



Telefónica O2 Czech Republic

Quarterly Results
January – June 2007

26th July, 2007

Telefónica

O₂

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.

1H 2007 Business Highlights & Outlook

1

1H 2007 Highlights

- **Solid financial performance**
- **Continued strong mobile performance**
- **Reversing trend in fixed revenues driven by broadband and ICT**
- **Fixed line proposition enhancement via bundles and convergent offer**
- **Customer oriented organization**
- **2007 full year financial guidance supported**

Solid set of results in 1H07...

(CZK Millions)

	Jan - Jun 2006	Jan - Jun 2007	Change 1H07/1H06
Revenues	30,102	31,070	+3.2%
Operating Income before D&A (OIBDA)	14,505	14,181	-2.2%
Operating income	6,062	6,710	+10.7%
Net Income	4,282	4,891	+14.2%
Free Cash Flow	7,813	9,641	+23.4%

6

focus on 3 growth areas in 2007...

Broadband

- **ADSL**
- **Bundles/Convergence**

Mobile

- **Postpaid**
- **Consumption**

Business solutions

- **Projects**

...that delivered tangible results

- Speed upgrade completed (+90%)
- ADSL Start – New product
- Family of new bundles launched
- 24k net adds in 2Q / +37% y-o-y growth

- Significant migrations
- 42% share of postpaid (36% in 1H06)
- 19% y-o-y growth in traffic

- Confirmed leadership in Corporate and Government segments
- Impact on financials

The main challenges for 2007 are around the customer...

Customer experience enhancement is key target

Service delivery

- Service provisioning (new installations)
- Service assurance (fault repairs)

Customer care

- First call resolution
- Integration (POS, corporate customer care, corporate and business systems)

Branding

- Very high recognition and consideration levels
- Spontaneous brand awareness

Culture

- New headquarters
- Positive evidence of aligning cultures

ICT Strategy – network centric ICT system integrator

**Customer environment
User devices**



Mobile Laptop
Wi-Fi

Telephone PC

Printer

PABX/LAN



PABX Hub / Router

LAN Services




Managed Services



Video conferencing
Audio conferencing
E-mail,
office automation
Instant messaging

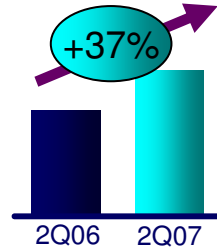
Outsourcing



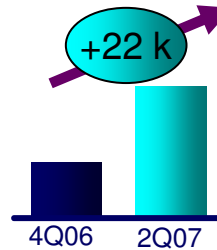
Server Hosting Data Storage
Archiving Services

Key fixed line operational indicators

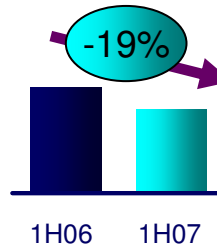
Leading
broadband
growth



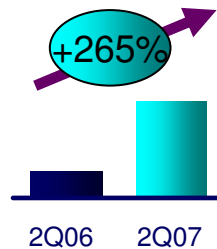
Gaining
share in
IPTV



Containing
line loss



ICT/
Business
Solution



ADSL

- Sustaining broadband market share
- 57k net adds in 1H07
- Fundamental part of 2-Play and 3-Play offer

IPTV

- Unique content proposition
- 38k customers @ 2Q06
- 3% market share on Pay TV market

Fixed lines net losses

- Improvement in fixed line cancellation
- Gross adds improvement
- Focus on Bundles and Value proposition upgrade

