

A dynamic splash of water with numerous bubbles and droplets, set against a solid blue background. The water is concentrated on the left side of the frame, creating a sense of movement and freshness.

# O2 Czech Republic

Quarterly Results  
January – September 2016

25<sup>th</sup> October 2016



# Today's speakers



**Tomáš Budník**  
CEO & Chairman  
of the Board



**Tomáš Kouřil**  
CFO & Vice-Chairman  
of the Board

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.

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**Outlook for 2016  
& Strategic commercial initiatives**

# 2016 FY outlook on the back of solid 9M results...

...Intention to propose share premium distribution on top of regular dividend



- 2016 FY **outlook**<sup>[1]</sup> on the back of **solid 9M results**...
- 2016 FY consolidated **EBITDA** within the range of **CZK 10.4 to 10.7 billion**
- 2016 FY consolidated **Net profit** within the range of **CZK 5.1 to 5.4 billion**



- **Dividend policy confirmed**...
- ...**intention to propose** distribution of **90% to 110%** of standalone **net profit**



- Board of Directors **intends to propose additional shareholder remuneration**...
- ...**CZK 4 per share** on top of dividend from **share premium**
- **Not a one-off** payment, but a **mid-term intention**...(up to **CZK 36 per share**<sup>[2]</sup>)
- ...**sustainability of absolute shareholder remuneration amount** is among key proposal considerations

[1] 2016 FY outlook excludes any one-off/exceptional items not anticipated at the outlook release date (25<sup>th</sup> October 2016), [2] Calculated as current (as of 30<sup>th</sup> September 2016) share premium (CZK 11.9bn) less treasury shares account (CZK 658m), i.e. CZK 11.2bn in total, over current total number of shares (310.2m)

# In 2016 we continued bringing new propositions to the market...

## ...including expansion to new businesses



- **Q1: O2TV for all**, roll-out to new distribution channels
- **Q2: Try and Keep campaign** supported by ATL
- **Q3: O2TV Football channel launched** to be followed by tennis and ice hockey



- **> 95%** of base already **enjoying unlimited fixed voice tariff**
- **Well accepted** by customers...
- ... **40% growth in traffic** per line



- **New O2 prepay tariff (PredplaDENka)**...
- ...with **daily voice & SMS flat fee**
- **Tesco Mobile MVNO EBITDA doubled** in the last fiscal year



- Continuous investments by BOLT **start-up accelerator** activated
- **Synergies** based on **newest technologies** backed by **O2 ecosystem** contribution

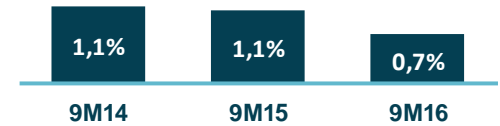
# Our value focused strategy works...

## ... two digit growth in mobile data, historic high customer loyalty

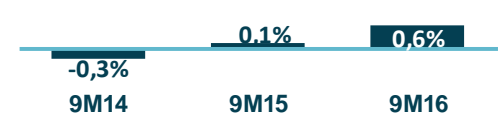


- Historical high customer loyalty
- B2B under pressure, but decline decelerating
- Roaming regulation negative impact
- Improving spend via tariff upsell

Mobile Contract churn



Mobile ARPU (y-o-y)



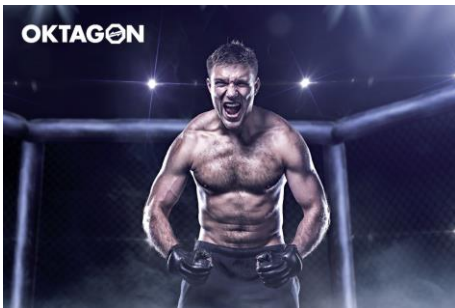
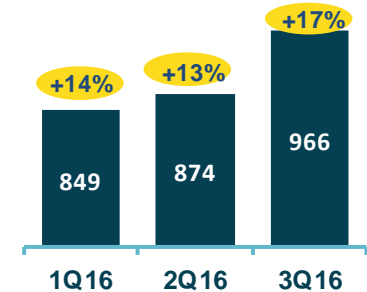
- LTE smartphone sales only...
- Tariff upsell and data limit recharges...
- ...driving growth in data traffic...
- ...and data monetization accelerates

