

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 – December 2014

11<sup>th</sup> February 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 – December 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

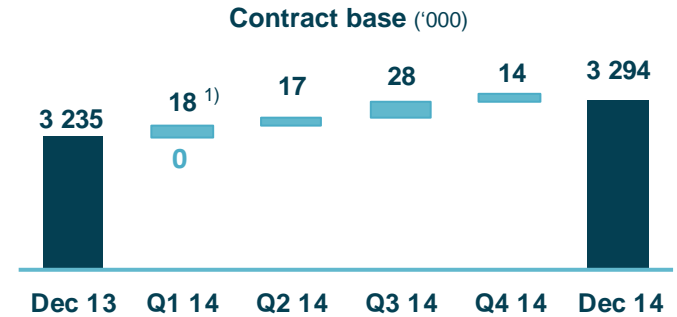
## Strategic initiatives underway

- **Feasibility study for separation of fixed infrastructure** underway, nearing completion
- **Financial assistance** not provided yet

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

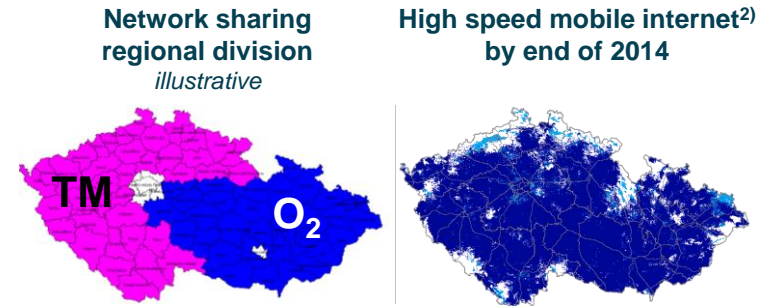
## Grow the value of mobile base

- Total mobile customer base at 5.1 mil.
  - Modest contract growth +1.8% y-o-y
  - Contract customers 65% of total base (+1.6p.p. y-o-y)
  - Improving churn and ARPU trend



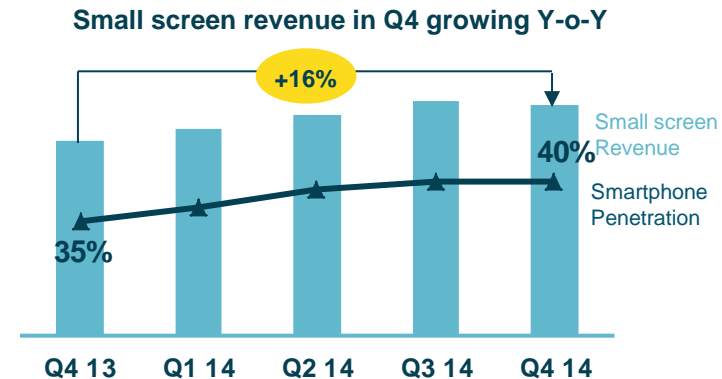
## High speed data network

- Efficient LTE roll-out is using new spectrum
  - Large coverage in Prague and Brno
  - Service availability in other regions growing fast...
  - ...high speed mobile internet<sup>2)</sup> covered 93% of the population
  - 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 (+17% y-o-y)...
- ...driving 16% growth of small screen revenues
- Supported by mobile network enhancements (LTE deployment, HSPA+ upgrade, LTE Advanced) and MultiSIM proposition



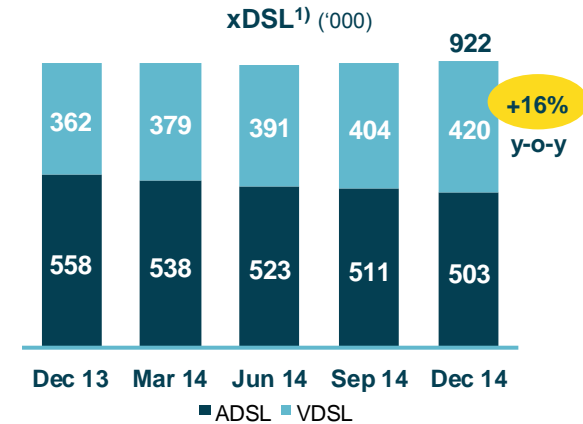
<sup>1)</sup> Excluding the estimated 18 thousand churn from the new Open door policy

