

A dynamic splash of water with numerous bubbles and droplets, set against a dark blue background that transitions to a lighter blue gradient on the right side.

# O2 Czech Republic

Quarterly Results  
January – March 2016

26<sup>th</sup> April 2016





## Performance Highlights

# Unlimited tariff also in fixed voice...

## ... investing into new growth areas & IT transformation



- Unlimited fixed voice launched
- Migration started in January 2016



- Spectrum auction: remaining minor blocks in 1.8 & 2.6 GHz
- O2 will participate to improve capacity, guarantee paid



- Expanding TV and media production business...
- ... with market opportunity within CEE region

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Atos

- Prepay billing/CRM replacement finished in Q4 2015
- Suppliers' support is key for migration of post-pay platform in 2016



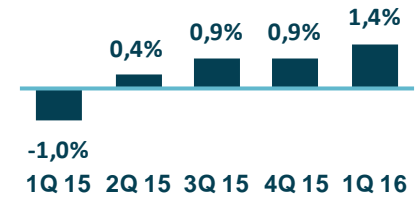
# Our value focused mobile strategy works...

## ... two digit growth in data revenue



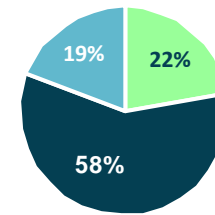
- Improving spend via tariff upsell
- B2B under pressure, but decline decelerating
- Data monetization works

ARPU (y-o-y)

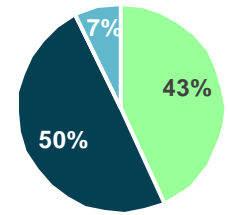


- Growing smartphone penetration: already > 50%
- LTE smartphone sales focus
- LTE smartphones already 43% of base

Mar 15



Mar 16

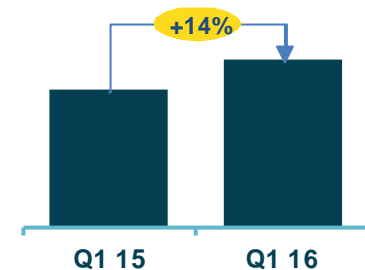


■ Voice phones ■ Non-LTE smartphones ■ LTE smartphones

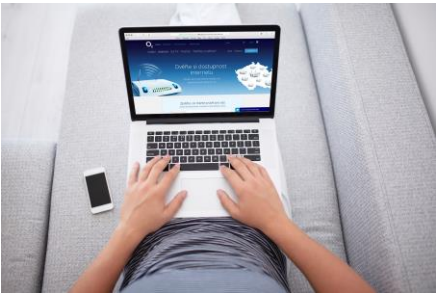


- And data monetized
- LTE network coverage & capacity
- Driving growth in data traffic and spend
- Data package readily available

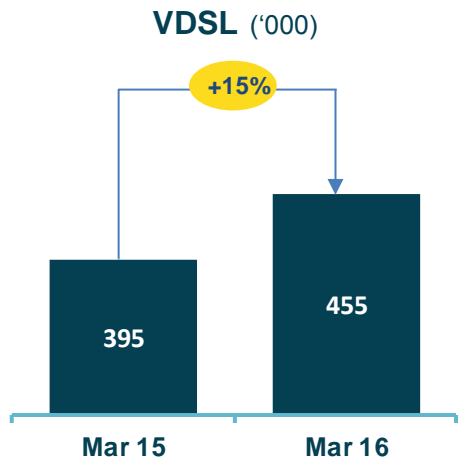
Small screen revenue



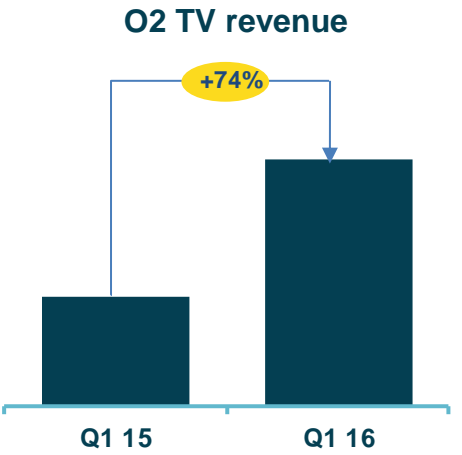
# More rich content & tariff upsell resulting in double digit Pay TV revenue growth... ...Improving fixed BB experience with continuing migration to VDSL



