

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 – March 2015

13th May 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.



**January – March 2015
Performance Highlights**

Continued focus on customer value, efficiencies via simplification... ...infrastructure separation approved by the General Meeting

We maintain our market position

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

Focused on efficiencies

- **Robust operating cost reduction** initiatives to protect EBITDA...
- ... driven by the **simplification of the operating model** and **contracts renegotiation**
- Increasing profitability from our business in Slovakia via simple operating model

Key results of General Meeting

- **Separation of the company by spin off** with **formation of a new company**
- **Dividend for 2014** of CZK 4.1 billion, i.e. **CZK 13 per share**

Financial assistance

- **Negotiations** related to the **provision of the financial assistance** have been **terminated** due to separation project

Fundamental rationale for separation...

...Envisaged complex transaction follows three simple goals:

1. Streamlining the business



- **Vertically integrated O2 CR incorporates two businesses different in nature:** Service unit (“O2”) and infrastructure unit (“CETIN”)
- Each require different management approach and goals
- Different investment policy and horizon to be followed to maximize shareholder value

2. Easing of regulation



- Second strictest regulatory remedy voluntarily to be delivered by CETIN in the new set-up
- Freeing up the business from numerous negative consequences of current semi-regulated environment

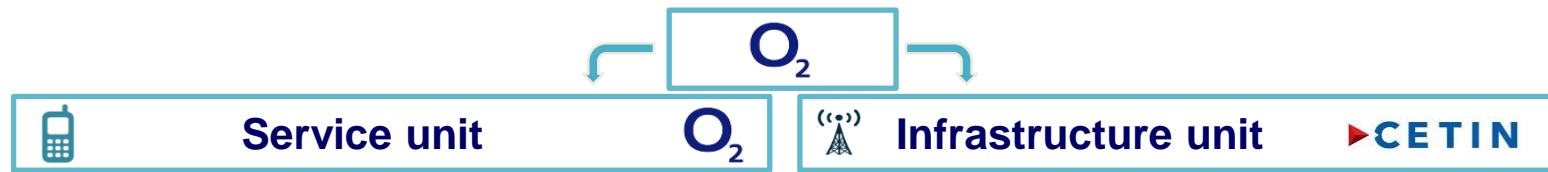
3. Financial consequences



- O2 and CETIN risk profiles may diverge in the future and funding options correspondingly
- CETIN has safer profile, longer term visibility and stable prospects

Two businesses, cooperating but different in nature...

...to emerge from spin-off



| |
|---------------------------|
| Characteristic |
| Key selling points |
| Revenue profile |
| Customer profile |
| Investment policy |
| Business risk |
| Success factors |

- Service-oriented, customer-facing
- Brand, marketing, product innovation, differentiation from competition at retail level, customer service excellence, customer loyalty
- Short to mid-term contracts reflecting short lifetime of retail products and rapid innovation
- Mass retail subscribers and wide B2B customer portfolio
- Asset light, fast CAPEX payback (to be recouped over term of customer contract, over short retail product lifecycle)
- Commercial risk of general retail player, customer perception
- Agile, market-oriented, dynamic, trend leader, efficient with great customer experience

- Tangible fixed asset-based business
- Most efficient, reliable and secure underlying wholesale service provider thanks to economies of scale and scope achievable on its network
- Long-term capacity-offtake contracts reflecting useful lifetime of tangible assets of given technology generation
- O2 and few national wholesale partners plus international wholesale
- Longer payback affordable reflecting longer lifecycle of underlying network technologies
- Sector risk; low for current contracted technologies, risk of new technologies
- Proper selection, timing, dimensioning and implementation / operation of new technologies

