



# Telefónica O2 Czech Republic

Quarterly Results  
January – December 2008

24<sup>th</sup> February, 2009

A *Telefónica* company

# CAUTIONARY STATEMENT



Any forward-looking statements concerning future economic and financial performance of Telefónica 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 Telefónica 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 Telefónica O2 Czech Republic, a.s. could materially differ from those expressed in the forward-looking statements contained in this Presentation.

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



# 4Q & FY 2008 Performance Highlights

# 1



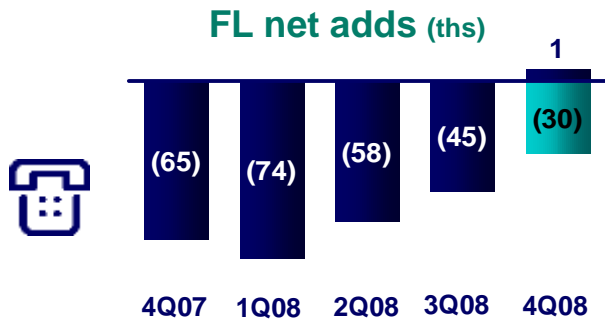


## 2008 performance highlights

- **2008 Full Year Guidance fulfilled** in all metrics
- **Strong 4Q revenues growth** supported by **fixed business** (ICT)
- **Positive mobile business** growth driven by **contract customer base** enhancement
- **Accelerated reduction of fixed access losses** driven by **strong broadband net adds** in 4Q
- **Solid customer base growth in Slovakia** in 4Q driven by new customers proposition
- **Healthy cash flow generation** through **financial discipline**

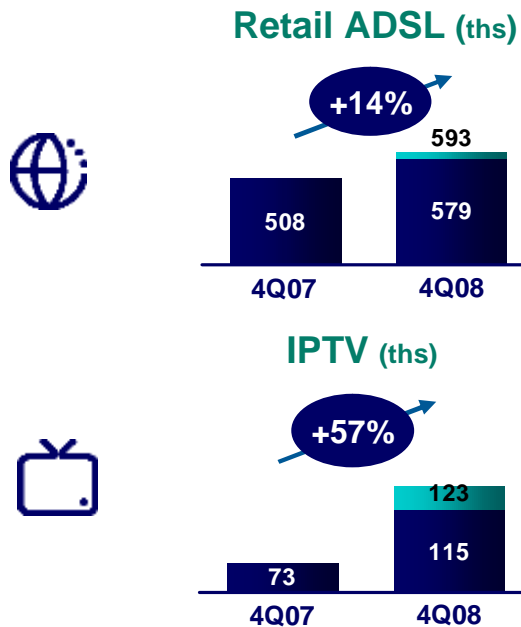
# Fixed business performance positively impacted by improvement of traditional services and uptake of BB

Containing fixed line accesses



- Accelerated reduction of fixed access losses supported by BB and bundles uptake

Unique value proposition



- Strong net adds in 4Q (excl. impact of one-off adjustments): IPTV 15k, retail ADSL 41k
- Number of bundles increased to 270k at 2008 YE (80k net adds in 4Q, up from 47k in 3Q)



# Mobile business growth continues to be driven by improving customer mix and broadband growth

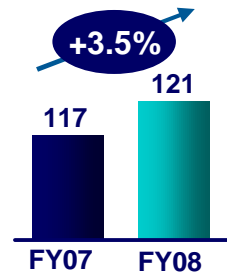
Improving customer quality



- 90k net adds in 4Q08, +8.2% y-o-y, helped by successful uptake of new flat rate based tariffs (O2 NEON)
- Contract customers represent 48% of total base at 4Q08, up from 44% a year ago

Fostering usage

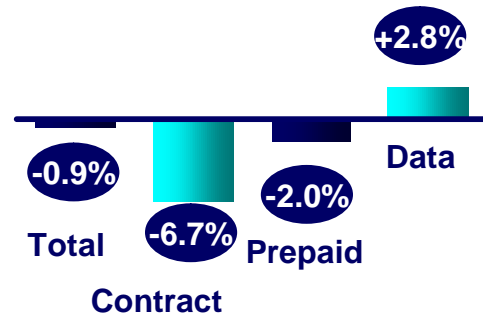
Mobile MoU (min.)



