

A vertical splash of water with many bubbles and droplets, set against a dark blue background. The water is moving downwards from the top left towards the bottom left.

O2 Czech Republic

Investor Presentation

September 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.

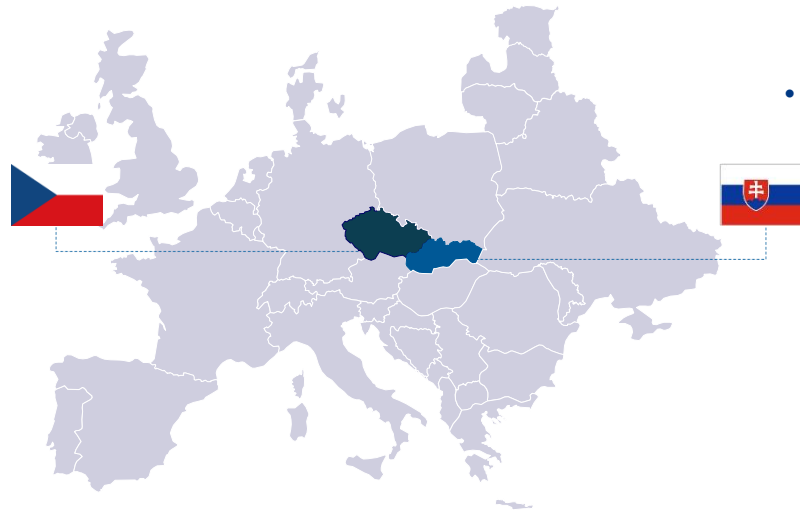
The actual development of these factors, however, may be different. Consequently, the actual future results of economic and financial performance of O2 Czech Republic a.s. could materially differ from those expressed in the forward-looking statements contained in this Presentation.

Although O2 Czech Republic a.s. makes every effort to provide accurate information, we cannot accept liability for any misprints or other errors.

- 1 Market position
- 2 Separation project
- 3 Growth opportunities
- 4 Commercial model
- 5 Operating model
- 6 Strong financial performance & position

The leading digital economy enabler in the Czech Republic... ...and the fastest growing operator in Slovakia

- 4,945k Mobile
- 883k fixed voice lines
- 799k xDSL
- 188k IPTV



- 1,711k Mobile

- Leading fixed/mobile operator
- Fastest growing Pay TV provider
- Leading fixed BB provider

- No. 3 mobile (25% m.s.), the fastest growing
- Voted “Operator of the Year” for the 5th consecutive year by customers
- Revenues +14%, EBITDA +20%

O2 Czech Republic Group structure

O₂ Group

O₂ Czech Republic

O₂ Slovakia

O₂ TV

O₂ Family

O₂ IT Services

Other ^[1]

^[1] O2 CR branch in Slovakia, Tesco Mobile CR, Internethome., ICA

Arthur D. Little & Citi commenting on O2 CR separation

“Breaking news: 1st worldwide voluntary structural separation”

Arthur D Little

O2 decided to make the bold move and completely separate the Infrastructure business as a new company

We are confident that this is a pioneering move in the telecom and financial world and will bring in the expected benefits.

We believe that going forward telcos will increasingly reconsider their operating model. O2 made the choice to implement our model by structurally separating the NetCo

“World leading move on structural separation”

citi

This revolutionary move has been driven by management’s desire to address the inherent inefficiencies of the legacy telecom incumbent business model

Although the concept of structural separation and wholesale-only infrastructure operators companies is not new, O2 CZ is the first incumbent telecom operator in the world to voluntarily separate its entire infrastructure .

Attraction of the structural separating business case has recently grown due to growing importance of content as network traffic generator, expected boom in Internet of Things opportunities and increasing importance of digital services on global economic growth.

O₂

Fundamental rationale for separation...

...transaction follows three simple goals

1. Streamlining the business



- **Vertically integrated O2 CR incorporates two businesses different in nature:** digital economy enabler (“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 longer term visibility, while new O2 can accelerate execution of its strategy

Commercial relationship with CETIN established...

...PPF will not request financial assistance from O2

O2 CR x CETIN relationship

- **Two independent companies** since 1 June, **CETIN key vendor** of O2
- **Commercial relationship established...**
- ... **12 main business contracts** on **commercial** as well as **regulated basis**
 - **Fixed** – based on reference price, commitment 80% of current FBB customer base
 - **Mobile** – open book principle @ CZK 4.4 bn. for 7 years

Financial assistance

- **PPF Group declared** publicly that it **no longer intends to ask O2 for financial assistance**

Listing on Stock Exchange

- **PPF Group declared** that it will **not pursue the withdrawal of O2 shares from the stock market** and that it intends to **support their public tradability** in every manner possible

O2 CR x PPF relationship

- **PPF Group declared** that it **considers O2 as financial investment**
- **O2 is not considered as part of PPF Group**
- **PPF does not interfere** with **daily management of O2** and **O2 does not pay any management fee** to PPF

O2 is in business with increasing demand... ...while the other sectors experience the opposite trend

Electricity consumption in CR^[1]



Electricity consumption per head in CR^[1]



2010 2011 2012 2013 2014

2010 2011 2012 2013 2014

O2 data^[2] consumption



O2 data^[2] consumption per customer



2010 2011 2012 2013 2014

2010 2011 2012 2013 2014

^[1] source: ERU
^[2] mobile data only

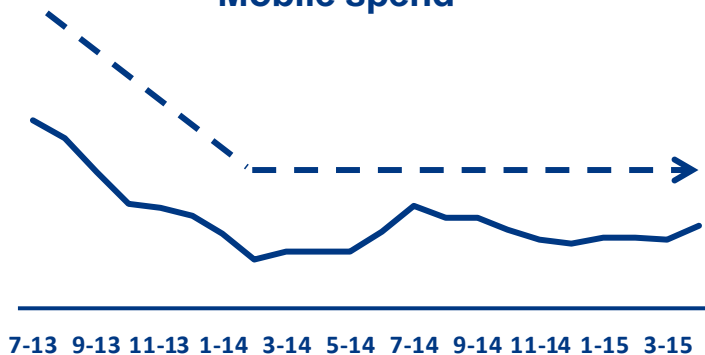


Stabilizing traditional business...

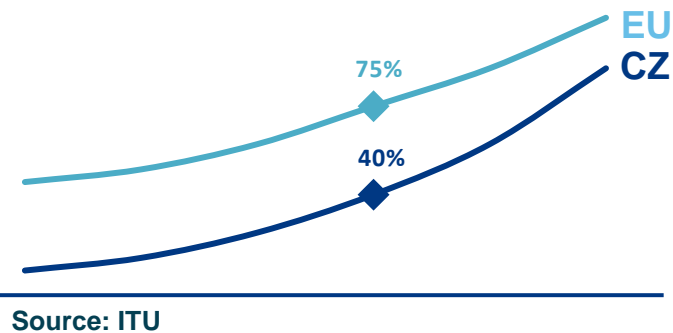
... with clear growth opportunities

Flat & Data

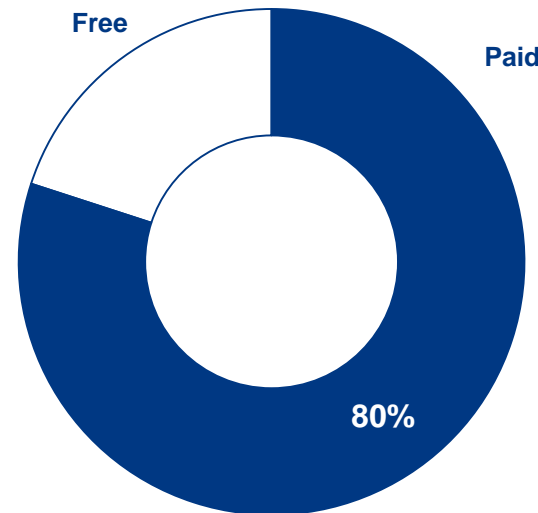
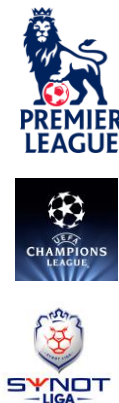
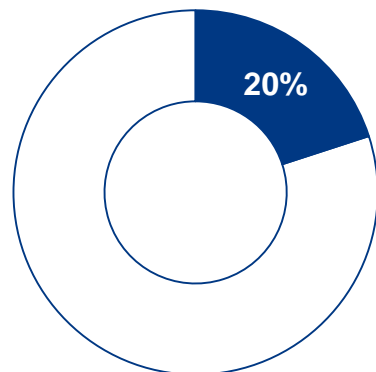
Mobile spend [1]



Data penetration [2]



Pay TV



[1] Mobile consumer contract spend, [2] Mobile data penetration

O2 brings unique multidimensional customer experience...

