

A dynamic splash of water with numerous bubbles and droplets, set against a gradient blue background that transitions from a darker blue at the top to a lighter blue at the bottom. The water splash is concentrated on the left side of the frame.

# O2 Czech Republic

Quarterly Results  
July – September 2015

19<sup>th</sup> October 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.



**2015 FY Outlook, Dividend policy,  
Leverage Target, Share buy-back**

# 2015 FY Outlook on the back of strong Q3 results

## ... intention to distribute profit to shareholders

### Strong Q3 results

- History **high loyalty of O2 customers** across all segments
- **Customer spend stabilized** despite market price erosion
- **20% y-o-y reduction in OpEx** driven by **simplification of operational model**
- **Growing profitability** in Q3 2015 - **net profit up 40% y-o-y**

### 2015 FY Outlook & Dividend policy

- 2015 FY consolidated **EBITDA** within the range of **CZK 9.9 to 10.2 billion**
- 2015 FY consolidated **Net profit** within the range of **CZK 4.85 to 5.2 billion**
- Distribution of **90% to 110% of standalone net profit**

# Share buy-back to be relaunched, with up to CZK 8 bn./10% shares ...and leverage target of up to 1.5x Net Debt/EBITDA

## Share buy-back

- Share buy-back **on top of regular dividend**
- **Up to 10% of ordinary shares** or **up to CZK 8 billion** in next 5 years
- Expected **to restart in January 2016** after all relevant approvals

## Debt refinancing & Target

- Debt **refinancing exercise in progress**
- O2 is taking advantage of **favorable market conditions**
- CZK 7 billion refinancing + up to CZK 8 billion
- Targeted leverage of **up to 1.5x Net debt/EBITDA**



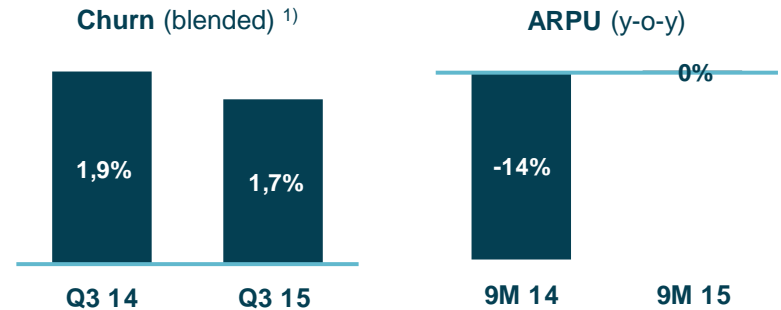
## Performance Highlights

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

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

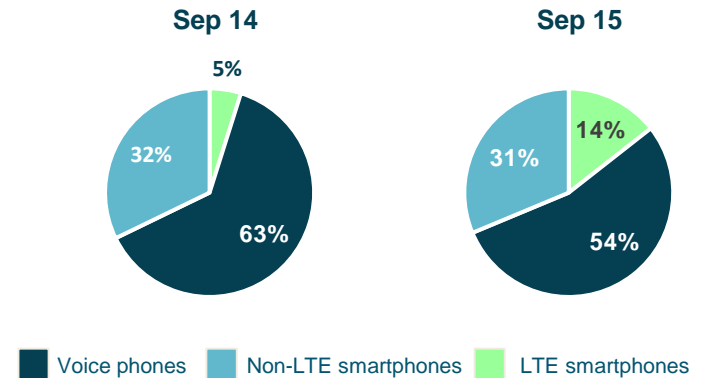
### Grow the value of mobile base

- Total mobile customer base at 5 mil.
  - Improving churn and ARPU trend via focus on value and loyalty
  - Contract customers 66% of total base



### LTE focus

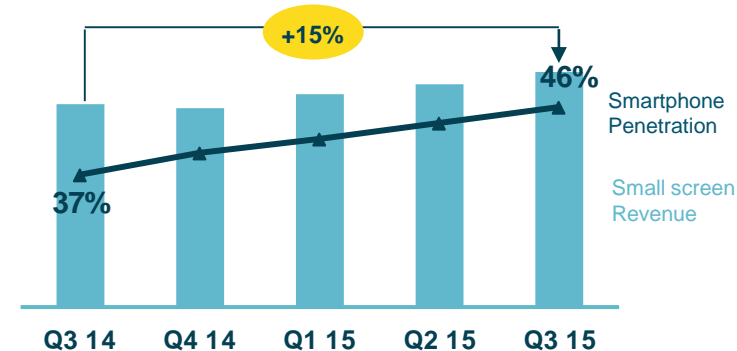
- Efficient LTE roll-out is using new spectrum
  - Full coverage in Prague and Brno...
  - Service availability in other regions growing fast...
  - Current population coverage at close to 70%
- Growing number of LTE smartphones (100% of smartphone sales in Q3 15) driving mobile data growth