- Outgoing traffic (+10% y-o-y) on the back of customer base growth and MoU (+3.5% y-o-y)

Focusing on broadband

ARPU<sup>1)</sup> (czk)



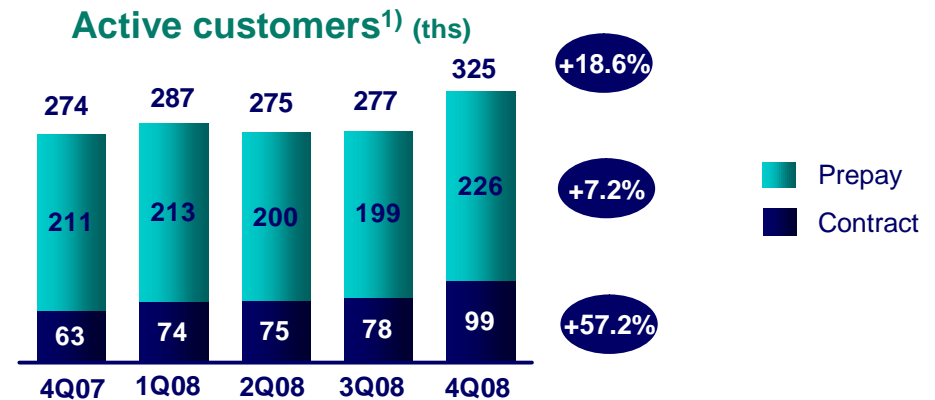
- Accelerated growth in data ARPU (+2.8% y-o-y in 2008, +3.3% y-o-y in 4Q08)
- Blended ARPU slightly down by 0.9% y-o-y to CZK 519 in 2008
- Growth in data customers (+19.2% y-o-y to 229k at 4Q08)

<sup>1)</sup> FY08/FY07



# Slovakia – marketing proposition boosted customer growth in 4Q, network rollout to improve profitability

- **New marketing proposition (O2 Fair)** launched in September driven by “price and simplicity” successfully sold also in 4Q ...

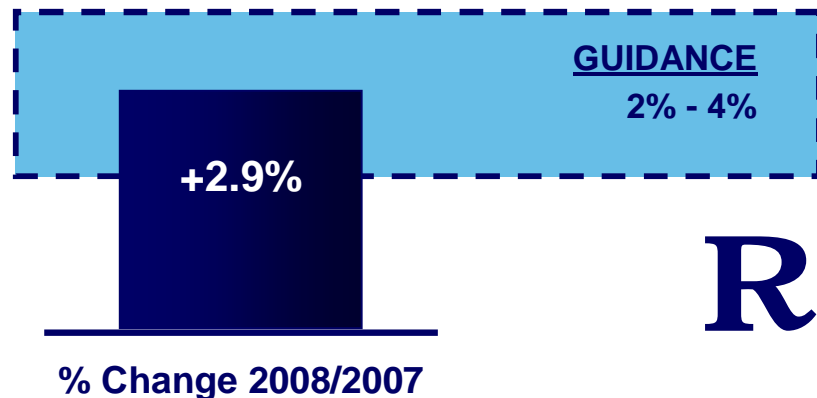


- ... and pushed the **total active<sup>1)</sup> customer base to 325k** at 2008YE (48k net adds in 4Q),
- **Revenue growth** driven by customer base increase and improving customer mix
- **Gradual shift from national roaming to own network continues** – 90% population coverage, 82% of customer generated traffic captured on own network
- **Bad debt ratios consistent with industry benchmarks**