28%  
LTE penetration

55%  
smartphone  
penetration

~~DATOMAT~~

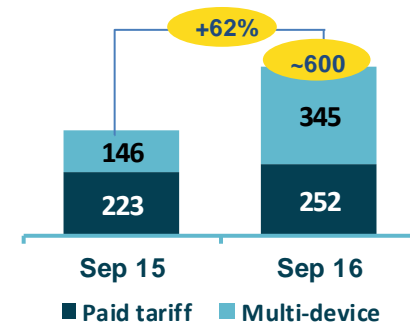
Small screen revenue (CZK, y-o-y)



- Record O<sub>2</sub> TV viewers figures
- >30k HH with second STB
- Partnership with leading breweries
- Own entertainment content production



O<sub>2</sub> TV reach<sup>[1]</sup> ('000)



[1] Tariff - IPTV, OTT, Multiroom (second STB), Multi-device (mobile & web application), [2] Excluding non-paying "Try & Keep" customers

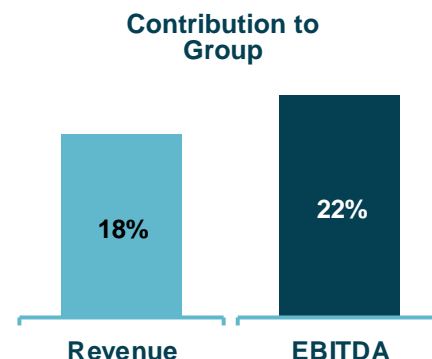
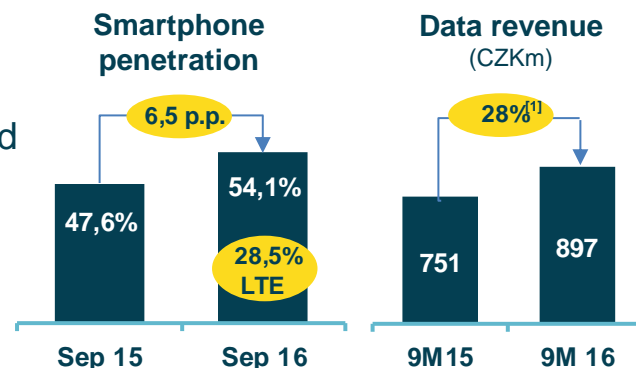
# Slovakia heavily investing into network & pro-growth areas... ...all B2B services already in place



- Full portfolio of services for corporate segment commercially launched...
- ... including mobile services in cooperation with O2 Slovakia
- First contracts signed

- Improving network coverage and quality...
- ... 4G coverage at ~ 66% by 2016 year-end
- ...building national fibre backbone network
- Internet base growth (+12% y-o-y)

- Revenue growth maintained driven by data
- B2B entry dilutes EBITDA margin by 1.2 p.p.
- Total EBITDA margin 34.3%<sup>[3]</sup>
- Positive contribution to Group financials



