



ČESKÝ TELECOM

FY 2005 Earnings Results

Analyst Meeting
February 24th, 2006



Jaime Smith – CEO and Chairman of BoD of ČESKÝ TELECOM

Juraj Šedivý – CFO and 1st Vice Chairman of BoD of ČESKÝ TELECOM

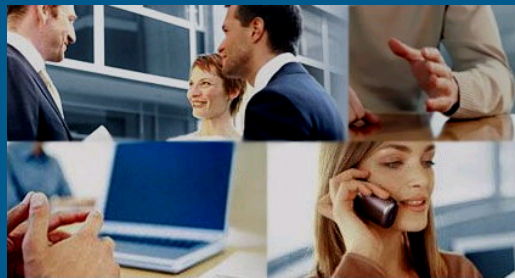
Salvador Anglada – CEO of Eurotel and Member of BoD of ČESKÝ TEL

Ramón Ros – CFO of Eurotel and Member of BoD of ČESKÝ TELECOM

Business Highlights

2005 Financial Results

Strategy Guidance



4 CAUTIONARY STATEMENT

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

Although ČESKÝ TELECOM, a.s. makes every effort to provide accurate information, we cannot accept liability for any misprints or other errors.

Highlights of the Year 2005

Focus on customer

Broadband

Leadership on the mobile market

Innovations

Traffic stimulation

Regulation

Cost discipline

Becoming part of Telefónica Group

Financial trends



Fixed line Highlights

Focus on customer
– Organizational changes

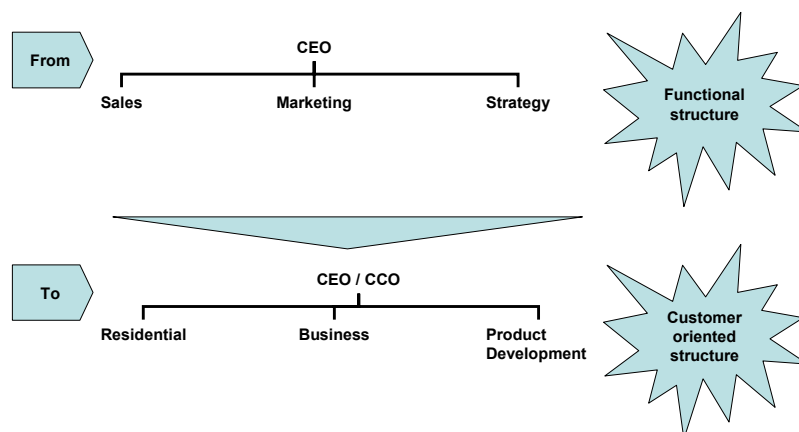
Broadband focus

Innovations

Traffic stimulation
– Flat-fee tariffs

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Customer oriented organizational structure





The New Offer ...

... Innovating the market

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Broadband Focus - 2005

Q2

New portfolio of broadband Internet tariffs (ADSL) Internet Express Home & Internet Express Profi

Unlimited Internet access – with speeds up to 1Mb/s

Introduces low speed access (128kb/s) to accelerate penetration of the residential segment – the strategy proves very successful

Q4

Invex – a range of new data and VA services introduced

Successful Christmas campaign

Acceleration of IE customer growth (+51% yoy in Q4)

The effect spread over to Q1 06 via late activations

Absolute leadership in fixed broadband Internet

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Eurotel

11 Broadband Internet

INTERNET
EXPRES

Leading the Czech broadband market

274 thousand ADSL customers at YE 2005

- Retail ADSL market share grew to 82% of total active lines and to 85% of total realizable orders at YE 2005
- New weekly orders persistently at strong 5,000+
- Growing demand for higher access speeds and VAS further triggered by CTC massive Christmas campaign
- Customers increasingly use broadband for entertainment, education, shopping, banking, etc.
- Installation time cut by half over past year to 6 days

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Eurotel

12 Christmas Campaign

Focused on residential broadband segment ...

- CZK 1 for an activation fee
- CZK 1 for ADSL modem
- CZK 1 for the first month of using Internet Expres
- PC Guard (Internet protection) free of charge for three months

Substantial support for broadband
penetration in the Czech Republic

128/64 kb/s CZK 399 Internet Expres Impuls EXPRES	512/128 kb/s  CZK 599 Internet Expres Ideal EXPRES	1024/256 kb/s  CZK 799 Internet Expres Sprint EXPRES	2048/256 kb/s  CZK 1 399 Internet Expres Maxi EXPRES
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Growing the broadband market ...

With 80% market share and attractive offer CTC stimulates the demand and shapes the market

- PC penetration 35% households
- Internet penetration 31% households
- Usage:

info searching ... 98%	Dial-up ... 4hrs 20min
emails ... 92%	Broadband ... 13hrs 40min
SW downloads ... 49%	per week
Music downloads ... 47%	
Internet banking ... 47%	
On-line gaming ... 40%	
Movies downloads... 31%	
- Avg. # hours spent on-line:

Source: TNS AISA, Omnibus, May 2005; Internet Connection Study, TNS AISA, October 2005



