

A vertical splash of water with many bubbles and droplets, set against a dark blue background. The water is moving downwards, creating a dynamic and refreshing visual.

# O2 Czech Republic

Quarterly Results  
April – June 2015

29<sup>th</sup> July 2015



# 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.



## Performance Highlights

# Commercial relationship with CETIN established...

## ...PPF will not request O2 for financial assistance

### O2 CR x CETIN relationship

- **Two independent companies** since 1 June, **CETIN key vendor of O2**
- **Commercial relationship established...**
- ... **12 main business contracts** on **commercial** as well as **regulated basis**
  - **Fixed** – based on reference price, commitment 80% of current FBB customer base
  - **Mobile** – open book principle @ CZK 4.4 bn. for 7 years

### Financial assistance

- **PPF Group declared** publicly that **it no longer intends to ask O2 for financial assistance**

### Listing on Stock Exchange

- **PPF Group declared** that **it will not pursue the withdrawal of O2 shares from the stock market** and that it **intends to support their public tradability** in every manner possible

### O2 CR x PPF relationship

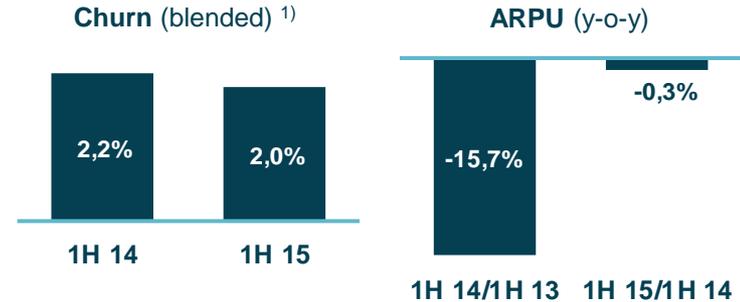
- **PPF Group declared** that it **considers O2 as financial investment**
- **O2 is not considered as part of PPF Group**
- **PPF does not interfere** with **daily management of O2** and **O2 does not pay any management fee**

# We continue to execute our strategy in mobile...

## ... focusing on value and data growth monetisation

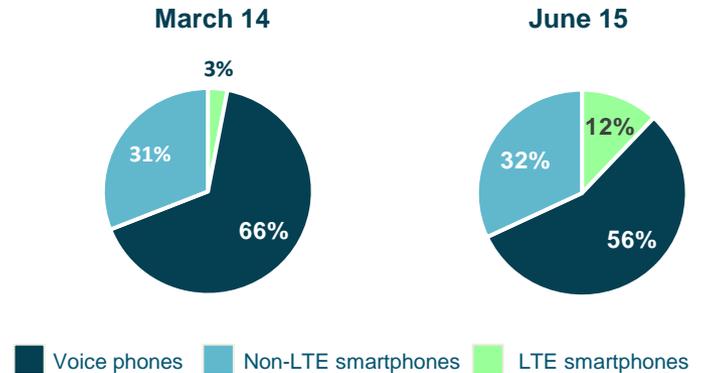
### Grow the value of mobile base

- Total mobile customer base at 5 mil.
  - Improving churn and ARPU trend
  - Contract customers 65% of total base



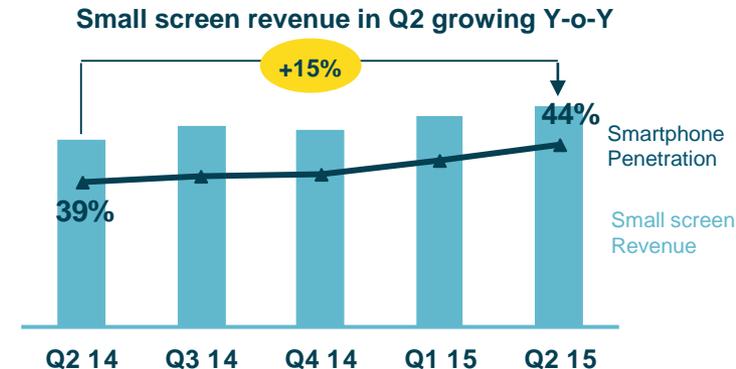
### High speed data network

- Efficient LTE roll-out is using new spectrum
  - Full coverage in Prague and Brno...
  - Service availability in other regions growing fast...
  - ...current population coverage at 61%
  - Growing number of LTE smartphones driving mobile data growth (+40% y-o-y)