### Monetising data growth

- Data tariffs incl. data limits recharge and smartphone penetration uptake (+8.6 p.p. y-o-y) driving small screen base growth (+13% y-o-y)...
  - ...reflected in 15% growth of small screen revenues

#### Small screen revenue accelerating y-o-y growth in Q3

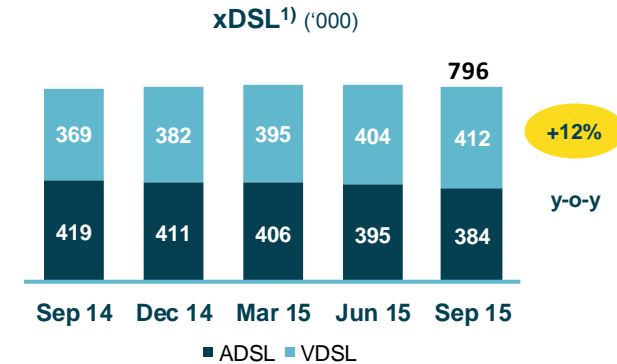


<sup>1)</sup> Active (3 months criteria) customers

# Maintaining leadership in fixed BB with continuing migration to VDSL... ...unique multidimensional IPTV driving customers and ARPU uptake

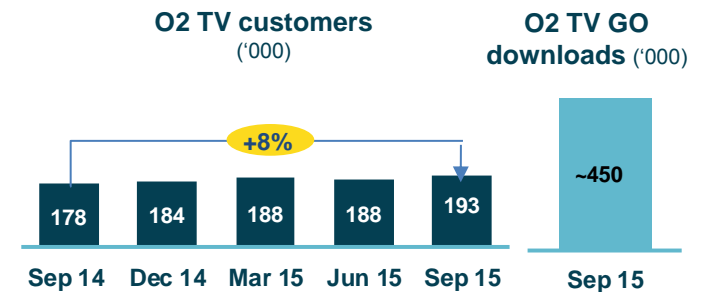
## Fixed BB

- Continuous demand for VDSL service, driving total xDSL base growth (+1.0% y-o-y)
- ...helping to manage churn (below 1% in Q3 15), spend dilution (ARPU: -3% y-o-y in Q3 15) and improve customer satisfaction



## Pay TV

- Our O<sub>2</sub> TV service with the unique OTT multicarrier Multiscreen and unique content continues to add new customers (+5k in Q3 15)
- Customer migration to 3 simple tariffs (launched on 1 July) helping to improve spend (ARPU: +22% y-o-y in Q3 15)
- Own O<sub>2</sub> Sport TV channel launched in August 2015, including premium football matches