O₂ TV



Anytime

Time shift
(30 hours)



Recording
(100 hours)



Video on demand
(>1,000 movies)



Anywhere

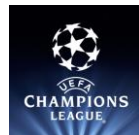
Multi-device



Multi-room



Unique content



Any match



Any camera



O₂ SPORT
Exkluzivně v O₂TV

... confirming its leading position in European IPTV market

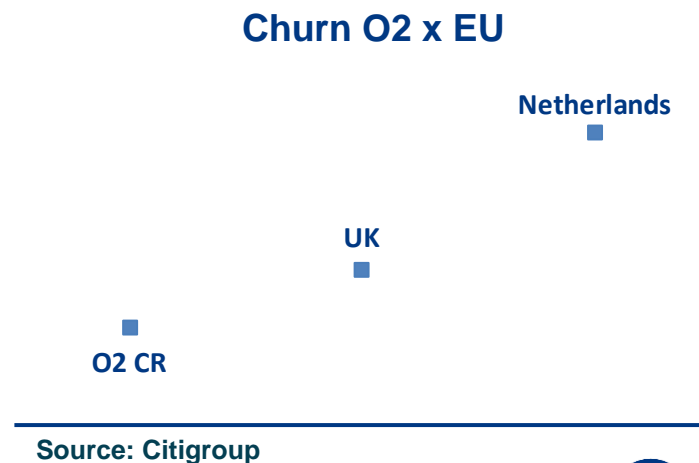
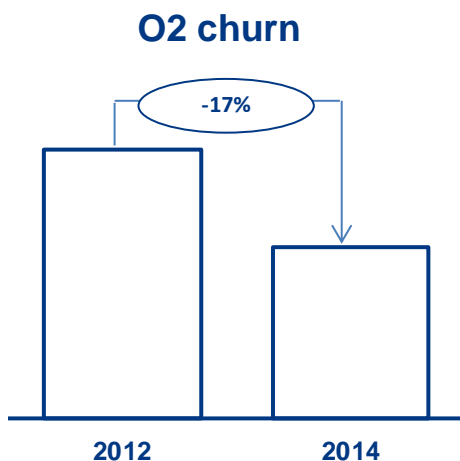
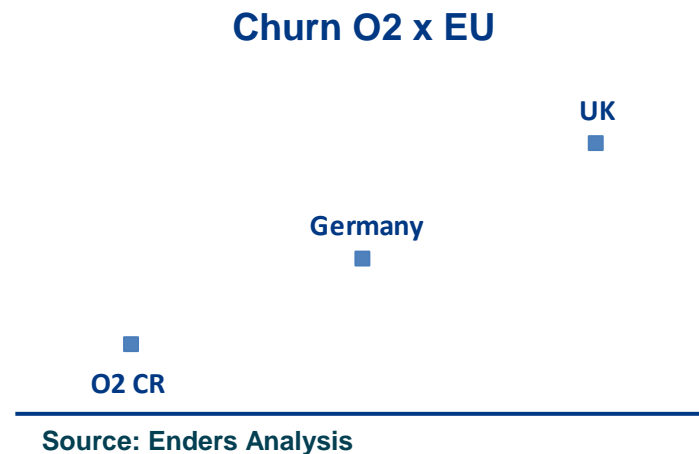
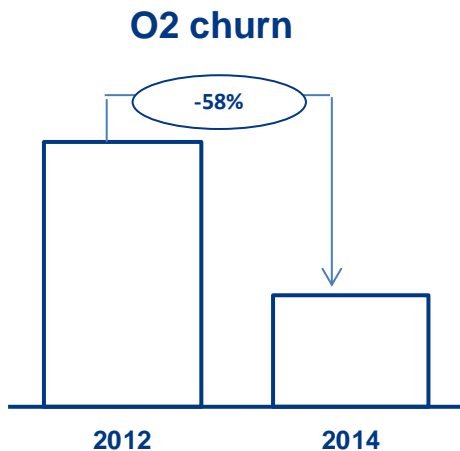
	Provider	Time-shift	Archive	Multi-room	Multi-Mosaic	OTT service	Exclusive content	Own TV studio	Multi-device	Simultaneous
	O2 CR UPC	✓	✓	✓	✗	✓	✗	✗	✓	4 3
	A1 UPC	✓	✓	✓	✗	✓	✓	✗	✓	∞* 3
	TDC YouSee	✓	✓	✓	✗	✓	✓	✗	✓	2 2
	Orange Numericable	✓	✓	✓	✗	✓	✗	✗	✓	✗ 5
	Deutsche Telekom Sky	✓	✓	✗	✗	✓	✗	✗	✓	4 2
	Telecom Italia Mediaset	✓	✓	✗	✗	✓	✗	✗	✓	✗ ✗
	Telenor Canal Digital	✓	✓	✓	✗	✓	✗	✗	✗	✗ ✗
	MEO Cabovisao	✓	✓	✓	✗	✓	✓	✗	✓	3 5
	Movistar Ono	✓	✓	✓	✗	✓	✓	✓	✓	✗ ✗
	Telia Sonera ComHem	✓	✓	✓	✗	✓	✗	✗	✓	✗ 2
	Swisscom UPC Cablecom	✓	✓	✓	✗	✓	✓	✗	✓	∞ 3
	BT Sky	✓	✓	✓	✗	✓	✓	✓	✓	2 2

* Each device with monthly fee



Best in class loyalty...

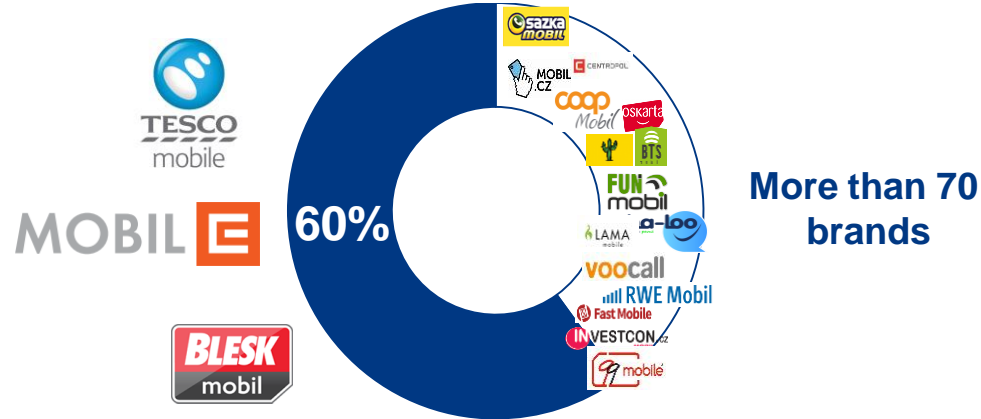
...already bringing significant value



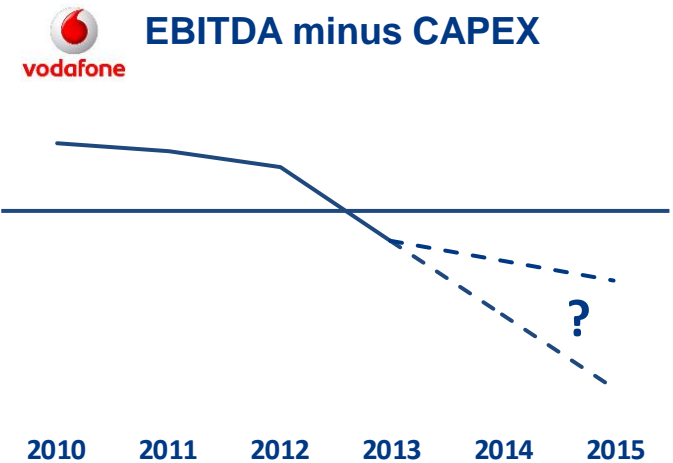
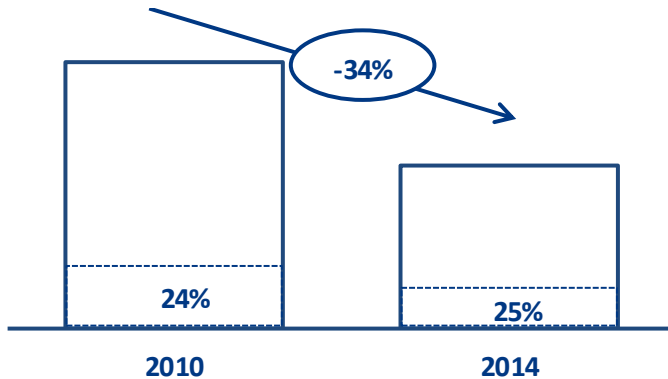
Leadership in MVNO & B2B market...