### Monetising data growth

- Data tariffs and smartphone penetration uptake driving small screen base growth (+14% y-o-y)...
  - ...reflected in 13% growth of small screen revenues
  - Supported by mobile network enhancements (LTE deployment, HSPA+ upgrade, LTE Advanced) and MultiSIM proposition



<sup>1)</sup> Active (3 months criteria) customers

# Maintaining leadership in fixed BB with continuing migration to VDSL... ...refreshed IPTV platform with unique features & content

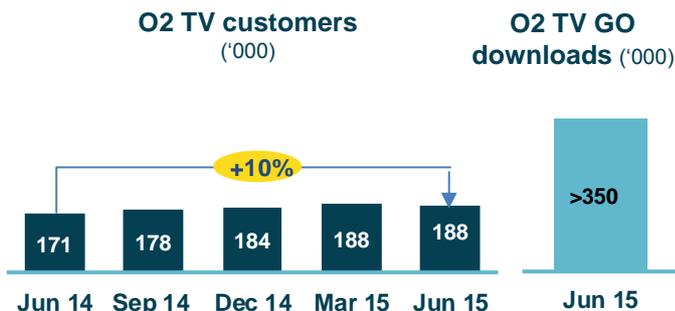
## Fixed BB

- Continuous **demand for VDSL service**, driving total **xDSL base growth** (+1.1% year-on-year)
- ...helping to **manage churn, spend dilution** and **improve customer satisfaction**
- **LTE substitution launched**, available for 92% of households



## Pay TV

- Our **O<sub>2</sub> TV service** with the unique **O<sub>2</sub> TV Go OTT multicarrier Multiscreen** and **unique content** continues to add new customers
- New **3 simple tariffs** launched on 1 July **mirroring all channels** from O<sub>2</sub> TV in **O<sub>2</sub> TV Go**
- **Own O<sub>2</sub> Sport TV channel** to be launched on 8 August 2015, including **premium football matches**

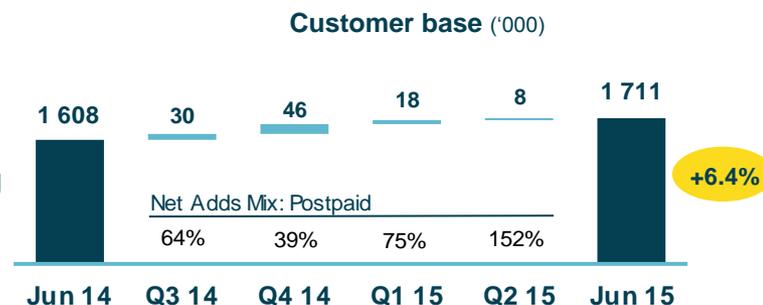


# Slovakia – sustained growth at all levels...

## ... on the back of value & data focused proposition

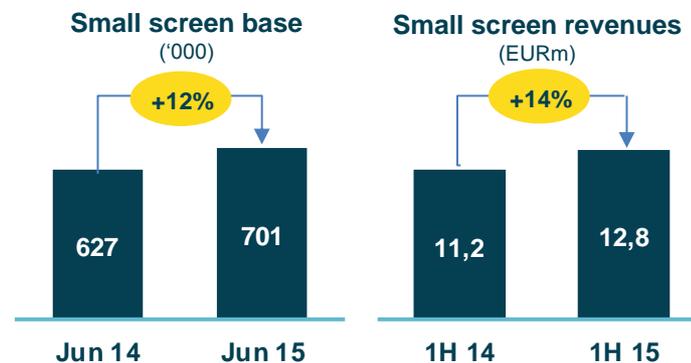
### Mobile customers

- Sustained customers' growth (+6.4% y-o-y)
- Monthly contract churn remains low (1.1%)
- Simple and transparent proposition, driving growing postpaid community
- 25.5% market share<sup>1)</sup> (+1.3 p.p. y-o-y)



