

ČESKÝ TELECOM

2004 First Quarter Results

Conference call



Gabriel Berdár, Chairman of Board of Directors and CEO

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CAUTIONARY STATEMENT:

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

ČESKÝ TELECOM in the First Quarter 2004

- Enhanced financial profile of the group, following acquisition of 49% of Eurotel
- Eurotel is fully consolidated, i.e. 100%

- Solid financial results for both, the fixed and mobile businesses:
 - high EBITDA performance and margins
 - capex efficiency
 - strong free cash flow
 - comfortable levels of debt

- Transformation goals on track

1Q 2004 – Changes in environment

- VAT rate increased to 22% from 5%
- Corporate tax rate reduced to 28% from 31%
- Reduced interconnection charges to fixed-line and mobile networks

Corporate actions in 1Q 2004

- New fixed line tariff packages
- Push for VAS & data services in both mobile and fixed line segments
- Competitive pricing

Operational overview

3 months ended March 31

Fixed line	2003	2004	Chg.
Telephone lines (in thous.)	3,645	3,521	(3%)
of which ISDN channels (in thous.)	427	489	15%
ADSL connections (in thous.)	0.2	20	<i>n.m.</i>
Internet customers (in thous.) ¹⁾	751	883	18%
Avg. Monthly MOU per customer	310	292	(6%)
Dial-up minutes % of traffic	53.5%	55.3%	
Employees	13,479	10,799	(20%)
Lines per Employee	270	326	21%
Mobile			
Number of customers (in thous.)	3,951	4,283	8%
of which Data non-stop customers	0	50	<i>n.m.</i>
Avg. Monthly MOU per customer	87	82	(6%)
Avg. Monthly SMS per customer	46	45	(2%)
Number of employees	2,439	2,448	0%
Customers per employee	1,620	1,750	8%

¹⁾ paid (IOL) and free (Quick.cz) internet access

Consolidated Income Statement

(in CZK mil.)	For the 3 months ended March 31						Group Chg.
	2003			2004			
	Fixed	Mobile	Group	Fixed	Mobile	Group	
Revenues	9,465	3,247	12,712	8,430	6,600	15,030	18%
Operating costs excl. D&A	(4,739)	(1,642)	(6,381)	(4,129)	(3,327)	(7,456)	17%
EBITDA	4,726	1,605	6,331	4,301	3,273	7,574	20%
<i>EBITDA margin</i>	<i>50%</i>	<i>49%</i>	<i>50%</i>	<i>51%</i>	<i>50%</i>	<i>50%</i>	
D&A	(4,015)	(608)	(4,623)	(3,669)	(1,547)	(5,216)	13%
EBIT	711	997	1,708	632	1,726	2,358	38%
Net fin. charges			(283)			(760)	169%
EBT			1,425			1,598	12%
Net income			971			1,399	44%

Note: consolidated, under IFRS.

First quarter 2003 results are based on proportional 51% consolidation of Eurotel. First quarter 2004 results are based on full consolidation of Eurotel.

Consolidated Balance Sheet

(CZK mil.)	March 31, 2003	March 31, 2004	<i>Chg.</i>
Fixed assets	127,523	135,283	6.1%
Current assets	28,382	15,356	(45.9%)
<u>- Cash & cash equiv.</u>	<u>18,481</u>	<u>4,595</u>	<u>(75.1%)</u>
Total assets	155,905	150,639	(3.4%)
Equity	112,240	91,509	(18.5%)
- Share capital	32,209	32,209	0%
- Reserves	80,031	59,300	(25.9%)
Liabilities	43,625	59,123	35.5%
<u>- Debt</u>	<u>22,196</u>	<u>41,621</u>	<u>87.5%</u>
Total equity and liabilities	155,905	150,639	(3.4%)
Gross gearing	20%	45%	
Net gearing	3%	40%	

Note: consolidated, under IFRS. End of March 2003 numbers are based on proportional 51% consolidation of Eurotel. End of March 2004 numbers are based on full consolidation of Eurotel.