- Fixed BB accelerating
- Increasing VDSL coverage
- Increasing base for Multiroom
- Higher VDSL loyalty<sup>[1]</sup> (churn ~0.7%)



- ~360k Pay TV viewers<sup>[2]</sup> (+44% y-o-y)
- On top of that ~45k viewers in restaurants & sport bars<sup>[3]</sup>
- Upsell to new tariffs completed



<sup>[1]</sup> by 50% higher compared to ADSL, <sup>[2]</sup> IPTV, Multiroom (second STB), OTT (mobile & any internet connection), <sup>[3]</sup> more than 850 restaurants, sport bars and pubs

# Slovakia maintains commercial & financial momentum...

## ... launching fixed services to become integrated player

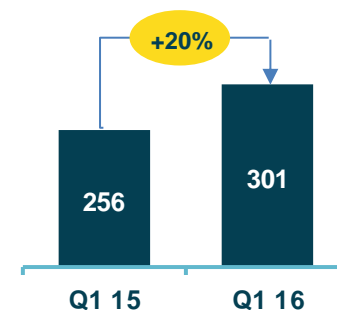


- Successful entry to Slovak fixed market
- Full portfolio of services commercially launched...
- FWA wireless network<sup>[1]</sup> already available in all regional cities



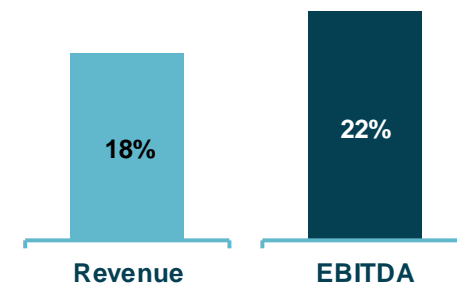
- Growing data revenue, helped by...
- ...improving 3G and 4G coverage and quality
- ... data focused proposition
- ...driving smartphone penetration (51%)...
- ...internet base & data revenue growth

Data revenue (CZKm)



- Solid financials<sup>[2]</sup>
- Revenue growth driven by data & messaging
- EBITDA margin 34.4%<sup>[3]</sup>
- Positive contribution to Group financials

Contribution to Group



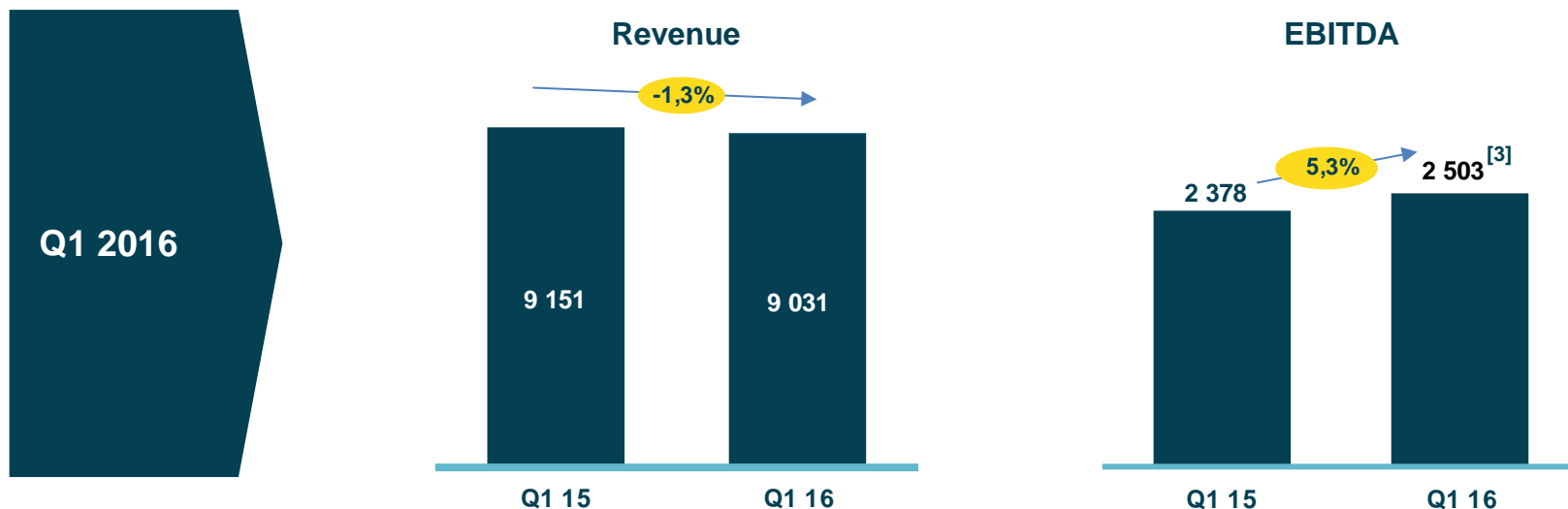
<sup>[1]</sup> 3.7 GHz, <sup>[2]</sup> including O2 Business Services, year-on-year growth rates in constant currency (EUR), <sup>[3]</sup> including NW costs