... unsustainable business model of market challenger

O2 with strong brands



CZ mobile market shrank [1]



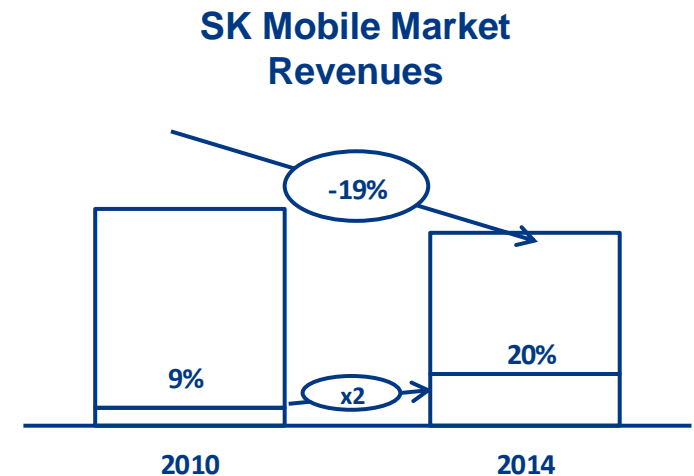
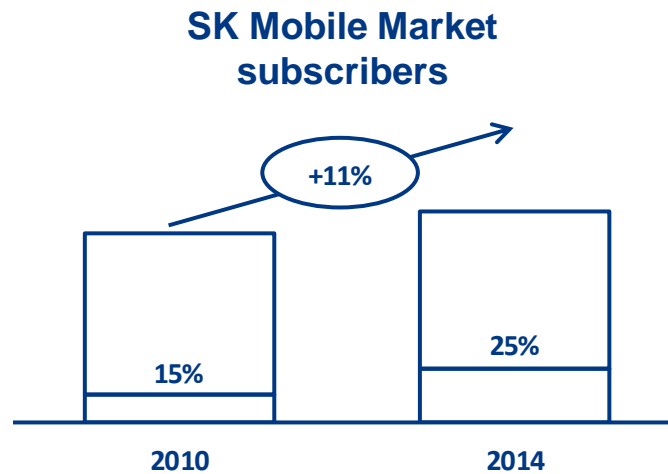
[1] service revenues

O2 Slovakia – improving financial performance...



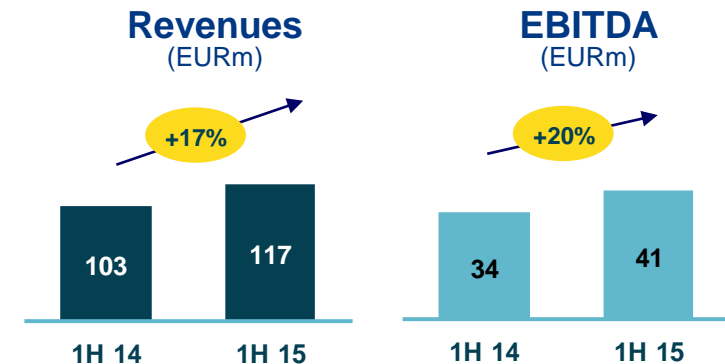
... driven by subscribers' growth, data & lean operation

Strengthening market position



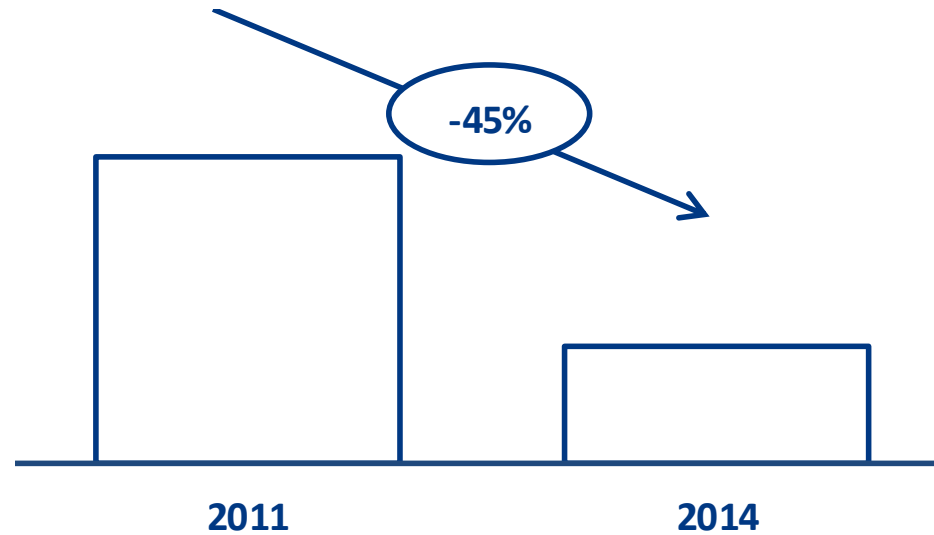
Strong financials (EURm)

- Strong revenues growth maintained
- EBITDA margin 34.8% in 1H 2015 (+1.8 p.p. y-o-y), leveraging on lean operation and synergies with CZ
- Increasing and positive contribution to the consolidated financials (23% of Group's EBITDA in 1H 2015)



Commercial model already rationalized... ... with significant cost reduction

**Commercial
Costs [1]**

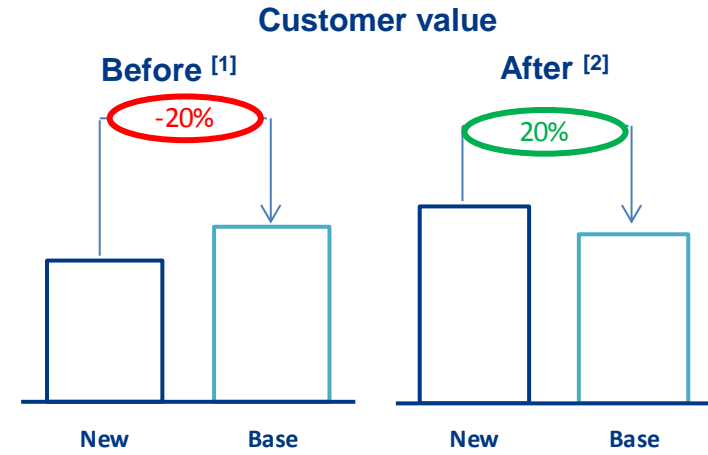
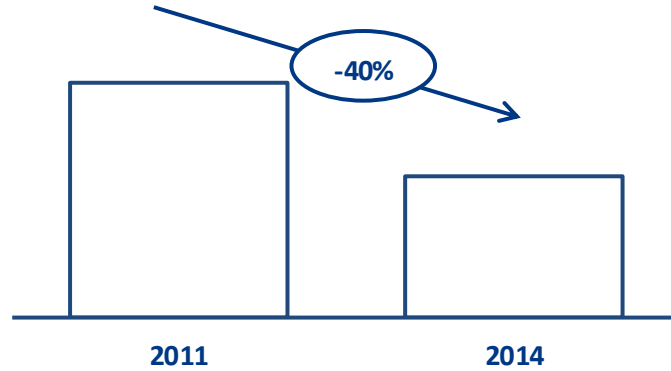


[1] includes Call centers, Commissions, Handset subsidies & Marketing

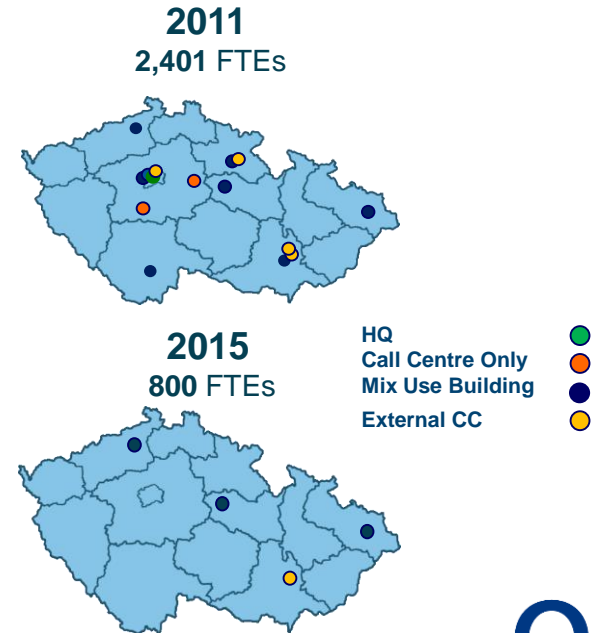
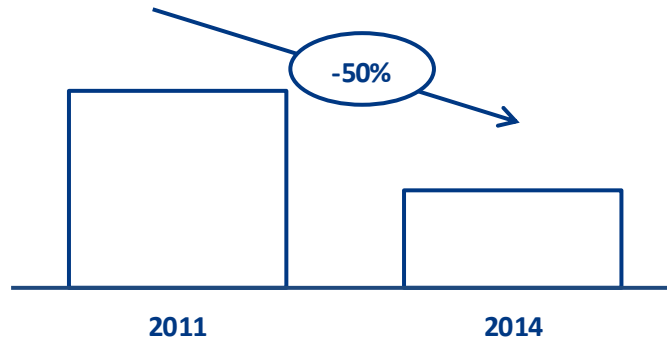
Bringing more valuable customers at lower cost...