Consolidated Cash Flow

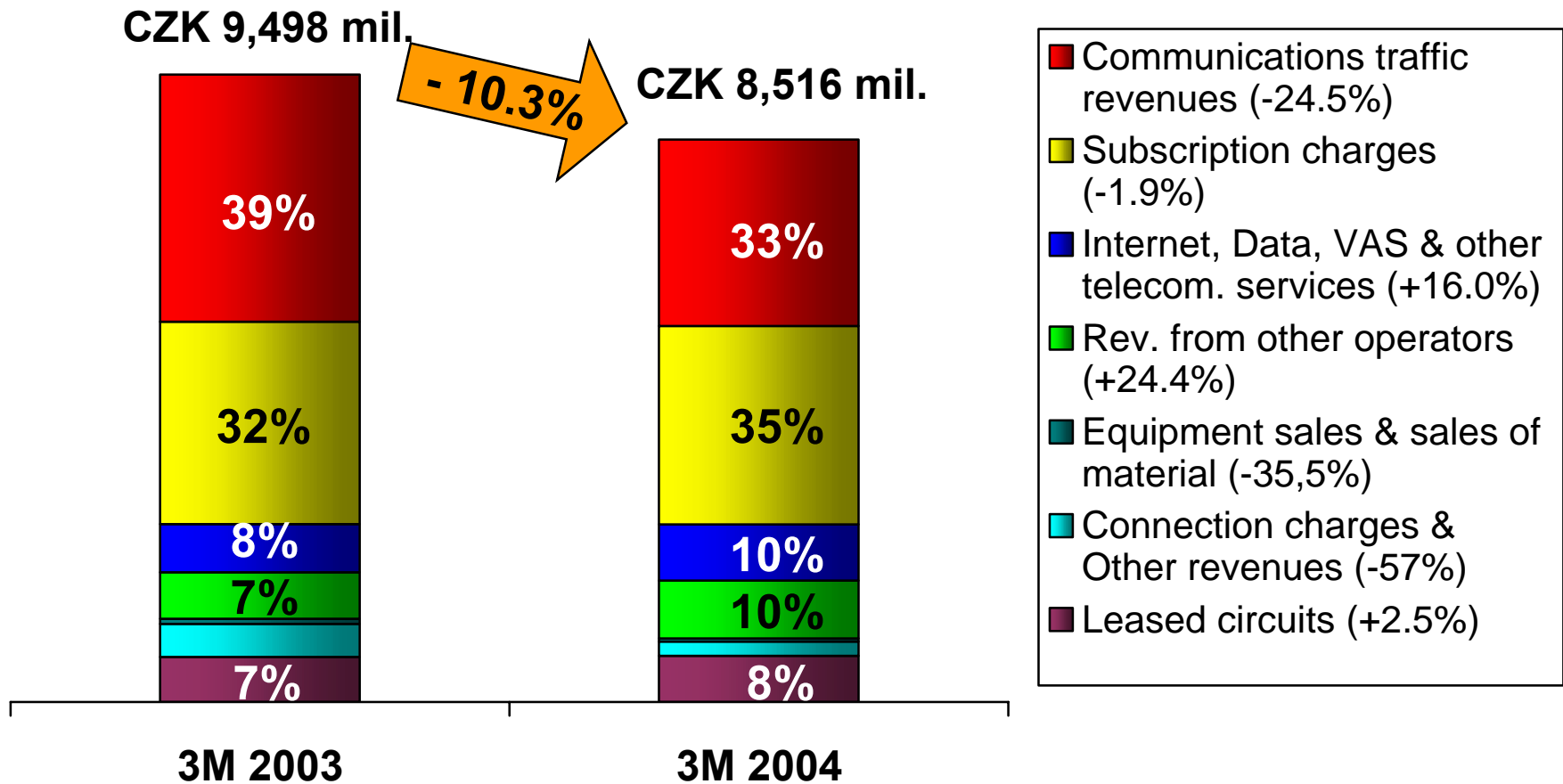
(in CZK mil.)	For the 3 months ended March 31		
	2003	2004	Chg.
Net cash from operating activities	4,902	5,295	8.0%
- interest paid	(21)	(30)	42.9%
- income tax paid	(377)	(728)	93.1%
Net cash used in investing activities	1,612	(1,937)	n.m.
- purchase/disposal of PPE	(1,609)	(1,941)	20.6%
- purchase/disposal of intangible assets	(257)	(12)	(95.3%)
- marketable securities	3,331	0	(100%)
- interest received	147	16	(89.1%)
Free cash flow I ¹⁾	3,183	3,358	5.5%
Free cash flow II ²⁾	3,057	3,372	10.3%
Net cash from financing activities	(21)	(3,922)	n.m.
Effect of exchange rate changes	1	(2)	n.m.
Net cash increase / (decrease)	6,493	(564)	n.m.