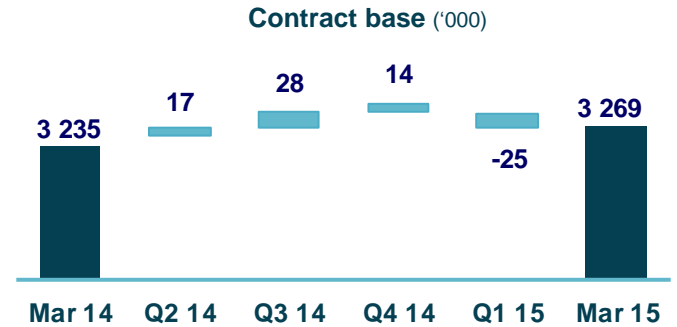
Envisaged outcomes of the transaction

- **Two strong independent companies** prepared to rise to the challenge
 - on the **extremely competitive and developing European retail market** (O2) and
 - **networks and technology investments demanding and regulated sector** (CETIN).
- To meet the basic goals of the transaction **independent conduct of both companies** on the market will be ensured. Each company will have its **own independent IT, Board of Directors, Supervisory Board, business plan and goals** respecting market orientation of the respective company.
- Transaction as the second strictest regulatory remedy will automatically solve all alleged market disruptions and can serve when voluntarily proposed to Czech Competition Authority in margin squeeze case as a commitment in favour of restoration of effective competition sufficient for the protection of competition.

We continue to execute our strategy in mobile...

Grow the value of mobile base

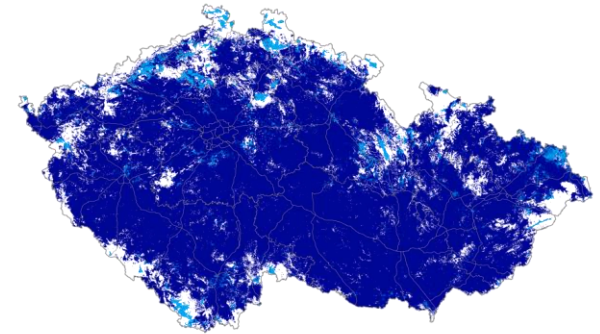
- **Total mobile customer base at 5 mil.**
 - **Modest contract** growth +1% y-o-y
 - **Contract** customers **65.2%** of total base (+1.3p.p. y-o-y)
 - **Improving churn and ARPU trend**



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...**
 - **4G LTE included in all O2 mobile data tariffs** with up to 110 Mbps speed
- **2G/3G networks consolidation** on track

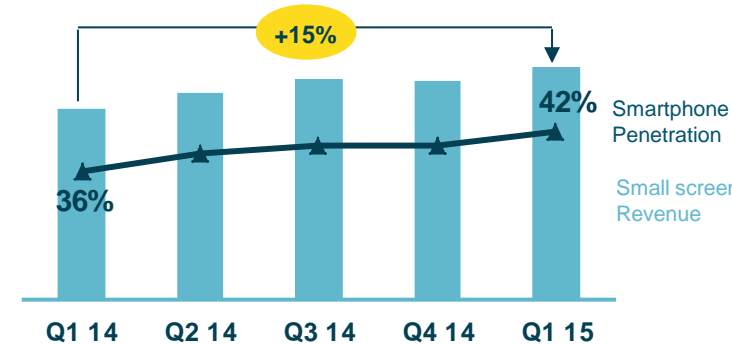
Current high speed mobile internet¹⁾ coverage



Monetising data growth

- Data tariffs and **smartphone penetration** uptake driving **small screen base growth** (+14% y-o-y)...
- ...driving 15% growth of **small screen revenues**
- Supported by **mobile network enhancements** (LTE deployment, HSPA+ upgrade, LTE Advanced) and **MultiSIM** proposition