<sup>2)</sup> 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

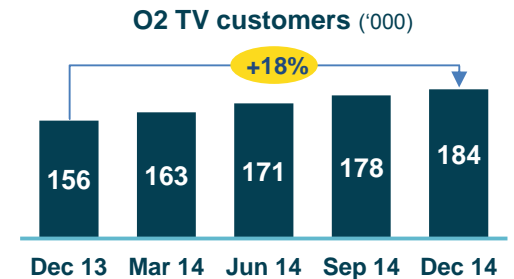
## Fixed BB

- Continuous **demand for VDSL service**, with customer base growing by **16% y-o-y**...
- ...helping to **manage churn, spend dilution and improve customer satisfaction**



## Pay TV

- Our **new O<sub>2</sub> TV** with the unique **O2 TV Go OTT multicarrier Multiscreen** and **Timeshift** services and **Premier League** coverage **continues to add new customers** in a stagnating market segment



## ICT

- **ICT** represents **36% 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**

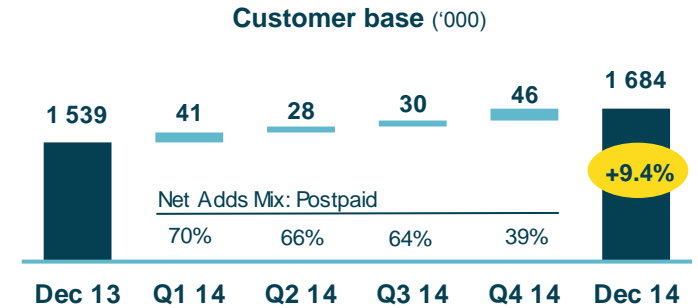


<sup>1)</sup> retail & wholesale

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

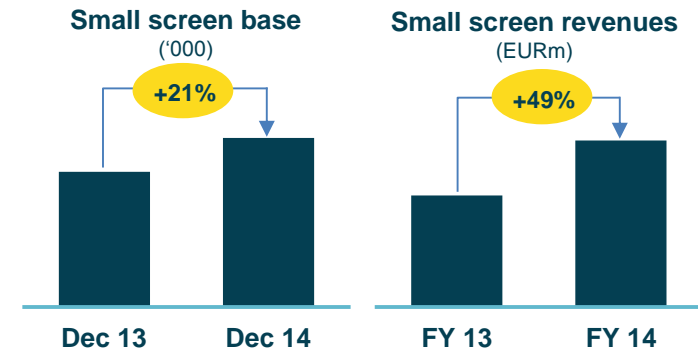
## Mobile customers

- Sustained customers’ growth (+9.4% y-o-y)
- Monthly churn remains low
- Refreshed proposition still popular with customers, contract as well as pre-paid
- 25% market share<sup>1)</sup> (+2.0 p.p. y-o-y)



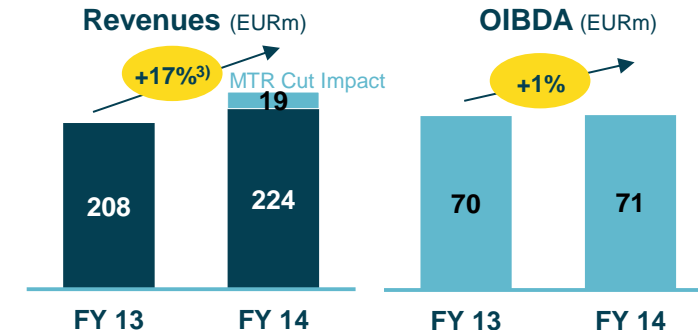
## Growing data revenues

- Increasing the **quality of 3G coverage** driving **smartphone penetration** and **data ARPU uptake**
- Favourable data packages driving growth of the mobile internet base **+21% y-o-y**, translating into **data revenue growth +49% y-o-y**



## Strong financials (EURm)

- Strong underlying<sup>2)</sup> revenues growth maintained
- OIBDA margin 32% in FY 2014, leveraging on **lean operation** and synergies with CZ
- Increasing and positive **contribution to the Group’s financials**



<sup>1)</sup> Q3 2014, <sup>2)</sup> ex-MTR cut impact, <sup>3)</sup> reported revenue growth of 8% y-o-y while ex-MTR impact growth 17%

