

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

O2 Czech Republic

Quarterly Results
January – September 2014

12th November 2014



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.



January – September 2014 Performance Highlights

Continued focus on customer value, efficiencies via simplification... ...and building the next generation network

Building the future

- **LTE service** in Praha and Brno, spreading fast to the **rest of the country**
- **Network sharing** is saving **Capex** and helping to **move faster**
- Promoting **data consumption** and **LTE adoption** by customers

We maintain our market position

- **Consumer mobile segment long term stabilised...**
- ...reducing churn and improving mobile customer mix to **protect value...**
- ...**protecting customer base** and market share in the **business** segment...
- ...sustained **demand for VDSL** and **growing O2 TV** base...
- ...continued **mobile data revenue growth...**
- ...all resulted in maintained market position in a **difficult market**

Focused on efficiencies

- **Robust cost reduction** initiatives to protect OIBDA...
- ... driven by the **simplification of the operating model**
- Increasing contribution from our business in Slovakia

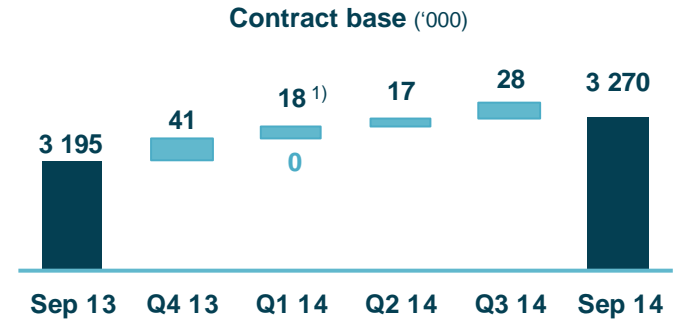
Strategic analyses underway

- **Analysing options for separation of fixed infrastructure;** decision on feasibility, design and implementation plan will follow
- **Request for financial assistance analysis** in an advanced stage

We continue to execute our strategy in mobile...

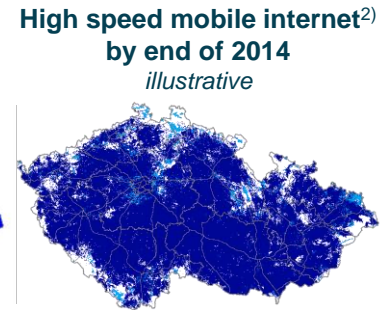
Grow the value of mobile base

- Total mobile customer base at 5.1 mil.
 - Modest contract growth +2.7% y-o-y
 - Contract customers now 65% of total base (+2.0p.p. y-o-y)
 - Improving churn and ARPU trend



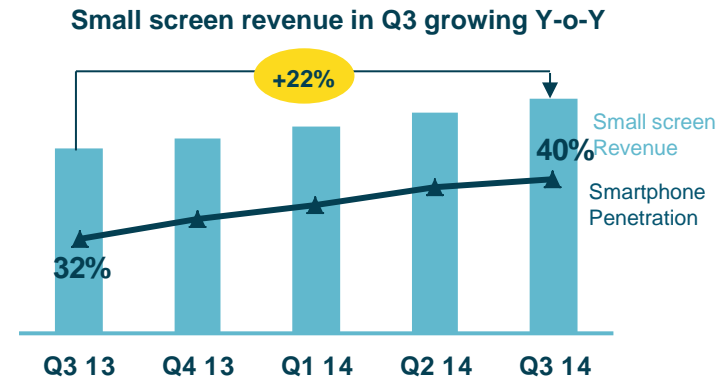
High speed data network

- Efficient LTE roll-out is using new spectrum
 - Large coverage in Prague and Brno
 - Rural areas service availability growing fast...
 - ...to provide high speed mobile internet²⁾ to 93% of the population this year
 - 4G LTE included in all O2 mobile data tariffs with up to 110 Mbps speed



Monetising data growth

- Data tariffs and smartphone penetration uptake driving small screen base growth (+26% y-o-y)...
- ...driving 22% growth of small screen revenues
- Supported by mobile network enhancements (LTE deployment, HSPA+ upgrade, LTE Advanced) and MultiSIM proposition