**January – March 2016  
Financial Performance**

# Pressure in traditional business compensated by new activities... ...operating profitability maintained at last year level

<i>CZK millions</i>	Q1 2016	<i>Change FY 15 / FY 14</i>
<b>Operating Revenue</b>	<b>9,031</b>	<b>-1.3%</b>
CZ Fixed	2,828	-2.2%
CZ Mobile	4,635	-1.4%
Slovakia <sup>[1]</sup>	1,613	+2.5%
<b>EBITDA</b>	<b>2,503</b>	<b>+5.3%</b>
<i>EBITDA margin</i>	27.7%	+1.7 p.p.
<b>Net Income</b>	<b>1,244</b>	<b>+16.2%</b>
<b>Free Cash Flow<sup>[2]</sup></b>	<b>486</b>	<b>-60.7%</b>



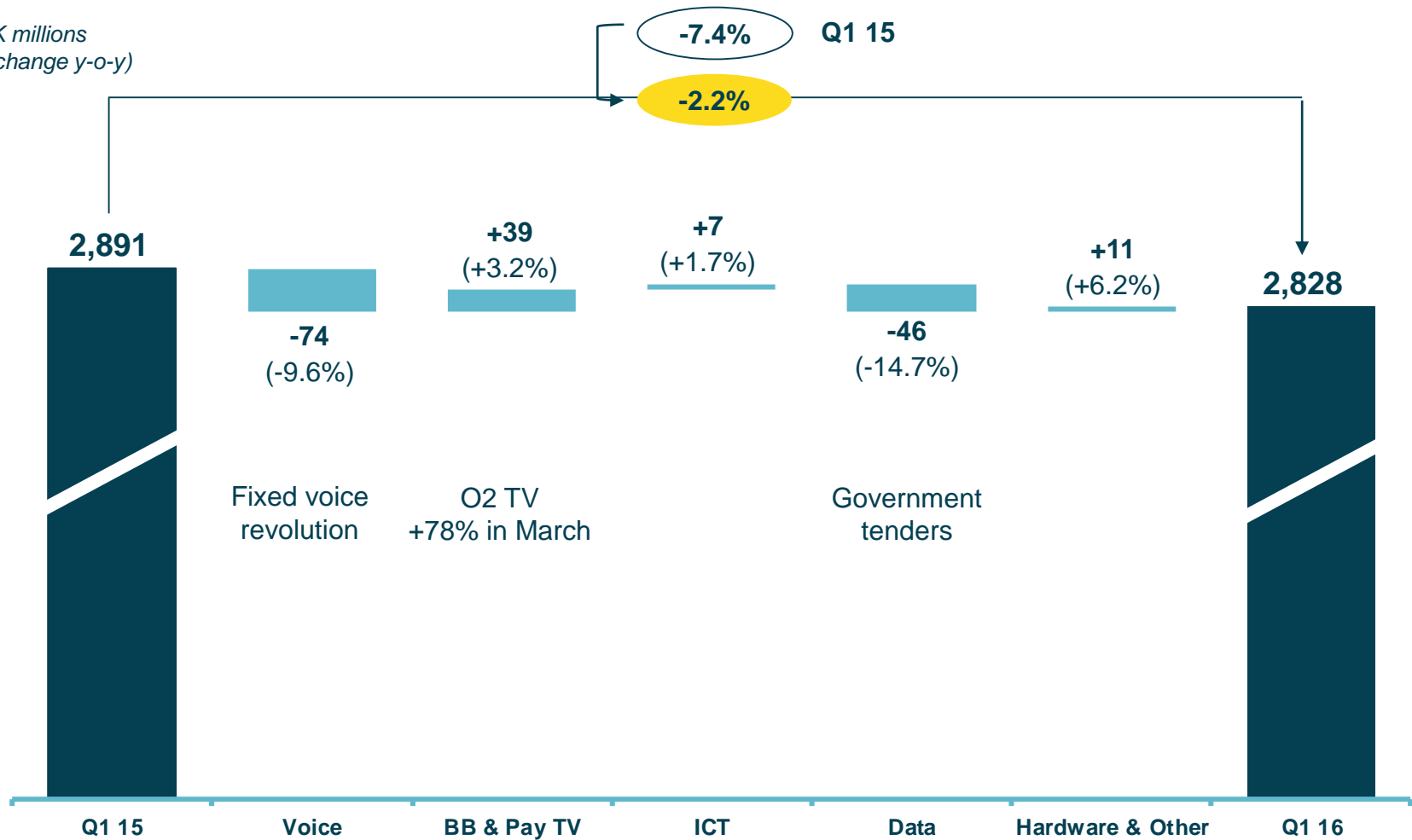
<sup>[1]</sup> including O2 Business Services, growth rate in local currency (EUR), <sup>[2]</sup> Q1 2016 including paid guarantee for 1.8GHz and 2.6GHz spectrum auction, <sup>[3]</sup> including legal case settlement related to a fine from Antimonopoly Office (CZK 92m)