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

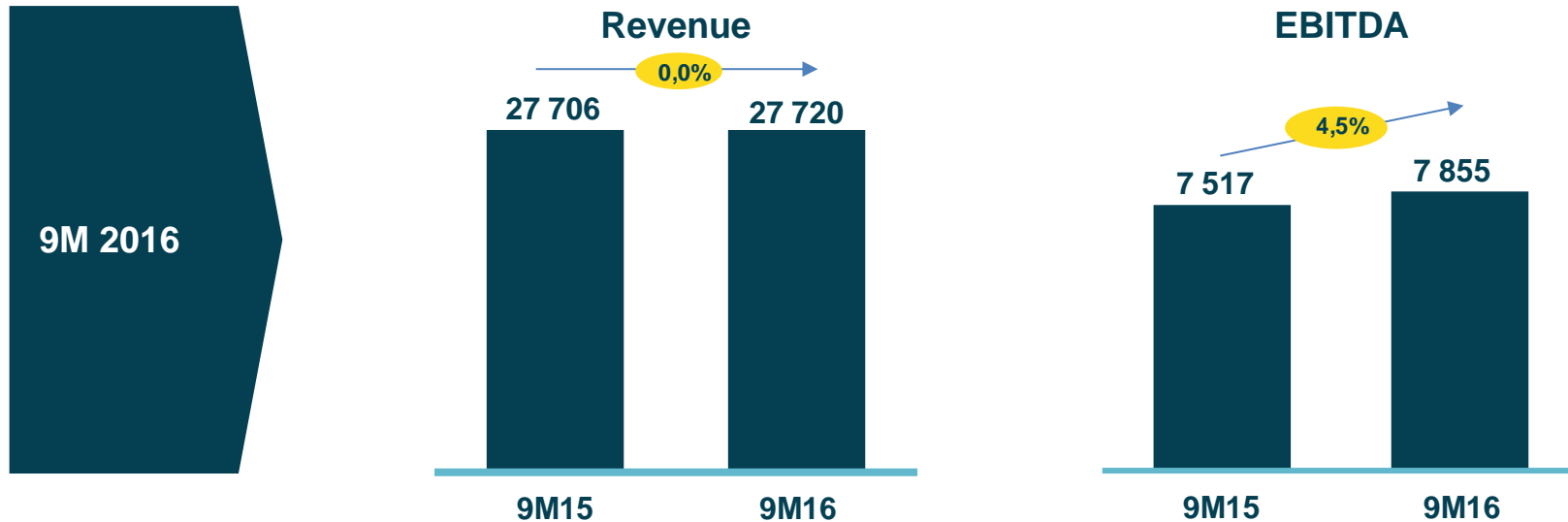


**Financial Performance**  
**January – September 2016**



# Pressure in traditional business compensated by new activities... ...operating profitability slightly growing

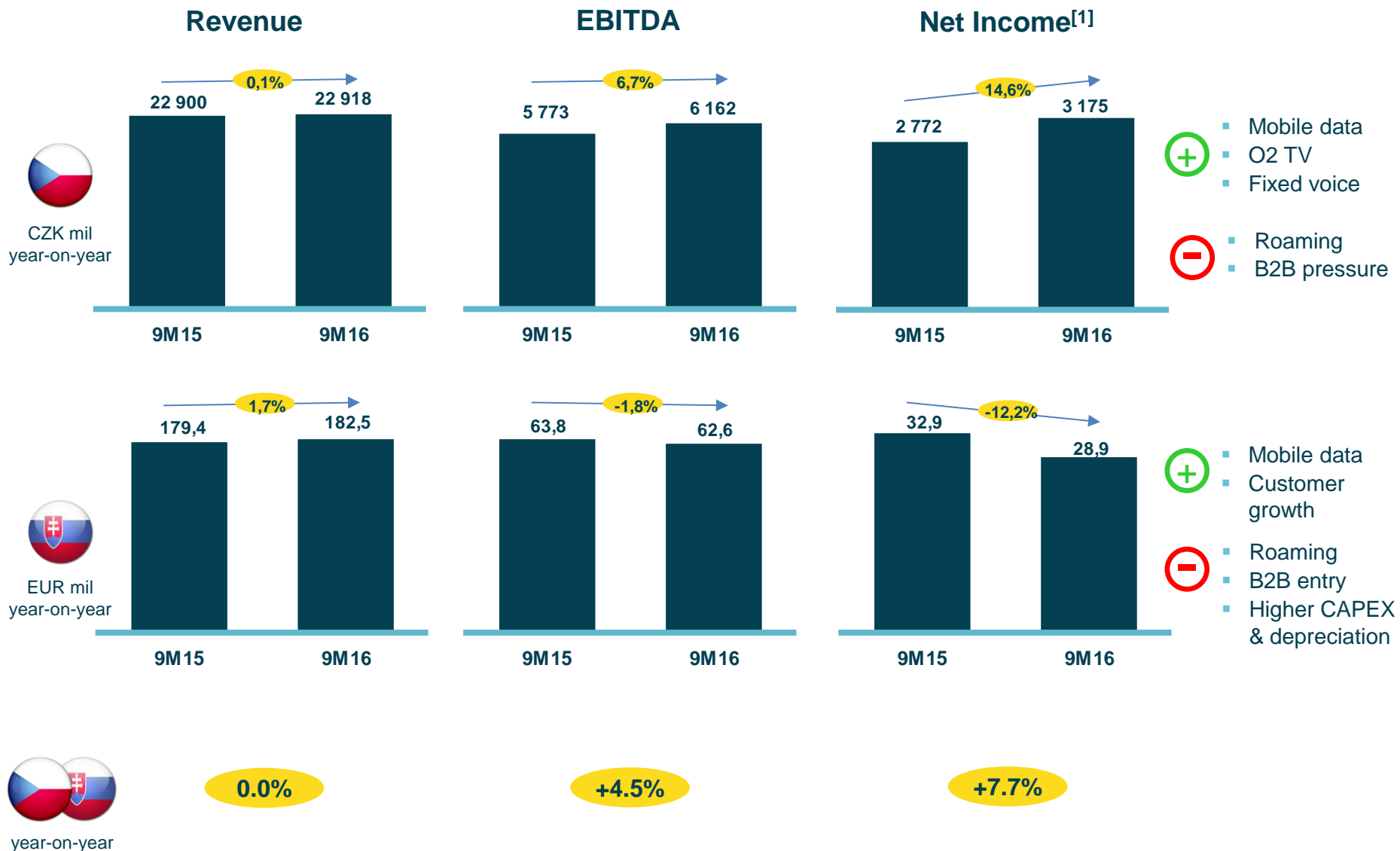
<i>CZK millions</i>	Jan-Sep 2016	Change 9M 16 / 9M 15
<b>Operating Revenue</b>	<b>27,720</b>	<b>0.0%</b>
CZ Fixed	8,600	
CZ Mobile	14,319	
Slovakia <sup>[1]</sup>	4,934	
<b>EBITDA</b>	<b>7,855</b>	<b>+4.5%</b>
<i>EBITDA margin</i>	28.3%	
<i>EBITDA margin excl. charge from CETIN</i>	54.5%	
<b>Net Income</b>	<b>4,012</b>	<b>+7.7%</b>
Free Cash Flow <sup>[2]</sup>	2,592	