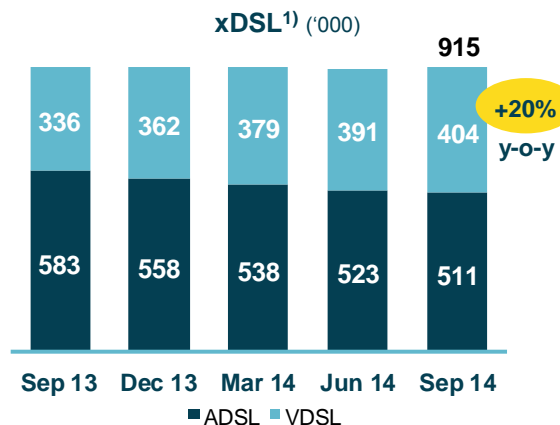
¹⁾ Excluding the estimated 18 thousand churn from the new Open door policy

²⁾ A combination of 3G HSPA+ and 4G LTE with download speeds up to 110Mbps

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

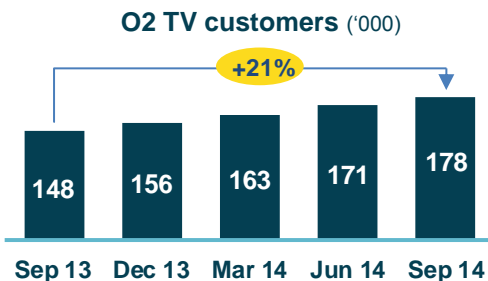
Fixed BB

- Continuous **demand for VDSL service**, with customer base growing by **20% y-o-y**...
- ...helping to **manage churn, spend dilution and improve customer satisfaction**



Pay TV

- Our **new O₂ TV** with the unique **O2 TV Go** OTT Multiscreen and **Timeshift** services **continues to add new customers** in a stagnating market segment



ICT

- **ICT** represents **35% of fixed operating revenues in business segment**
- Selective approach maintaining **solid profitability** on the back of **managed services growth**
- Further **upsell opportunities** via **fixed & mobile proposition**

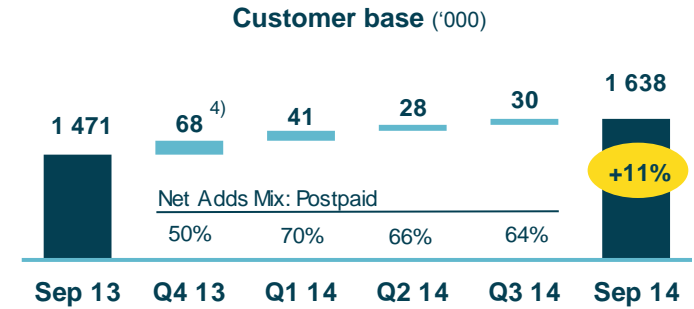


¹⁾ retail & wholesale

Slovakia – sustained customers’ growth and value focused proposition continue driving further improvement in financial performance

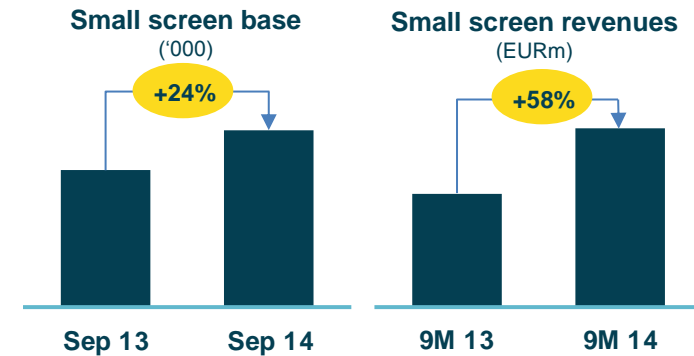
Mobile customers

- Sustained customers’ growth (+11.3% y-o-y)
- Monthly churn remains low (contract less than 1% in Q3)
- Refreshed proposition still popular with customers, contract as well as pre-paid
- Over 24% market share¹⁾ (+2.3 p.p. y-o-y)