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... Creating the demand

170% yoy growth of ADSL customers in 2005

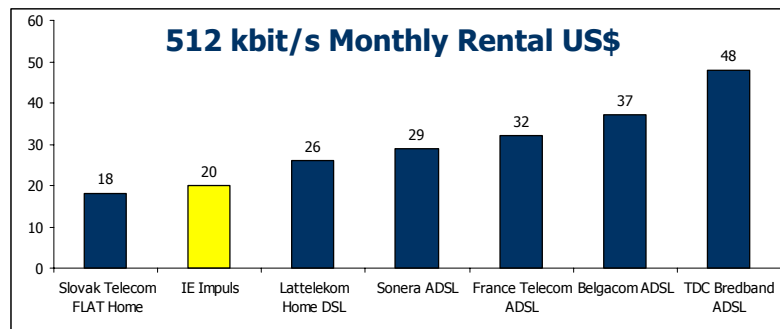


- the first 100ths customers over 22 months
- the second 100ths over 8 months
- the third 100ths over 5 months



15 Comparison with EU countries

ADSL speed increased 2 to 4 times as at 1st Feb 2006



Note: Prices VAT included; Source: Point Topic 2005

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Eurotel

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Innovations ... new data and VA services

New services introduced in Q4 2005 - Invex

- **Digital Entertainment Centre** introduced by CTC / Microsoft – a package of multimedia computer, Internet connection and multimedia services
- **First interactive services through digital TV** on the Czech market
- **ePhone Internet** - IP telephony services for businesses
- **Electronic post services for businesses**
- **Complete Office** – interconnects company branches to one common data network with fixed broadband Internet, mobile and IP telephony
- **Dohled 24** – non-stop property protection via fixed line, Internet or mobile, surveillance centre managed by CTC

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Eurotel

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Traffic stimulation

Sep 04

CTc introduces its first flat-fee tariffs
for free weekend calling

Apr 05

New fixed line tariff portfolio

More competitive pricing

Two flat fee tariffs upgraded – off-peak & weekend free calling

Stimulating fixed line and broadband Internet usage

- substantially increased traffic of flat-fee customers

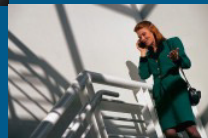
- residential tariffs - 3 out of 5 not regulated
- business tariffs - fully rebalanced

Jun 05

Migration of all clients to new tariffs on 1st June



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Group Highlights

Regulation

Becoming part of Telefónica Group
– Synergies

Cost discipline
– Financial strengths

Financial trends
– Q3&Q4 strong improvement

20 April 2005 - Regulatory Decisionsoverall positive

New Electronic Communications Act – May 1, 2005

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

First decision of CTO on rebalancing after three years

- Residential monthly line rental effectively increased by app. 25%
- Full rebalancing of business monthly rental (eff. increase of 60%)
- Decision is revenue positive but focus on customer retention is key

Termination charges to mobile networks reduced by 2.5%

Termination charges to fixed networks reduced by 5%

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April 2005 - Regulatory Decisionsoverall positive



Regulatory decision on wholesale ADSL charges

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



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



Favorable decision on Internet dial-up termination

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

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Becoming part of Telefónica Group - Synergies

Areas of synergies identified within Telefónica Group & between fixed and mobile

Execution launched in the areas of:

- product development, marketing and R&D (IPTV, UMTS, IP based VAS, content, integrated solutions)
- procurement - substantial opex and capex savings
- technology and software platforms integration&optimization, next generation services
- process and organizational redesign to enhance operating efficiency, to achieve best industry benchmarks
- analysis of potential fixed/mobile business integration

Positive effects already seen in H2 fin. performance

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Cost discipline

Operating costs discipline keeps margins strong
Profit margins sustained above industry average

Consolidated operating costs +0.2%
Consolidated OIBDA margin 45% at YE 2005
 before one-off items 47.6%

Fixed line OIBDA margin at 44.5%
 before one-off items 47.6%

Mobile OIBDA margin 43%
 before one-off items 45%

Note: The financial data were affected by changes in the accounting policy and the reporting structure.

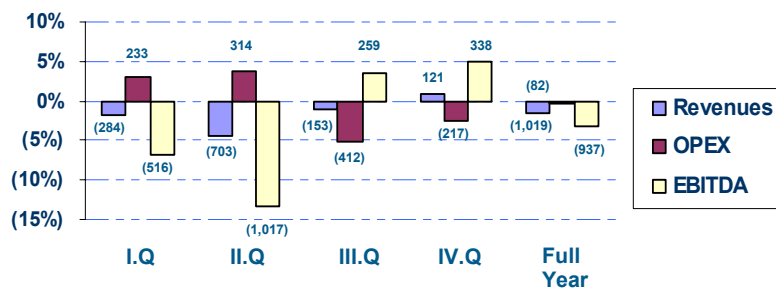


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2005 vs. 2004 quarterly performance



- Revenue trend improved in 2H – 1% down yoy in Q3, returning to growth area in Q4 (1% up yoy)
- OPEX down by 5% and 2% yoy in Q3 and Q4 respectively
- Resulting in consolidated EBITDA up by 4% and 5% in Q3 and Q4 over comparable periods of 2004




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Mobile Highlights

Leadership
Innovations
Commercial Strategy



1 Mobile Operator

28 **# 1 Mobile operator** **..in all key market segments**

1 in overall number of customers

Regained position in Q4

1 on the postpaid market

The highest no. of contract customers with accelerating growth momentum

– 46% yoy (Q4 2005), 40% (Q3), 32% (Q2), 23% (Q1)