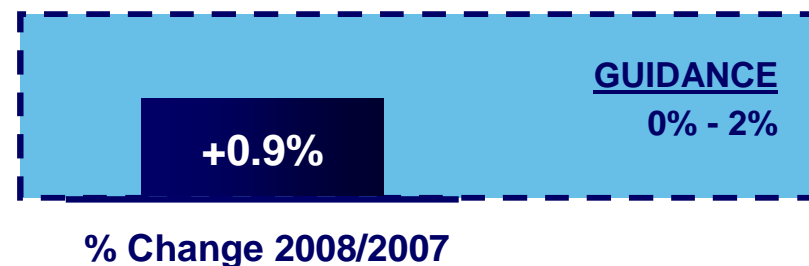
# 2008 Guidance achieved in all metrics

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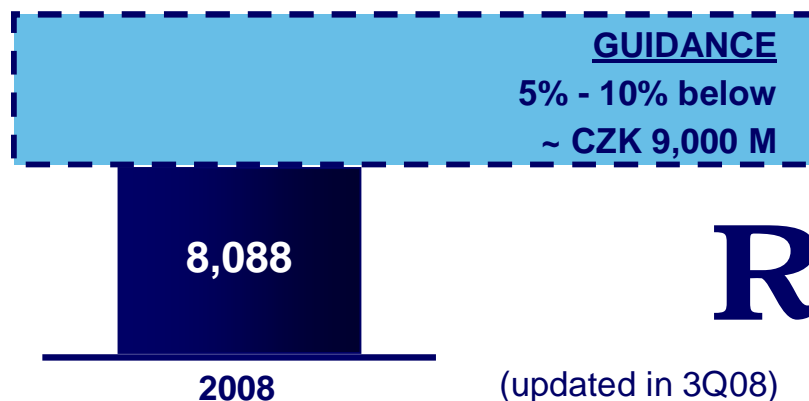
## Business Revenue Growth



## OIBDA<sup>(1)</sup> growth



## CAPEX (CZK million)



<sup>(1)</sup> In terms of guidance calculation, OIBDA excludes other exceptional revenues/expenses not foreseeable in 2008 (CZK 86 million of impairment charge, CZK 626 million of brand fees and CZK 727 million of gain from real estate sale made in 2Q). For comparison purpose, the equivalent other exceptional revenues/expenses registered in 2007 were also deducted from reported figures (base reported 2007 numbers exclude CZK 6 million of impairment charge).





# January – December 2008 Earnings Results

# 2

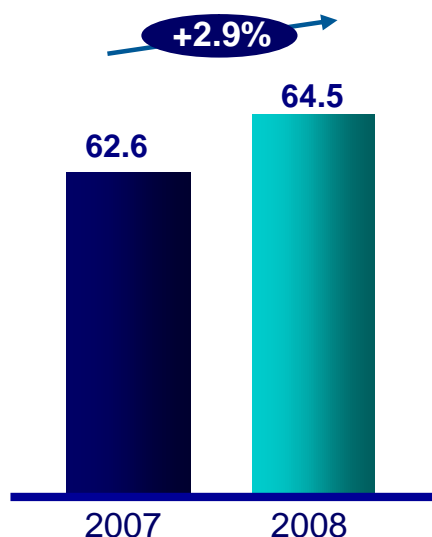


# Key Highlights of Group Financial Performance

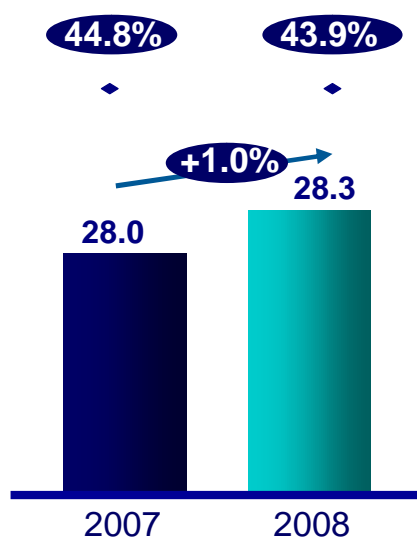


CZK millions	Jan - Dec 2007	Jan – Dec 2008	Change FY08/FY07
<b>Business revenues</b>	<b>62,637</b>	<b>64,450</b>	<b>2.9%</b>
<b>OIBDA <sup>1)</sup></b>	<b>28,032</b>	<b>28,312</b>	<b>1.0%</b>
<b>OIBDA margin <sup>2)</sup></b>	<b>44.8%</b>	<b>43.9%</b>	
<b>Net income</b>	<b>10,386</b>	<b>11,628</b>	<b>12.0%</b>
<b>Earnings per share (CZK)</b>	<b>32.2</b>	<b>36.1</b>	<b>12.1%</b>