<sup>[1]</sup> including O2 Business Services, <sup>[2]</sup> including payment for 1.8GHz and 2.6GHz spectrum (CZK 1.5bn)

# SK top line growing despite roaming impact, CZ flat...

## ... SK profitability hit by roaming & B2B entry



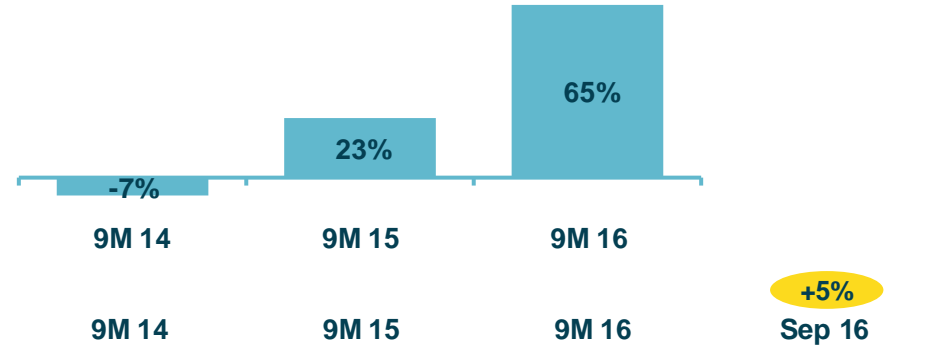
<sup>[1]</sup> CZ: excluding dividend from O2 SK

# The new propositions turned around fixed revenue...

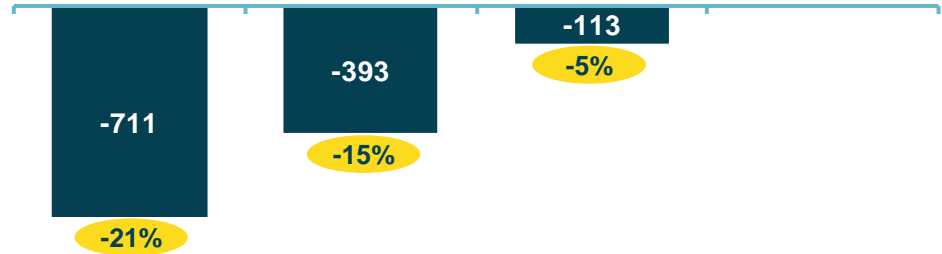
## ... non-telco initiatives to mitigate future roaming impact