1 on the data market ... Supreme leadership in mobile broadband Internet

The only full-scale portfolio of mobile & fixed access technologies on the Czech market

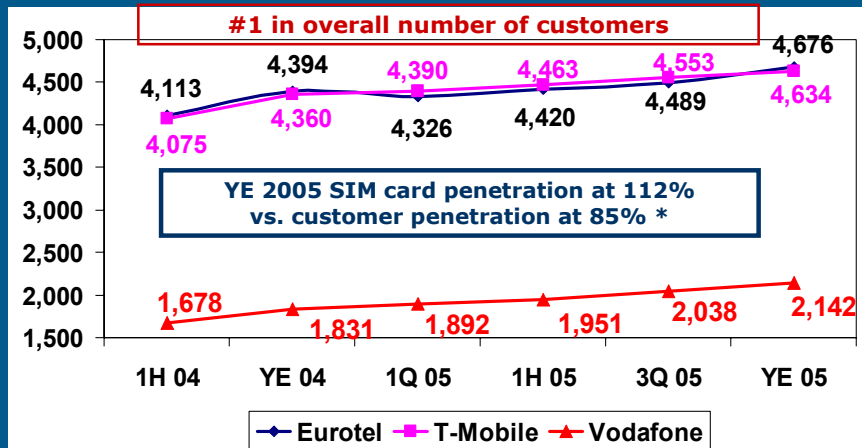
– GPRS, CDMA, ADSL, WiFi, EDGE, UMTS and HSDPA (2006)

Internet for Everyone product bundles

– Customer chooses the price, speed and access location and gets the most suitable set of access technologies



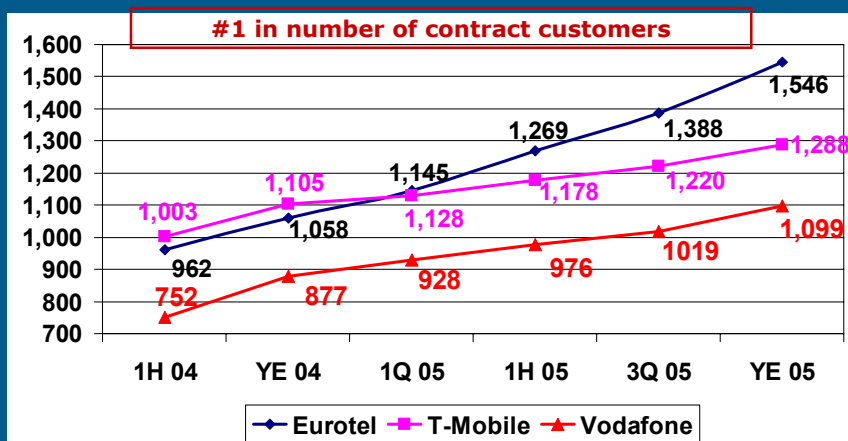
29 # 1 Mobile operator ... on the overall market



Source: Deutsche Telekom, T-Mobile CR, TIW and Vodafone
* 85% customer penetration is Eurotel's estimate



30 # 1 Mobile operator ... in the postpaid segment



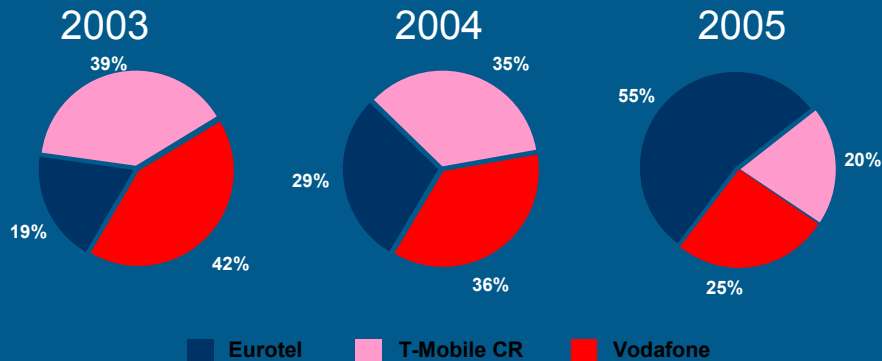
Source: Deutsche Telekom, T-Mobile CR, TIW and Vodafone
Note: Data for Eurotel include GSM, NMT and CDMA postpaid/contract customers



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1 Mobile operator ... in the postpaid net adds

#1 in postpaid net adds



Source: Deutsche Telekom, T-Mobile CR, TIW and Vodafone

Note: Data for Eurotel include GSM, NMT and CDMA postpaid/contract customers. Data for Eurotel's net adds include newly acquired customers as well as Eurotel's existing customers migrated from prepaid services.



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Mobile Business Highlights 2005

**Mobile revenues +2% on total customers +6.4%
mobile OIBDA margin at 43% at YE 2005
before one-off items at 45%**

Massive growth in contract customers +46% yoy

**Positive shift in customer mix – the rate of contract
customers up at 33% of total customers vs. 24% at YE04**

Internet&data doubled yoy on the back of 2.5G & CDMA growth

Internet, data & VAS revenue growth acceleration +18% yoy

Account for 18.1% of total revenues vs. 15.7% in 2004

Note: The financial data are affected by changes in the accounting policy and the reporting structure.
Number of contract customers include GSM, CDMA and NMT postpaid/contract customers.