...care costs down due to simplification & consolidation

Commissions



Call centers expenses



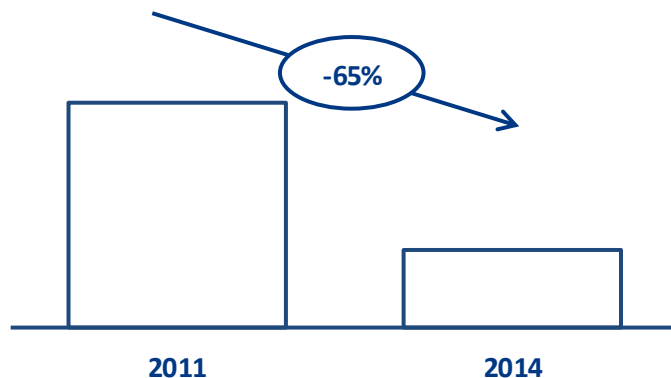
[1] October 2013, [2] March 2015



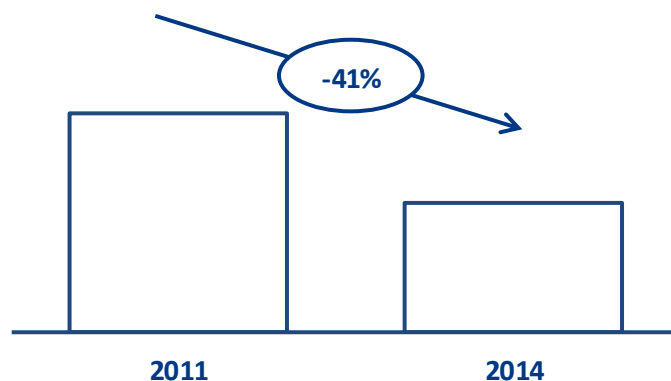
Radical change in handset subsidies...

...co-financing marketing activities by partners

Hardware subsidies

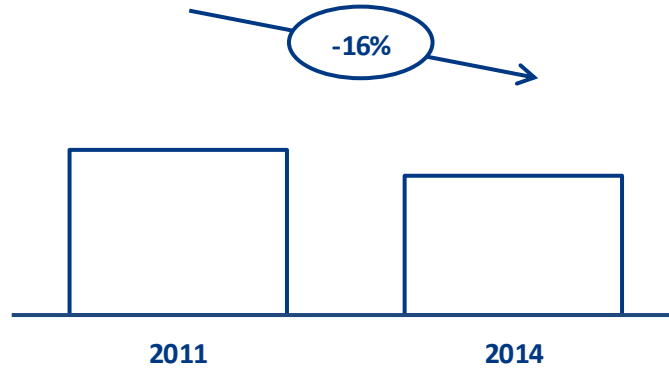


Marketing expenses

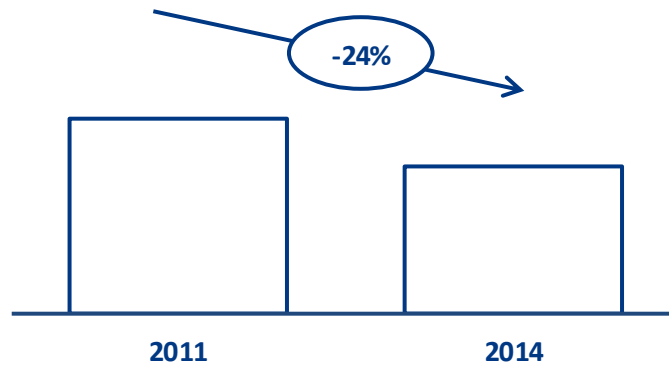


To benefit from IT consolidation & restructuring... ...savings in NW on the back of joint rollout & consolidation

IT costs



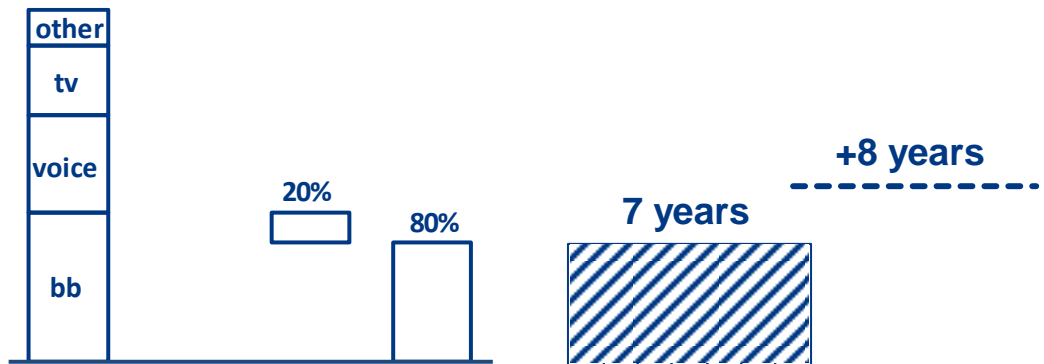
Network costs



Reasonable commitment for pro-growth areas...

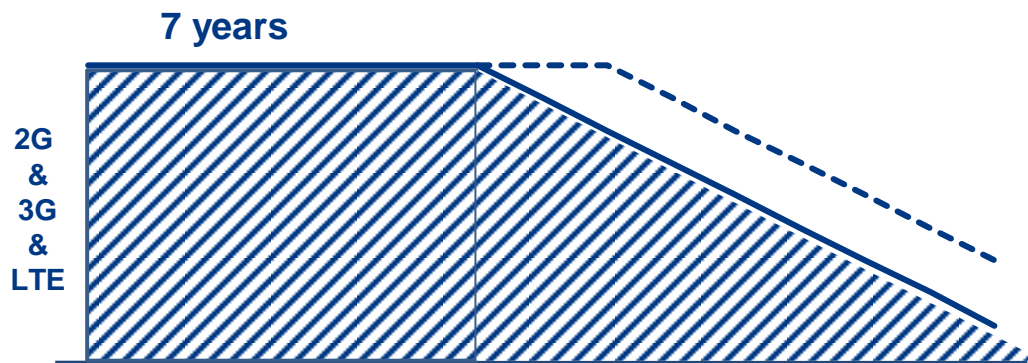
... with further potential


Fixed charge & commitment (illustrative)



		TIME		
				X
VOLUME	bb			X
	voice		X	

Mobile charge & commitment (illustrative)



- Open book principle
- 7 years commitment 
- Additional savings shared

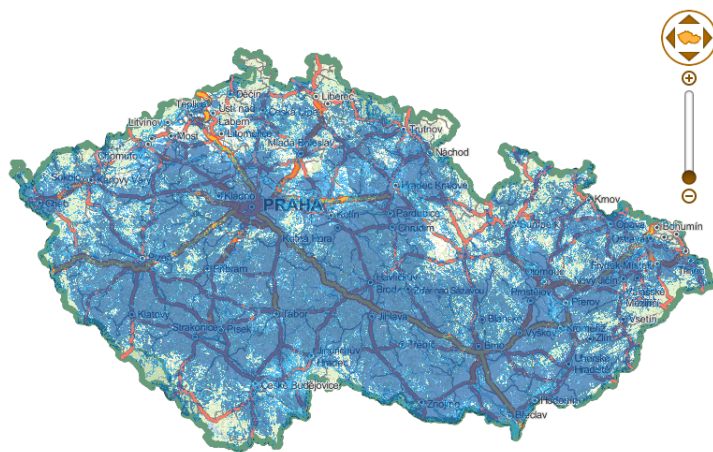
Pioneers in network sharing...