**Pay TV revenue**  
(year-on-year)



**Fixed voice revenue**  
(CZK mil, year-on-year)

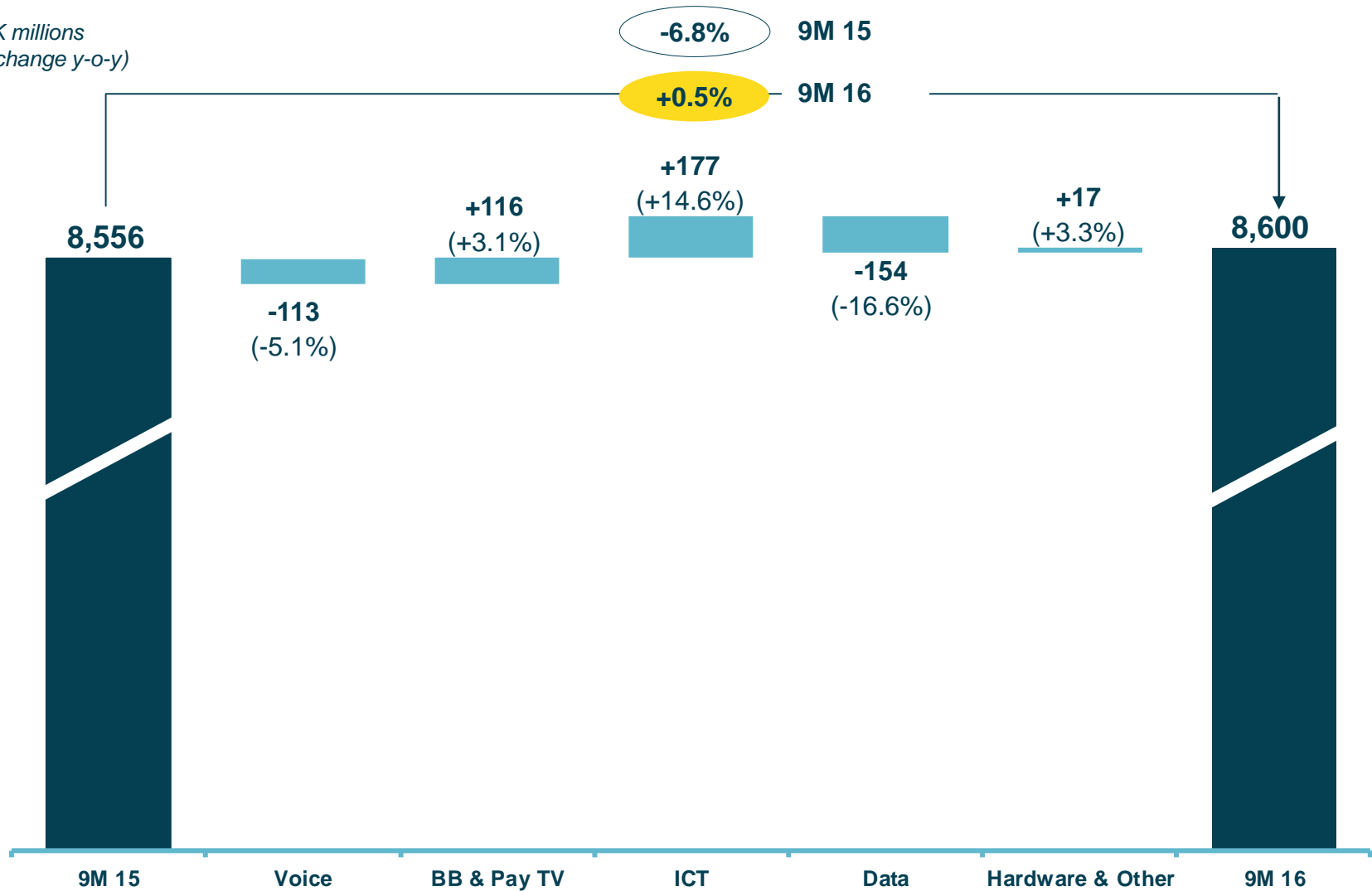


- Milestone of 100 thousand insurance policies...
- ... first focus on **hardware** insurance..
- ... and later as well on **travel** insurance
- **Electronic sales reporting** complete tool for Czech entrepreneurs
- Launch in December 2016 for hotels and restaurants...
- ...to be followed by next waves (other retail segments)



