



**ČESKÝ TELECOM**

**in Q1 2005**

**New Fixed-Line Tariff Portfolio  
& Regulatory Changes**

May 9<sup>th</sup>, 2005



## **New Tariff Portfolio & Expected Impact**

Change Description

New Tariffs Description

**Regulatory Changes**

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## New Tariff Portfolio



## **New Tariff Portfolio & the Expected Impact**

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## New Tariff Portfolio ... time line

1<sup>st</sup> April

CTc introduces new flat rate tariffs **VOLNO** and **VOLNO PLUS**  
– free off-peak and weekend calling

25<sup>th</sup> April

CTO's decision on tariff rebalancing

28<sup>th</sup> April

CTc announces a completely new tariff portfolio

- New regulated tariffs
- Packages - Czech Weekend, Friends & Family
- New add-on packages (free call minutes)
- Free e-bill, CLIP

1<sup>st</sup> June

Planned migration of all existing customers to new tariffs

# 5 ... the change

## Completely new fixed-line tariff structure – introduced on April 28

- More transparent and simplified structure
- More competitive prices - below or at the level of competition
  - per-minute prices lowered to all destinations, esp. abroad and LD, for all tariffs
- Aim to stimulate higher fixed-line usage
  - to CTc fixed network - unlimited free calling in off-peak hours and at weekends
  - to mobile networks and abroad – substantially lower per-minute prices
- Comprehensive solution addressing all customer segments – 11 add-on packages
- Intention to migrate customers from regulated to non-regulated tariffs

## Residential Customers

### Two regulated tariffs - TELEFON STANDARD and TELEFON MINI, based on CTU's decision

- Reduction of monthly line rental by CZK 8 and CZK 14, respectively (*excl. 19% VAT*)
- Elimination of free call credit of CZK 86 (*excl. 19% VAT*)
- per-minute prices reduced for all calls by 5% up to 60%

# 6 ... the change

## Three non-regulated voice tariffs – TELEFON START, TELEFON VOLNO, VOLNO PLUS

- Per-minute prices reduced for all destinations, incl. abroad and to mobile networks
- Up to 10% cut in the monthly rental, elimination of free call credits as a part of subscription fee
- Per-minute prices based on regulated TELEFON STANDARD but offer 5-10% discounts and unlimited free calling for higher monthly rental fee

## Four voice-broadband tariff bundles

- Based on four voice tariffs but offering 5-35% discounts on per-minute call prices

## 11 add-on packages

- Free minutes for calls to fixed / mobile networks and abroad and for dial-up Internet

## Additional programs

- Friends & Family - 10% discount on call prices to 5 selective tel. numbers (fixed, mobile, abroad)
- Czech Weekends – prices for LD calls over weekends lowered to the level of local calls
- Value added services for free – detailed e-bill, CLIP and Memobox