Unique content



Any match



Any camera

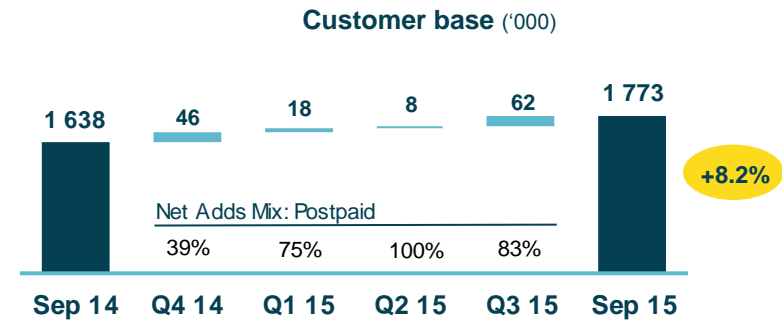




# Slovakia – sustained commercial & financial growth... ... on the back of value & data focused proposition

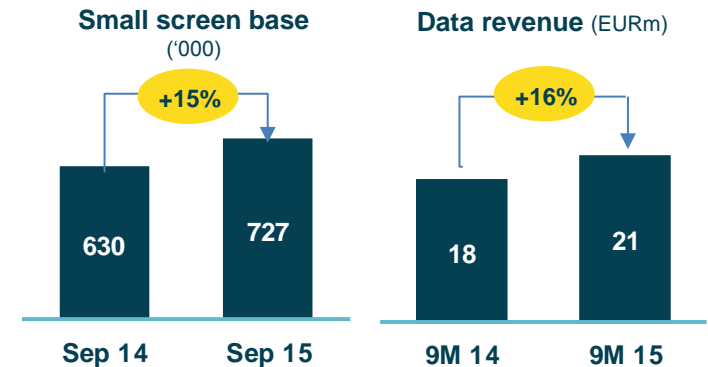
## Mobile customers

- Accelerated customers' growth (+8.2% y-o-y)
- Monthly contract churn remains low (1.0%)
- 25.6% market share (EoP), 74.4% on net adds<sup>1)</sup>
- Growing customer value



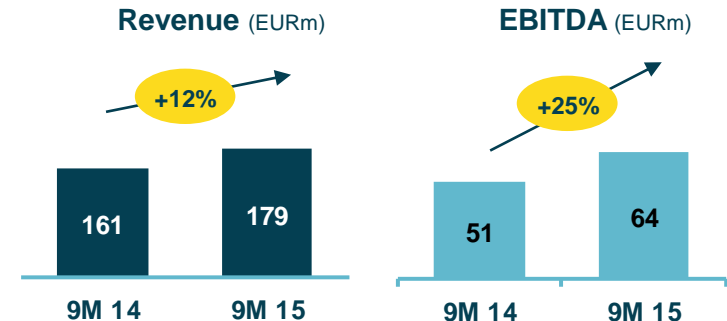
## Growing data revenues

- Increasing 3G network coverage and data focused proposition driving smartphone penetration (47.6%, +6.8 p.p. y-o-y) and data ARPU uptake (+9% y-o-y)
- Favourable data packages driving growth of the mobile internet base +15% y-o-y, translating into data revenue growth +16% y-o-y



## Strong financials (EURm)

- Strong revenues growth maintained
- EBITDA margin 35.5% in 9M 15, +3.6 p.p. y-o-y (36.9% in Q3 15)
- Increasing and positive contribution to the consolidated financials (~ 20% of Group's revenues and EBITDA in 9M 2015)