Small screen revenue in Q4 growing Y-o-Y

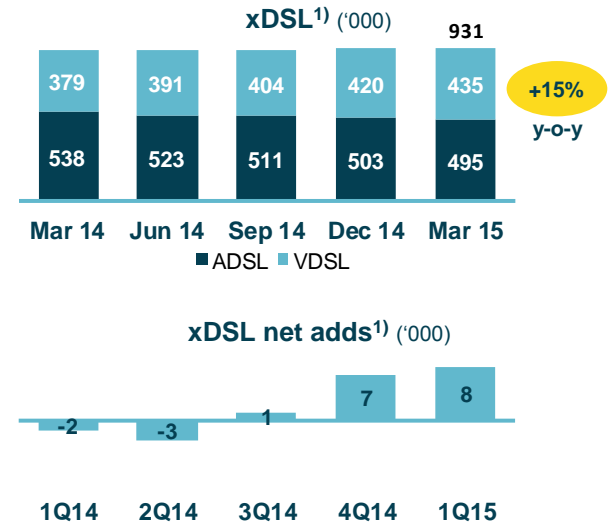


¹⁾ A combination of 3G HSPA+ and 4G LTE with download speeds up to 110Mbps

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

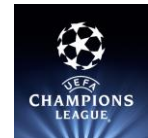
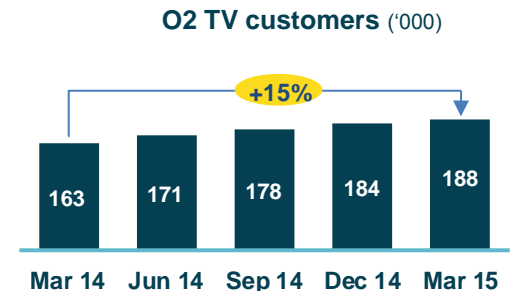
Fixed BB

- Continuous demand for VDSL service, driving total xDSL base growth in the third consecutive quarter
- ...helping to manage churn, spend dilution and improve customer satisfaction



Pay TV

- Our O₂ TV service with the unique O₂ TV Go OTT multicarrier Multiscreen and Premier League coverage continues to add new customers in a stagnating market
- Own O₂ Sport TV channel to be launched in Q3 2015, including all Champions League matches

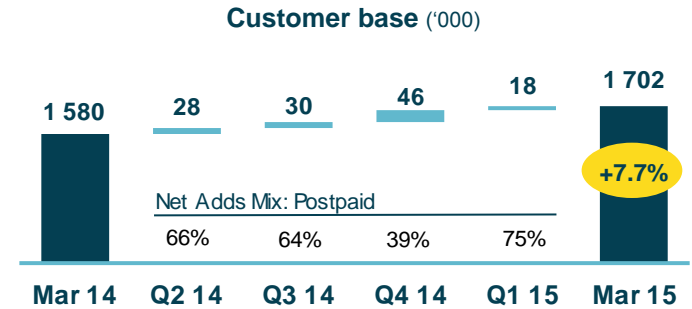


¹⁾ retail & wholesale

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

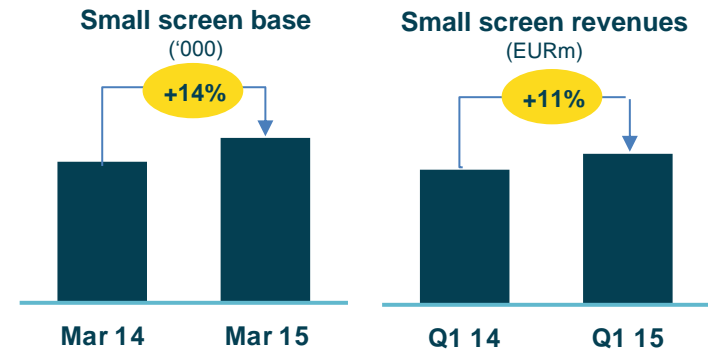
Mobile customers

- Sustained customers’ growth (+7.7% y-o-y)
- Monthly churn remains low
- Simple and transparent proposition still popular, driving growing postpaid community
- 25.3% market share¹⁾ (+1.6 p.p. y-o-y)