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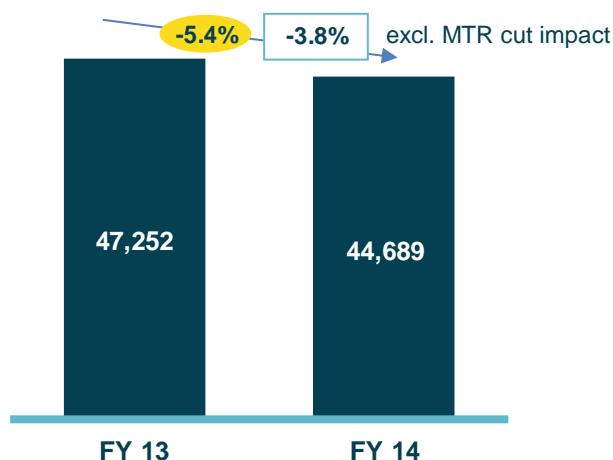
## January – December 2014 Financial Performance



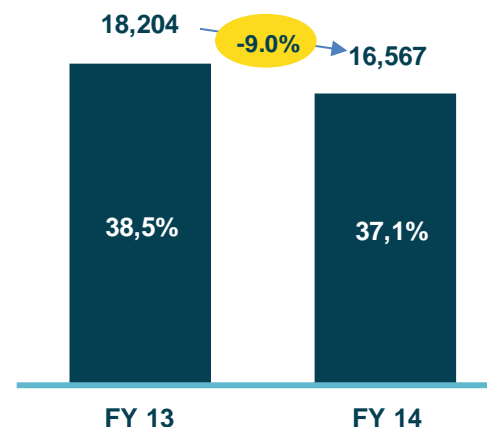
# Top line remains under pressure, affecting OIBDA

<i>CZK millions</i>	Jan – Dec 2014	<b>Change FY14 / FY13</b>
<b>Operating Revenue</b>	<b>44,689</b>	<b>-5.4%</b>
<b>CZ Fixed</b>	<b>19,597</b>	<b>-3.7%</b>
<b>CZ Mobile</b>	<b>19,277</b>	<b>-11.6%</b>
<b>Slovakia</b>	<b>6,173</b>	<b>14.3%</b>
<b>OIBDA<sup>1)</sup></b>	<b>16,010</b>	<b>-13.4%</b>
<b>OIBDA margin</b>	<b>35.8%</b>	<b>-3.3pp</b>
<b>Adjusted<sup>2)</sup> Free Cash Flow</b>	<b>8,605</b>	<b>-21.3%</b>

Operating revenue (y-o-y)



Comparable<sup>3)</sup> OIBDA and margin (y-o-y)