ICT Services

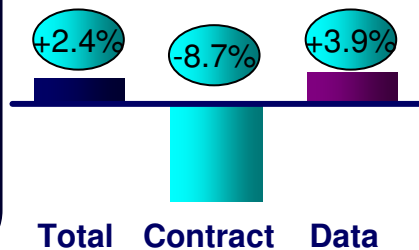
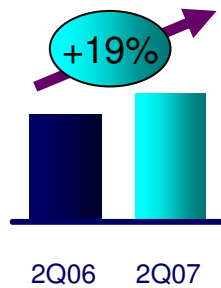
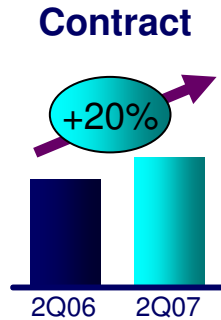
- Primarily Corporate and Government
- Unified SME solutions in pipe line
- Gain control over more customers

Key mobile operational indicators

Driving customer retention

Fostering usage

Focusing value



Customer base

- 20.3% y-o-y growth driven by contract
- Improving customer mix
- Positive impact on usage and ARPU

Mobile traffic

- Traffic stimulation activities
- Improving customer mix
- Outgoing traffic +22.2% y-o-y

ARPU

- Improving blended ARPU
- Contract ARPU diluted by migrations
- Data ARPU growth driven by CDMA and UMTS

Slovakia – Challenging opportunities to capture

Our Plan

Gained 5% market share

Modern / Own distribution network

Brand/Innovation

Leverage on CZ operations to contain costs

... how we are doing



On track, 455k registered customers at 1H 2007



12 brand shops
> 3,500 indirect POS
online distribution



68% spontaneous brand awareness



NW planning & monitoring
Support function, Call centers

Guidance & Outlook

- **Full year financial guidance maintained**
 - **Revenues: 1 - 3%,**
 - **OIBDA: -1 - 0%,**
 - **CAPEX: CZK 9 billion**
- **2H 2007 focus**
 - **Broadband & ICT**
 - **Mobile performance**
 - **Customer experience improvements**
 - **Slovak business**

In terms of guidance calculation, OIBDA excludes other exceptional revenues/expenses not foreseeable in 2007. For comparison purpose, the impairment charge registered in 2006 was also deducted from reported figures

Basis for guidance: revenues of CZK 61,311 mil. and OIBDA of CZK 28,159

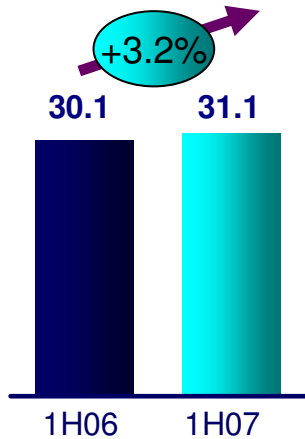
Guidance assumes constant exchange rates as of 2006

1H 2007 Financial Results

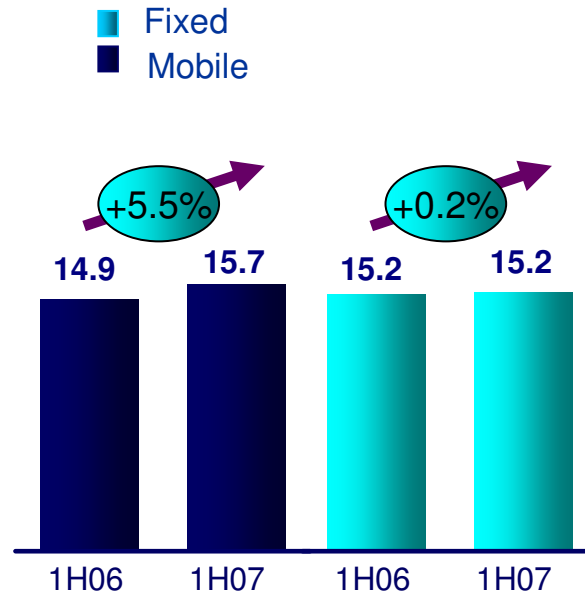
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Revenue and OIBDA growth

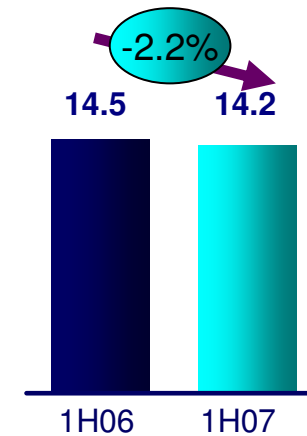
Group Revenue evolution
(CZK in billion)