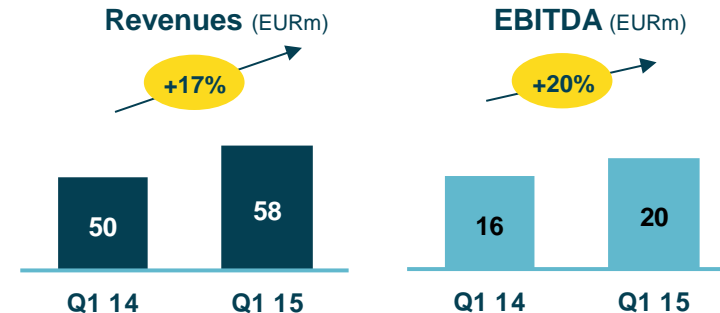
Growing data revenues

- Increasing the quality of 3G coverage coupled with 4G network deployment driving smartphone penetration and data ARPU uptake
- Favourable data packages driving growth of the mobile internet base +14% y-o-y, translating into data revenue growth +11% y-o-y



Strong financials (EURm)

- Strong revenues growth maintained
- EBITDA margin 34% in Q1 2015, leveraging on lean operation and synergies with CZ
- Increasing and positive contribution to the consolidated financials (close to 15% of Group’s revenues and EBITDA in Q1 2015)



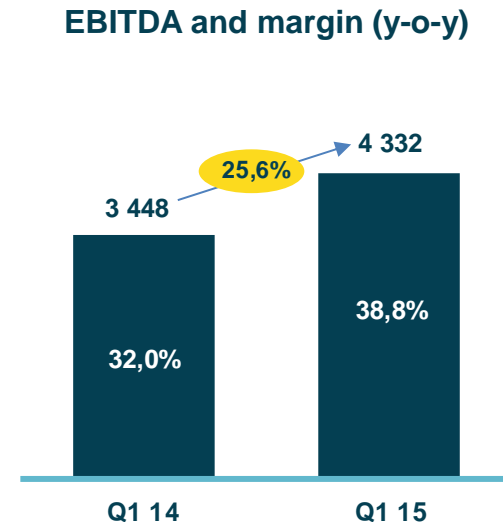
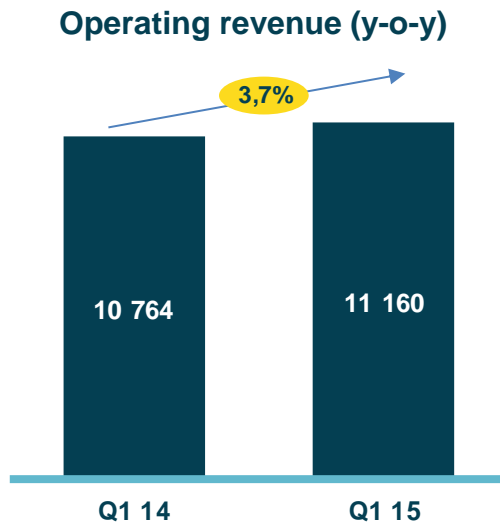
¹⁾ Q4 2014



**January – March 2015
Financial Performance**

Improving top line & cost reduction driving EBITDA growth

| <i>CZK millions</i> | Jan – Mar 2015 | <i>Change 1Q15 / 1Q14</i> |
|---|----------------|-------------------------------|
| Operating Revenue | 11,160 | +3.7% |
| CZ Fixed | 4,916 | +3.2% |
| CZ Mobile | 4,732 | +0.4% |
| Slovakia | 1,608 | +17.9% |
| EBITDA¹⁾ | 4,332 | +25.6% |
| EBITDA margin | 38.8% | +6.8 p.p. |
| Adjusted²⁾ Free Cash Flow | 2,328 | +52.5% |