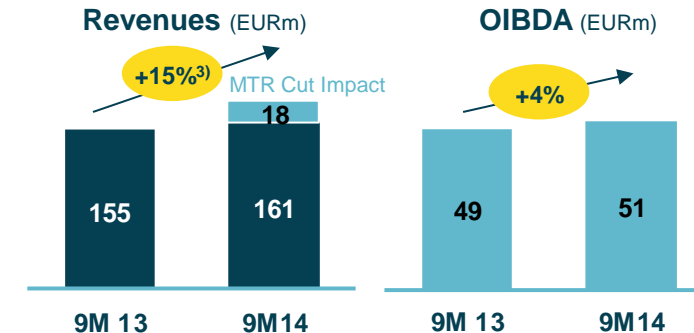
Growing data revenues

- Increasing the **quality of 3G coverage** driving **smartphone penetration** and **data ARPU uptake**
- Favourable **data packages** driving growth of the mobile internet base **+24% y-o-y**, translating into **data revenue growth +58% y-o-y**



Strong financials (EURm)

- Strong underlying²⁾ **revenues growth maintained**
- **OIBDA margin 32%** in 9M 2014, leveraging on **lean operation** and synergies with CZ
- Increasing and positive **contribution to the Group’s financials**



¹⁾ Q2 2014, ²⁾ ex-MTR cut impact, ³⁾ reported revenue growth of 4% y-o-y while ex-MTR impact growth 15%, ⁴⁾ incl. 18 thousand adjustment of prepaid customers

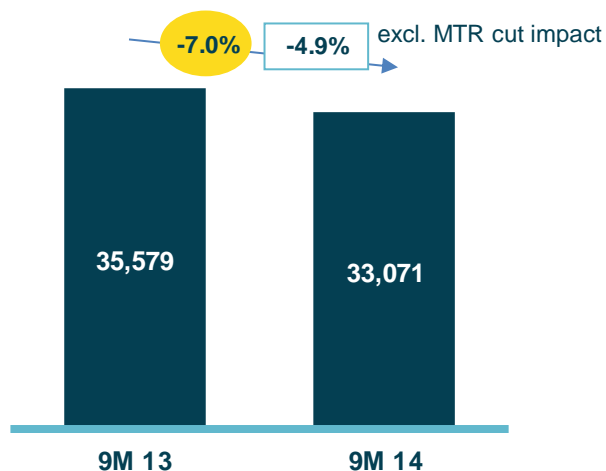


January – September 2014 Financial Performance

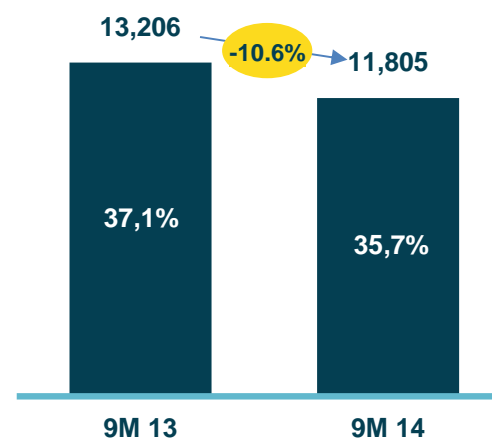
Top line remains under pressure, affecting OIBDA

<i>CZK millions</i>	Jan – Sep 2014	<i>Change 9M14 / 9M13</i>
Operating Revenue	33,071	-7.0%
CZ Fixed	14,593	-4.3%
CZ Mobile	14,310	-13.7%
Slovakia	4,420	10.8%
OIBDA¹⁾	11,805	-10.6%
OIBDA margin	35.7%	-1.4pp
Adjusted²⁾ Free Cash Flow	5,708	-23.5%

Operating revenue ex-MTR cut (y-o-y)



OIBDA (y-o-y)