F&M Revenue y-o-y growth
(CZK in billion)



Group OIBDA evolution
(CZK in billion)



Group Financial Performance

(CZK millions)	Jan - Jun 2006	Jan – Jun 2007	Change 1H07/1H06
Revenues	30,102	31,070	3.2%
Internal expenses capitalized in fixed assets	403	291	(27.8%)
Operating Costs	(15,956)	(17,143)	7.4%
Other operating expense	(35)	(79)	125.7%
Gain on sale of fixed assets	29	32	10.3%
Impairment of fixed assets	(38)	10	n.m.
OIBDA ¹⁾	14,505	14,181	(2.2%)
OIBDA margin ²⁾	48.5%	45.9%	
Depreciation and amortization	(8,443)	(7,471)	(11.5%)
Operating Income	6,062	6,710	10.7%
Net financial expense	(162)	(56)	(65.4%)
Income before taxes	5,900	6,654	12.8%
Income taxes	(1,618)	(1,763)	9.0%
Net income	4,282	4,891	14.2%

Note: Unaudited, according to IFRS

1) OIBDA = Revenues + internal expenses capitalized in FA – OPEX – other expenses + gain on sale of FA - impairment

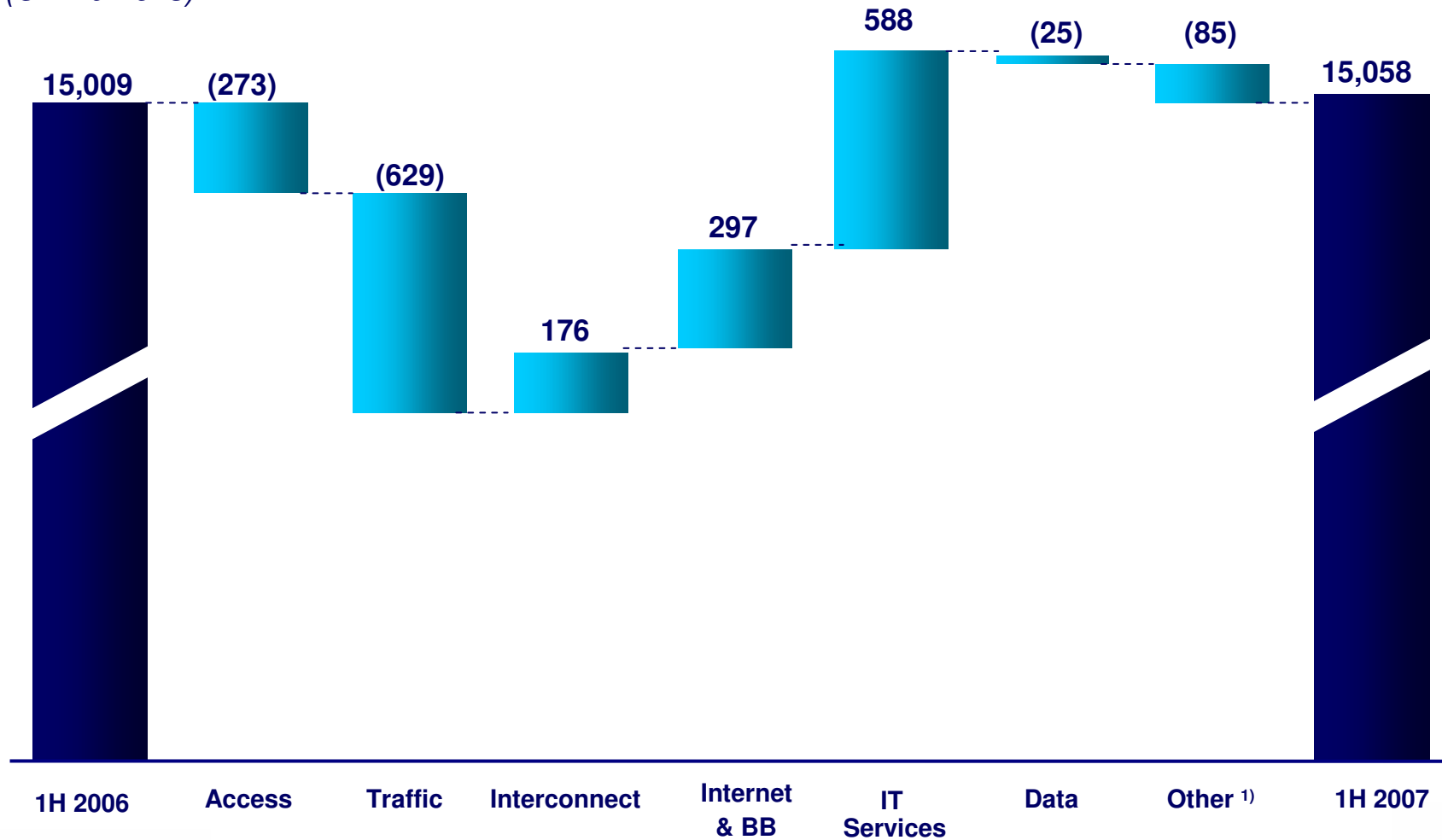
2) OIBDA margin = OIBDA/ Business revenues