# 7 ... the change

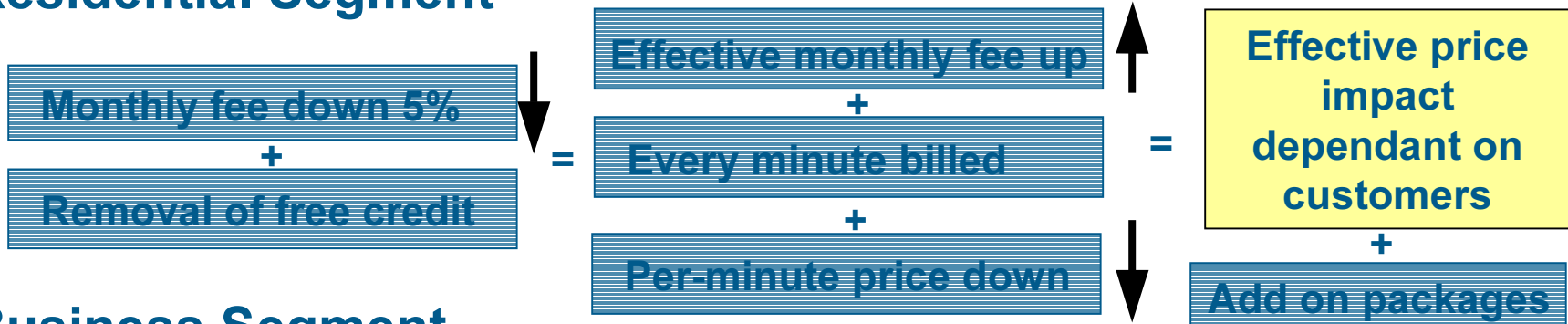
## Business Customers

### Two tariffs – Universal and Trend

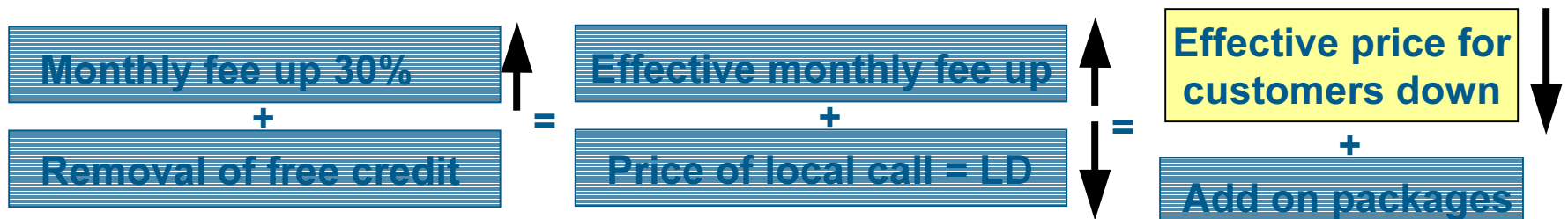
- over 90% of business customers will be migrated to Trend on June 1
- Full rebalancing at the level of monthly rental (no call credits included in subscription fee)
- Monthly rental up by CZK 115 (i.e. 30%), elimination of free call credit of CZK 95 (ex. 19% VAT)
- Uniform price for local and LD - price for LD calls lowered to the level of local calls
- Significantly cheaper call prices for all destinations including abroad and mobile networks
- Voice solutions for large customers offering discounts based on volume
- Comprehensive service offer

# 8 New Tariff Portfolio ... expected impact

## Residential Segment



## Business Segment



## Corporate & Gov. Segments





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## New Tariff Portfolio



**The Change ...**

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## Residential Segment - Telefon Standard

<i>In CZK</i>	<b>CTO's decision</b>	<b>Telefon Standard</b>	<b>Discount</b>	<b>Old Home Standard</b>	<b>Discount with Telefon Standard</b>
<b>Monthly fee</b>	329	<b>329</b>		339	<b>-2.95 %</b>
<b>Local calls</b>					
peak	1.58	<b>1.58</b>		1.58	
off-peak	0.75	<b>0.75</b>		0.79	<b>-5.06 %</b>
<b>weekend</b>	0.75	<b>0.75</b>		0.79	<b>-5.06 %</b>
<b>LD calls</b>					
peak	3.19	<b>3.19</b>		4.13	<b>-22.76 %</b>
evening	1.59	<b>1.59</b>		1.92	<b>-17.19 %</b>
night	1.59	<b>1.13</b>	<b>-28.93 %</b>	1.13	
<b>weekend</b>	1.59	<b>0.75</b>	<b>-52.83 %</b>	1.13	<b>-33.63 %</b>
<b>Mobile networks - CR</b>	-----	<b>6.50</b>		7.37	<b>-11.80 %</b>
<b>Abrod</b>					
Zone I	5.36	<b>5.30</b>	<b>-1.12 %</b>	9.06	<b>-41.50 %</b>
Zone II	5.83	<b>5.80</b>	<b>-0.51 %</b>	10.31	<b>-43.74 %</b>

Note: Prices are including a VAT of 19 %

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# Residential Segment - Telefon Mini

<i>In CZK</i>	CTO's decision	Telefon Mini	Discount	Old HOME MINI	Discount with Telefon Mini
<b>Monthly fee</b>	199	<b>199</b>		215,27	<b>-7.56 %</b>
<b>Local calls</b>					
peak	3.17	<b>3.17</b>		3.17	
off-peak	1.50	<b>1.50</b>		1.58	<b>-5.06 %</b>
<b>weekend</b>	1.50	<b>1.50</b>		1.58	<b>-5.06 %</b>
<b>LD calls</b>					
peak	6.38	<b>6.38</b>		8.27	<b>-22.85 %</b>
evening	3.19	<b>3.19</b>		3.84	<b>-16,93 %</b>
night	3.19	<b>2.26</b>	<b>-29.15 %</b>	2.26	
<b>weekend</b>	3.19	<b>1.50</b>	<b>-52.98 %</b>	3.84	<b>-60.94 %</b>
<b>Mobile networks - CR</b>	-----	<b>9.00</b>		10.09	<b>-10.80 %</b>
<b>Abrod</b>					
Zone I	10.60	<b>10.72</b>	<b>-1.11 %</b>	18.11	<b>-41.47 %</b>
Zone II	11.60	<b>11.66</b>	<b>-0.51 %</b>	20.61	<b>-43.42 %</b>

Note: Prices are including a VAT of 19 %

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# Residential Segment - Telefon Volno