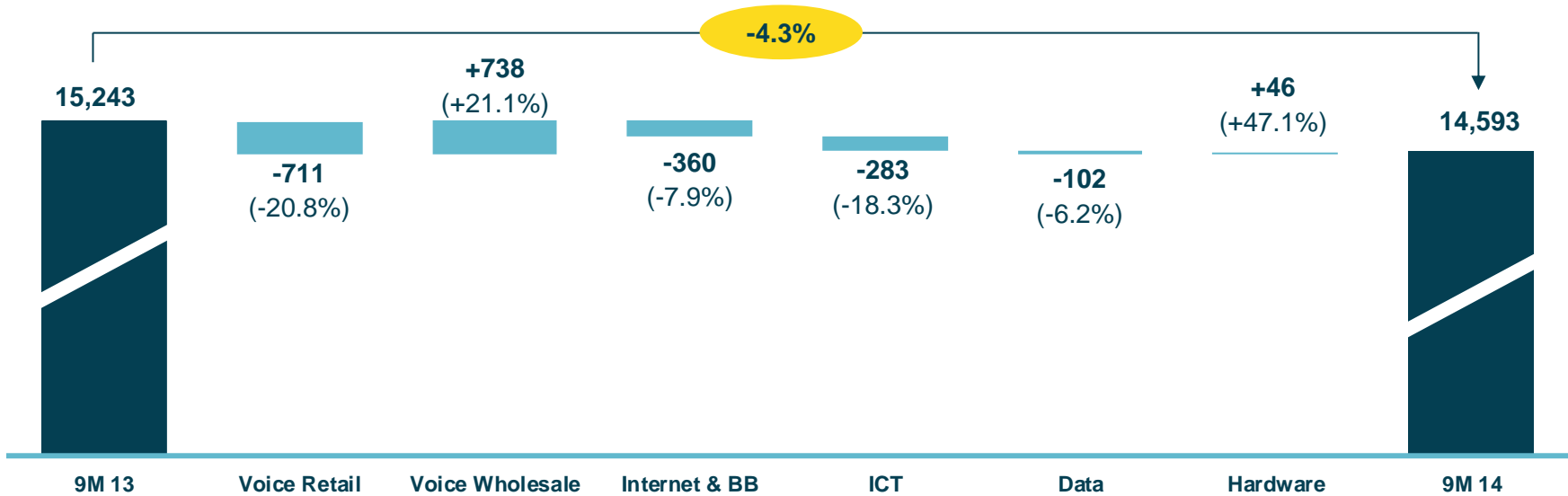


¹⁾ Includes restructuring costs in 9M 13 (CZK 354m) and 9M 14 (CZK 368m)

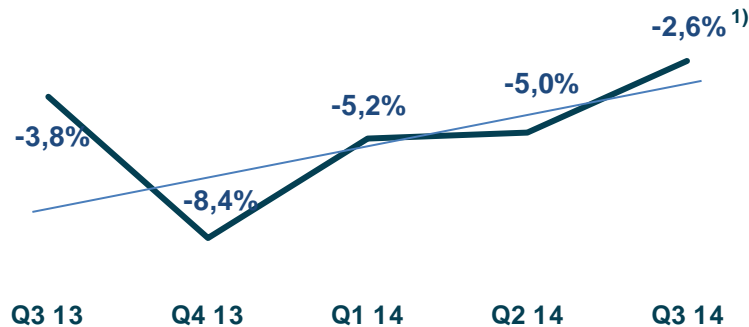
²⁾ Excluding payments for LTE spectrum CZK2.8bn in Czech Republic and CZK1.1bn in Slovakia

Despite a stabilized revenue trend, losing value in fixed

CZK millions
(% change y-o-y)