# Traditional fixed revenue declining less...

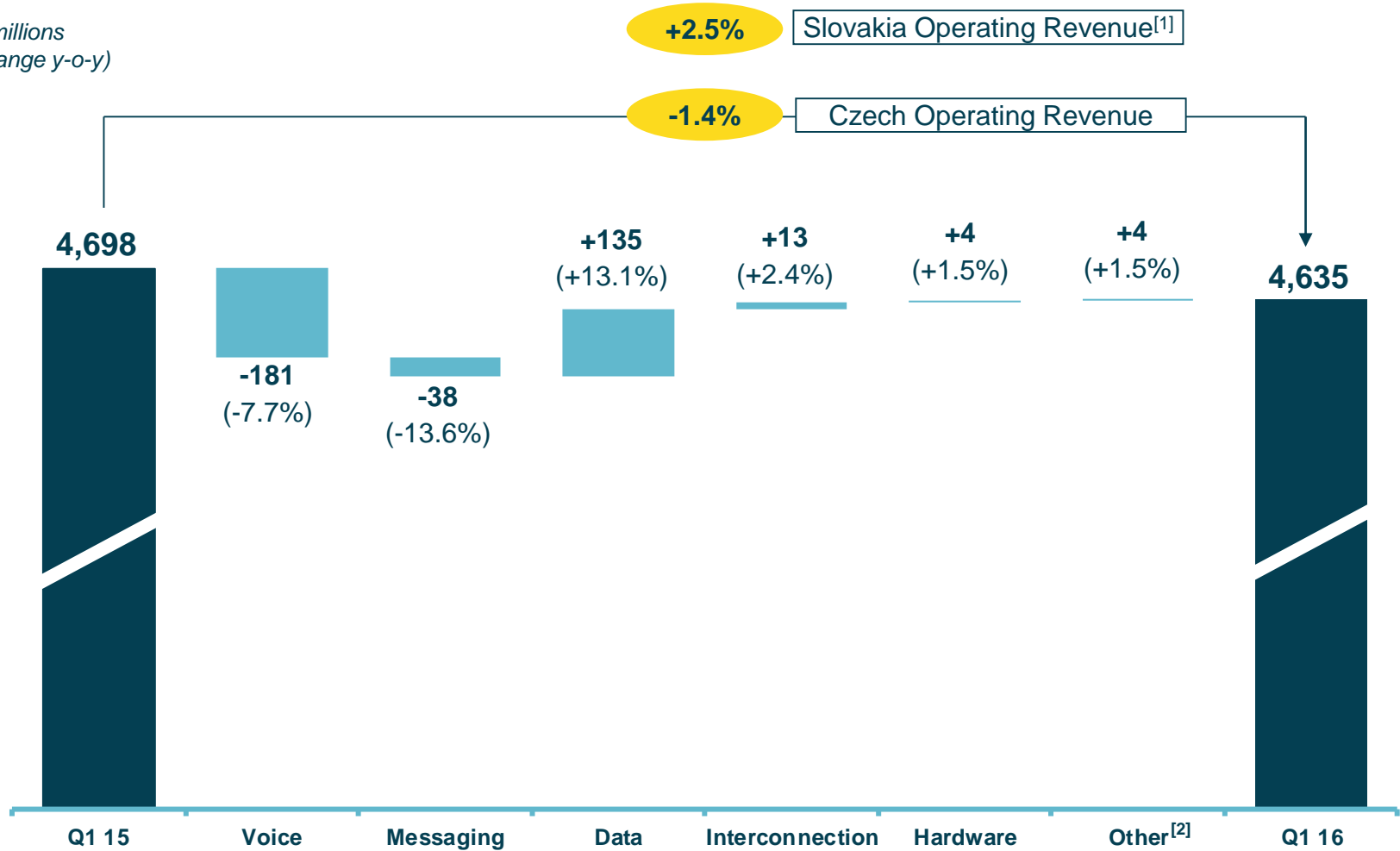
... partially compensated by Pay TV

CZK millions  
(% change y-o-y)



# Czech Mobile Operating Revenue impacted by B2B pricing ... ... while Slovak Operating Revenue kept growing

CZK millions  
(% change y-o-y)