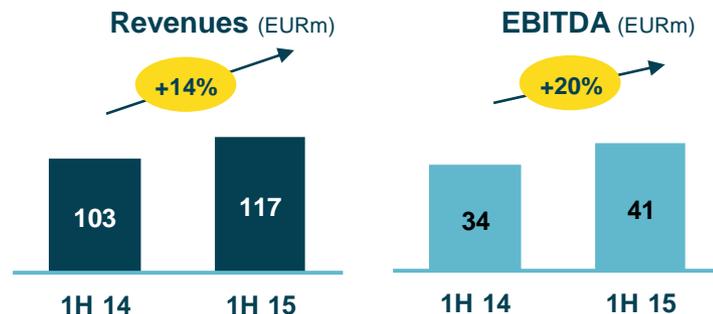
### Growing data revenues

- Increasing the coverage of 3G network driving smartphone penetration (46.9%, +7.4 p.p. y-o-y) and data ARPU uptake
- Favourable data packages driving growth of the mobile internet base +12% y-o-y, translating into data revenue growth +14% y-o-y



### Strong financials (EURm)

- Strong revenues growth maintained
- EBITDA margin 34.8% in 1H 2015 (+1.8 p.p. y-o-y), leveraging on lean operation and synergies with CZ
- Increasing and positive contribution to the consolidated financials (~ 20% of Group's revenues and EBITDA in 1H 2015)