... execution to be continued by CETIN

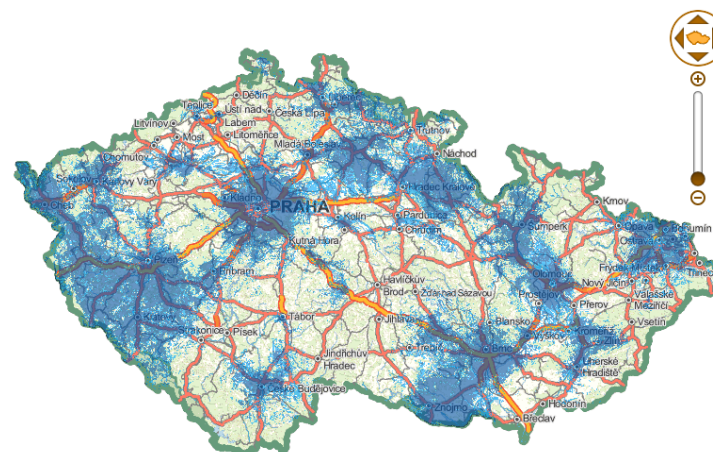


- 3G joint rollout in 2011
- 2G/3G consolidation in 2013
- LTE joint rollout in 2014
- Key network vendors retendered
- 40% network consolidation target...
- ... to meet spectrum coverage commitment

O2/T-Mobile LTE coverage [1]



Vodafone LTE coverage [1]



[1] LTE coverage in 800 Mhz band acquired in auction (Source: Czech Telecommunications Office); as of June 2015

Superior fixed broadband coverage ^[1]... ... with further increase in speeds

Fixed broadband infrastructure ^[1] ^[2]



Household coverage

O₂ ^[1] 90%

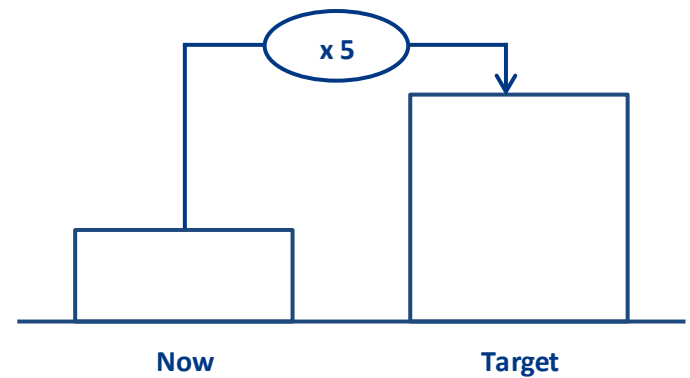
 33%

Speed upgrade through:

- Remote DSLAMs
- Vectoring
- Bonding

O2 proposition:

Min. speed 56Mbps



^[1] through CETIN
^[2] 20 million kmp of cables

Improving financials across the board...



O₂

... strong balance sheet

<i>CZK millions</i>	Q2 2015	Change Q2 15 / Q2 14
Operating Revenue	9,241	-0.3%
CZ Fixed	2,848	-8.5%
CZ Mobile	4,807	+2.0%
Slovakia	1,618	+11.0%
EBITDA	2,448	+15.8%
<i>EBITDA margin</i>	26.5%	+3.7 p.p.
Net Income	1,255	+24.9%
Adjusted Free Cash Flow ^[1]	2,429	+134.6%
	30 Jun 2015	
Non-current assets	21,012	
- of which Intangible Assets	16,016	
- of which Property, Plant & Equipment	4,317	
Current assets	9,770	
- of which Cash & cash. Equiv.	2,964	
Total assets	30,782	
Equity	15,759	
Non-current liabilities	3,055	
- of which Long-term financial debt	3,000	
Current liabilities	11,968	
- of which Short-term financial debt	4,001	

^[1] excluding settlement of liabilities with former majority shareholder in 2Q 2014, including CZK ~1 billion funding with CETIN via working capital in 2Q 2015

O₂

Key O2 stock catalysts

- ✓ Value creation by infrastructure separation
- ✓ O2 as a digital content consumption enabler
- ✓ We change the market rules
 - ✓ Pioneers in network sharing
 - ✓ MVNO leader
 - ✓ Semi-flat/flat tariffs
 - ✓ Handset value chain
 - ✓ Value rather than volume
- ✓ The only financially growing operator in Slovakia
- ✓ Improved profitability & stabilized top line
- ✓ Strong free cash flow generation

A dynamic splash of clear water against a solid blue background. The water is captured in mid-air, with numerous bubbles and droplets of varying sizes. The largest droplets are in the lower-left quadrant, while smaller ones trail upwards and to the right, creating a sense of movement and freshness.

Backup

O₂

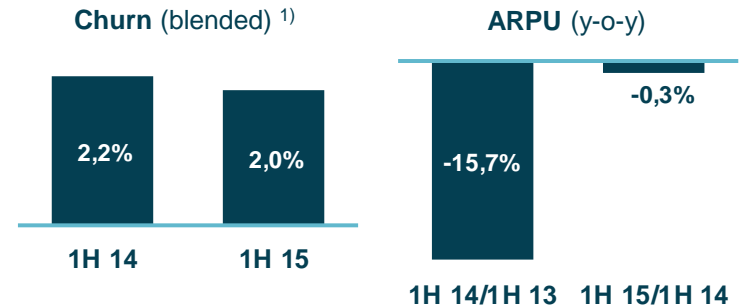
Q2 2015 results

We continue to execute our strategy in mobile...

... focusing on value and data growth monetisation

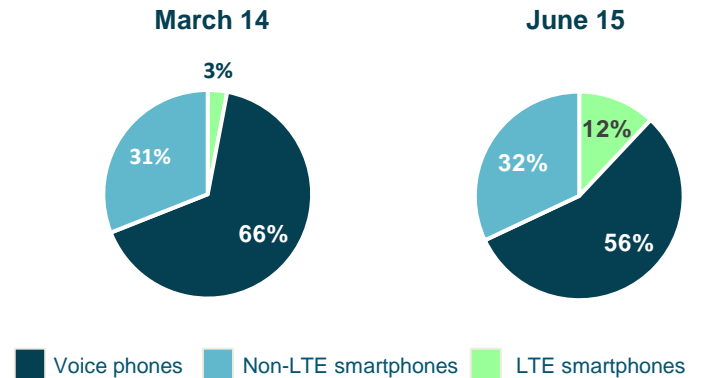
Grow the value of mobile base

- Total mobile customer base at 5 mil.
 - Improving churn and ARPU trend
 - Contract customers 65% of total base



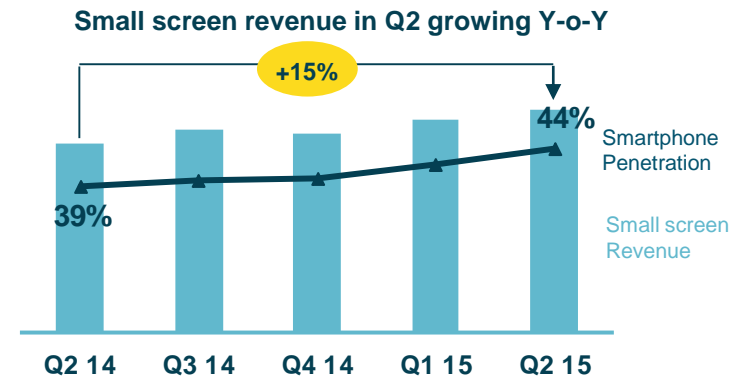
High speed data network

- Efficient LTE roll-out is using new spectrum
 - Full coverage in Prague and Brno...
 - Service availability in other regions growing fast...
 - ...current population coverage at 61%
 - Growing number of LTE smartphones driving mobile data growth (+40% y-o-y)



Monetising data growth

- Data tariffs and smartphone penetration uptake driving small screen base growth (+14% y-o-y)...
 - ...reflected in 13% growth of small screen revenues
 - Supported by mobile network enhancements (LTE deployment, HSPA+ upgrade, LTE Advanced) and MultiSIM proposition