<i>In CZK</i>	Telefon Volno	Old Telefon Víkend	Discount
<b>Monthly fee</b>	<b>429</b>	479	<b>-11.66 %</b>
<b>Local calls</b>			
peak	<b>1.50</b>	1.58	<b>-5.33 %</b>
off-peak	<b>0</b>	0.79	<b>-100 %</b>
<b>weekend</b>	<b>0</b>	0	
<b>LD calls</b>			
peak	<b>3.00</b>	3.18	<b>-6 %</b>
evening	<b>0</b>	1.70	<b>-100 %</b>
night	<b>0</b>	1.13	<b>-100 %</b>
<b>weekend</b>	<b>0</b>	0	
<b>Mobile networks - CR</b>	<b>6.69</b>	6.69	<b>-17.79 %</b>
<b>Abrod</b>			
Zone I	<b>4.50</b>	4.52	<b>-0.44 %</b>
Zone II	<b>5.00</b>	5.24	<b>-4.58 %</b>

Note: Prices are including a VAT of 19 %

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# Residential Segment - Telefon Volno Plus

<i>In CZK</i>	Telefon Volno Plus	Old Telefon Volno	Discount
<b>Monthly fee</b>	<b>499</b>	529	<b>-5.67 %</b>
<b>Local calls</b>			
peak	<b>1.40</b>	1.58	<b>-11.39 %</b>
off-peak	<b>0</b>	0	
<b>weekend</b>	<b>0</b>	0	
<b>LD calls</b>			
peak	<b>2.80</b>	3.18	<b>-11.95 %</b>
evening	<b>0</b>	0	
night	<b>0</b>	0	
<b>weekend</b>	<b>0</b>	0	
<b>Mobile networks - CR</b>	<b>6.69</b>	6.69	<b>-23.02 %</b>
<b>Abrod</b>			
Zone I	<b>4.00</b>	4.52	<b>-11.5 %</b>
Zone II	<b>4.50</b>	5.24	<b>-14.12 %</b>

Note: Prices are including a VAT of 19 %

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# Business Segment - Trend

<i>In CZK</i>	<b>CTO's decision</b>	<b>Trend</b>	<b>Discount</b>	<b>Old Business Standard</b>	<b>Discount With Trend</b>
<b>Monthly fee</b>	495	<b>495</b>		379,88	<b>+30.30 %</b>
<b>Local calls</b>					
peak	1.33	<b>1.09</b>	<b>-18.05 %</b>	1.33	<b>-18.05 %</b>
off-peak	0.63	<b>0.63</b>		0.66	<b>-4.55 %</b>
<b>weekend</b>	0.63	<b>0.63</b>		0.66	<b>-4.55 %</b>
<b>LD calls</b>					
peak	2.68	<b>1.09</b>	<b>-59.33 %</b>	3.23	<b>-66.25 %</b>
evening	1.34	<b>0.63</b>		1.61	<b>-60.87 %</b>
night	1.34	<b>0.63</b>	<b>-52.99 %</b>	0.95	<b>-33.68 %</b>
<b>weekend</b>	1.34	<b>0.63</b>	<b>-52.99 %</b>	1.61	<b>-60.87 %</b>
<b>Mobile networks - CR</b>	-----	<b>4.29</b>		5.90	<b>-27.29 %</b>
<b>Abrod</b>					
Zone I	4.50	<b>2.99</b>	<b>-33.56 %</b>	6.66	<b>-55.11 %</b>
Zone II	4.90	<b>3.99</b>	<b>-18.57 %</b>	7.71	<b>-43.74 %</b>

Note: Prices are including a VAT of 19 %

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## New Tariff Portfolio



**The New Offer ...**

## Residential Voice Tariffs

### Regulated Tariffs

Telefon Standard	Telefon Mini	Telefon Start	Telefon Volno	Telefon Volno Plus
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### Non-regulated Tariffs

## Residential Voice Tariffs with Internet Expres

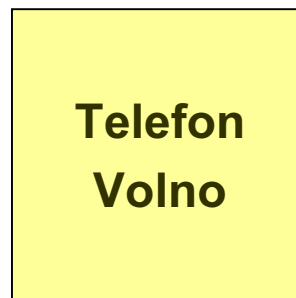
Telefon Expres	Telefon Expres Start	Telefon Expres Volno	Telefon Volno Plus
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# 17 New Tariff Portfolio ... expected impact