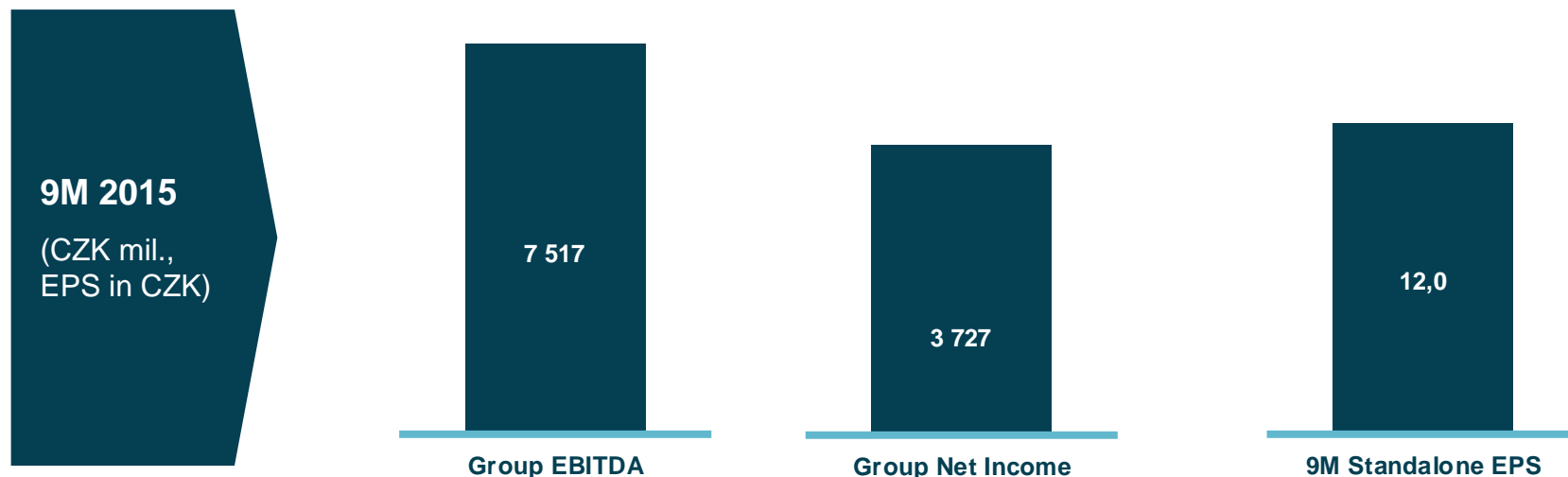
<sup>1)</sup> Q2 2015



# July– September 2015 Financial Performance

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

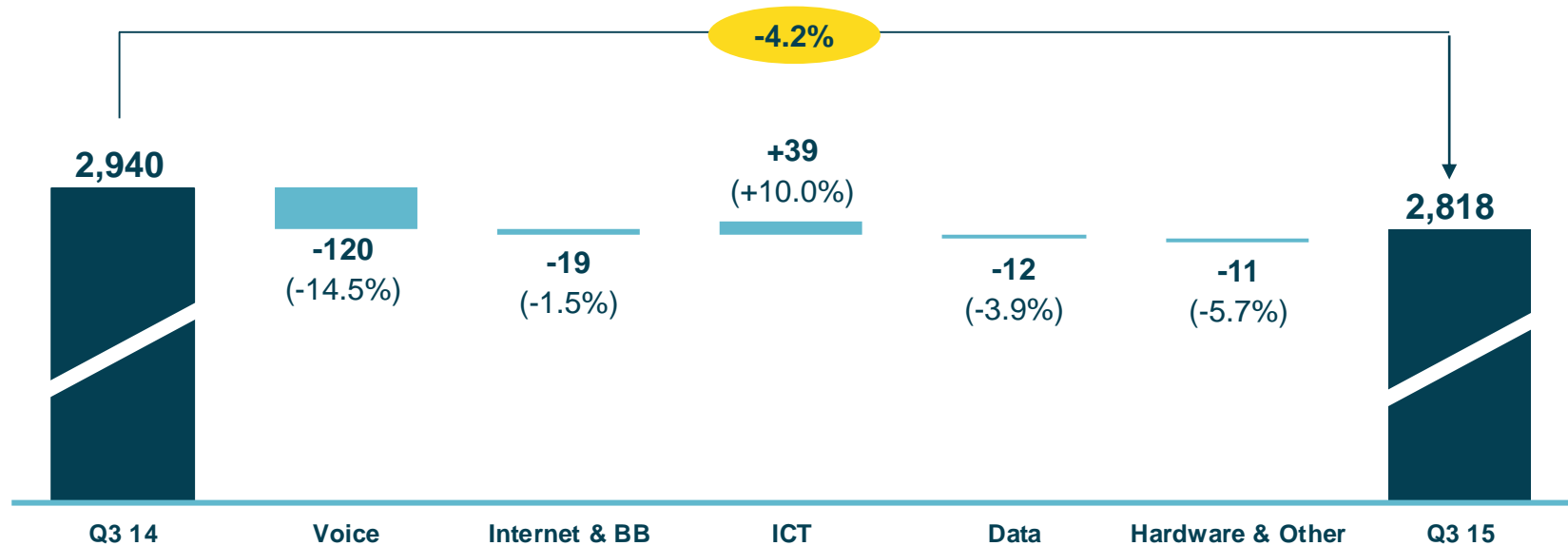
<i>CZK millions</i>	Q3 2015	Change Q3 15 / Q3 14
<b>Operating Revenue</b>	9,314	-0.4%
CZ Fixed	2,818	-4.2%
CZ Mobile	4,837	0.0%
Slovakia	1,683	+5.3%
<b>EBITDA</b>	2,692	+24.7%
<i>EBITDA margin</i>	28.9%	+5.8 p.p.
<b>Net Income</b>	1,401	+40.7%
<b>Adjusted Free Cash Flow</b>	1,325	+4.7%



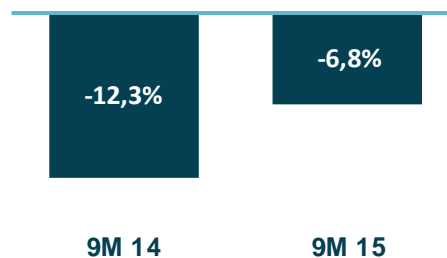
<sup>1)</sup> excluding settlement of liabilities with former majority shareholder in 3Q 2014

# Fixed Operating Revenue decline decelerating... ... helped by Pay TV and ICT

CZK millions  
(% change y-o-y)