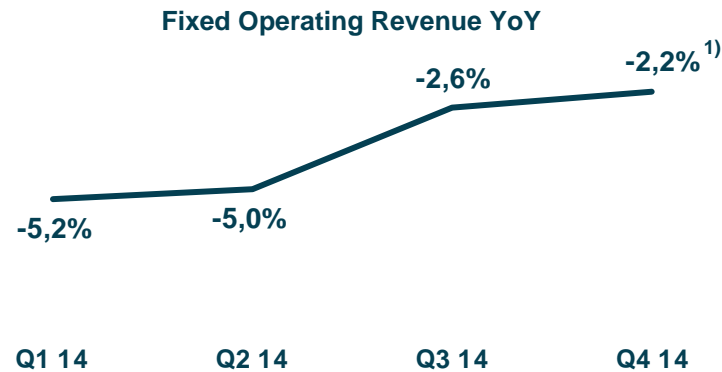
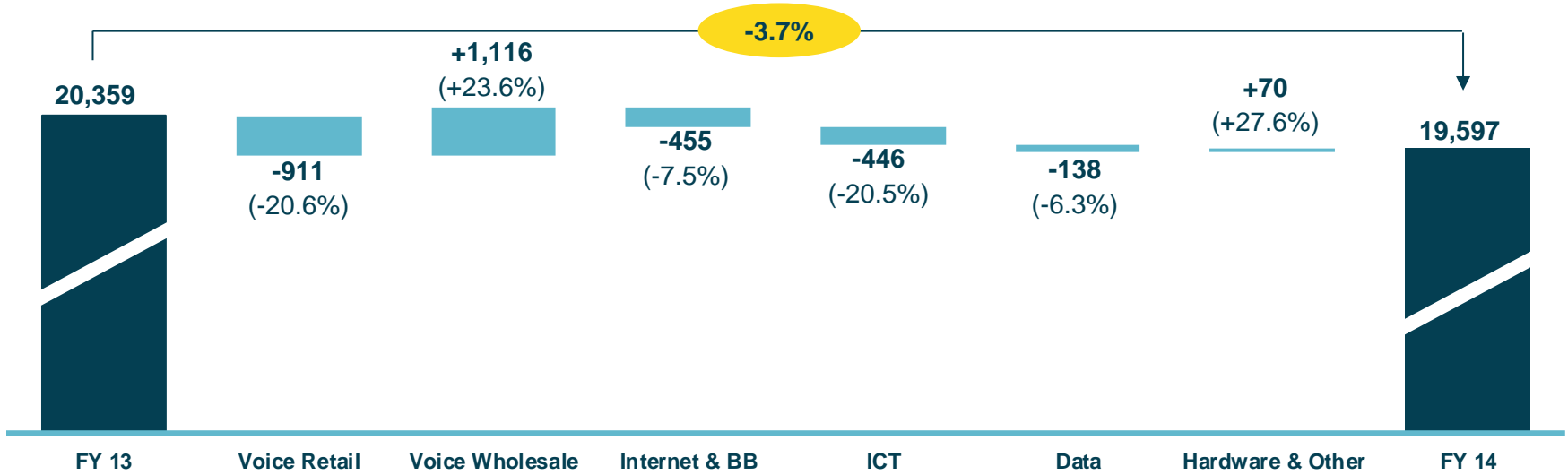
<sup>1)</sup> Reported OIBDA, includes restructuring costs: (FY13: CZK 368m, FY14: CZK 457m)

<sup>2)</sup> FY 13: excluding network sharing compensation (CZK 643m), FY14: excluding payments for LTE spectrum (CZK2.8bn in Czech Republic and CZK1.1bn in Slovakia) and prepayment of O2 brand (CZK 3.7bn)

<sup>3)</sup> Excluding: restructuring costs (FY13: CZK 368m, FY14: CZK 457m); network sharing compensation (FY13: CZK 643m); impairment of assets (FY14: CZK 100m)

# Despite a stabilized revenue trend, losing value in fixed

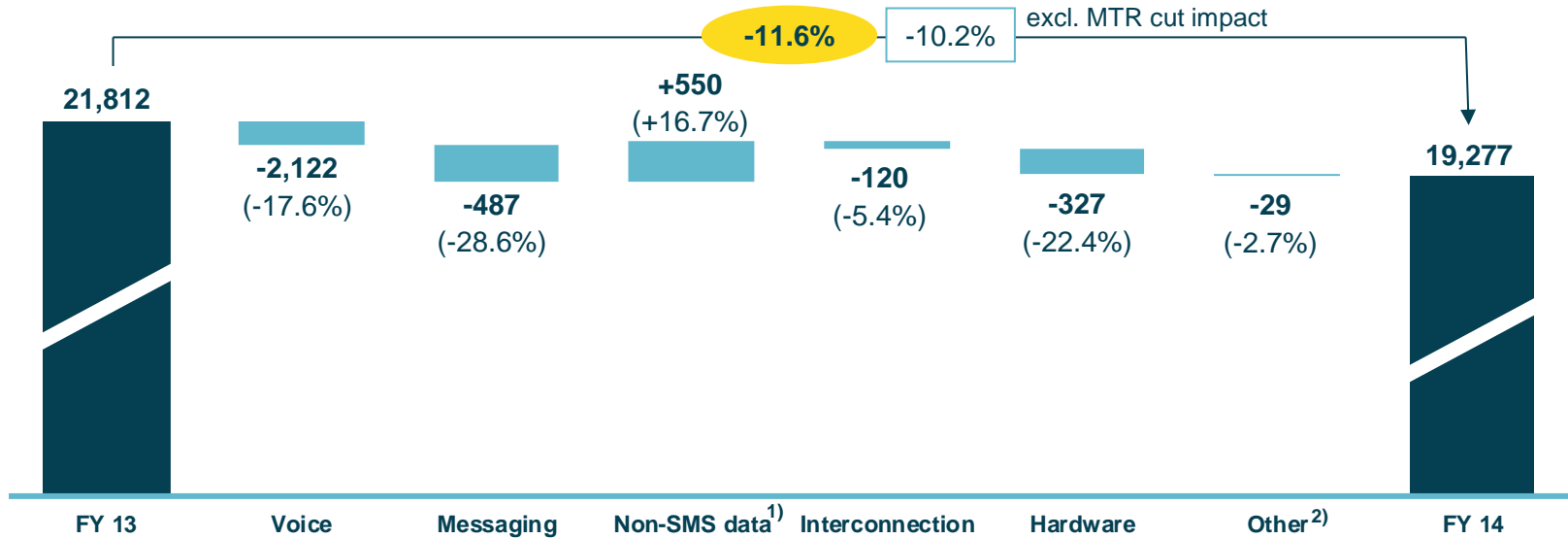
CZK millions  
(% change y-o-y)