60 free minutes  
to fixed line  
anytime



Free off-peak  
and weekend  
calling



60 free minutes  
to fixed line  
Free off-peak and  
weekend calling

Per-minute prices:  
based on  
Telefon Standard



Per-minute prices:  
5% discount vs.  
Telefon Start



Per-minute prices:  
10% discount vs.  
Telefon Start

# 18 New Tariff Portfolio ... expected impact

Telefon  
Standard

▼  
Monthly fee  
+  
Internet Expres  
=  
=

Telefon  
Expres

Per-minute prices:  
15-20% discount compared to  
Telefon Standard

Telefon  
Start

▼  
Monthly fee  
+  
Internet Expres  
=  
=

Telefon  
Expres  
Start

Per-minute prices :  
15-20% discount compared to  
Telefon Start

Telefon  
Volno

▼  
Monthly fee  
+  
Internet Expres  
=  
=

Telefon  
Expres  
Volno

Per-minute prices :  
• 10 % discount vs.  
Telefon Volno  
• Free calling

Telefon  
Volno Plus

▼  
Monthly fee  
+  
Internet Expres  
=  
=

Telefon  
Volno  
Plus

Per-minute prices :  
• 5 % discount vs.  
Telefon Volno Plus  
• Free calling

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## Residential Tariffs Overview

<i>In CZK</i>	<b>Telefon Standard</b>	<b>Telefon Mini</b>	<b>Telefon Start</b>	<b>Telefon Volno</b>	<b>Telefon Volno Plus</b>
<b>Monthly rental fee</b>	329	199	399	429	499
<b>Local calls</b>					
peak	1.58	3.17	1.58	1.50	1.40
off-peak	0.75	1.50	0.75	0	0
weekend	0.75	1.50	0.75	0	0
<b>Long distance calls</b>					
peak	3.19	6.38	3.19	3.00	2.80
evening	1.59	3.19	1.59	0	0
night	1.13	2.26	1.13	0	0
weekend	0.75	1.50	0.75	0	0
<b>Mobile networks</b>	6.50	9.00	5.89	5.50	5.15
<b>Internet dial-up</b>					
I. band – up to 10. min.	1.58	2.26	1.50	1.50	1.50
I. band – after 10 min.	0.90	1.30	0.84	0.84	0.83
II. band – up to 10. min.	0.62	0.90	0.60	0.60	0.60
II. band – after 10 min.	0.29	0.39	0.26	0.26	0.24

*Note: Prices are including a VAT of 19 %*

# Residential Tariffs Overview - with Internet Expres

*In CZK*

	<b>Telefon Expres</b>	<b>Telefon Expres Start</b>	<b>Telefon Expres Volno</b>	<b>Telefon Expres Volno Plus</b>
<b>Monthly rental fee</b>	329	399	429	499
<b>Local calls</b>				
peak	1.33	1.33	1.33	1.33
off-peak	0.65	0.65	0	0
weekend	0.65	0.65	0	0
<b>Long distance calls</b>				
peak	2.33	2.33	2.33	2.33
off-peak	1.00	1.00	0	0
weekend	0.65	0.65	0	0
<b>Mobile networks</b>	5.15	5.15	5.15	5.15

*Note: Prices are including a VAT of 19 %*

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## Business Tariffs Overview

*In CZK*

	Trend	Universal
<b>Monthly rental fee</b>	495	495
<b>Local calls</b>		
peak	1.09	1.09
off-peak	0.63	0.63
weekend	0.63	0.63
<b>Long distance calls</b>		
peak	1.09	1.42
off-peak	0.63	0.82
weekend	0.63	0.82
<b>Mobile networks</b>	4.29	4.29

*Note: Prices are excluding a VAT of 19 %*

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## New Tariff Portfolio



## The Regulatory Decision

# New Regulatory Changes ... overall positive

## New Teleco Act

### New Electronic Communications Act – effective as of May 1, 2005

- Fairer and more transparent regulatory environment in line with EU NRF
- Revision of current and new regulatory decisions based on market analysis
- Personnel changes in CTO; decision-making shifted to a 5-member Counsel
- Mobile number portability – expected as of January 1, 2006

## Tariff rebalancing

### First decision of CTO on rebalancing after three years

- Residential monthly line rental effectively increased by app. 30%
- Full rebalancing of business monthly line rental (increased by app. 65%)
- Decision is revenue positive but focus on customer retention is key

## Interconnected charges

Termination charges to mobile networks reduced by 2.5% (April 1)

Termination charges to fixed networks reduced by 5% (April 25)

# New Regulatory Changes ... overall positive

## ADSL

### Amended regulatory decision on wholesale ADSL charges

- SUALL fee newly included in wholesale ADSL charges in all cases
- SUALL lowered by 43% - anticipated reduction in retail ADSL charges followed by higher sales volumes

## LLU

### First regulatory decision on LLU prices

- Shared access monthly charges (SUALL) cut by 43%,  
Full access monthly charges (FUALL) cut by 18%,  
One-off charge cut by 53 % in line with CTc strategy
- Setting fair conditions for all parties

## Dial-up Internet

### Favourable decision on Internet dial-up termination charges

- Minimum termination charge cut by 50 %
- Maximum origination charges equal to voice charges (cut by 5%)



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# 26 CAUTIONARY STATEMENT

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

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