CZ Fixed Operational Performance

(thousands)	30 June 2006	30 June 2007	change Jun07/Jun06
Accesses	3,308	2,909	(12.1%)
<i>Final Client Accesses</i>	3,229	2,804	(13.2%)
Fixed Telephony Accesses ¹⁾	2,666	2,207	(17.2%)
Internet and Data Accesses	563	559	(0.7%)
- Narrowband	224	86	(61.8%)
- Broadband (ADSL)	326	462	41.8%
- Other ²⁾	13	11	(15.4%)
Pay TV	0	38	n.m.
<i>Wholesale Accesses</i>	79	106	33.5%
Unbundled loops	12	36	n.m.
Wholesale ADSL	60	64	7.0%
Other ³⁾	7	6	(19.1%)
Voice outgoing traffic (mil. minutes)	1,785	1,435	(19.6%)
Dial-up outgoing traffic (mil. minutes)	767	242	(68.5%)

CZ Fixed Business Revenues – sources of variation

(CZK billions)



¹⁾ Other – incl. equipment sales and value added services

Figures excluding inter-segment charges between fixed and mobile segment; subsidiaries and related inter-company transactions and adjustments are not included

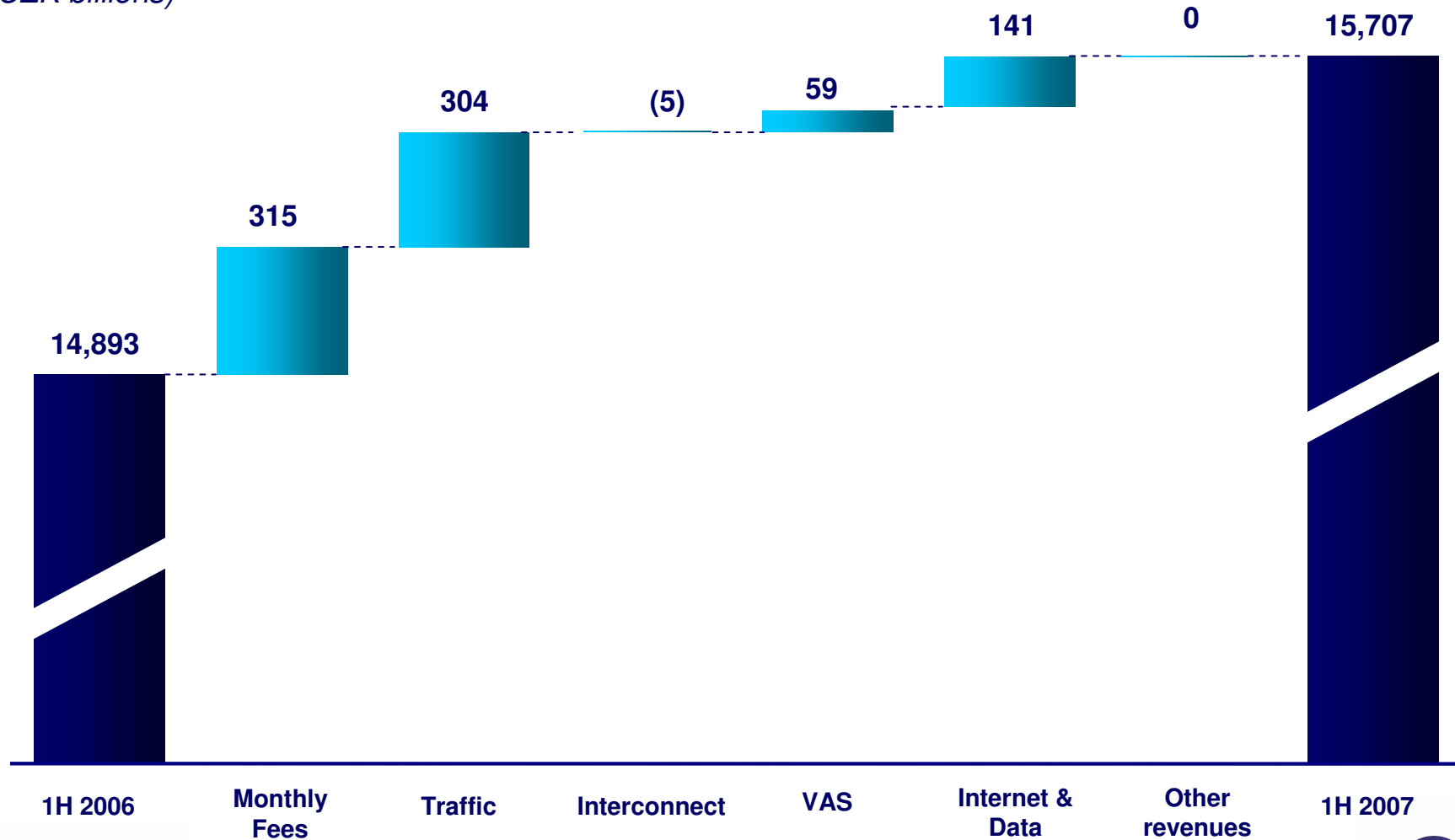
CZ Mobile Operational Performance

(thousands)	30 June 2006	30 June 2007	change Jun07/Jun06
No. of registered customers	4,770	4,894	2,6%
- contract	1,727	2,077	20.3%
- prepaid	3,043	2,817	(7.4%)
Data customers ¹⁾	155	177	14.2%
ARPU blended (CZK)	498	510	2.4%
contract ARPU (CZK)	992	906	(8.7%)
prepaid ARPU (CZK)	232	241	3.9%
data ARPU blended (CZK)	105	108	2.9%
non-SMS data ARPU as % of data ARPU	39%	42%	6.7%
Average MOU blended (in & outbound)	99	115	16.2%
Total no. of SMS (millions)	1,382	1,501	8.6%

1) GPRS flat fee and CDMA (mobile broadband Internet) customers

CZ Mobile Business Revenues – sources of variation

(CZK billions)