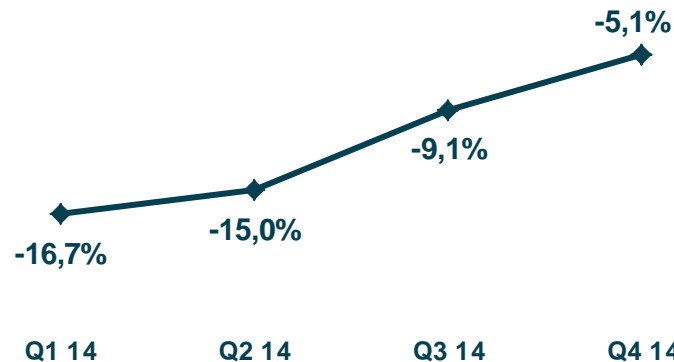
<sup>1)</sup> driven by voice wholesale

# Mobile Operating Revenue under pressure, especially in the business segment

CZK millions  
(% change y-o-y)



Mobile Operating Revenue YoY

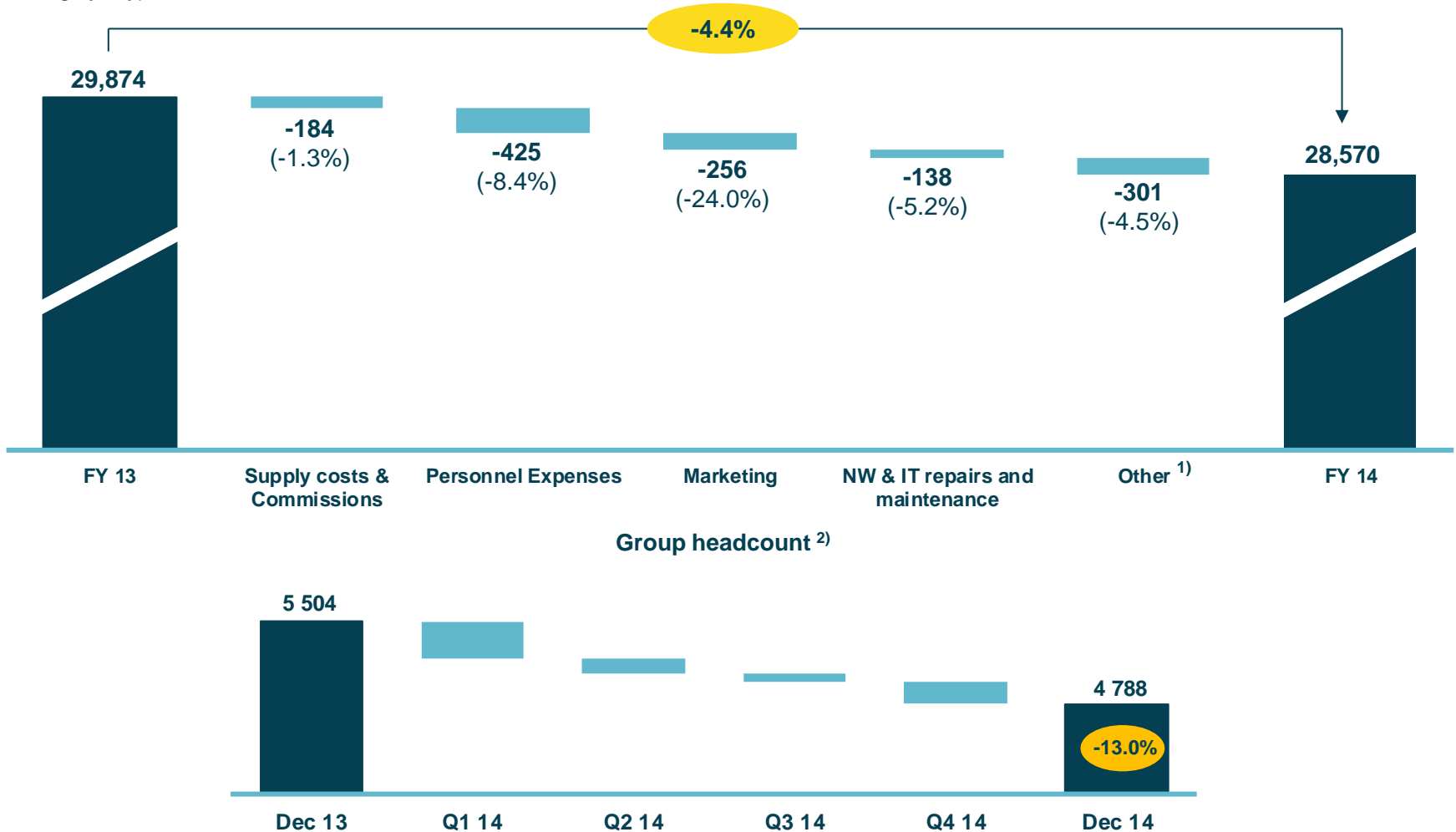


<sup>1</sup> Non-SMS data excluding CDMA

<sup>2</sup> CDMA, Inbound Roaming, M2M, Other revenue