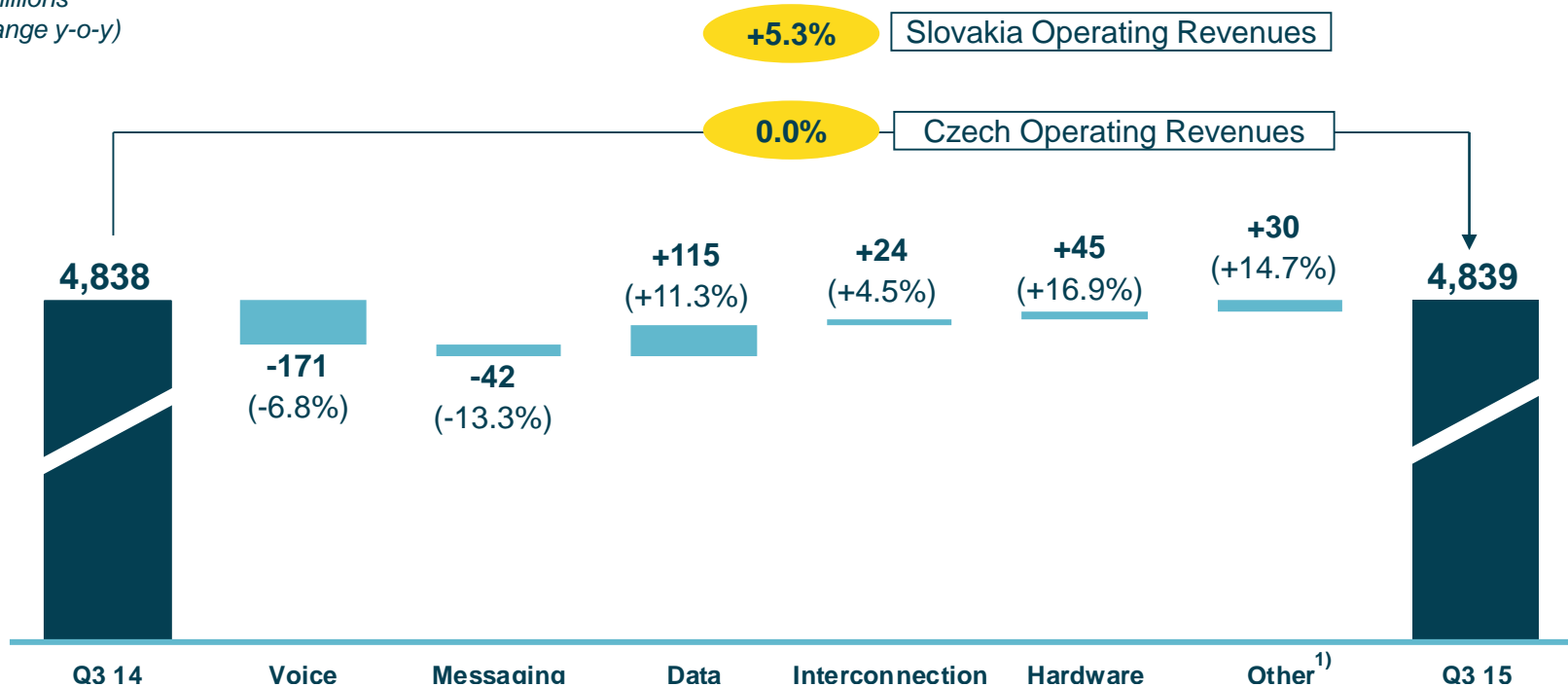


Fixed operating revenue (y-o-y)

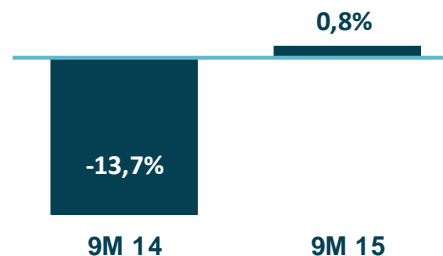


# Czech Mobile Operating Revenue continue stabilizing... ... while Slovak Operating Revenue grew by 5%

CZK millions  
(% change y-o-y)