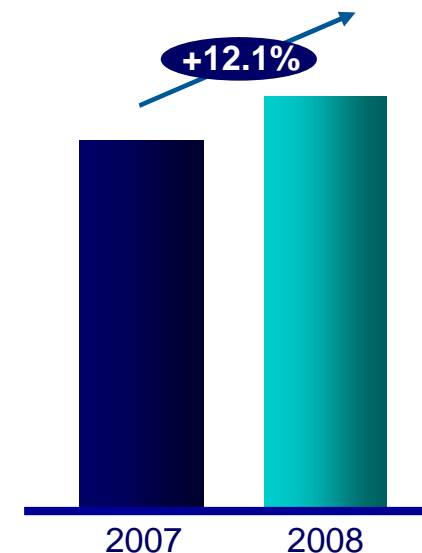
Group Business Revenue



Group OIBDA margin and OIBDA evolution <sup>1)</sup>



EPS (in CZK)

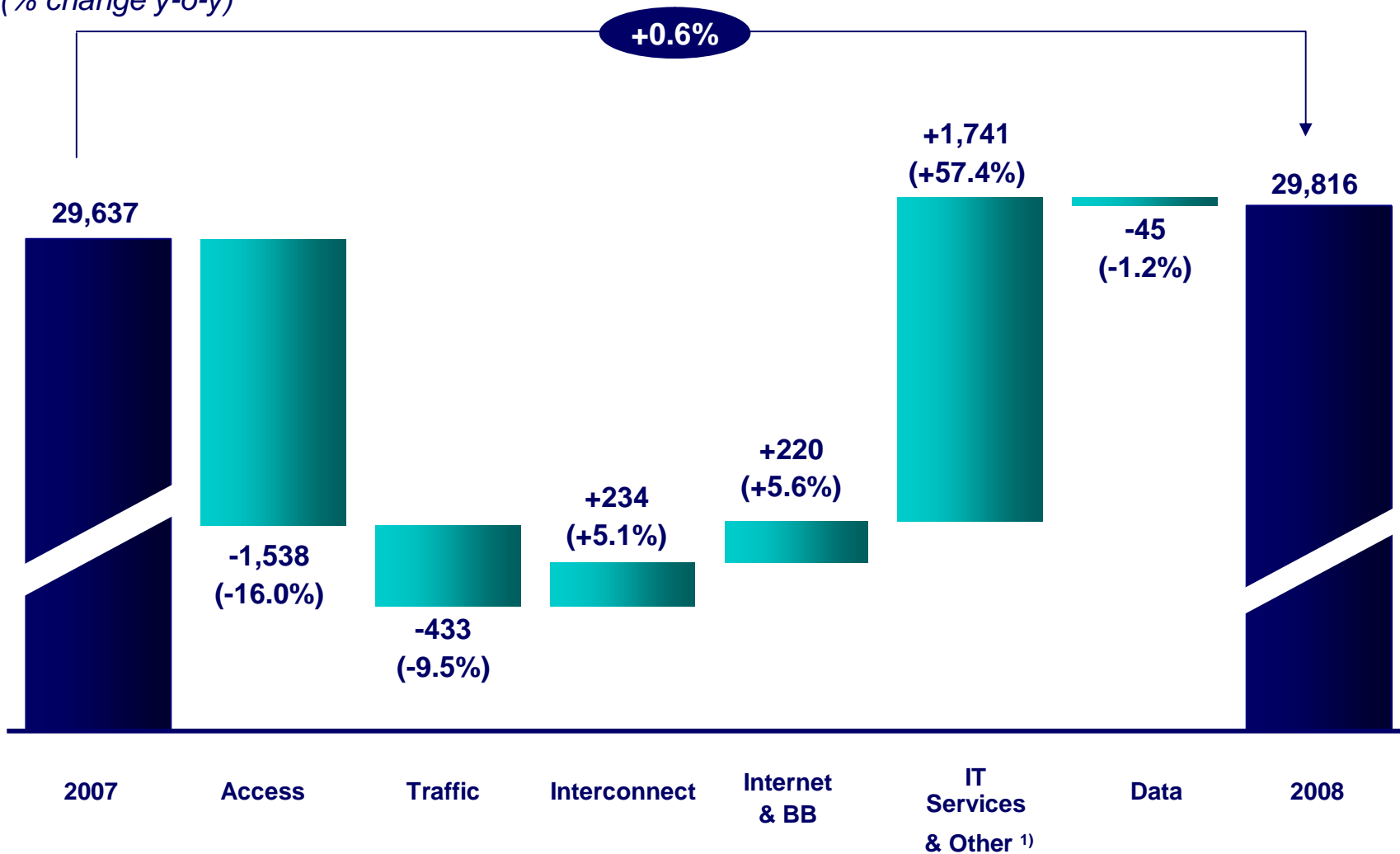


Notes: <sup>1)</sup> Including the impact of real estate sale, <sup>2)</sup> OIBDA margin = OIBDA/ Business revenues  
 Figures for F&M revenues do not include inter-segment charges between fixed and mobile segment

# CZ Fixed Business Revenues – sources of variation



CZK millions  
(% change y-o-y)