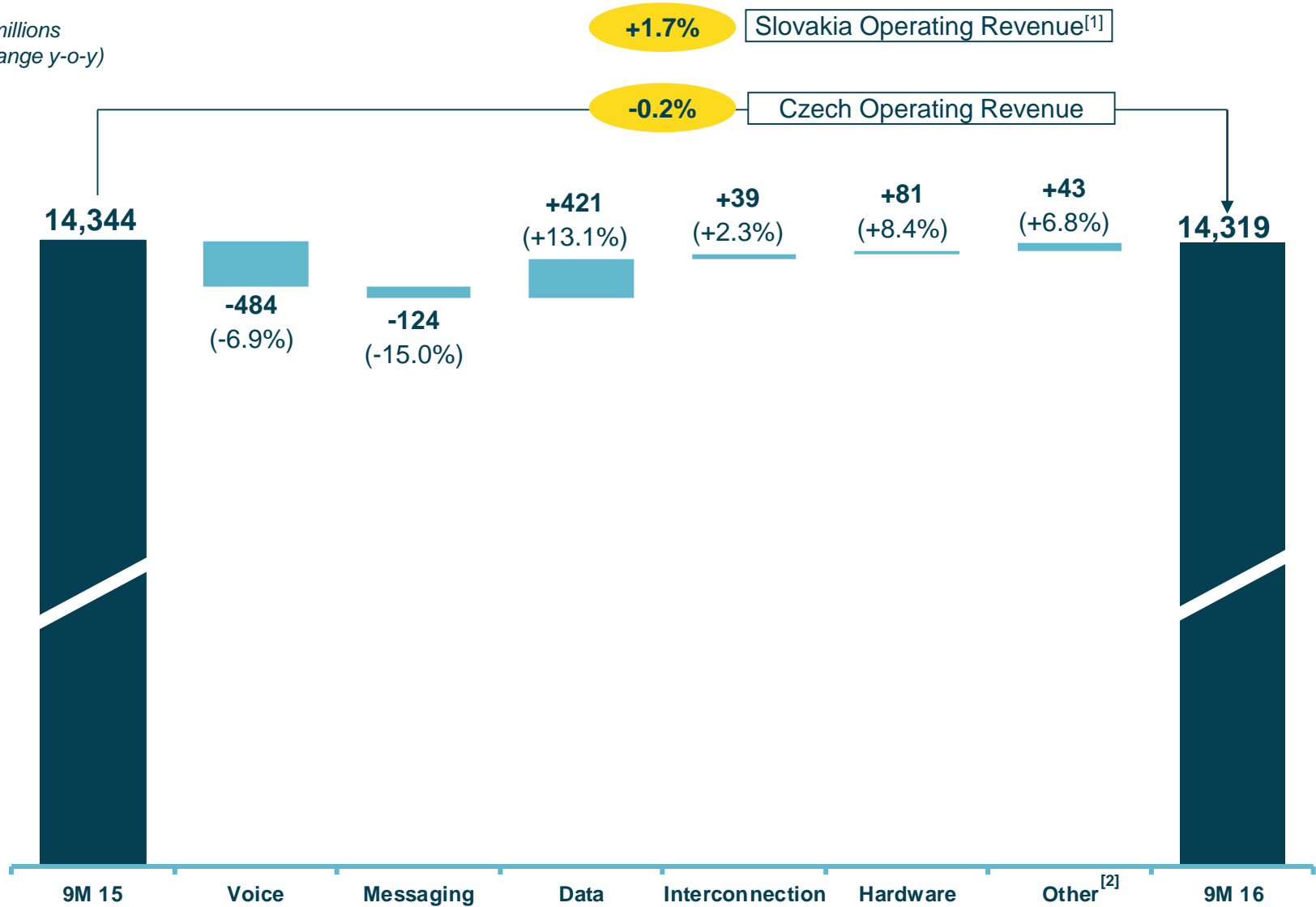
# Fixed revenue improving trends compared to last year... ... with B2B segment still under pressure