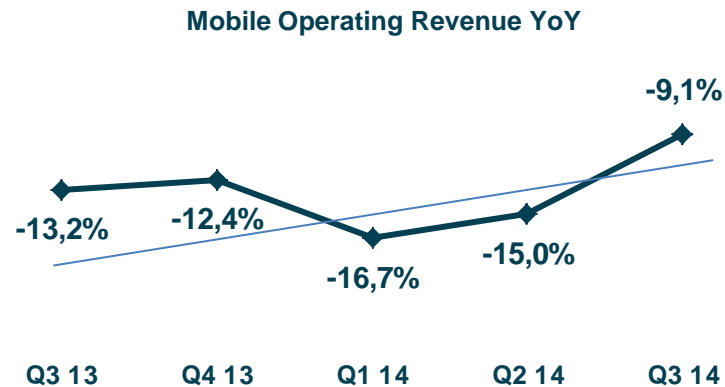
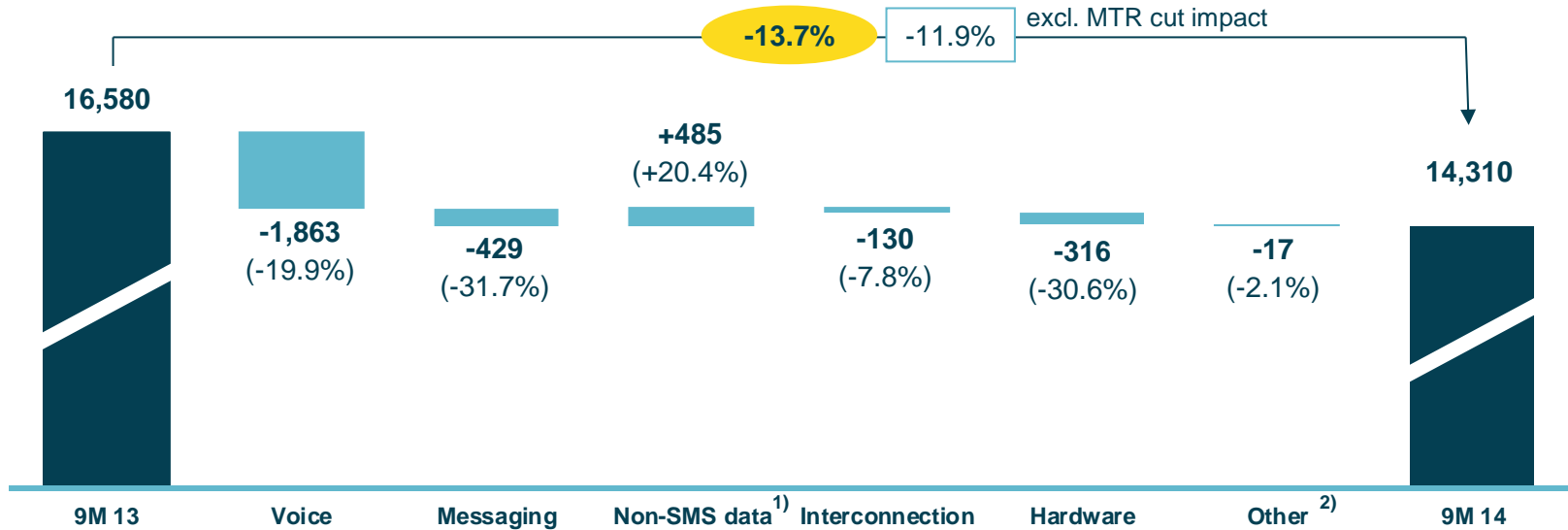
Fixed Operating Revenue YoY



¹ driven by voice wholesale

Mobile Operating Revenue under pressure, especially in the business segment

CZK millions
(% change y-o-y)