Note: consolidated under IFRS

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

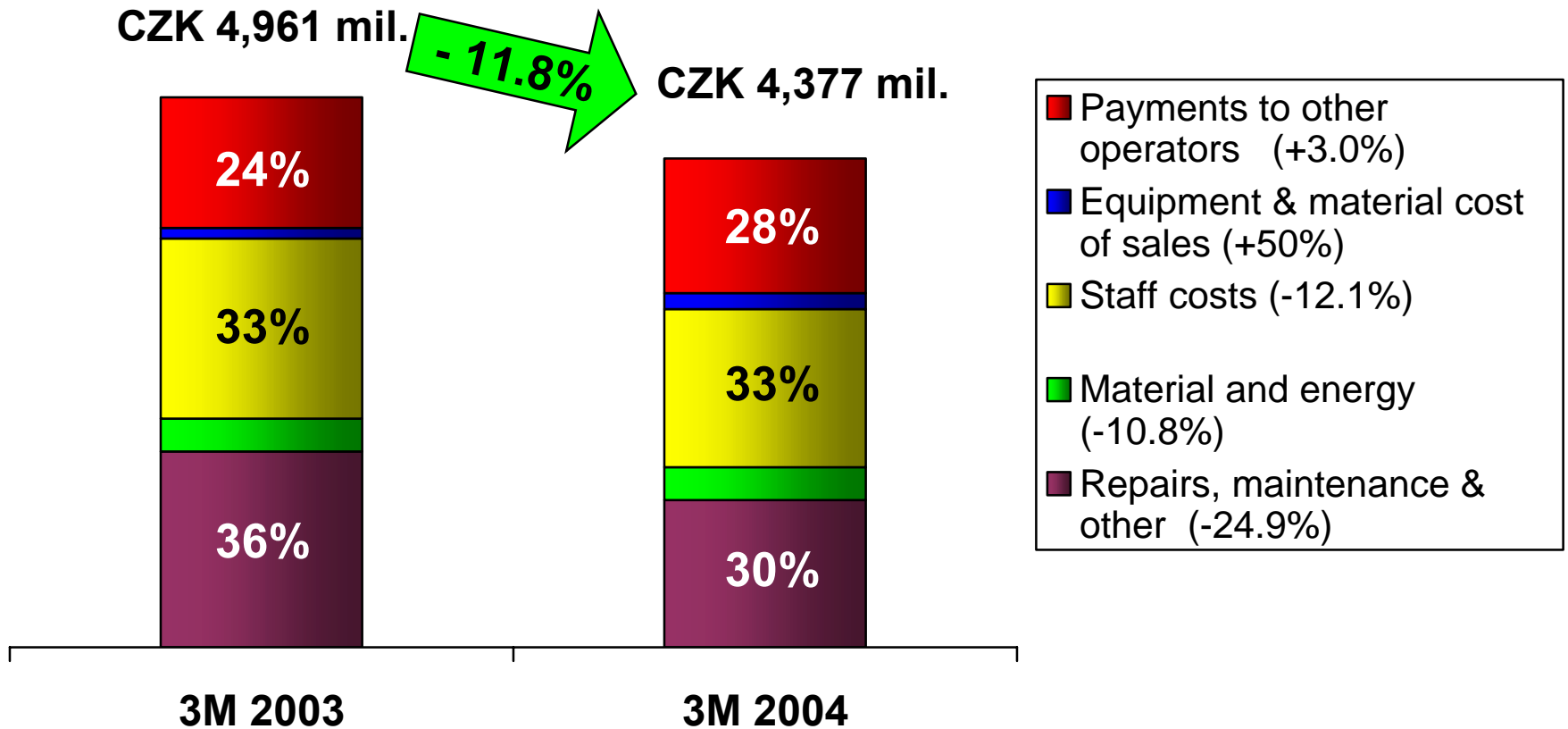
²⁾ Net operating cash less Net investing cash excl. marketable securities, purchase of financial investments and interest