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3G Commercial Launch on December 1st, 2005

Attractive portfolio of UMTS services targeting all our customers

- Videotelephony
- New multimedia services provided in real time
- The fastest truly mobile data incl. international connectivity

Latest feature-rich UMTS mobile terminals

- Offered exclusively for Eurotel customers

First full-scale UMTS service portfolio in the Czech Republic

Fast-growing national coverage and broad international roaming

- Within two years Eurotel will cover more than 50 % of the Czech population with the UMTS network
- Our UMTS terminals are compatible in nearly 40 countries

Reliable network built with strong partners

- Cutting edge technologies from reliable suppliers
- UMTS network including HSDPA
- platforms supporting advanced value added services

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Mobile Business Commercial Strategy

I. Customer acquisition – focus on acquisition of new contract customers and migration of prepaid customers to postpaid tariffs

- a new tariff portfolio launched in Q1 05 – number of contract customers up 46% yoy by year end
- Successful acquisition promos based on subsidized handset and tariff

II. ARPU stimulation - traffic and SMS campaigns

III. Customer retention - proactive anticipation of MNP with successful retention programs

IV. Data – successful data customer acquisition based on 'Internet for Everyone'

- Christmas campaign further accelerated CDMA customer growth (220% qoq) - 70 thousand customers at YE 2005

Přijďte si pro telefon za 1 Kč
nebo volání zdarma na 2 roky

Nokia 3120 za 1 Kč* Nokia 6020 za 1 Kč*

Firmám letos naděluje Eurotel
Špičkové telefony za 1 Kč* a tisíce volných minut navíc

Nokia 6230i za 1 Kč*

Objednávejte na 800 333 00 55

The Christmas Success
- Eurotel

Eurotel
více ze života

36 Eurotel's Christmas campaign ...voted the best on the market*

Postpaid Acquisition Offer

- Free calling after 3rd minute
- Free minutes of calling up to 2 years
- Broad handset portfolio for CZK 1
- New UMTS/3G Mobiles

Prepaid Offer

- 100 % bonus for the first top up
- Free calls beyond 3rd minute

Internet Pro & Kombi CDMA

- From CZK 699 with CZK 1 Modem and 2 months free of monthly charge
- Best Dell laptop pricing in the market

Retention and Stimulation Offerings

- Long calls
- MMS for only CZK 2.50
- Unlimited Go Weekends

Bavt o 100%

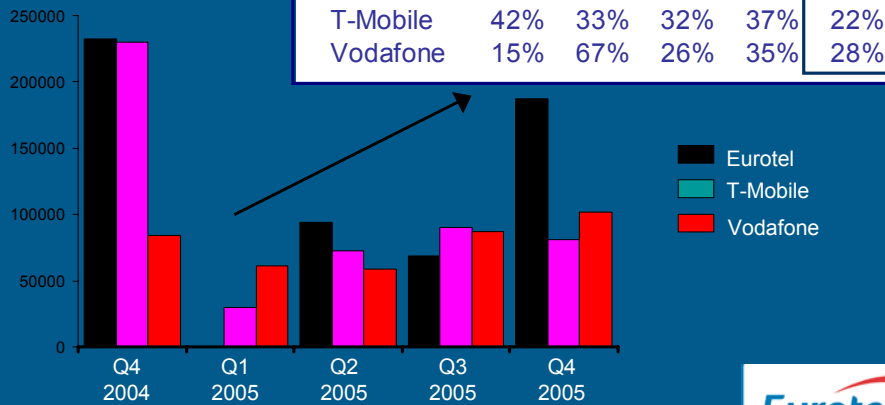
Získejte 100% nové Go sadě n

platně na 800 333 333

* Source: Mobilmania poll as at Dec 3rd, 2005 (Eurotel 62%, Vod 23% and TM 15%)

37 Eurotel gained more customers than its competitors together in Q4 2006

Market share – Net Adds

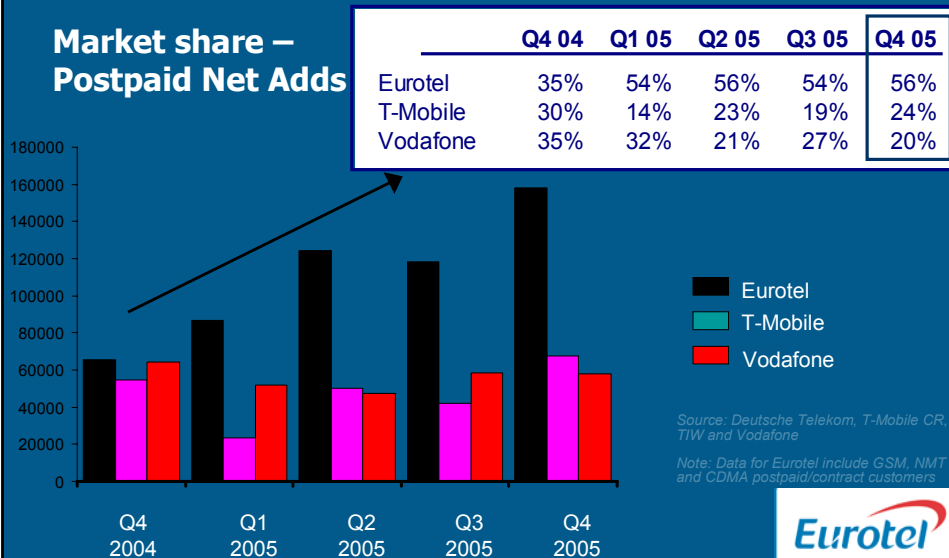


Source: Deutsche Telekom, T-Mobile CR, TIW and Vodafone



38 55% of new contract customers chose Eurotel in 2005

Market share – Postpaid Net Adds



Source: Deutsche Telekom, T-Mobile CR, TIW and Vodafone

Note: Data for Eurotel include GSM, NMT and CDMA postpaid/contract customers





2005 Financial Results



Impact of accounting policy changes...