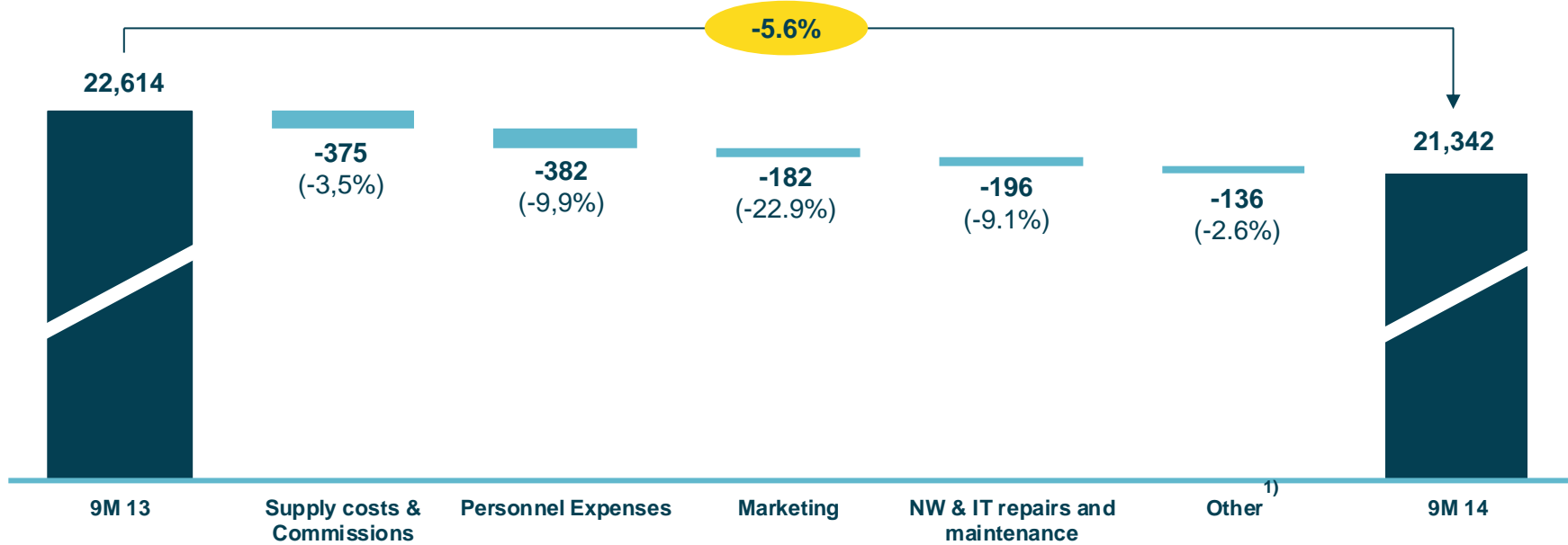


¹ Non-SMS data excluding CDMA

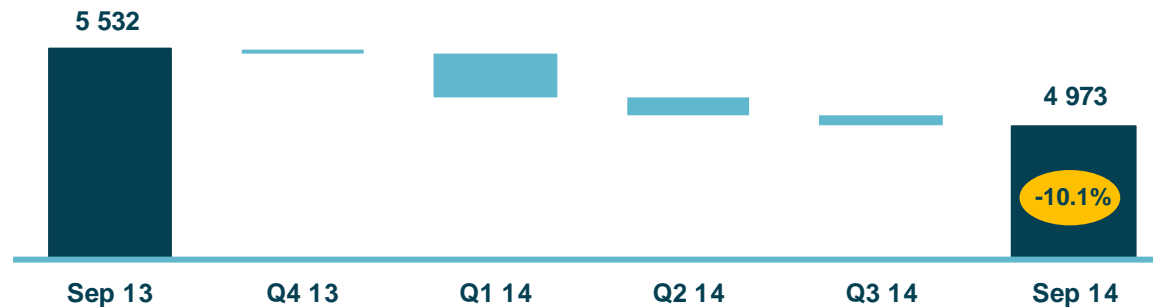
² CDMA, Inbound Roaming, M2M, Other revenue

Savings in OPEX, but only partly offsetting topline pressures

CZK millions
(% change y-o-y)