Fixed Line Operating Revenues Breakdown*



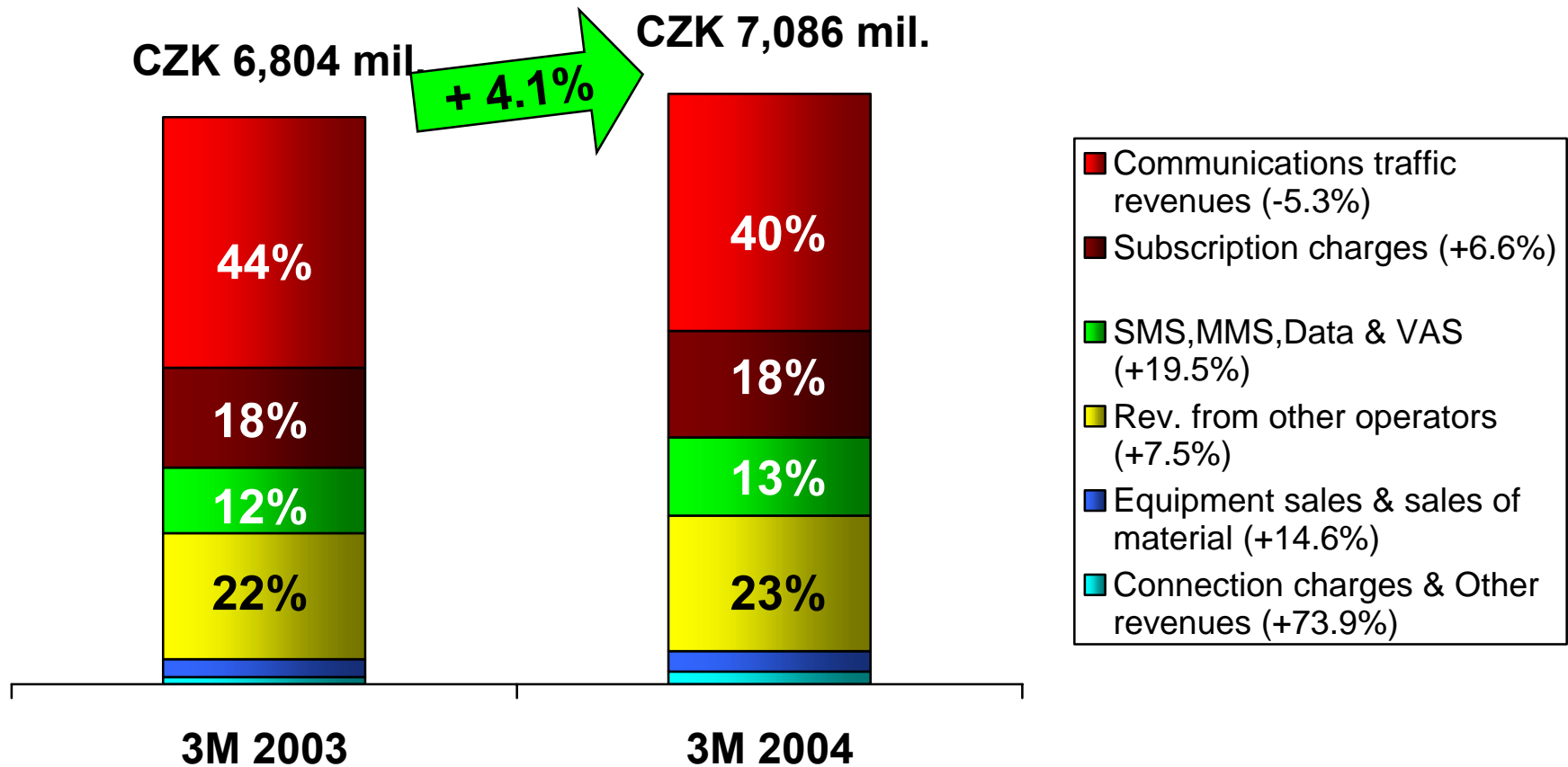
* before consolidation adjustments, under IFRS