# Savings in OPEX, but only partly offsetting topline pressures

CZK millions  
(% change y-o-y)

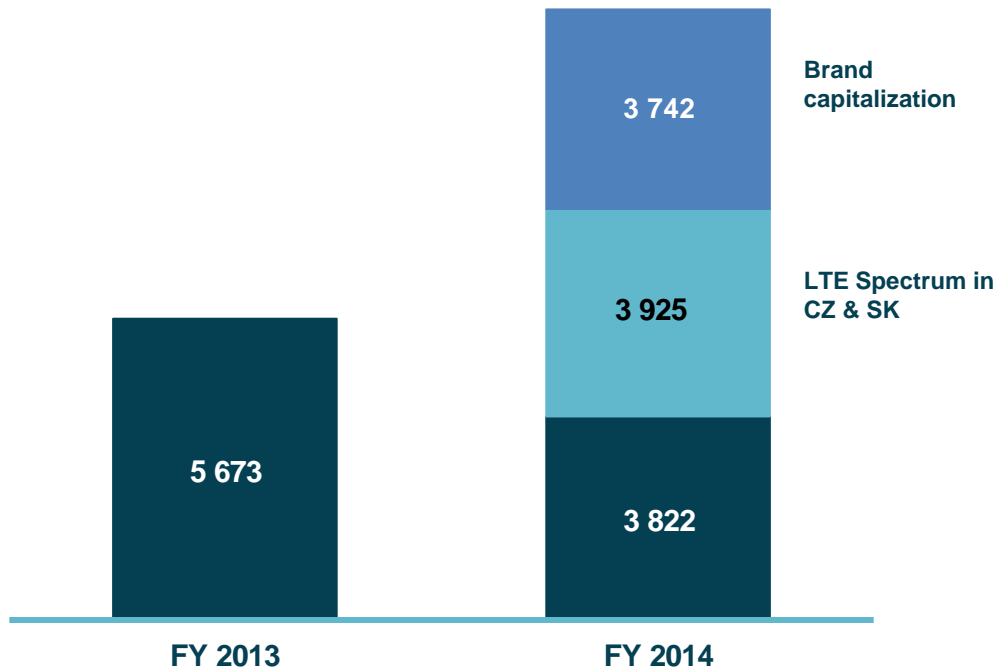


<sup>1)</sup> Taxes other than income taxes, provisions and fees, Rentals, Buildings, Vehicles, Consumables, Consultancy, Billing, Collection, Call Centers, Brand and Partnership fees and other