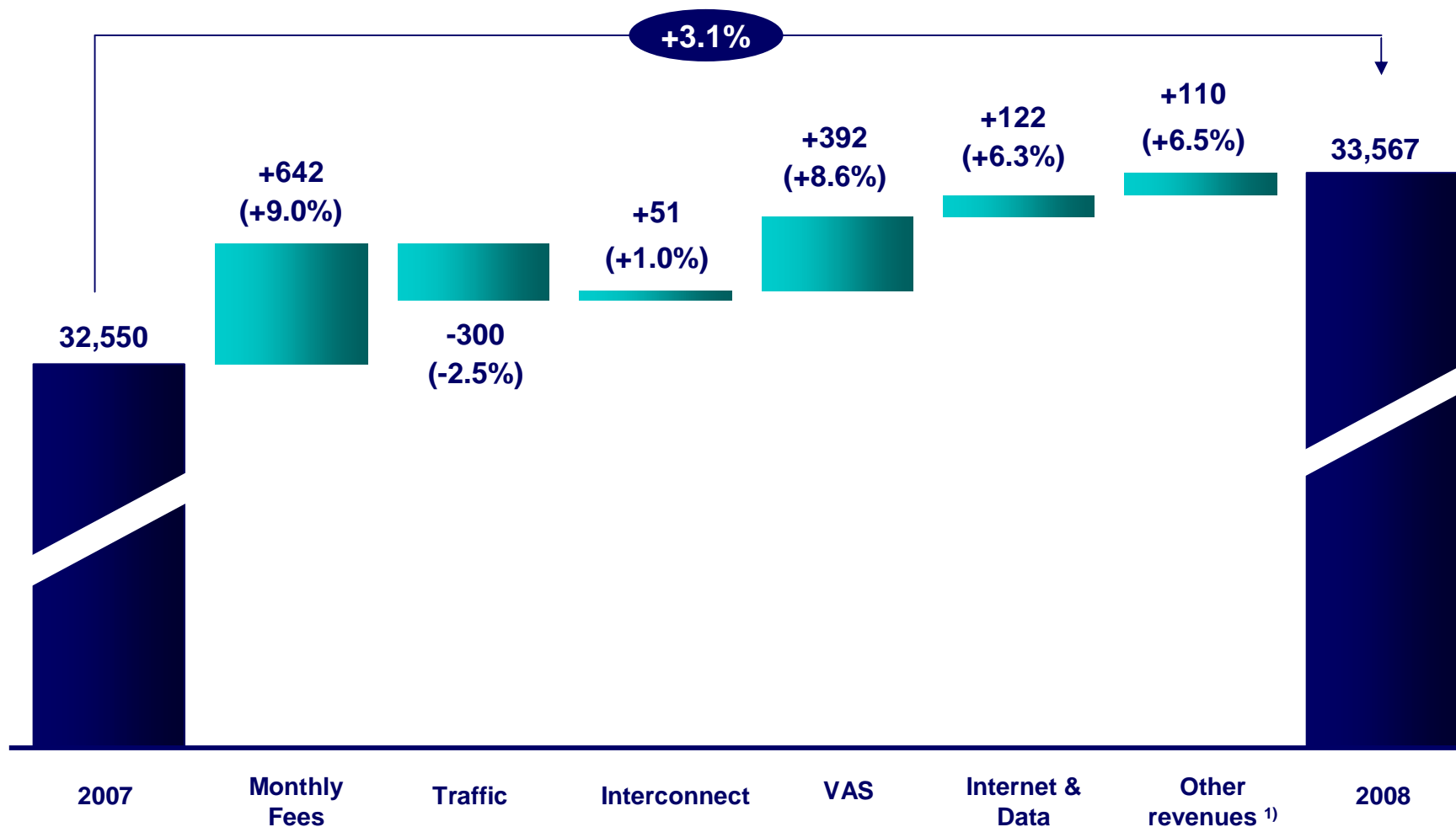


<sup>1)</sup> IT services and Other – incl. ICT, equipment sales, universal service and other revenues  
Figures excluding inter-segment charges between fixed and mobile segment

# CZ Mobile Business Revenues – sources of variation



CZK millions  
(% change y-o-y)