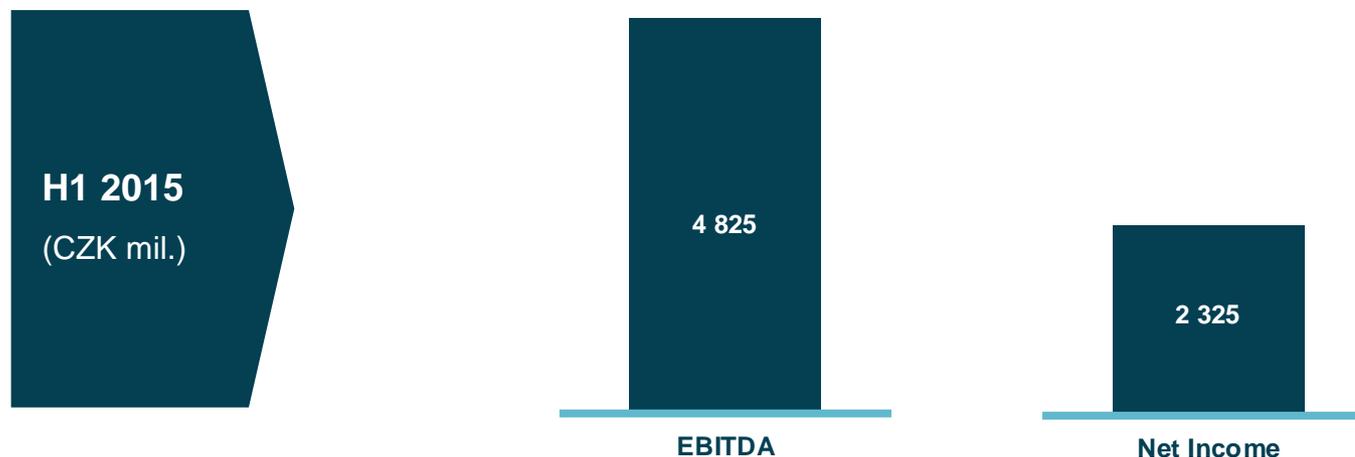
<sup>1)</sup> Q1 2015



**April– June 2015  
Financial Performance**

# Stabilized top line driven by mobile data & Slovakia... ...cost efficiencies contributing to EBITDA growth

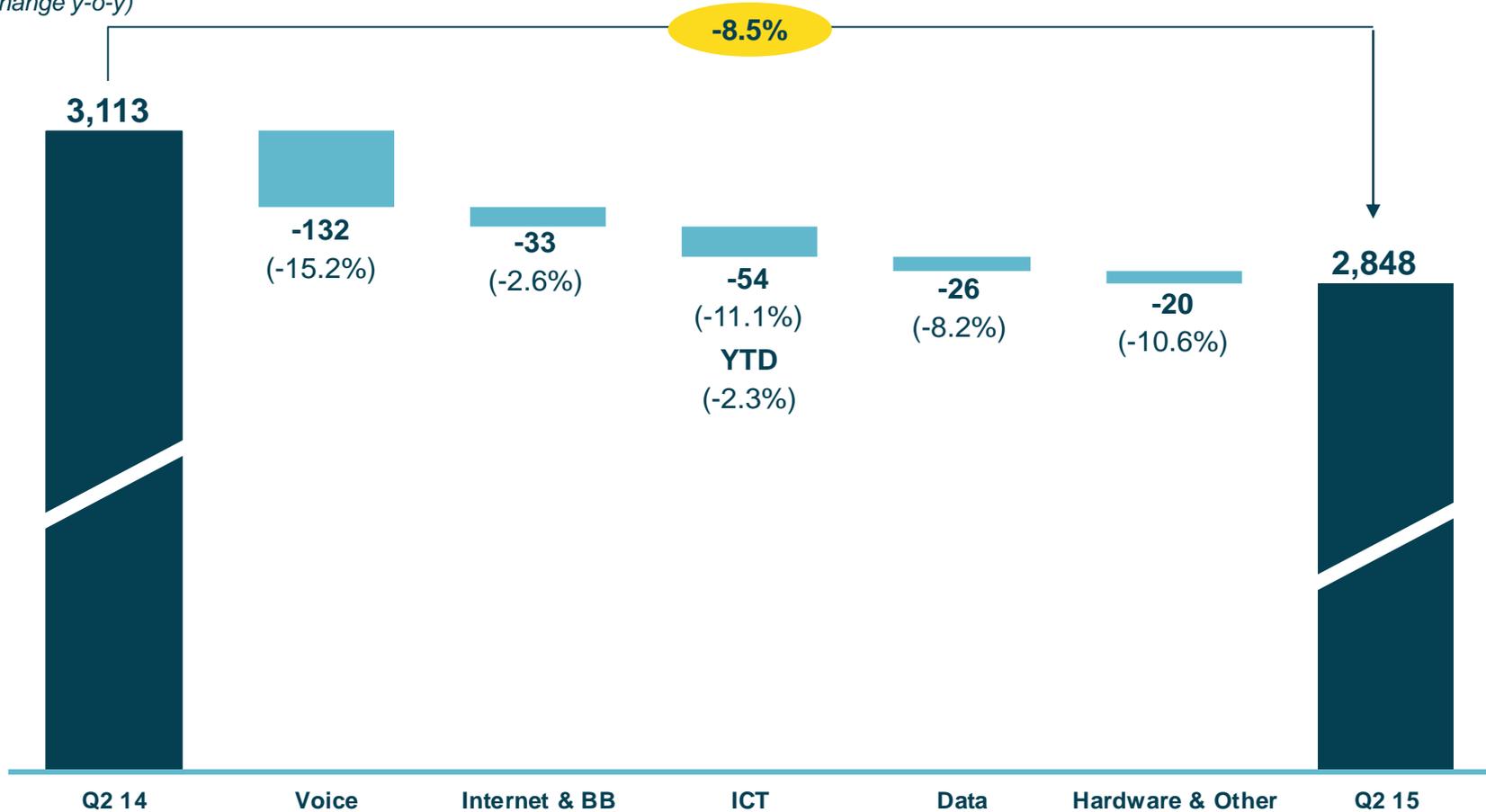
<i>CZK millions</i>	Q2 2015	Change Q2 15 / Q2 14
<b>Operating Revenue</b>	9,241	<b>-0.3%</b>
CZ Fixed	2,848	-8.5%
CZ Mobile	4,807	+2.0%
Slovakia	1,618	+11.0%
<b>EBITDA</b>	<b>2,448</b>	<b>+15.8%</b>
<i>EBITDA margin</i>	26.5%	+3.7 p.p.
<b>Net Income</b>	<b>1,255</b>	<b>+24.9%</b>
<b>Adjusted Free Cash Flow <sup>1)</sup></b>	<b>2,429</b>	<b>+134.6%</b>