Group headcount²⁾

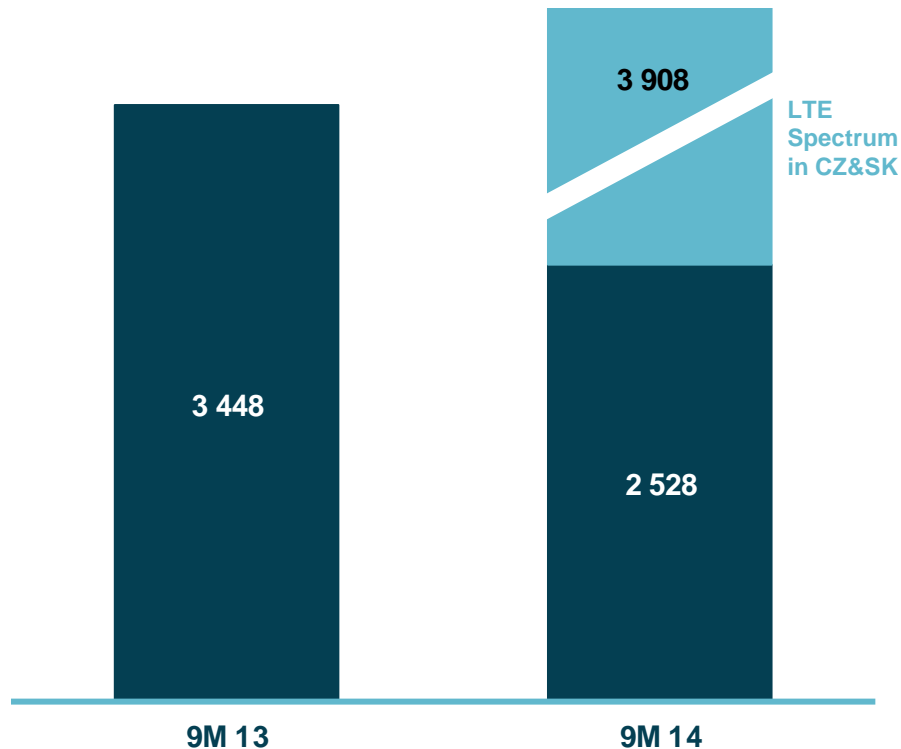


¹⁾ Taxes other than income taxes, provisions and fees, Rentals, Buildings, Vehicles, Consumables, Consultancy, Billing, Collection, Call Centers, Brand and Partnership fees and other

²⁾ Excluding Bonerix subsidiary headcount of 90

Investments targeting future growth areas and efficiencies

CZK millions



- **2014 Capex dominated by the acquisition of the LTE spectrum**
 - CZK 2.8 billion for CZ LTE spectrum
 - EUR 40.3 million for SK LTE spectrum
- **Continuous investments to growth areas**
 - **Capacity & quality enhancement of MBB network in CZ** (incl. LTE deployment in large cities), **including backhaul**
 - **FBB network improvement** (VDSL/VDSL+ coverage & capacity expansion)
- **IT/Systems investments to simplify processes and improve operational efficiency**

¹⁾ Excluding LTE Spectrum acquisition costs

Adjusted¹ Free Cash Flow is strong

<i>CZK millions</i>	31 Dec 2013	31 Sep 2014	<i>Change Sep14/Dec13</i>
Non-current assets	62,460	60,868	-2.5%
- of which Intangible Assets	6,509	9,595	47.4%
Current assets	11,489	12,424	8.1%
- of which Cash & cash. Equiv.	3,890	5,698	46.5%
Total assets	73,950	73,291	-0.9%
Equity	55,749	53,057	-4.8%
Non-current liabilities	5,825	5,434	-6.7%
- Long-term financial debt	3,000	3,000	0.0%
Current liabilities	12,376	14,800	19.6%
	Jan – Sep 2013	Jan – Sep 2014	Change 9M 14/9M 13
Cash flow from operations	12,900	10,755	-16.6%
Net cash from operating activities	11,863	9,623	-18.9%
Proceeds on disposals of PPE and intangibles	62	21	-66.8%
Adjusted ¹⁾ Payments on investments	-4,460	-3,935	+11.8%
Adjusted¹⁾ Net cash used in investing activities	-4,398	-3,914	+11.0%
Adjusted¹⁾ Free cash flow	7,466	5,708	-23.5%

¹⁾ Excluding payments for LTE spectrum CZK2.8bn in Czech Republic and CZK1.1bn in Slovakia



Backup

O₂

2013 Dividend and 2014 Guidance

2013 Dividend

- 2013 O2 Czech Republic standalone profit after tax CZK 5,743 million will be used for distribution to shareholders¹⁾ as dividend of CZK 18 per share
- Payment date: 26th November 2014

2014 Guidance

- We reiterate our guidance in full:

	2013 base	2014 Guidance
Revenues ¹⁾	-6.5% y-o-y	Still declining but improving y-o-y revenue trend
Capex ²⁾	5.7bn	Capex up to the previous year level, increasing proportion of investments into growth areas (mobile data, LTE and new technologies/businesses)

¹⁾ Total 2013 O2 Czech Republic standalone profit after tax CZK 5,743 million, 2013 dividend CZK 5,681 million (99%)

²⁾ Group Operating Revenues, ³⁾ Excluding investments for spectrum license and business acquisitions