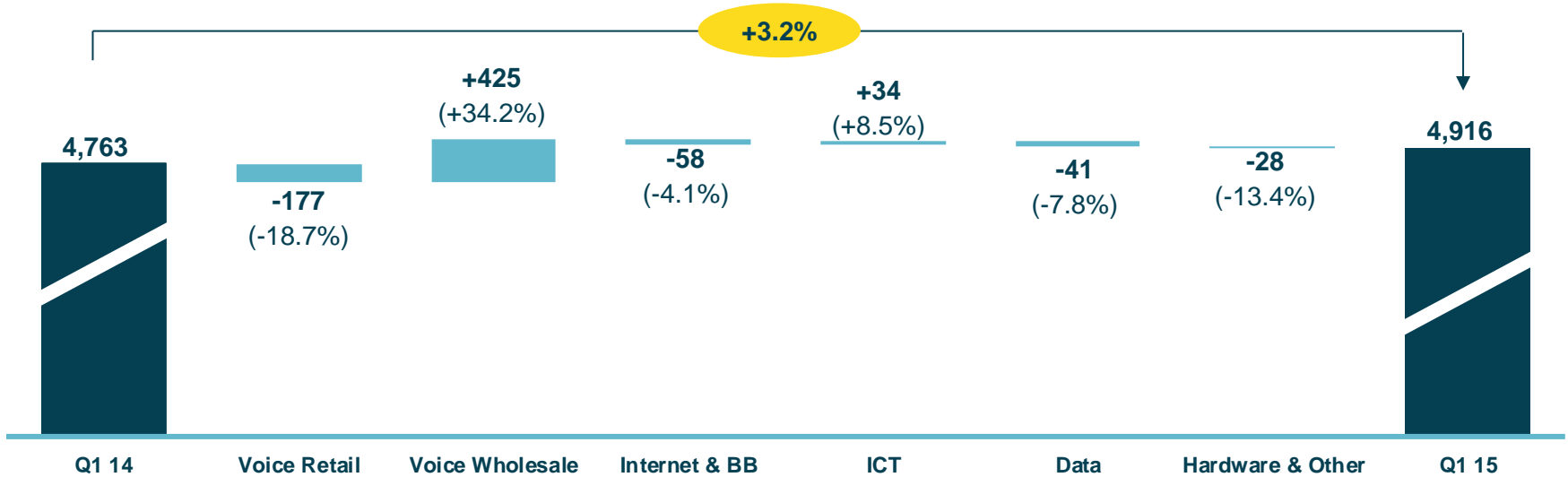


¹⁾ Reported EBITDA, includes restructuring costs: (Q1 14: CZK 350m, Q1 15: CZK 236m)

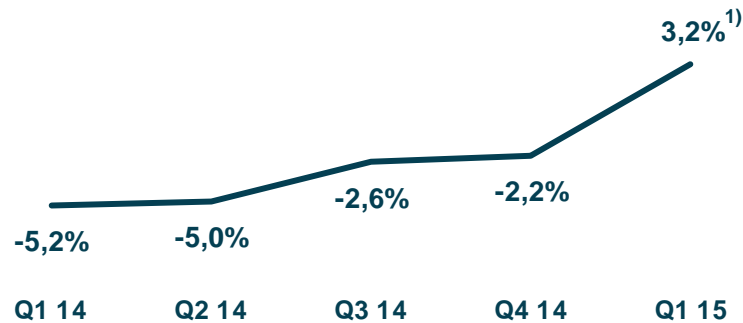
²⁾ Q1 14: excluding payments for LTE spectrum (CZK2.8bn)

Despite a stabilized revenue trend, losing value in fixed

CZK millions
(% change y-o-y)