<sup>1)</sup> excluding settlement of liabilities with former majority shareholder in 2Q 2014, including CZK ~1 billion funding with CETIN via working capital in 2Q 2015

# Fixed Operating Revenue declined in voice... ... while broadband and ICT stabilizing

CZK millions  
(% change y-o-y)

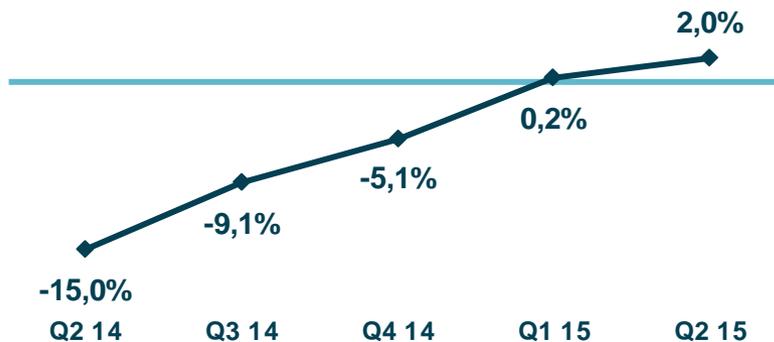
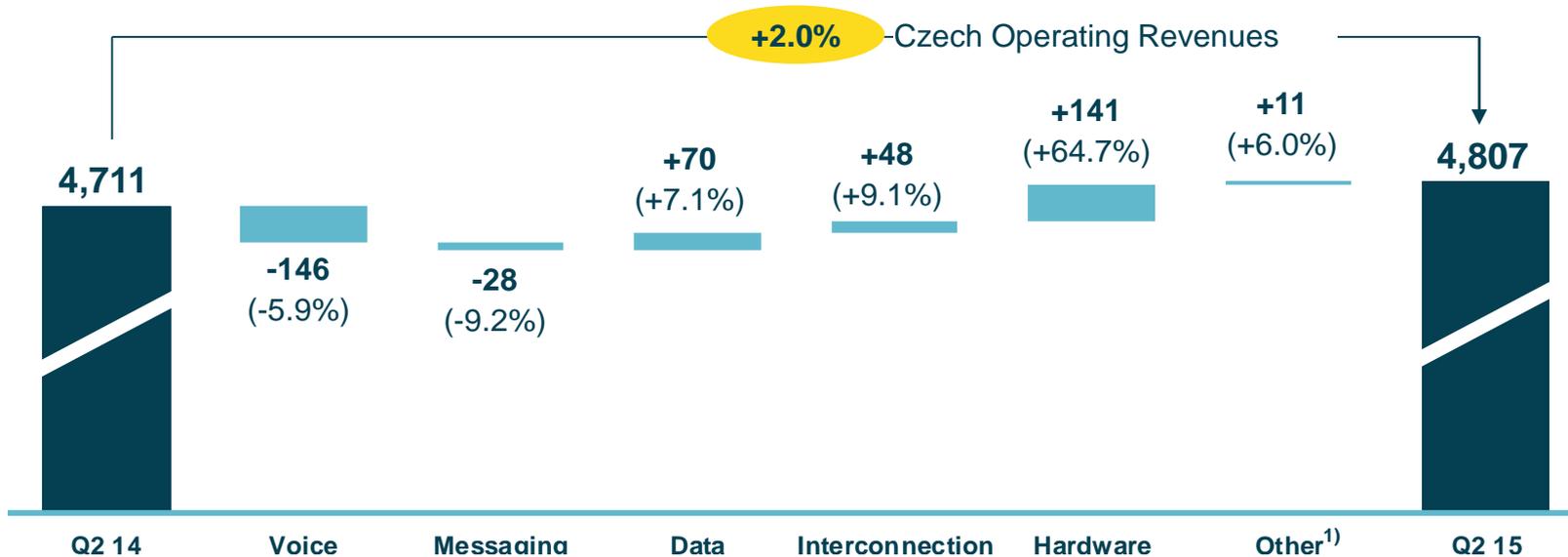