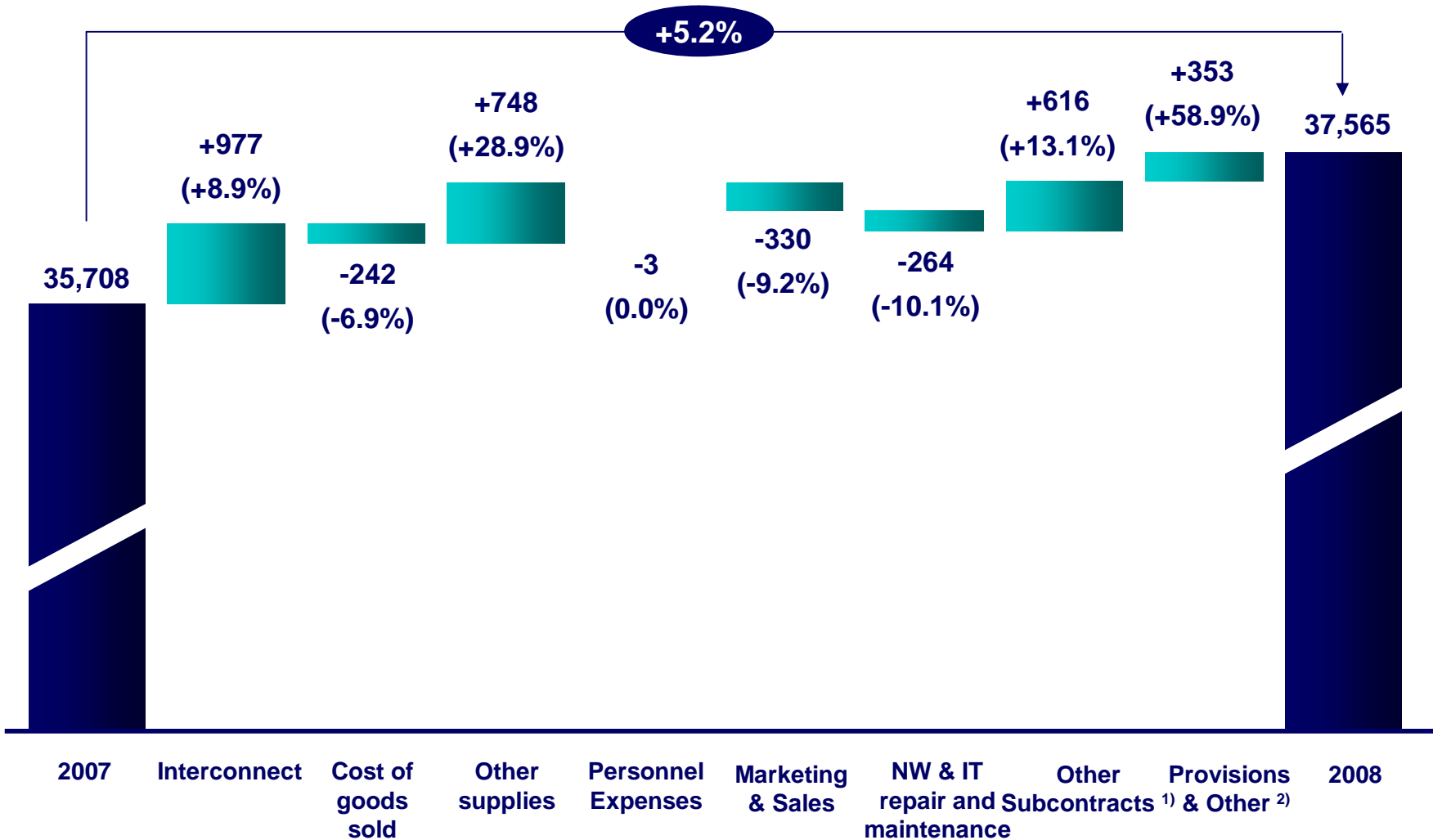


<sup>1)</sup> Other – incl. equipment sales and other business revenues  
 Figures do not include inter-segment charges between fixed and mobile segment