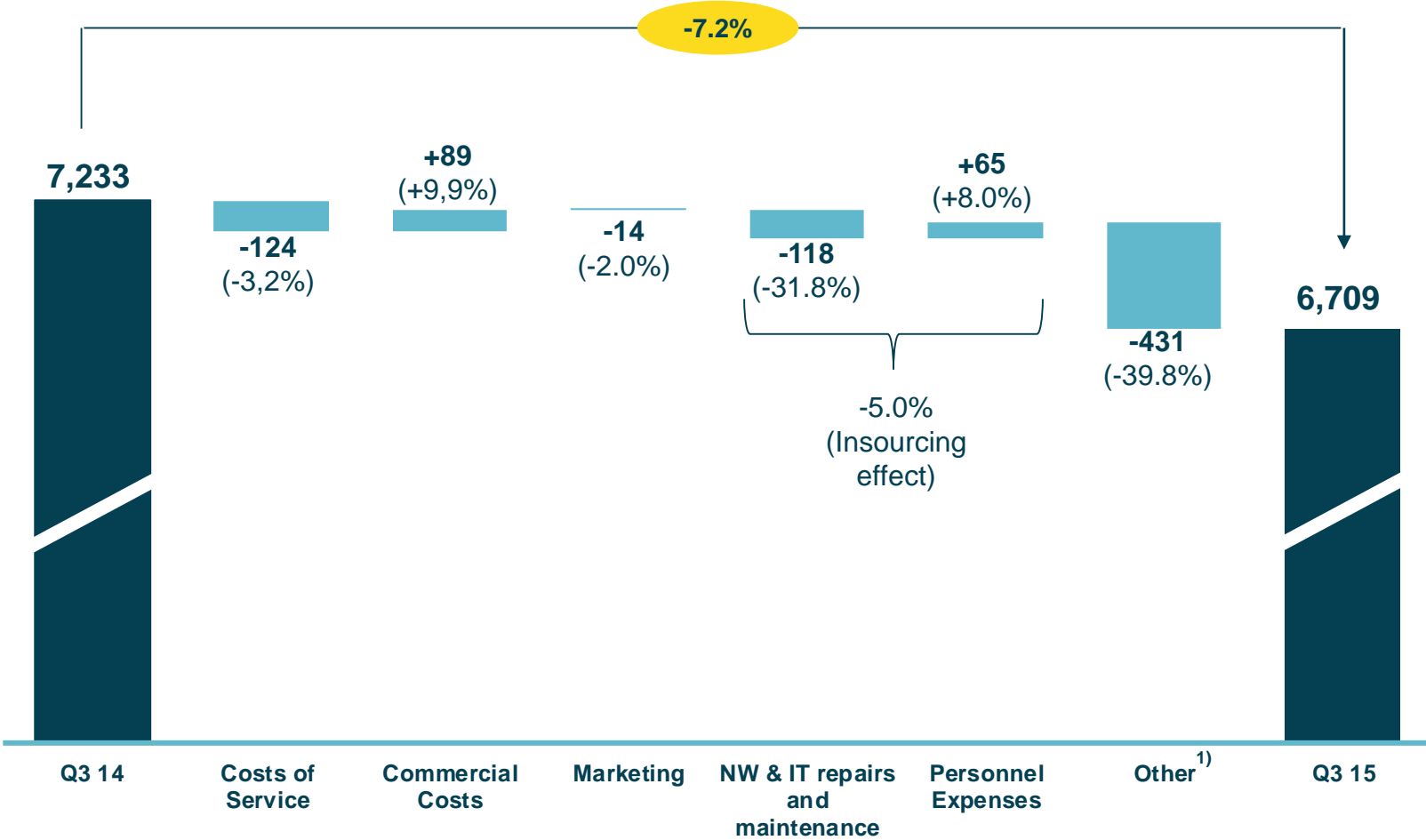
## Mobile operating revenue (y-o-y)



<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)