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Accounting policy changes introduced in Q4 2005

- **Netting of „color lines“ – premium rate lines**
 - Impact of decreased revenues and costs by CZK 253 mil.
 - EBITDA neutral
- **Change in accounting policy related to deferred connection charges related to prevailing interpretation of IFRS in telecommunications industry, which we adopted in Q4 2005**
 - Revenues increased by CZK 606 mil. in 2005
 - Retained earnings decreased by CZK 1.4 billion as of YE05
- **Impact on fixed line business and Group results**
- **Application of deferred connection charges had an immaterial impact on mobile business revenues in 2005**

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Group Financial Performance

2005 including the impact of accounting policy changes as described in presentation, in 2004 different accounting policy applied, comparison with 2004 distorted

<i>(CZK mil.)</i>	2004	2005 *	Y/Y Chg.
Revenues	62,141	61,156	(2%)
OPEX	(33,076)	(32,655)	(1%)
EBITDA	29,065	28,501	(2%)
<i>EBITDA margin</i>	46.8%	46.6%	
Depreciation & Amortization	(20,748)	(17,808)	(14%)
Impairment charge	-	(1,261)	<i>n.m.</i>
EBIT	8,317	9,432	13%
EBT	7,914	8,748	11%
Income Tax	(2,349)	(2,500)	6%
Net income/ (loss)	5,568	6,249	12%

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43 Accounting policy changes

	Actual 2004	→	Restated Pro-forma 2004
Revenues	62,141	+ 34	62,175
Operating costs	(33,076)	- 339	(32,737)
	Restated Pro-forma 2005	←	Actual 2005
Revenues	60,803	- 353	61,156
Operating costs	(32,908)	+ 253	(32,655)

44 2005 vs. 2004 quarterly performance

		IQ	IIQ	IIIQ	IV.Q	Full Year
CZK in mil.						
2004 Restated	Revenue	15 056	16 108	15 394	15 617	62 175
	OPEX	7 412	8 426	7 986	8 913	32 737
	EBITDA	7 643	7 682	7 408	6 704	29 438
	<i>EBITDA margin</i>	51%	48%	48%	43%	47%
Impact of accounting policy adjustments	Revenue	26	(5)	9	4	34
	OPEX	(44)	(83)	(86)	(126)	(339)
	EBITDA	70	78	95	130	373
2005 Restated *	Revenue	14 772	15 405	15 241	15 738	61 156
	OPEX	7 645	8 740	7 574	8 696	32 655
	EBITDA	7 127	6 665	7 667	7 042	28 501
	<i>EBITDA margin</i>	48%	43%	50%	45%	47%
Impact of accounting policy adjustments	Revenue	72	86	83	113	353
	OPEX	(74)	(71)	(65)	(42)	(253)
	EBITDA	146	157	148	155	606

* The impact of accounting policy changes is spread over the four quarters

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2005 vs. 2004 quarterly performance

		I.Q	II.Q	III.Q	IV.Q	Full Year
CZK in mil.						
vs 2004 YE restated	Revenue	(284)	(703)	(153)	121	(1 019)
	OPEX	233	314	(412)	(217)	(82)
	EBITDA	(516)	(1 017)	259	338	(937)
%	Revenue	(2%)	(4%)	(1%)	1%	(2%)
	OPEX	3%	4%	(5%)	(2%)	(0%)
	EBITDA	(7%)	(13%)	3%	5%	(3%)

- Revenue trend improved in 2H – 1% down yoy in Q3, returning to growth area in Q4 (1% up yoy)
- OPEX down by 5% and 2% yoy in Q3 and Q4 respectively
- Resulting in consolidated EBITDA up by 4% and 5% in Q3 and Q4 over comparable periods of 2004

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Consolidated Balance Sheet

(CZK mil.)	2004	2005	yoy
Fixed assets	124,455	111,307	(11%)
Current assets	10,206	12,904	26%
- Cash & cash. Equiv.	675	3,639	n.m.
Total assets	134,661	124,211	(8%)
Total Equity	88,705	94,975	7%
- Share capital	32,209	32,209	0%
- Reserves	56,490	62,766	11%
Liabilities	45,956	29,236	(36%)
- Debt	25,470	9,425	(63%)
Gross gearing	28%	10%	
Net gearing	27%	6%	

Note: Audited, according to IFRS

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47 Consolidated Cash Flow Statement

(CZK mil.)	2004	2005	Y/Y Chg.
Interest paid	(1,248)	(889)	(29%)
Interest received	75	47	(37%)
Income tax paid	(2,655)	(3,262)	23%
Net cash from operating activities	24,985	23,656	(5%)
Net cash from investing activities	(5,053)	(4,781)	(9%)
- purchase/disposal of PPE	(4,994)	(3,809)	(21%)
- purchase of intangible assets	(508)	(1,156)	128%
- marketable securities	265	184	(31%)
Free cash flow I ¹⁾	19,483	18,691	(4%)
Free cash flow II ²⁾	20,656	19,533	(5%)
Net cash from financing activities	(23,911)	(15,813)	(34%)