# Group OPEX – sources of variation



CZK millions  
(% change y-o-y)

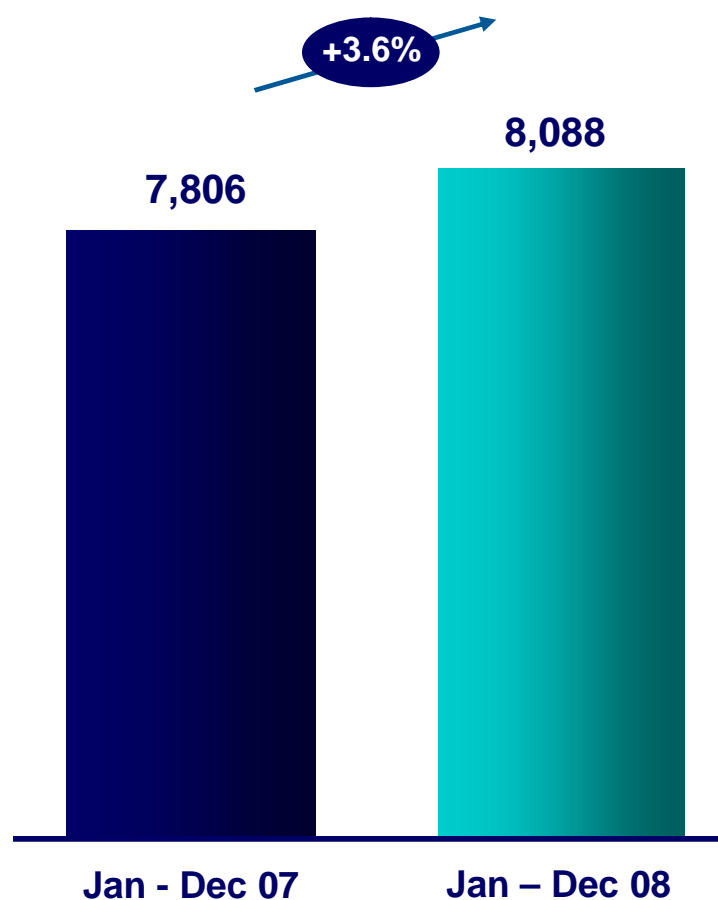


<sup>1)</sup> Other Subcontracts – incl. Rentals, Buildings, Vehicles, Utilities, Consultancy & Brand fees