Fixed Line Operating Costs Structure*



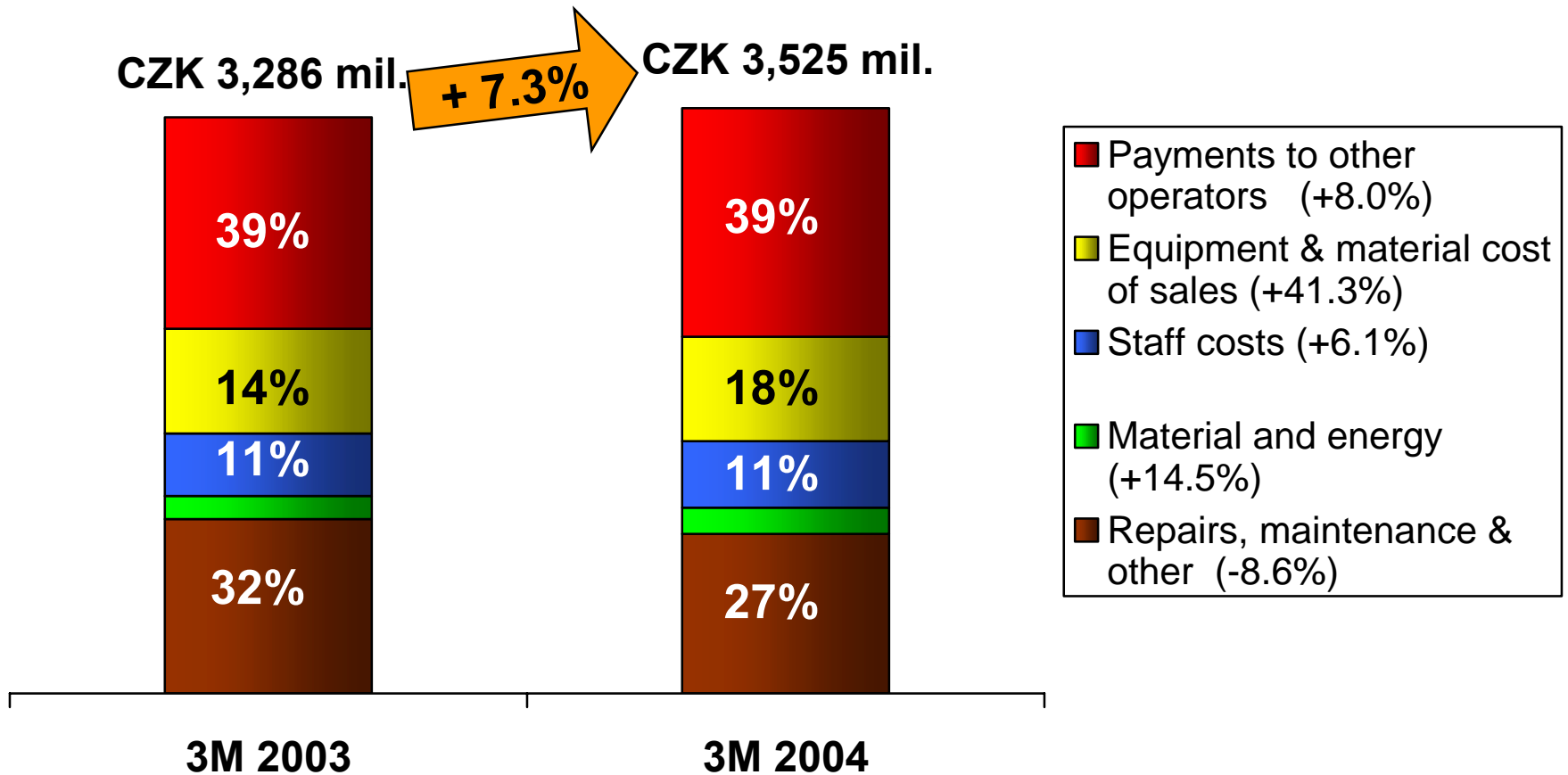
* before consolidation adjustments, under IFRS

Mobile Operating Revenues Breakdown*



* before consolidation adjustments, under IFRS

Mobile Operating Costs Structure*



* before consolidation adjustments, under IFRS.

Outlook for 2004

- EBITDA margins expected to outperform industry peers
 - Focus on revenue protection and new opportunities in data, broadband, integrated services and service innovation
 - Focus on operating efficiencies improvement
- Continuing pressure on traditional voice segment
- Moderate decline of Depreciation & Amortization
- CAPEX at approx. 12% of revenues
- Free cash generation to be maintained
- Fixed-line staff reduction
- New Act on electronic communications expected to be in line with EU's New regulatory framework – a promise of more transparent and fair regulatory environment incl. appeal procedures