# Czech Mobile Operating Revenue stabilized... ... while Slovak Operating Revenue grew by 11%

CZK millions  
(% change y-o-y)

**+11.0%** Slovakia Operating Revenues

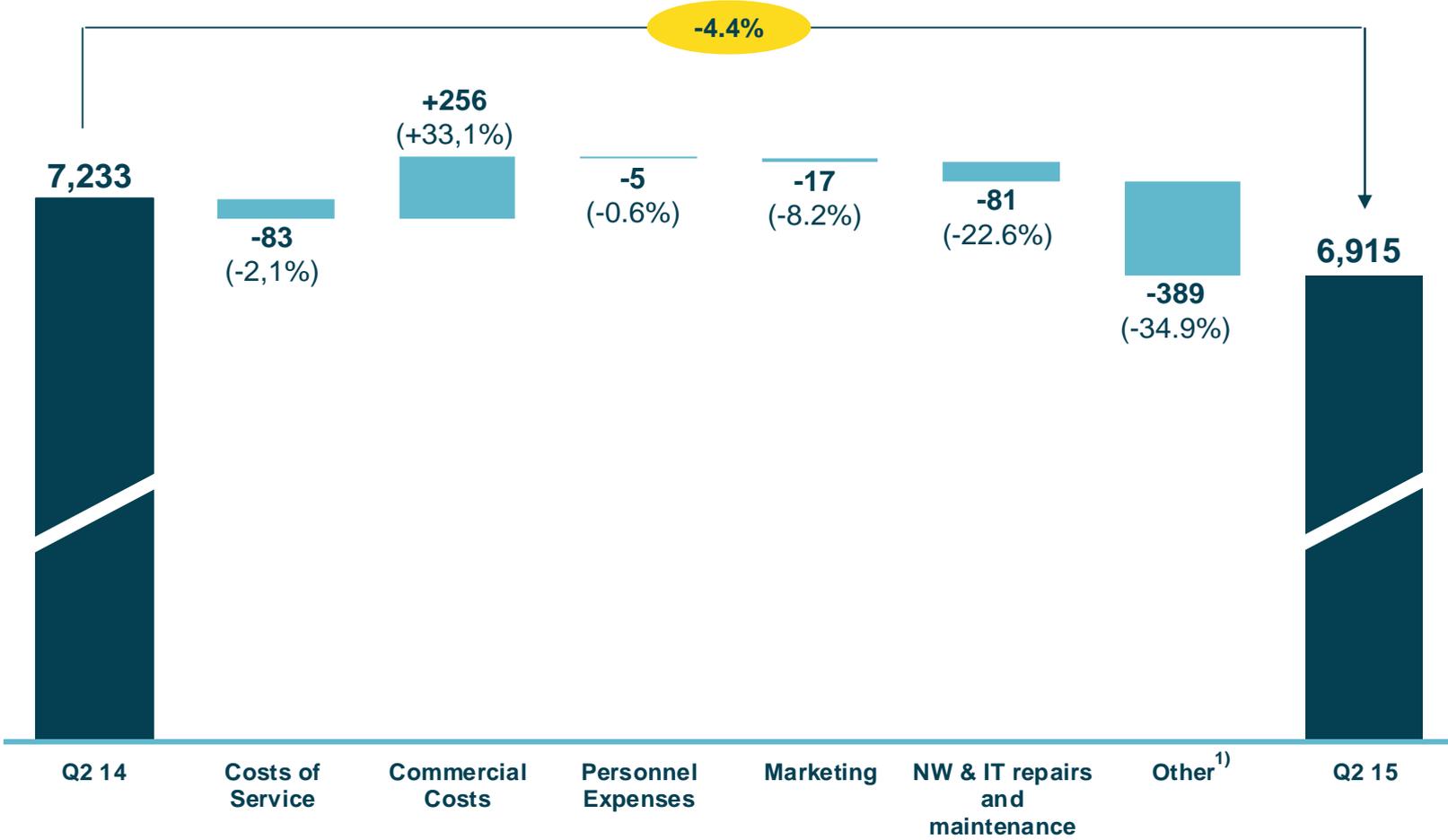
**+2.0%** Czech Operating Revenues



<sup>1</sup> Inbound Roaming, M2M, Other revenue

# Savings in OPEX driven by simplified operational model, focus on efficiency & brand treatment

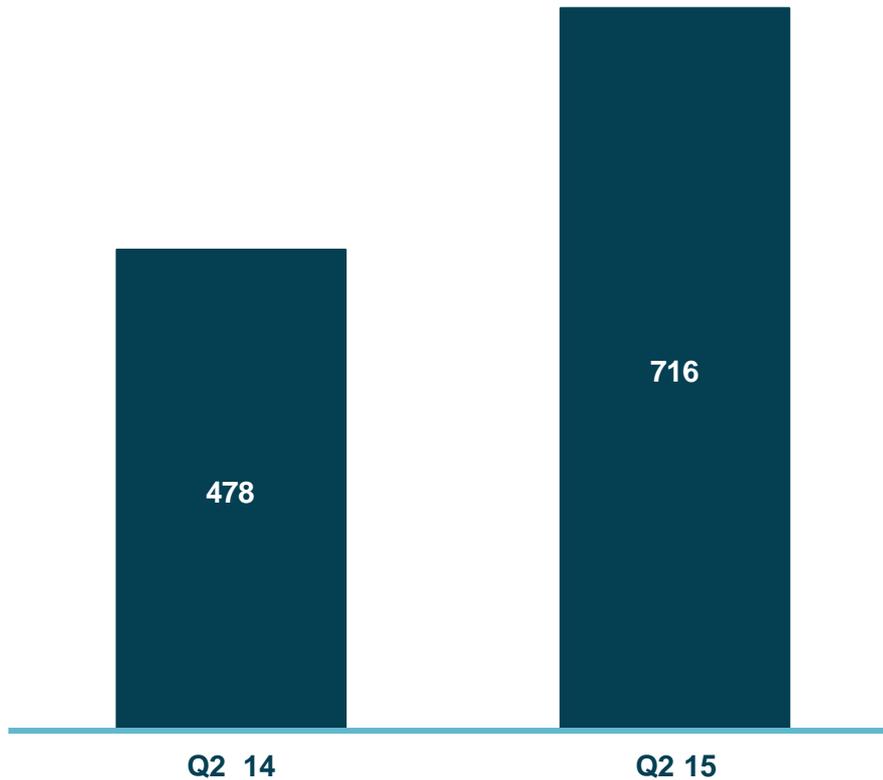
CZK millions  
(% change y-o-y)



<sup>1)</sup> Taxes other than income taxes, provisions and fees, Rentals, Buildings, Vehicles, Consumables, Consultancy, Billing, Collection, Call Centers, Brand and management fees and other

# Investments targeting IT & systems consolidation and upgrade

CZK millions



- Investments directed to
  - IT/Systems upgrade & consolidation to **simplify** processes and **improve** operational efficiency
  - Sport content for O<sub>2</sub> TV
  - 3G network rollout in **Slovakia**

# Strong balance sheet

*CZK millions*

**31 Dec 2014 <sup>1)</sup>**

**30 Jun 2015**

<b>Non-current assets</b>	<b>63,371</b>	<b>21,012</b>
- of which Intangible Assets	26,276	16,016
- of which Property, Plant & Equipment	36,200	4,317
<b>Current assets</b>	<b>10,920</b>	<b>9,770</b>
- of which Cash & cash. Equiv.	3,256	2,964
<b>Total assets</b>	<b>74,290</b>	<b>30,782</b>
<b>Equity</b>	<b>54,153</b>	<b>15,759</b>
<b>Non-current liabilities</b>	<b>5,557</b>	<b>3,055</b>
- of which Long-term financial debt	3,000	3,000
<b>Current liabilities</b>	<b>14,580</b>	<b>11,968</b>
- of which Short-term financial debt	4,004	4,001

<sup>1)</sup> Including CETIN