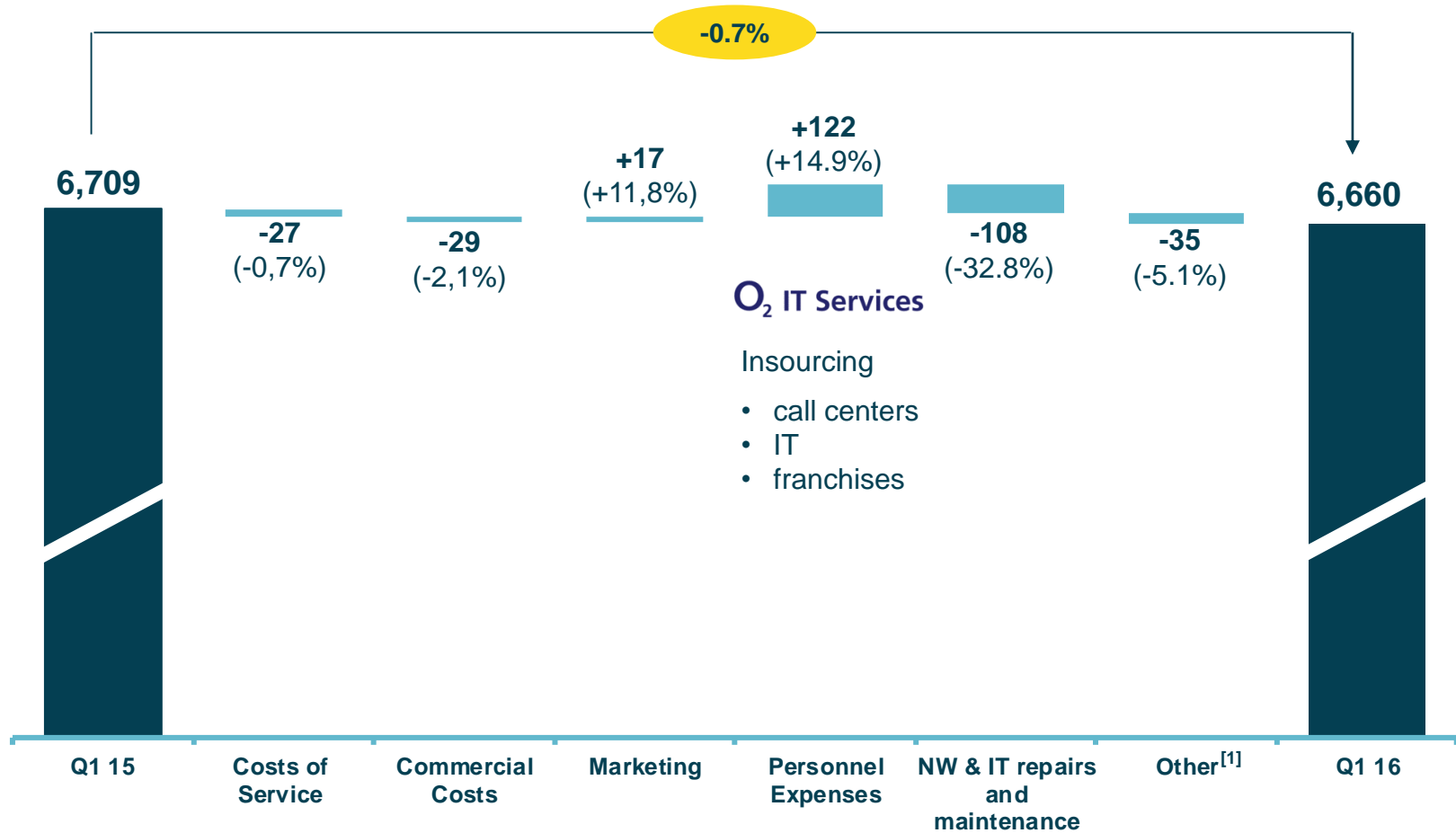


<sup>[1]</sup> including O2 Business Services, growth rate in local currency (EUR), <sup>[2]</sup> Inbound Roaming, M2M, Other revenue

# Cost of sales under control...

## ...OPEX impacted by O2 IT Services and headcount insourcing

CZK millions  
(% change y-o-y)



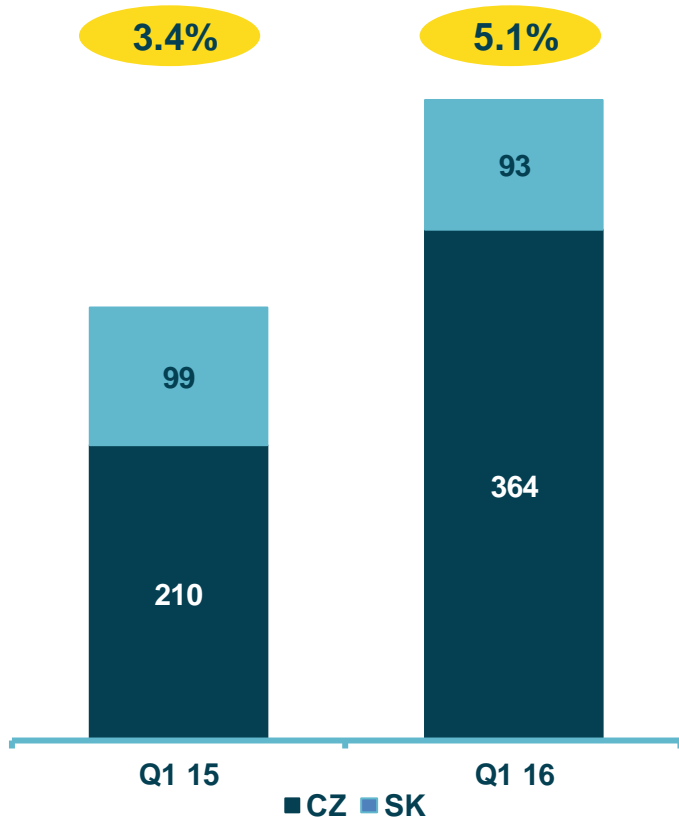
<sup>[1]</sup> Taxes other than income taxes, provisions and fees, Rentals, Buildings, Vehicles, Consumables, Consultancy, Billing, Collection, Call Centers, management fees and other

# Now O2 with low CAPEX profile...

...investments directed to growth areas and IT transformation

CZK millions

## CAPEX/Revenue



### ■ Czech Republic:

- Media production van (CZK 140m)
- IT transformation (also in rest of 2016)
- NW upgrade and enhancement

### ■ Slovakia:

- 3G/4G capacity extension
- IT upgrade
- Accelerated 4Q rollout in H2 2016



## Back to CZK 7 billion debt at the end of March 2016...

...additional CZK 4 billion drawn in Q1 2016

<i>CZK millions</i>	<b>31 Dec 2015</b>	<b>31 Mar 2016</b>
<b>Non-current assets</b>	<b>21,420</b>	<b>20,907</b>
- of which Intangible Assets	16,147	15,715
- of which Property, Plant & Equipment	4,638	4,617
<b>Current assets</b>	<b>8,848</b>	<b>13,213</b>
- of which Cash & cash. Equiv.	1,970	5,749
<b>Total assets</b>	<b>30,268</b>	<b>34,120</b>
<b>Equity</b>	<b>18,344</b>	<b>19,316</b>
<b>Non-current liabilities</b>	<b>3,146</b>	<b>7,126</b>
- of which Long-term financial debt	2,970	6,973
<b>Current liabilities</b>	<b>8,778</b>	<b>7,678</b>
- of which Short-term financial debt	11	11