Note: Audited; 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



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48 Low Indebtedness, Strong FCF

- **Consolidated debt down by 63% yoy to CZK 9.4 bn**
 - Zero balance of the syndicated loan for the purchase of the remaining 49% of Eurotel at 2005 YE – fully repaid in 2 years
 - CZK 4 billion of domestic bonds repaid in Q3 2005
 - Two loans from European Investment bank due in 2007 and 2008 prepaid in Q3 and Q4 2005
- **Consolidated Free Cash Flow down by 4% yoy to CZK 18.7 bn. due to decrease of OIBDA and higher income tax paid**

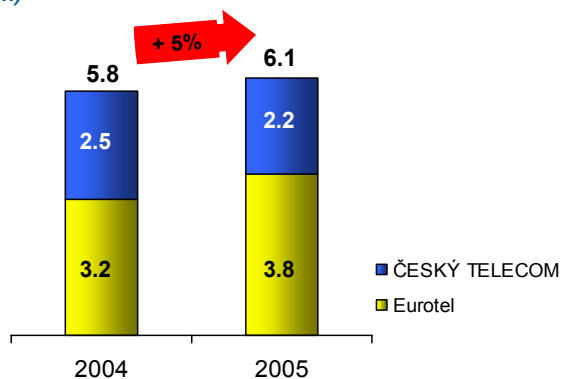


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49 Consolidated CAPEX

(CZK bn)



CAPEX in 2005 directed primarily to Internet, data & VAS and UMTS, network maintenance and regulatory driven investments (LLU)



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50 Fixed Line Business Financial Performance

(CZK mil.)	2004	2005 *	Y/Y Chg.
Revenues	34,368	32,394	(6%)
OPEX	(19,051)	(17,727)	(7%)
EBITDA	15,317	14,667	(4%)
<i>EBITDA margin</i>	44.6%	45.3%	
Depreciation & Amortization	(14,301)	(12,542)	(12%)
Impairment charge	-	(465)	<i>n.m.</i>
EBIT	1,016	1,660	63%

* 2005 including the impact of accounting policy changes as described in presentation, 2004 statutory financial results, comparison with 2004 distorted



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51 Accounting policy changes

	Actual 2004	→	Restated Pro-forma 2004
Revenues	34,368	+ 34	34,402
Operating costs	(19,059)	- 339	(18,720)
	Restated Pro-forma 2005	←	Actual 2005
Revenues	32,041	- 353	32,394
Operating costs	(17,980)	+ 253	(17,727)

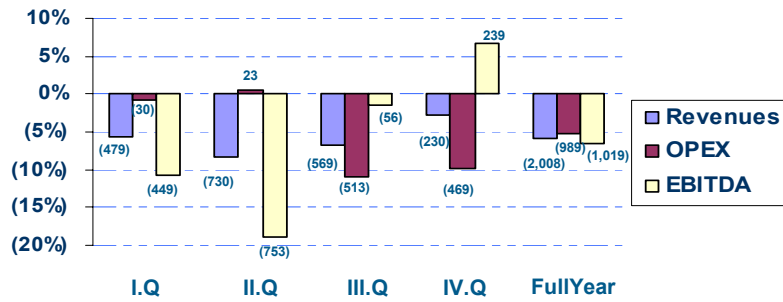
52 2005 vs. 2004 quarterly performance

		I.Q	II.Q	III.Q	IV.Q	Full Year
CZK in mil.						
2004 Restated	Revenue	8 546	8 897	8 550	8 409	34 402
	OPEX	4 328	4 910	4 675	4 807	18 720
	EBITDA	4 218	3 987	3 875	3 602	15 682
	<i>EBITDA margin</i>	49%	45%	45%	43%	46%
Impact of accounting policy adjustment	Revenue	26	(5)	10	4	34
	OPEX	(43)	(84)	(86)	(126)	(339)
	EBITDA	69	79	96	130	373
2005 Restated *	Revenue	8 067	8 167	7 981	8 179	32 394
	OPEX	4 298	4 933	4 162	4 338	17 731
	EBITDA	3 769	3 234	3 819	3 841	14 663
	<i>EBITDA margin</i>	47%	40%	48%	47%	45%
Impact of accounting policy adjustment	Revenue	72	86	83	113	353
	OPEX	(74)	(71)	(65)	(42)	(253)
	EBITDA	146	157	148	155	606

* The impact of accounting policy changes is spread over four quarters

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2005 vs. 2004 quarterly performance



- Substantial revenue trend improvement in Q4 (- 3% yoy) compared to Q2 (- 8% yoy) and Q3 (- 7% yoy)
- OPEX savings in 2H – 11% and 10% yoy down in Q3 and Q4
- Resulting in EBITDA growth of 7% in Q4 over 2004



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... After accounting policy changes

And reporting structure changes ...