CZK millions  
(% change y-o-y)



# Mobile revenue impacted by B2B pricing & roaming... ... while data revenue growing double digit

CZK millions  
(% change y-o-y)

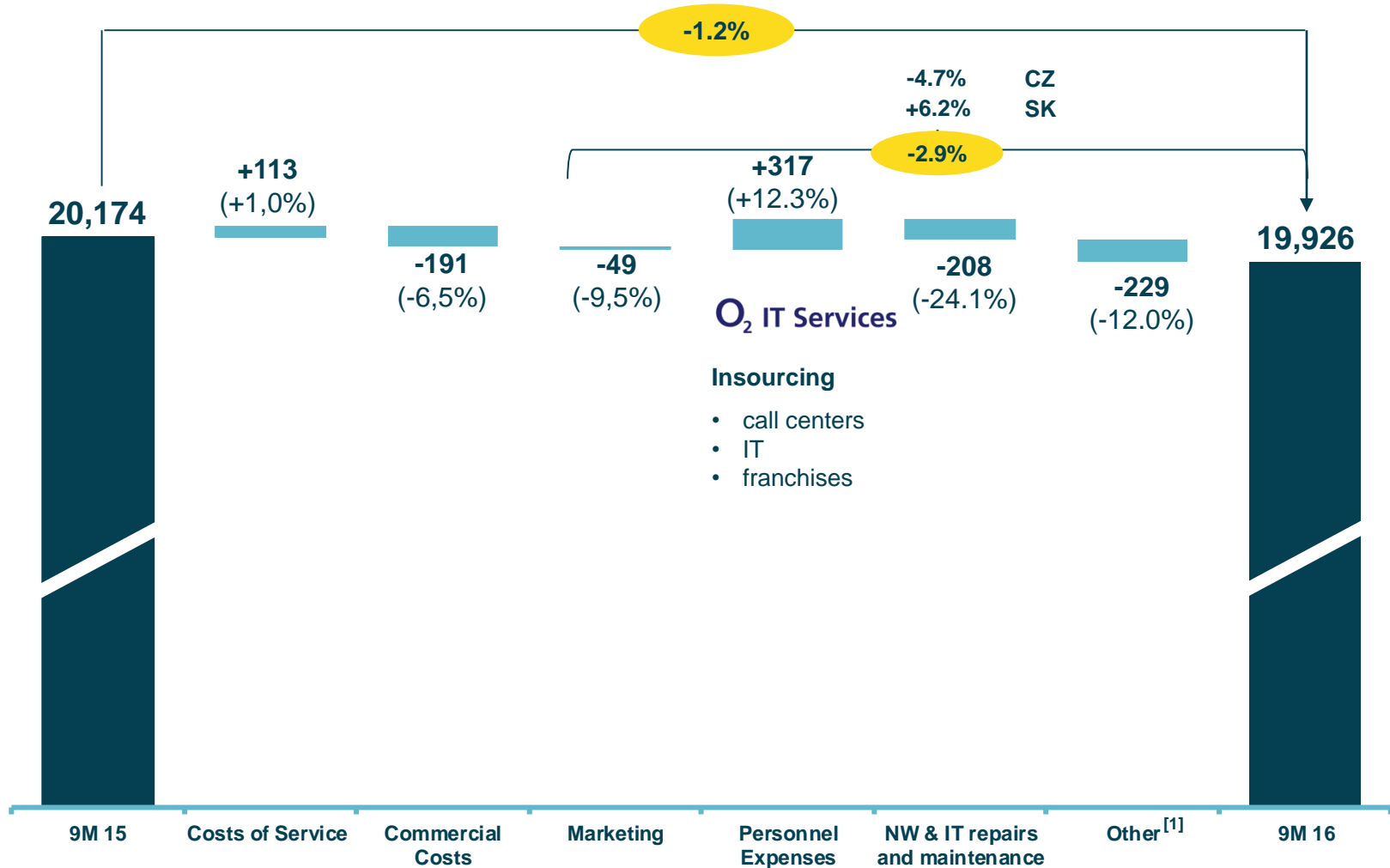


<sup>[1]</sup> including O2 Business Services, growth rate in local currency (EUR), <sup>[2]</sup> Inbound Roaming, M2M, Other revenue