<sup>2)</sup> Excluding Bonerix subsidiary headcount of 104

# Investments targeting future growth areas and efficiencies

CZK millions



- **2014 Capex dominated by the acquisition of the LTE spectrum and O2 brand capitalization**
- **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**

# Adjusted<sup>1</sup> Free Cash Flow is strong

<i>CZK millions</i>	31 Dec 2013	31 Dec 2014	<i>Change Dec14/Dec13</i>
<b>Non-current assets</b>	<b>62,460</b>	<b>63,371</b>	<b>1.5%</b>
- of which Intangible Assets	6,509	12,828	97.1%
<b>Current assets</b>	<b>11,489</b>	<b>10,920</b>	<b>-5.0%</b>
- of which Cash & cash. Equiv.	3,890	3,256	-16.3%
<b>Total assets</b>	<b>73,950</b>	<b>74,290</b>	<b>0.5%</b>
<b>Equity</b>	<b>55,749</b>	<b>54,153</b>	<b>-2.9%</b>
<b>Non-current liabilities</b>	<b>5,825</b>	<b>5,557</b>	<b>-4.6%</b>
- of which Long-term financial debt	3,000	3,000	0.0%
<b>Current liabilities</b>	<b>12,376</b>	<b>14,580</b>	<b>17.8%</b>
- of which Short-term financial debt	4	4,004	<i>n.m.</i>
	<b>Jan – Dec 2013</b>	<b>Jan – Dec 2014</b>	<b><i>Change FY 14/FY13</i></b>
<b>Adjusted<sup>1)</sup> cash flow from operations</b>	<b>18,140</b>	<b>14,687</b>	<b>-19.0%</b>
<b>Adjusted<sup>1)</sup> net cash from operating activities</b>	<b>16,658</b>	<b>13,111</b>	<b>-21.3%</b>
Proceeds on disposals of PPE and intangibles	72	27	-62.3%
Adjusted <sup>2)</sup> Payments on investments	-5,666	-4,908	-13.4%
<b>Adjusted<sup>2)</sup> Net cash used in investing activities</b>	<b>-5,719</b>	<b>-4,506</b>	<b>-21.2%</b>
<b>Adjusted<sup>3)</sup> Free cash flow</b>	<b>10,940</b>	<b>8,605</b>	<b>-21.3%</b>

<sup>1)</sup> FY 13: excluding network sharing compensation (CZK 643m)

<sup>2)</sup> FY 14: excluding payments for LTE spectrum (CZK2.8bn in Czech Republic and CZK1.1bn in Slovakia) and prepayment of O2 brand (CZK 3.7bn)

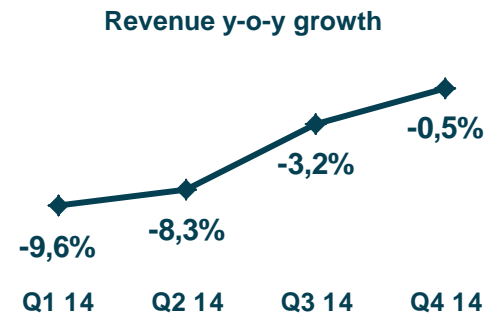
<sup>3)</sup> Excluding items mentioned in point 1) and 2)

# We have delivered 2014 Investor Guidance in all metrics

■ Revenue trend has improved in every single quarter

■ CapEx significantly lower

- Excluding strategic acquisition of LTE licences in CR and SR
- Excluding strategic acquisition of O2 brand



2013 base

2014 Guidance

FY 2014 Actual

Revenues<sup>1)</sup>

-6.5% y-o-y

Still declining but  
improving y-o-y revenue trend

-5.4%  
(+1.1 p.p. y-o-y)

CapEx<sup>2)</sup>

CZK 5.7 bn

Capex up to the previous year level,  
increasing proportion of investments into growth areas  
(mobile data, LTE and new technologies/businesses)

CZK 3.8 bn  
(-33% y-o-y)

<sup>1)</sup> Group Operating Revenues, <sup>2)</sup> Excluding investments for LTE spectrum license and O2 Brand acquisition