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- Following section contains 2005 actual numbers including the effects of accounting policy changes compliant with statutory IFRS statements
- Year 2004 is restated, on a pro-forma basis, to include accounting policy changes as if they were applied in 2004, to allow for relevant year on year comparison of 2005 and 2004 as explained in previous slides
- Data for 2004 presented for the purpose above therefore differ from 2004 statutory IFRS statements
- To provide more relevant disclosure of individual income statement items we assumed reporting structure close to Telefónica's structure. We adjusted the structure of income statement and both ČESKÝ TELECOM and Eurotel standalone revenues and opex accordingly



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Change of the reporting structure - Consolidated Income Statement

<u>Original Structure</u>	<u>New Structure</u>
Revenues	Revenues ¹⁾
OPEX	Internal expenses capitalized in FA
EBITDA	OPEX
<i>EBITDA margin</i>	Other net operating income (expense) ²⁾
	Gain (loss) on sale of fixed assets ³⁾
Impairment charge	~ Impairment charge
	OIBDA
	<i>OIBDA margin</i> ⁴⁾
Depreciation & Amortisation	~ Depreciation & Amortisation
EBIT	~ Operating Income

1) Business revenues and recurring revenues
 2) Non recurring revenues and costs
 3) Proceeds from sale of FA less net book value of FA sold
 4) OIBDA margin = OIBDA over Business Revenues



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Change of the reporting structure – Fixed Line Business Revenues

Original Structure

Subscription and Connection Charges
 Communications Traffic (voice traffic only)
 Revenues from other operators

Communication Traffic (dial up traffic only)
 ADSL, Internet (excl. Hosting services)
 Equipment sales, other telco services

Leased Circuits
 Data network services
 Other telco services and Internet (Hosting)

Sales of material and other revenues
 Total revenues

New Structure

~ Traditional Access
 ~ + Communication Traffic
 ~ + Interconnection
 + Internet & Broadband
 ~ Narrowband
 ~ Broadband
 ~ + Equipment
 + Data Services
 ~ Leased Lines
 ~ Data Services
 ~ + Other revenues (incl. IT services)
 = Total business revenues
 ~ + Other (recurring and non recurring) revenues
 ~ = Total revenues



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Change of the reporting structure – Fixed Line Business OPEX

Original Structure

Payments to other operators
 Equipment and material cost of sales (equipment only)
 Equipment and material cost of sales (material only),
 Other OPEX

Staff costs

Marketing and sales, Commissions
 Repairs and maintenance
 Operating lease payments and building expenses
 Material and energy consumed
 Consultancy, Other OPEX
 Other OPEX

Other OPEX, Staff costs
 = Total operating costs

New Structure

~ Interconnection
 ~ + Cost of Goods Sold
 ~ + Other Supplies
 ~ + Personnel Expenses
 + Subcontracts
 ~ Marketing and sales
 ~ Network & IT repairs and maintenance
 Rentals, Buildings and Vehicles
 Utilities supplies
 Other Subcontracts
 + Taxes
 = Operating costs
 + Non recurring costs
 = Total operating costs



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Change of the reporting structure – Mobile Revenues

Original Structure

Subscription charges ~
 Communications traffic revenues ~
 Revenues from other operators + SMS, MMS,
 Internet, Data & VAS (incoming SMS, MMS only) ~
 SMS, MMS, Internet, Data & VAS (SMS, MMS and
 VAS only) ~
 SMS, MMS, Internet, Data & VAS (Data & Internet
 only) ~
 Equipment sales + Connection Fees ~
 Other revenues ~
 Other revenues ~
 = Total revenues

New Structure

Voice Services
 Monthly Fees
 Traffic
 Interconnection
 + Value Added Services
 + Internet & Data
 + Equipment Sales
 + Other Revenues
 = Total business revenues
 + Other (recurring and non recurring)
 revenues
 = Total revenues

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Change of the reporting structure – Mobile Business OPEX

Original Structure

Payments to other operators ~
 Equipment and material cost of sales (equipment only) ~
 Equipment and material cost of sales (material only),
 Other OPEX ~
 Staff costs ~
 Marketing and sales, Commissions, Other OPEX ~
 Repairs and maintenance ~
 Operating lease payments and building expenses ~
 Material and energy consumed ~
 Consultancy, Other OPEX ~
 Other OPEX ~
 Other OPEX ~
 = Total operating costs

New Structure

Interconnection and Roaming
 + Cost of Goods Sold
 + Other Supplies
 + Personnel Expenses
 + Subcontracts
 Marketing and sales
 Network & IT repairs and maintenance
 Rentals, Buildings and Vehicles
 Utilities supplies
 Other Subcontracts
 + Taxes
 = Operating costs
 + Non recurring costs
 = Total operating costs

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61 Consolidated Income Statement

(CZK mil.)	2004 Restated	2005	yoy
Revenues	61,515	61,031	(0.8%)
Internal expenses capitalized in FA	665	589	(11.4%)
OPEX	(32,670)	(32,745)	0.2%
OIBDA before one-off items	29,510	28,875	(2.2%)
OIBDA margin before one-off items	48.6%	47.6%	(1.0pp)
Other net operating income (expense)	(349)	(421)	20.6%
Gain (loss) on sale of fixed assets	197	86	(56.3%)
Impairment charge	(56)	(1,261)	n.m.
OIBDA	29,302	27,279	(6.9%)
OIBDA margin	48.1%	44.9%	(3.2pp)
Depreciation & Amortisation	(20,782)	(17,818)	(14.3%)
Operating Income	8,520	9,461	11.0%
Income before taxes	8,156	8,747	7.2%
Net income	5,732	6,249	9.0%