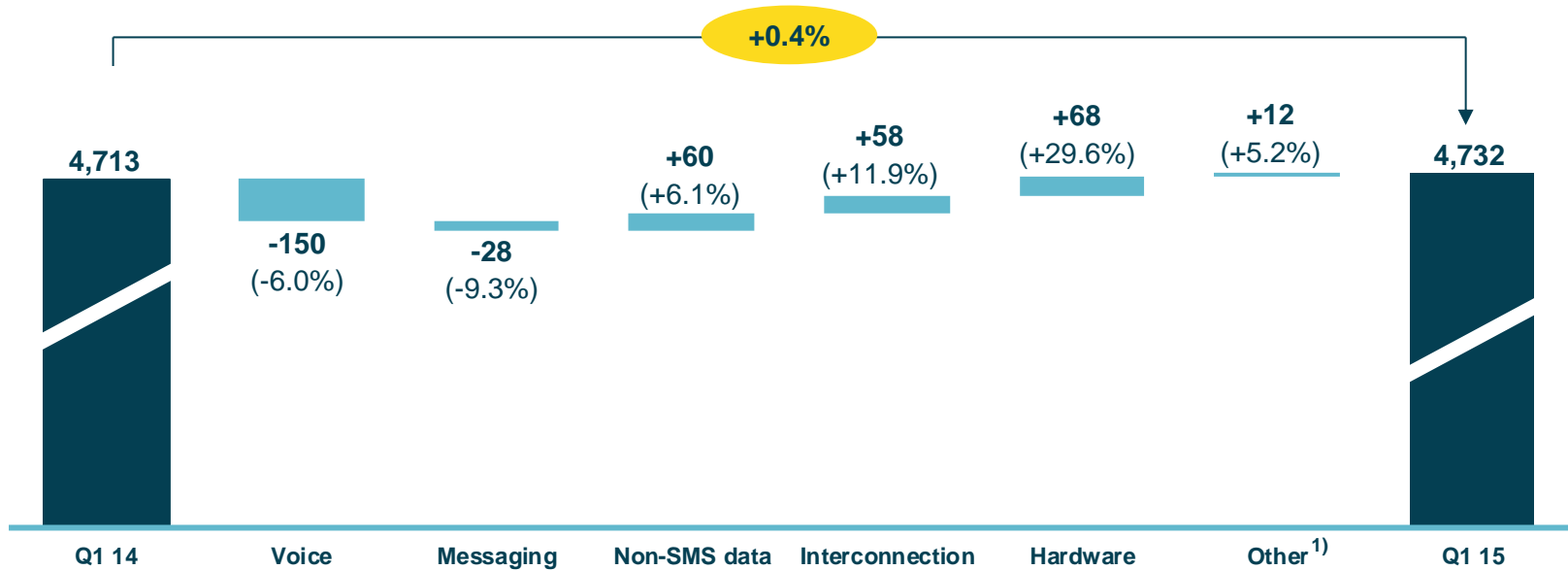
Fixed Operating Revenue YoY



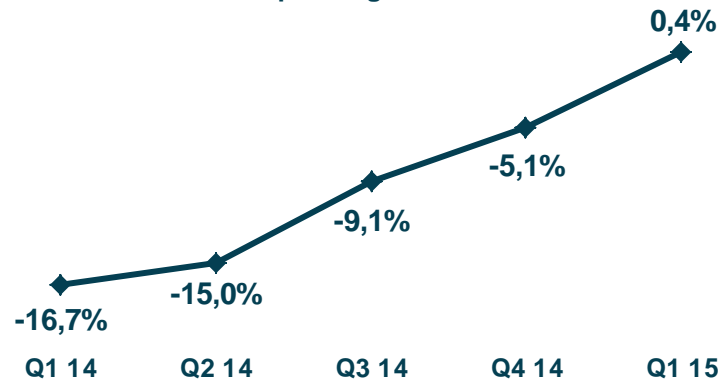
¹⁾ driven by voice wholesale

Mobile Operating Revenue under pressure, especially in the business segment

CZK millions
(% change y-o-y)



