>2</sub> TV offer. During the first quarter 2017, O2 expanded distribution of its sport content with new O<sub>2</sub> TV Free channel broadcasted via free-to-air terrestrial with exclusive content and favourite functions available via HbbTV technology for a daily fee.

The customers also like watching **O<sub>2</sub> TV** via **internet and mobile application, or in restaurants**. By the end of March 2017, restaurants, pubs and bars offering O<sub>2</sub> TV service increased already to over 1,200. Number of viewers, who actively watch O<sub>2</sub> TV via internet and mobile application, continues growing and in March 2017 these means of watching TV were already used by over **425 thousand** watchers.

Number of **xDSL fixed internet** customers reached 764 thousand at the end of March 2017. Thanks to internet speed increase through installation of remote DSLAMs, the share of customers enjoying VDSL technology on total xDSL base reached already 66%. For households with insufficient internet speeds over xDSL, O2 has been offering an unlimited 4G LTE wireless connection since March. Combining both technologies, O2 covers 99% of all addresses in the Czech Republic.

Total number of **fixed voice lines** reached 677 thousand at the end of March 2017.

## Slovakia

Number of **mobile customers in Slovakia** increased by 3.9% year-on-year to **1,892** thousand, of which contract base grew 9.4% to 1,091 thousand. Their share in total base increased by 2.9 percentage point to 57.7%.

## Financial overview

**Total consolidated operating revenue** reached **CZK 9.224 billion** in the first quarter 2017, up 2.1% year-on-year. **Operating revenue in the Czech Republic** totalled CZK 7.528 billion, representing a 0.9% growth. **Fixed business** operating revenue declined by 2.6% year-on-year to CZK 2.756 billion, as 12% growth of O<sub>2</sub> TV revenue and close to 50% increase in hardware revenue driven by successful sales of solutions for electronic sales reporting did not fully compensate lower voice and data revenue. **Mobile operating revenue** reported 3% growth to CZK 4.772 billion. The year on year decline of voice revenue slowed down and was compensated by mobile data and hardware revenue uptake. In **Slovakia**, revenue reached

CZK 1.730 billion, a 7.2% year-on-year growth. **Revenue** denominated in euros **improved by 7.3%** to EUR 64 million. Similarly to the Czech Republic, higher data and hardware revenue were the key drivers.

**EBITDA** increased by **1.2%** year-on-year to **CZK2.533 billion** in the first quarter 2017. **Net profit** improved by **3.4%** year-on-year reaching **CZK 1.286 billion**.

## KEY FINANCIAL AND OPERATING INDICATORS

### Financial indicators for the Group

Financial indicators	1Q 2017	1Q 2016	Year-on-year change	
			Relative	Absolute
Operating revenue	CZK 9,224 mil.	CZK 9,031 mil.	+ 2.1 %	
- CZ mobile revenue	CZK 4,772 mil.	CZK 4,635 mil.	+ 3.0 %	
- CZ fixed revenue	CZK 2,756 mil.	CZK 2,828 mil.	- 2.6 %	
- SK revenue	CZK 1,730 mil.	CZK 1,613 mil.	+ 7.2 %	
Total costs	CZK 6,719 mil.	CZK 6,595 mil.	+ 1.9 %	
-of which operating costs	CZK 2,077 mil.	CZK 1,978 mil.	+ 5.0 %	
EBITDA	CZK 2,533 mil.	CZK 2,503 mil.	+ 1.2 %	
EBITDA margin	27.5 %	27.7 %	- 0.2 p. p.	
Net profit	CZK 1,286 mil.	CZK 1,244 mil.	+ 3.4 %	

### Operating indicators - Czech Republic

Number of mobile customers	31 Mar 2017	31 Mar 2016	Year-on-year change	
			Relative	Absolute
Contract customers	3,372m	3,274m	+ 3.0 %	+ 98k
Prepaid customers	1,552m	1,614m	- 3.8 %	- 62k
Total	4,924m	4,888m	+ 0.7 %	+ 36k
ARPU	CZK 288	CZK 284	+ 1.7 %	

Number of fixed service customers	31 Mar 2017	31 Mar 2016	Year-on-year change	
			Relative	Absolute
O <sub>2</sub> TV	222k	211k	+5.0%	+11k
O <sub>2</sub> TV application and web (number of viewers)	cca. 430k	cca. 330k		
xDSL	764k	790k	-3.3%	-26k
VDSL	514k	455k	+12.9%	+59k
Fixed voice lines	677k	803k	-15.7%	-126k

Smartphones	31 Mar 2017	31 Mar 2016	Year-on-year change
Smartphone penetration within the O2 network	58.1%	50.4%	+7.7 p.p.
LTE smartphone penetration within the O2 network	35.6%	21.7%	+13.7 p. p.

### Operating indicators - Slovakia

Number of mobile customers	31 Mar 2017	31 Mar 2016	Year-on-year change

			Relative	Absolute
Contract customers	1.091m	998m	+9.4%	+93k
Prepaid customers	801k	823k	-2.7%	-22k
Total	1.892m	1.821m	+3.9%	+71k

## Contacts

Lucie Pecháčková

[lucie.pechackova@o2.cz](mailto:lucie.pechackova@o2.cz)

tel: 800 163 342 (800 1 media)

## About O2 Czech Republic

O2 is the largest integrated telecommunications provider in the Czech market. At present we operate close to eight million mobile and fixed accesses, which ranks us among the market leaders in fully converged services in Europe. To users of mobile services in the Czech Republic we offer state-of-the-art HSPA+ and LTE technology. We have the most comprehensive proposition of voice and data services in the Czech Republic, and we actively exploit the growth potential of the various business lines, especially ICT. Our data centres, with total floor area of 7,300 square metres, rank us among the leaders in hosting, cloud and managed services. O2 data centres belong to the few commercial ones in Central Europe to have TIER III certification. With our O2 TV we are also the largest IPTV service provider in the Czech Republic. In January 2014, O2 became a member of the Czech investment group PPF