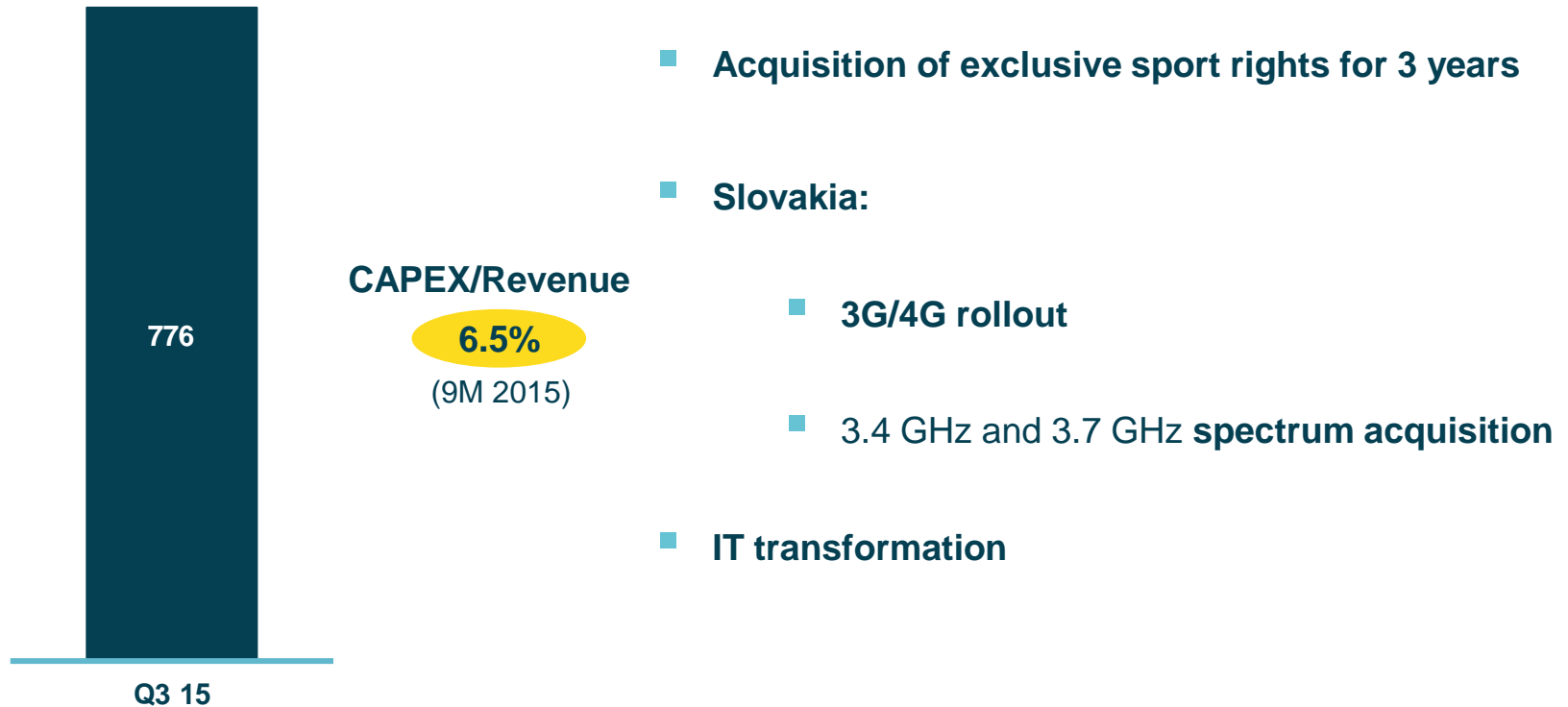


<sup>1)</sup> Taxes other than income taxes, provisions and fees, Rentals, Buildings, Vehicles, Consumables, Consultancy, Billing, Collection, Call Centers, Brand and management fees and other

# New O2 with low CAPEX profile...

## ...with expected CAPEX peaks in next quarters

CZK millions



# Strong balance sheet

<i>CZK millions</i>	<b>31 Dec 2014 <sup>1)</sup></b>	<b>30 Jun 2015</b>	<b>30 Sep 2015</b>
<b>Non-current assets</b>	<b>63,371</b>	<b>21,012</b>	<b>20,830</b>
- of which Intangible Assets	26,276	16,016	15,868
- of which Property, Plant & Equipment	36,200	4,317	4,325
<b>Current assets</b>	<b>10,920</b>	<b>9,770</b>	<b>10,856</b>
- of which Cash & cash. Equiv.	3,256	2,964	3,924
<b>Total assets</b>	<b>74,290</b>	<b>30,782</b>	<b>31,686</b>
<b>Equity</b>	<b>54,153</b>	<b>15,759</b>	<b>17,153</b>
<b>Non-current liabilities</b>	<b>5,557</b>	<b>3,055</b>	<b>3,045</b>
- of which Long-term financial debt	3,000	3,000	3,000
<b>Current liabilities</b>	<b>14,580</b>	<b>11,968</b>	<b>11,488</b>
- of which Short-term financial debt	4,004	4,001	4,001

<sup>1)</sup> Including CETIN