# Cost base under control...

... despite entry in Slovak fixed market

CZK millions  
(% change y-o-y)

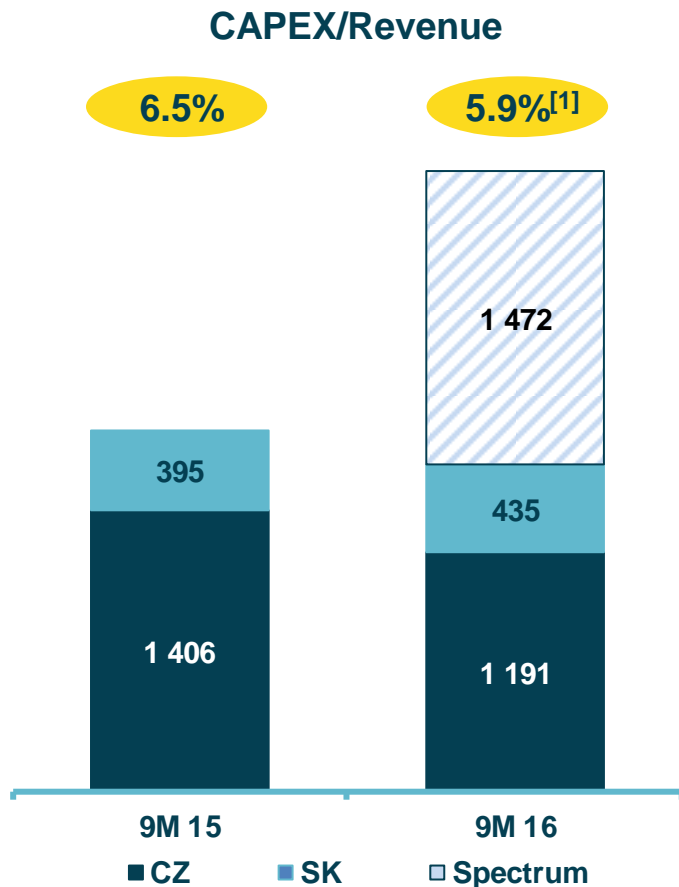


<sup>[1]</sup> Taxes other than income taxes, provisions and fees, Rentals, Buildings, Vehicles, Consumables, Consultancy, Billing, Collection, Call Centers, management fees and other; including Internal expenses capitalized in fixed assets

# 9M 2016 with low CAPEX profile...

...investments directed to growth areas and IT transformation

CZK millions



## ■ Czech Republic:

- IT transformation (also in 4Q 2016)
- 1,800 & 2,600 MHz spectrum (3Q 2016)
- Sport content
- Media production van
- Core NW upgrade and enhancement

## ■ Slovakia:

- 3G capacity & 4G coverage extension
- IT upgrade
- 3.4 & 3.7 GHz spectrum
- Accelerated 4G rollout in 4Q 2016

<sup>[1]</sup> excluding 1.8GHz and 2.6GHz spectrum (CZK 1.5bn)

## Higher assets driven largely by spectrum in 3Q...

...with no additional external financing

<i>CZK millions</i>	<b>31 Dec 2015</b>	<b>30 June 2016</b>	<b>30 Sep 2016</b>
<b>Non-current assets</b>	<b>21,420</b>	<b>20,673</b>	<b>21,690</b>
- of which Intangible Assets	16,147	15,568	16,672
- of which Property, Plant & Equipment	4,638	4,582	4,521
<b>Current assets</b>	<b>8,848</b>	<b>10,292</b>	<b>10,658</b>
- of which Cash & cash. Equiv.	1,970	3,095	3,524
<b>Total assets</b>	<b>30,268</b>	<b>30,732</b>	<b>32,347</b>
<b>Equity</b>	<b>18,344</b>	<b>15,437</b>	<b>16,725</b>
<b>Non-current liabilities</b>	<b>3,146</b>	<b>8,224</b>	<b>8,275</b>
- of which Long-term financial debt	2,970	7,975	7,976
<b>Current liabilities</b>	<b>8,778</b>	<b>7,304</b>	<b>7,320</b>