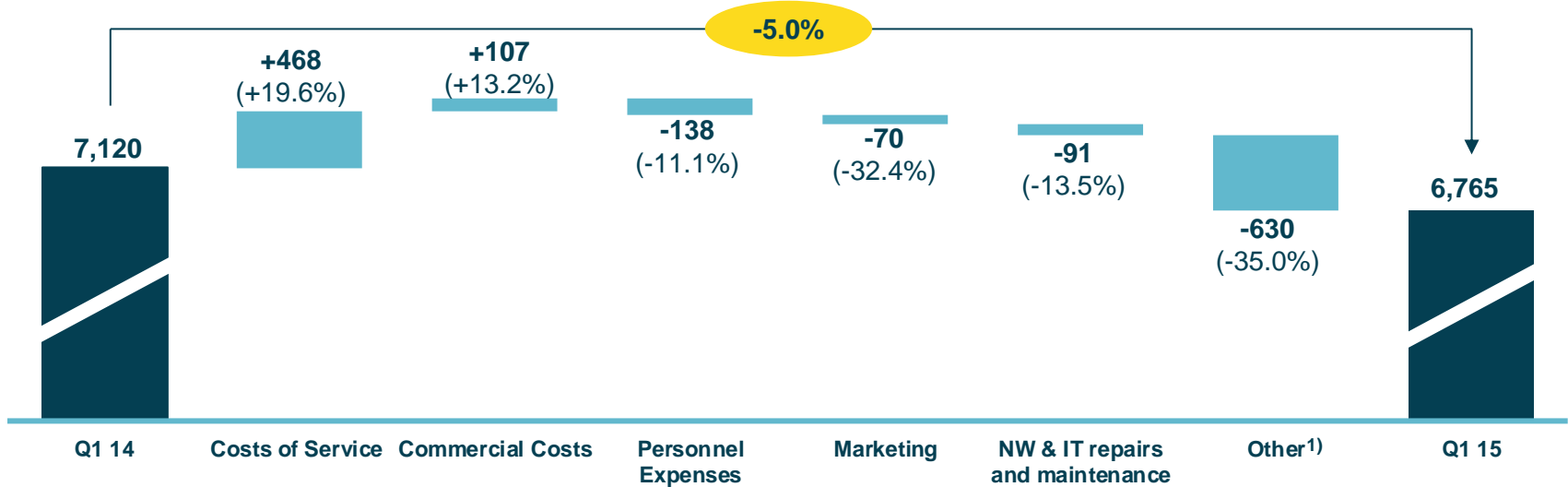
Mobile Operating Revenue YoY



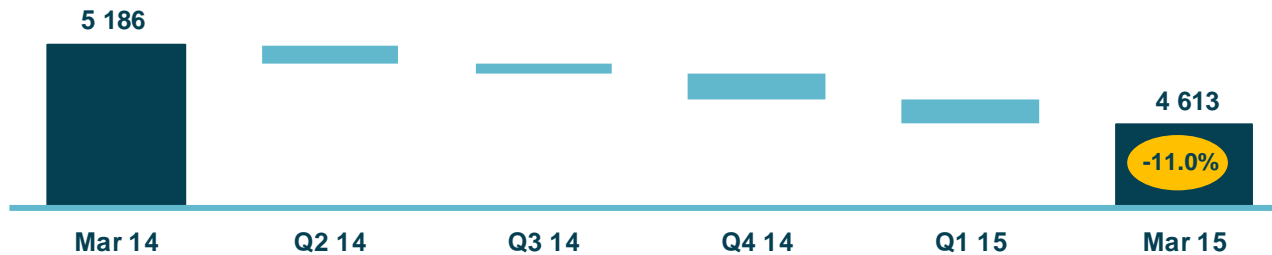
¹ Inbound Roaming, M2M, Other revenue

Savings in OPEX driven by simplified operational model & focus on efficiency

CZK millions
(% change y-o-y)