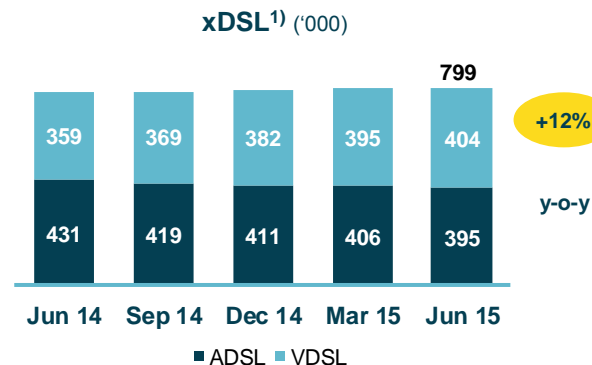


¹⁾ Active (3 months criteria) customers

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

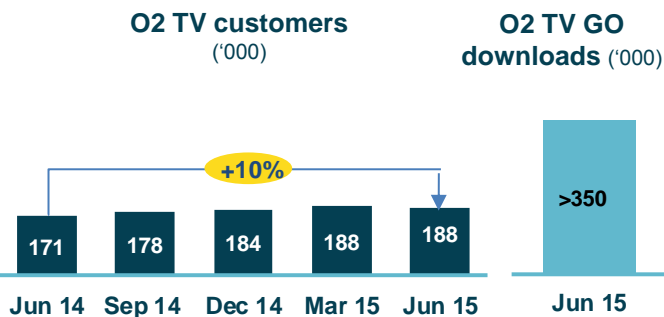
Fixed BB

- Continuous **demand for VDSL service**, driving total **xDSL base growth** (+1.1% year-on-year)
- ...helping to **manage churn, spend dilution** and **improve customer satisfaction**
- **LTE substitution launched**, available for 92% of households



Pay TV

- Our **O₂ TV service** with the unique **O₂ TV Go OTT multicarrier Multiscreen** and **unique content** continues to add new customers
- New **3 simple tariffs** launched on 1 July **mirroring all channels** from O₂ TV in **O₂ TV Go**
- **Own O₂ Sport TV channel** launched on 8 August 2015, including **premium football matches**

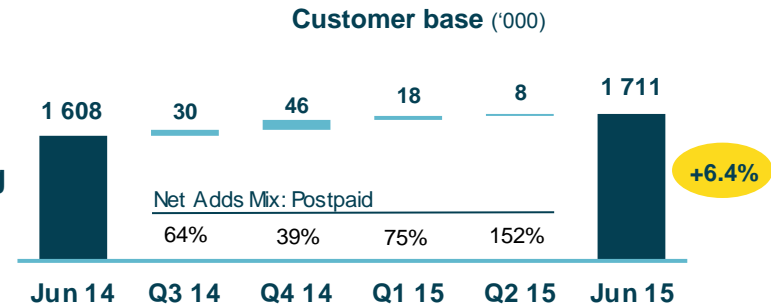


Slovakia – sustained growth at all levels...

... on the back of value & data focused proposition

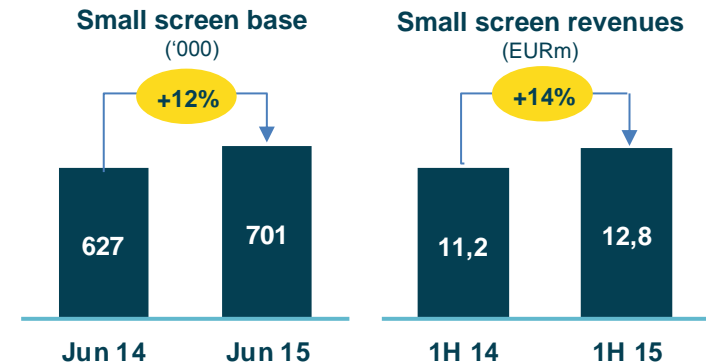
Mobile customers

- Sustained customers' growth (+6.4% y-o-y)
- Monthly contract churn remains low (1.1%)
- Simple and transparent proposition, driving growing postpaid community
- 25.5% market share¹⁾ (+1.3 p.p. y-o-y)



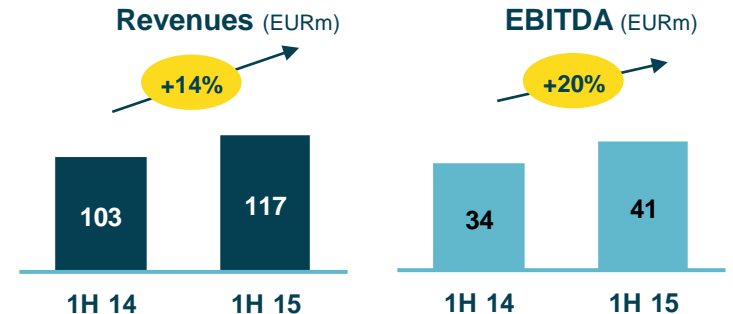
Growing data revenues

- Increasing the coverage of 3G network driving smartphone penetration (46.9%, +7.4 p.p. y-o-y) and data ARPU uptake
- Favourable data packages driving growth of the mobile internet base +12% y-o-y, translating into data revenue growth +14% y-o-y



Strong financials (EURm)

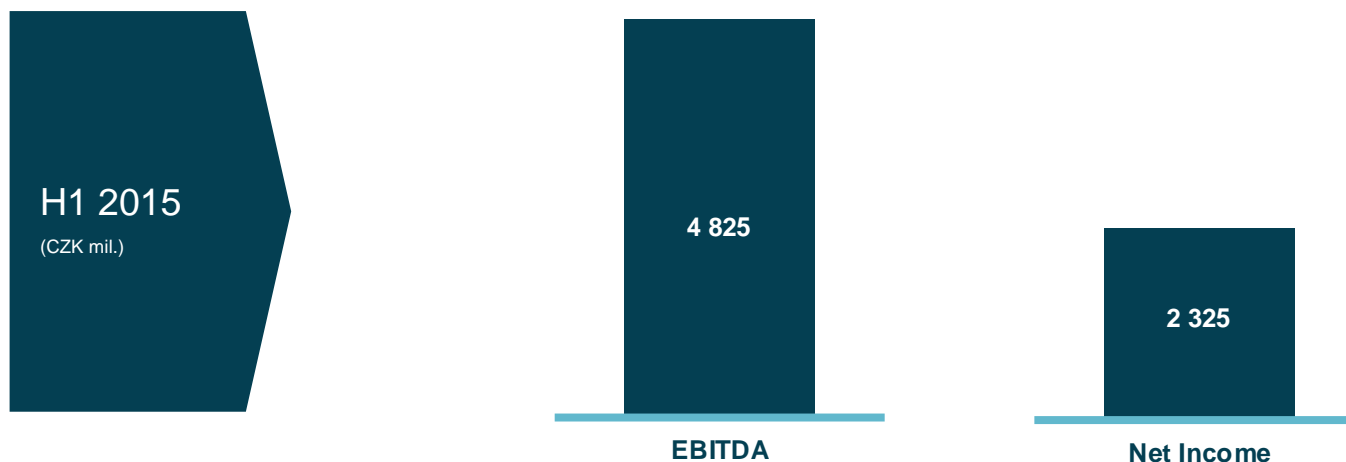
- Strong revenues growth maintained
- EBITDA margin 34.8% in 1H 2015 (+1.8 p.p. y-o-y), leveraging on lean operation and synergies with CZ
- Increasing and positive contribution to the consolidated financials (~ 20% of Group's revenues and EBITDA in 1H 2015)