<sup>2)</sup> Taxes = taxes other than income taxes, provisions and fees

# Group CAPEX

CZK millions



Selective and efficient investments to growth areas:

- Czech Republic – increase mobile BB coverage (mainly UMTS), GSM networks capacity and coverage, ADSL and IPTV capacity
- Slovakia – network rollout, systems & IT



# Group Balance Sheet & Group Cash Flow Statement



<i>CZK millions</i>	31 Dec 2007	31 Dec 2008	<i>Change Dec08/Dec07</i>
<b>Non-current assets</b>	<b>94,191</b>	<b>86,166</b>	<b>(8.5%)</b>
<b>Current assets</b>	<b>19,033</b>	<b>17,361</b>	<b>(8.8%)</b>
- of which Cash & cash. Equiv.	9,576	7,116	(25.7%)
<b>Total assets</b>	<b>113,552</b>	<b>103,623</b>	<b>(8.7%)</b>
<b>Equity</b>	<b>82,792</b>	<b>78,168</b>	<b>(5.6%)</b>
<b>Non-current liabilities</b>	<b>9,017</b>	<b>6,977</b>	<b>(22.6%)</b>
- Long-term financial debt	3,062	3,098	1.2%
<b>Current liabilities</b>	<b>21,743</b>	<b>18,478</b>	<b>(15.0%)</b>
- Short-term financial debt	6,207	98	(98.4%)
	<b>Jan - Dec 2007</b>	<b>Jan - Dec 2008</b>	<b>Change Dec08/Dec07</b>
Interest paid	(432)	(487)	+12.6%
Interest received	375	367	(2.1%)
Income tax paid	(4,078)	(4,859)	+19.1%
<b>Net cash from operating activities</b>	<b>23,899</b>	<b>21,842</b>	<b>(8.6%)</b>
<b>Net cash used in investing activities</b>	<b>(5,701)</b>	<b>(2,227)</b>	<b>(60.9%)</b>
- Of which purchase of PPE and intangibles	(5,654)	(6,916)	+22.3%
- Of which disposal of PPE an intangibles	74	4,586	<i>n.m.</i>
<b>Free cash flow <sup>1)</sup></b>	<b>18,319</b>	<b>19,512</b>	<b>6.5%</b>
<b>Net cash from financing activities</b>	<b>(16,083)</b>	<b>(22,075)</b>	<b><i>n.m.</i></b>



## 2009 Outlook & Guidance

# 3

# Outlook



- **Lead the mobile market** (flat rate tariffs, pre- to postpay migration)
- **Stabilise households access losses through 2P/3P bundling**
- Focus on **mobile broadband** (3G, Internet in mobile, F/M broadband bundles)
- **Slovakia** – focus on **customer growth and profitability**
- **Maximizing cash flow** through **OPEX and CAPEX efficiency**

# 2009 Investor Guidance



(CZK millions) **FY 2008 base** **FY 2009 Guidance**

<b>Revenues</b> <sup>(1)</sup>	<b>64,450</b>	<b>-3% to 0%</b>
<b>OIBDA</b> <sup>(2)</sup>	<b>29,024</b>	<b>-4% to 0%</b>
<b>Operating cash flow</b> <sup>(3)</sup>	<b>20,936</b>	<b>+2% to +5%</b>

<sup>1)</sup> In terms of 2009 guidance calculation, Revenues represent business revenues only

<sup>2)</sup> In terms of 2009 guidance calculation, OIBDA excludes brand fees and impairment charge. For comparison purpose, the equivalent items registered in 2008 are also deducted from reported figures (base reported 2008 numbers exclude CZK 86 million of impairment charge and CZK 626 million of brand fees).

<sup>3)</sup> Operating cash flow = OIBDA less CAPEX

2009 Guidance excludes changes in consolidation and assumes constant FX rates of 2008



## 2008 Dividend proposal

- Proposal to AGM of CZK 50 per share
- Total payment of CZK 16,104 million
- 13.3% dividend yield <sup>[1]</sup>