Group headcount ²⁾

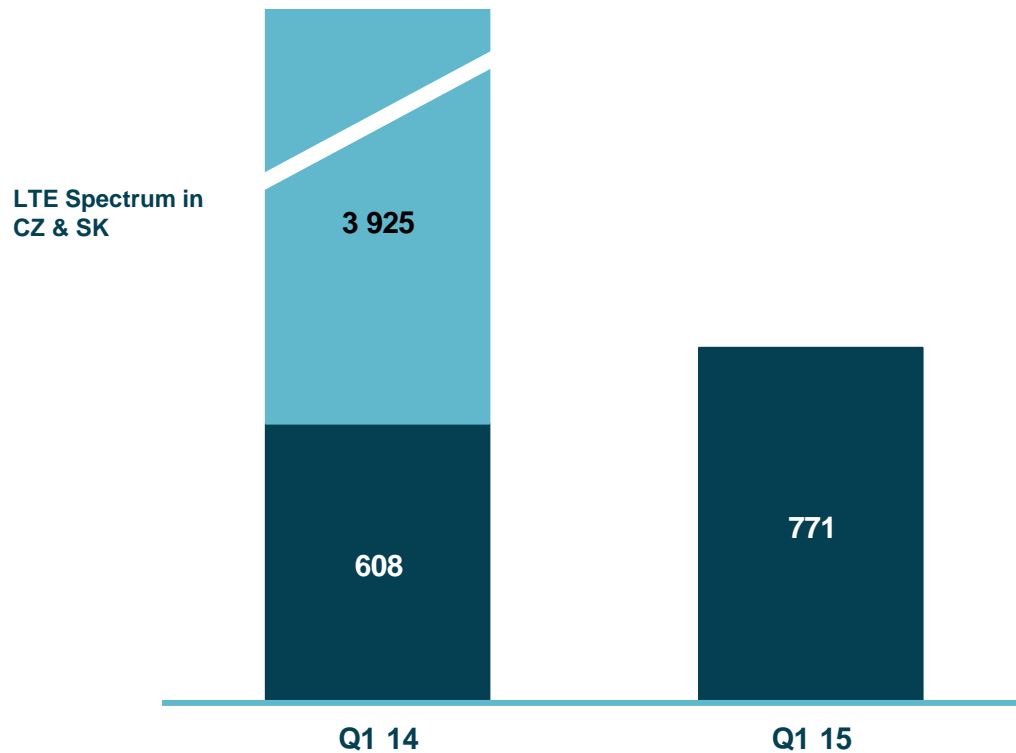


¹⁾ Taxes other than income taxes, provisions and fees, Rentals, Buildings, Vehicles, Consumables, Consultancy, Billing, Collection, Call Centers, Brand and Partnership fees and other

²⁾ Excluding Bonerix subsidiary headcount of 104

Investments targeting future growth areas and efficiencies

CZK millions



- **Continuous investments to growth areas**
 - **Capacity & quality enhancement of MBB network in CZ** (incl. LTE deployment), **including backhaul**
 - **FBB network improvement** (VDSL/VDSL+ coverage & capacity expansion – remote DSLAMs, vectoring)
- **IT/Systems investments to simplify processes and improve operational efficiency**

Adjusted¹ Free Cash Flow is strong

| <i>CZK millions</i> | 31 Dec 2014 | 31 Mar 2015 | <i>Change Mar15/Dec14</i> |
|--|-----------------------|-----------------------|-------------------------------|
| Non-current assets | 63,371 | 61,250 | -3.3% |
| - of which Intangible Assets | 26,276 | 25,660 | -2.3% |
| Current assets | 10,920 | 12,910 | +18.2% |
| - of which Cash & cash. Equiv. | 3,256 | 5,589 | +71.6% |
| Total assets | 74,290 | 74,160 | -0.2% |
| Equity | 54,153 | 55,303 | +2.1% |
| Non-current liabilities | 5,557 | 5,340 | -3.9% |
| - of which Long-term financial debt | 3,000 | 3,000 | 0.0% |
| Current liabilities | 14,580 | 13,517 | -7.3% |
| - of which Short-term financial debt | 4,004 | 4,002 | 0.0% |
| | Jan – Mar 2014 | Jan – Mar 2015 | Change Q1 15/Q1 14 |
| Cash generated from operating activities | 2,750 | 3,426 | +24.6% |
| Net cash from operating activities | 2,269 | 3,051 | +34.5% |
| Purchase of property, plant and equipment | -353 | -555 | +57.4% |
| Adjusted ¹) Purchase of intangible assets | -400 | -171 | -57.2% |
| Adjusted¹) Net cash used in investing activities | -741 | -723 | -2.5% |
| Adjusted¹) Free cash flow | 1,527 | 2,328 | +52.5% |

¹) Q1 14: excluding payments for LTE spectrum (CZK2.8bn)