¹⁾ Q1 2015

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

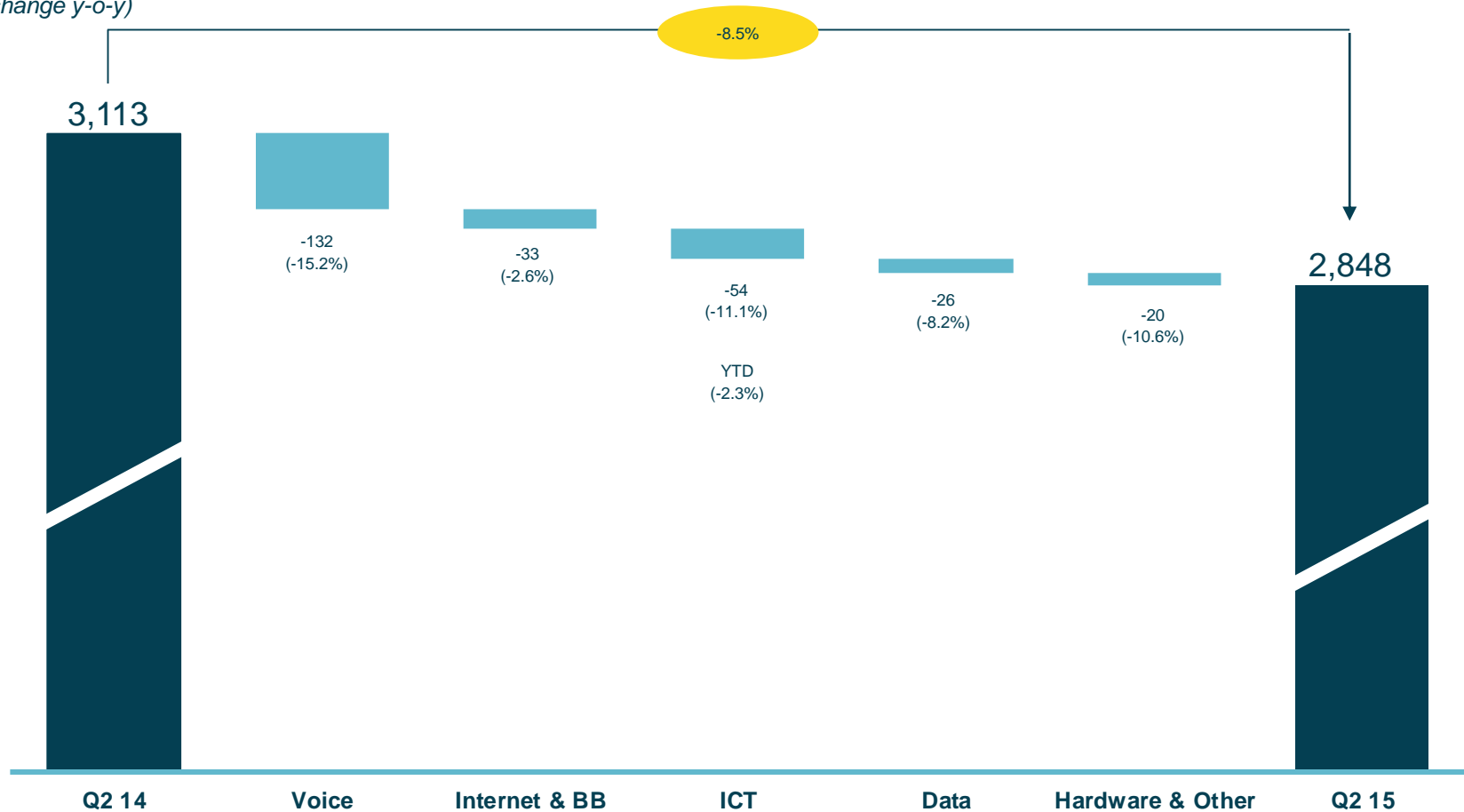
<i>CZK millions</i>	Q2 2015	Change Q2 15 / Q2 14
Operating Revenue	9,241	-0.3%
CZ Fixed	2,848	-8.5%
CZ Mobile	4,807	+2.0%
Slovakia	1,618	+11.0%
EBITDA	2,448	+15.8%
<i>EBITDA margin</i>	26.5%	+3.7 p.p.
Net Income	1,255	+24.9%
Adjusted Free Cash Flow ¹⁾	2,429	+134.6%



¹⁾ excluding settlement of liabilities with former majority shareholder in 2Q 2014, including CZK ~1 billion funding with CETIN via working capital in 2Q 2015

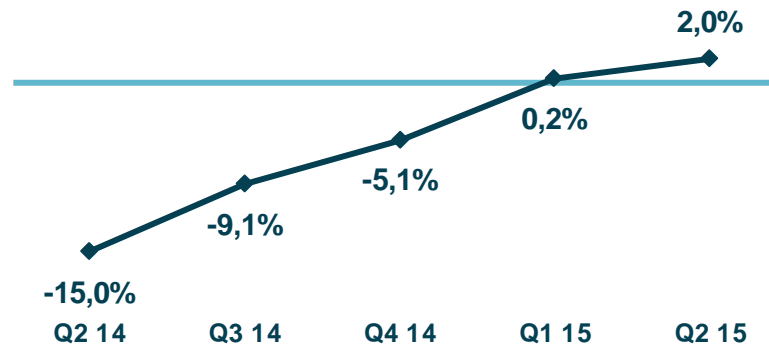
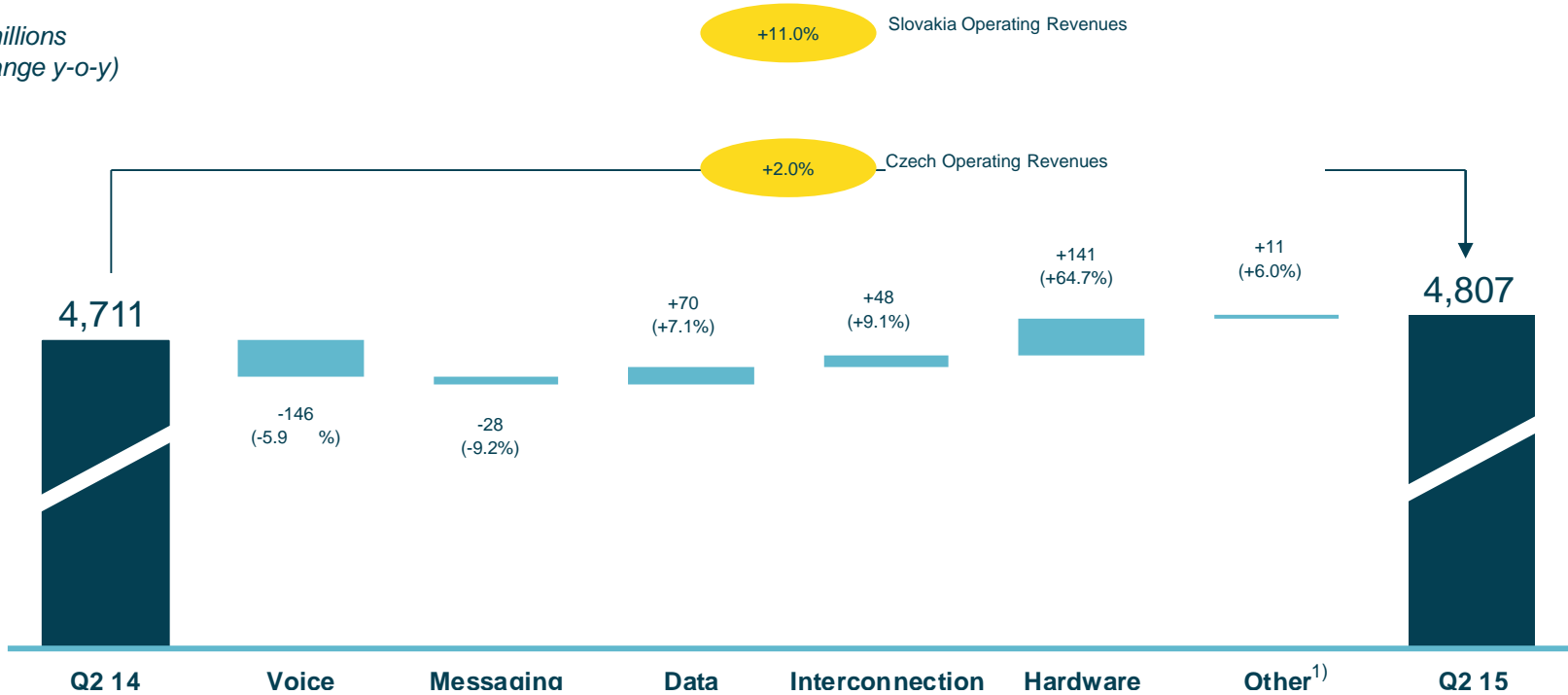
Fixed Operating Revenue declined in voice... ... while broadband and ICT stabilizing

CZK millions
(% change y-o-y)



Czech Mobile Operating Revenue stabilized... ... while Slovak Operating Revenue grew by 11%