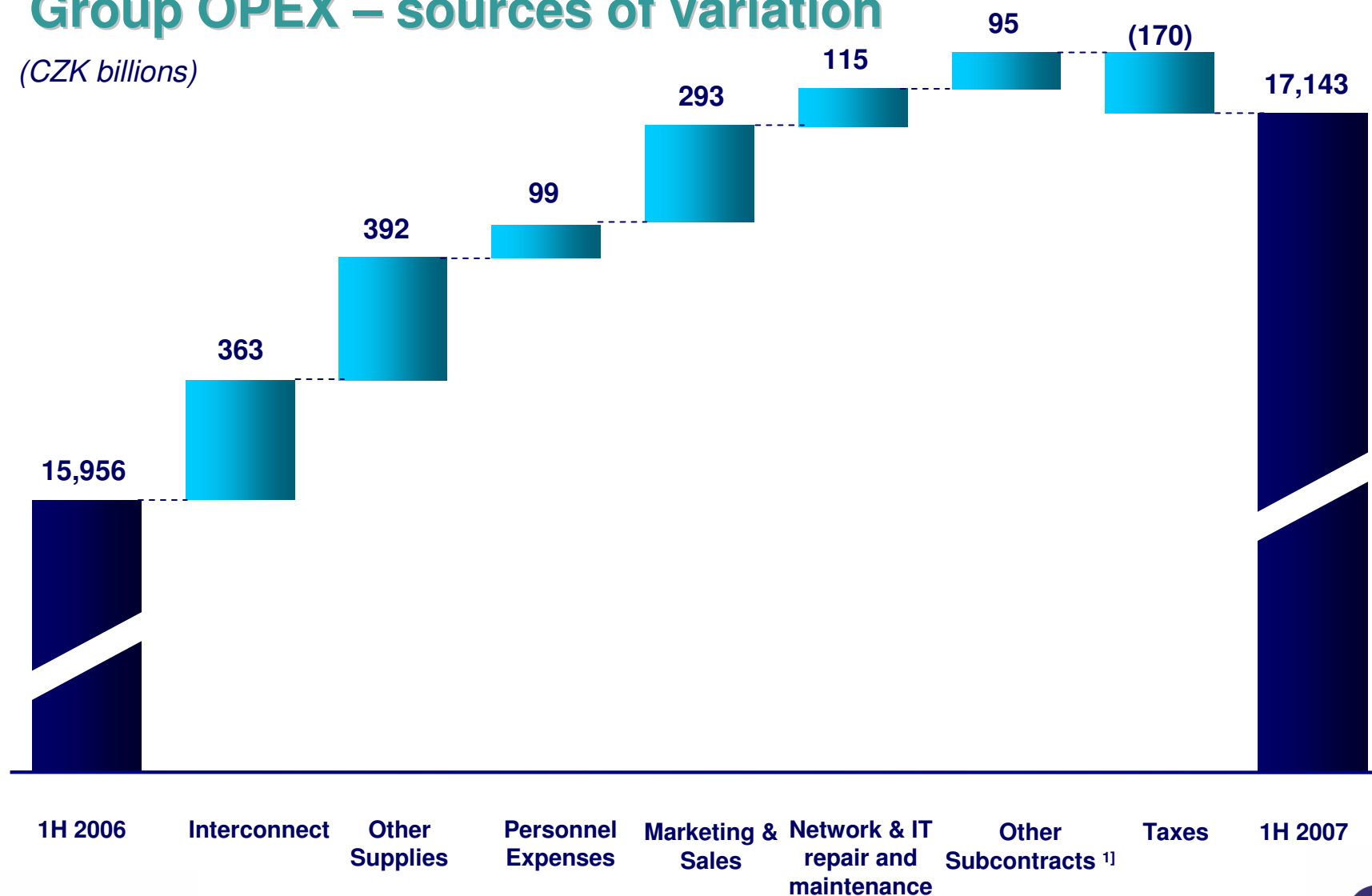


¹⁾ Other – incl. equipment sales and IT services

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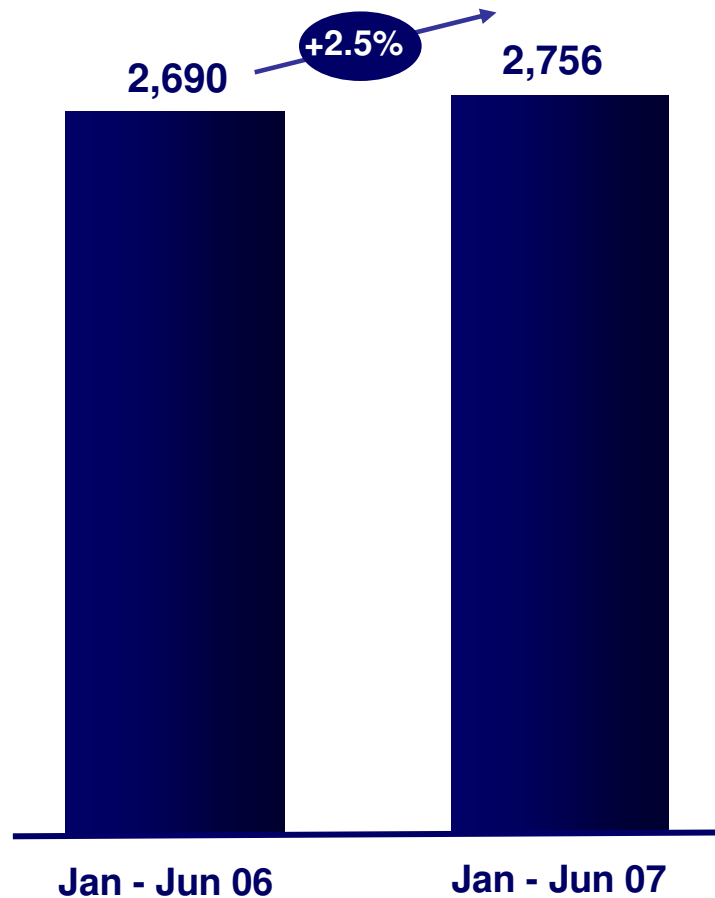
Group OPEX – sources of variation

(CZK billions)



CAPEX

(CZK millions)



- Overall Group CAPEX growing due to due to Slovak operations launch
- CAPEX in Czech Republic slower in 1H07 as most of the network capacities dedicated on Slovak project deployment
- Investments into UMTS, CDMA and ADSL based on actual consumption

Group Cash Flow Statement

(CZK millions)	Jan - Jun 2006	Jan – Jun 2007	Change 1H07/1H06
Interest paid	(2)	1	0.0%
Interest received	68	133	95.6%
Income tax paid	(2,146)	(1,423)	(33.7%)
Net cash from operating activities	11,187	12,143	8.5%
Net cash from investing activities	(3,415)	(2,448)	(28.3%)
- purchase/disposal of PPE and intangibles	(3,374)	(2,502)	(25.8%)
- marketable securities	-	54	n.m.
- grant/(payment) of loan	(41)	-	n.m.
Free cash flow I ¹⁾	7,813	9,641	23.4%
Free cash flow II ²⁾	7,747	9,507	22.7%
Net cash from financing activities	-	-	0.0%

Note: Unaudited, according to IFRS

1) Net cash from operating activities less Net cash from investing activities excl. marketable securities and purchase of financial investments

2) Net operating cash less Net investing cash excl. marketable securities, purchase of financial investments and interest

Group Balance Sheet

(CZK millions)	30 June 2006	30 June 2007	<i>change Jun07/Jun06</i>
Non-current assets	105,558	96,175	(8.9%)
Current assets	21,005	26,870	27.9%
- Cash & cash. Equiv.	11,301	17,185	52.1%
- Short term fin.investments	63	79	25.4%
Total assets	126,810	123,268	(2.8%)
Equity	84,772	77,268	(8.9%)
Non-current liabilities	17,199	16,227	(5.7%)
- Long-term financial debt	9,268	9,298	0.3%
Current liabilities	24,839	29,773	19.9%
- Short-term financial debt	407	408	0.2%
Gross gearing	11.4%	12.6%	
Net gearing ¹⁾	-2.0%	-9.8%	