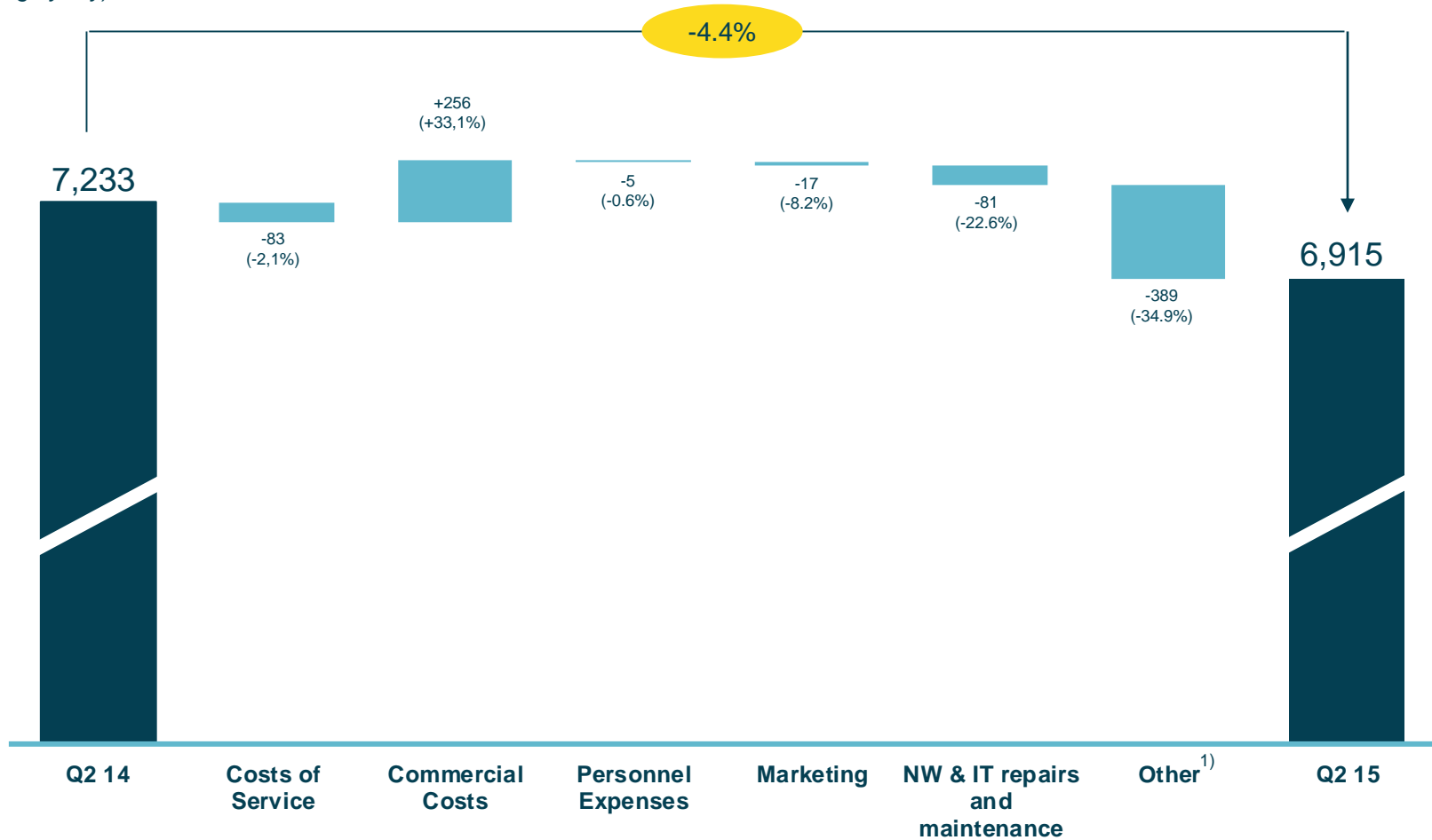
CZK millions
(% change y-o-y)



¹ Inbound Roaming, M2M, Other revenue

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

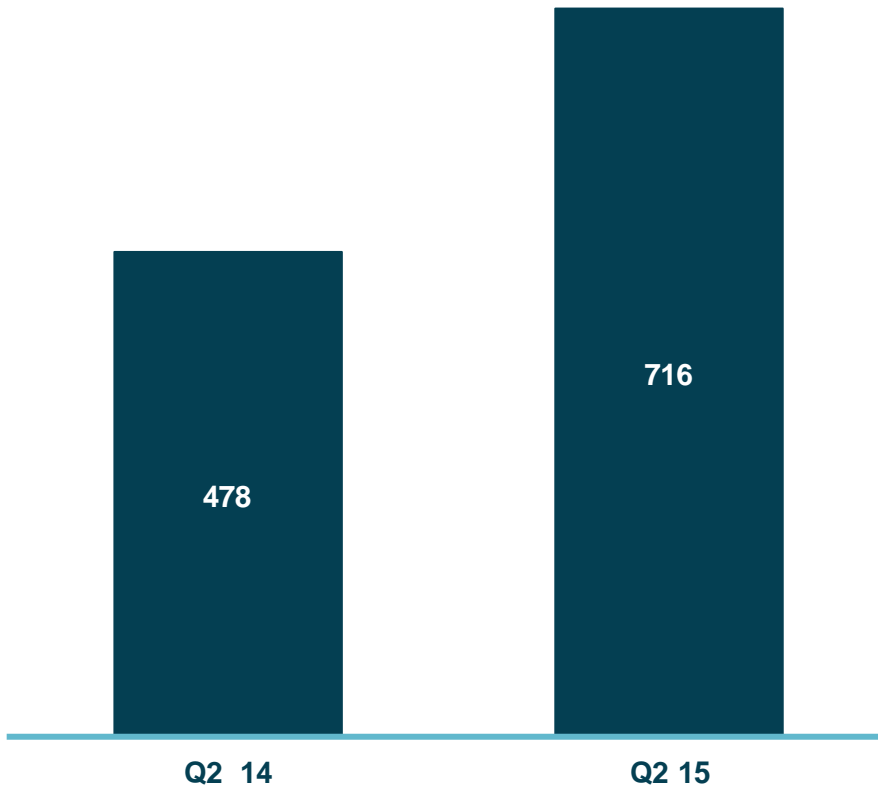
CZK millions
(% change y-o-y)



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

Investments targeting IT & systems consolidation and upgrade

CZK millions



- Investments directed to
 - IT/Systems upgrade & consolidation to simplify processes and improve operational efficiency
 - Sport content for O₂ TV
 - 3G network rollout in Slovakia

Strong balance sheet

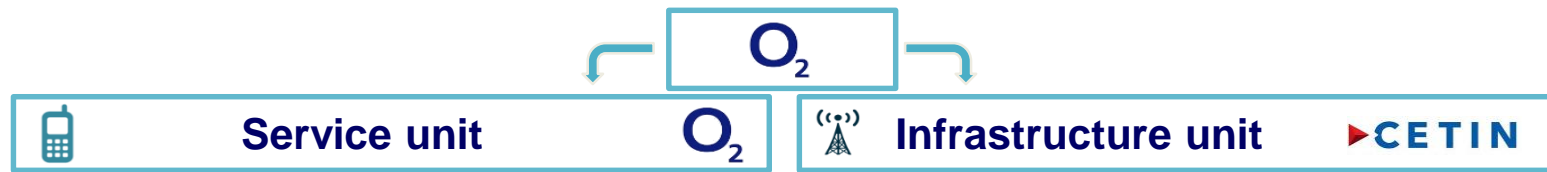
<i>CZK millions</i>	31 Dec 2014 ¹⁾	30 Jun 2015
Non-current assets	63,371	21,012
- of which Intangible Assets	26,276	16,016
- of which Property, Plant & Equipment	36,200	4,317
Current assets	10,920	9,770
- of which Cash & cash. Equiv.	3,256	2,964
Total assets	74,290	30,782
Equity	54,153	15,759
Non-current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

¹⁾ Including CETIN

Infrastructure separation

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.

O2 leading through product differentiation...

...with focus on lean operational model

Relevant upsell potential

- Network access to 90% of Czech households
- Relevant BB potential
- The only growing Telco in Slovakia
- Mobile data penetration



Unique content and TV functions

- O2 TV Go available to all
- Multi device
- The only with time shift
- 30 hours archive
- Premier league



Leading B2B player

- 50+% market share in business segment
- Customers locked in the contract typically for 24 months



Best in class loyalty program

- Largest loyalty program in the Czech republic
- The second largest provider of discounts e.g. Groupon model



CETIN unlocks its potential...

...utilising robust infrastructure

Accelerated network sharing

- NW sharing between O2 & TM (2G&3G)
- Accelerated LTE roll-out
- Assumed timeline: 3-5Y for 2G&3G, LTE 5-7Y
- Ongoing discussion with 3rd participant



Leading connectivity provider

- Backbone part of the Network advanced
- Aggregation part of the Network
- Access part of the Network
- Relevant further potential

T-Mobile



Fiber model flying

- More retail players shorten the payback
- Sector approach to EU subsidy
- VDSL+ vs. fiber strategy
- Mobile vs. fix BB positioning



International player

- Transit represents high volume low margin business
- Potential to multiple experience from CEE presence
- Global footprint
- Voice/data



Key takeaways

- 1. Why?** New companies **fully focused on the core business**; strategic flexibility, easing of regulation in O2. **Supports value maximalisation for all shareholders.**
- 2. Independent companies:** Two independent and separated companies, with own corporate bodies, top management, own business plan and targets appropriate to their focus.
- 3. Mutual co-operation purely based on commercial terms.**
- 4. Both companies believe in sustainable growth:** CETIN via international expansion and development of national partners; O2 CR via best-in-class services, better customer experience and unique content.
- 5. These conclusions are supported by internal as well as external analyses:** internal team spent several months on the separation project - top consultancy and legal companies verified independently results of internal analyses.



Thank you