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62 Fixed Line Business Financial Performance

(CZK mil.)	2004 Restated	2005	yoy
Revenues	33,786	32,265	(4.5%)
Internal expenses capitalized in FA	451	361	(20.0%)
OPEX	(18,272)	(17,426)	(4.6%)
OIBDA before one-off items	15,965	15,200	(4.8%)
OIBDA margin before one-off items	48.5%	47.6%	(0.9pp)
Other net operating income (expense)	(568)	(649)	4.0%
Gain (loss) on sale of fixed assets	245	116	(52.6%)
Impairment charge	(56)	(465)	n.m.
OIBDA	15,586	14,202	(8.8%)
OIBDA margin	47.3%	44.5%	(2.8pp)



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Fixed Line Business Operational Performance

	2004	2005	yoy
Fixed Lines (x '000)	3,368	3,126	(7%)
Total data customers (x '000) ¹⁾	593	723	22%
of which ADSL connections	101	274	171%
Internet customers (x '000) ²⁾	1,040	1,244	20%
Fixed-line employees ³⁾	8,794	7,524	(14%)
Lines / fixed line employee	383	415	9%

Note: 1) ISDN channels plus ADSL connections

2) Paid access (IOL), free access (Quick.cz) and Internet Express (ČESKÝ TELECOM)

3) Number of employees for ČESKÝ TELECOM only, i.e. without minor subsidiaries

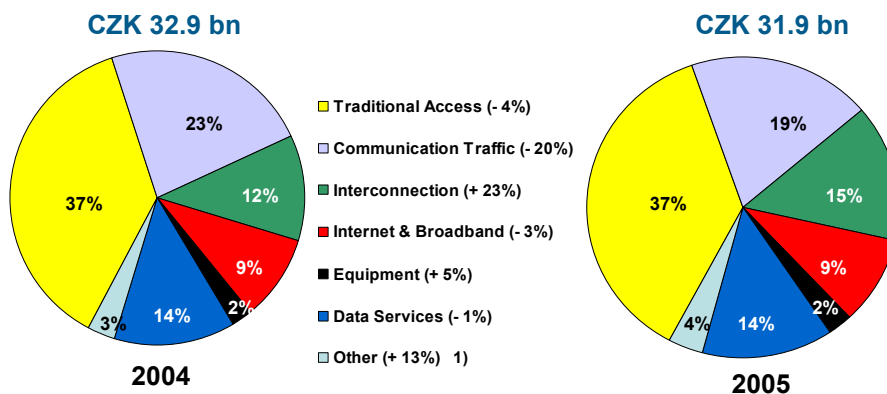


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Fixed Line Business Business Revenues Breakdown



1) Other include IT services and other telco revenues

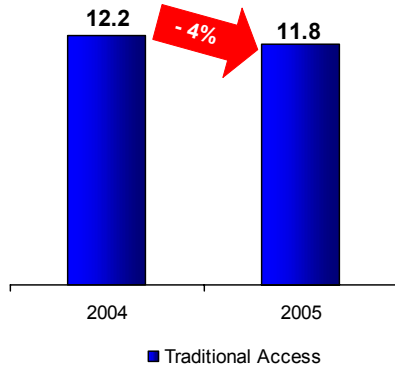


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65 Traditional Access

(CZK bn)



Total no. of lines down by 7% yoy to 3.1 mil. at YE2 005

number of PSTN lines down by 7% and ISDN channels down by 9%

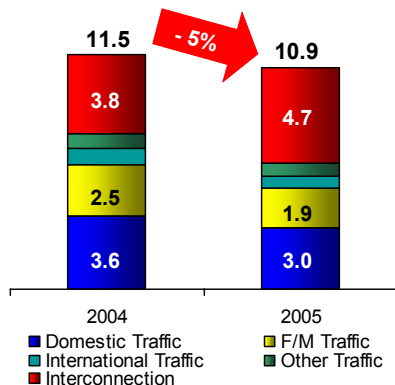


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66 Traditional Voice Services

(CZK bn)



Communication Traffic

- continuing decrease in overall outgoing voice traffic mainly due to fixed to mobile substitution, CS/CPS, and to limited extent to VoIP;
- overall outgoing voice traffic down by 15% yoy in 2005 to 3,588 million minutes

Interconnection – 23% yoy growth in 2005 due to growth in revenues from international operators (extended international carrier transit services in CEE region)

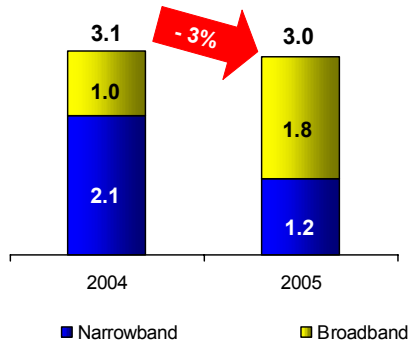


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67 Internet & Broadband

(CZK bn)



Dial up – Migration of internet dial-up traffic to ADSL (Internet traffic down by 42% to 2,818 million minutes in 2005)

ADSL – 171% growth in ADSL connections to 274 thousand (111ths. ADSL net adds in 2H compared to 62 ths. in 1H); number of marketing campaigns to boost the customer base

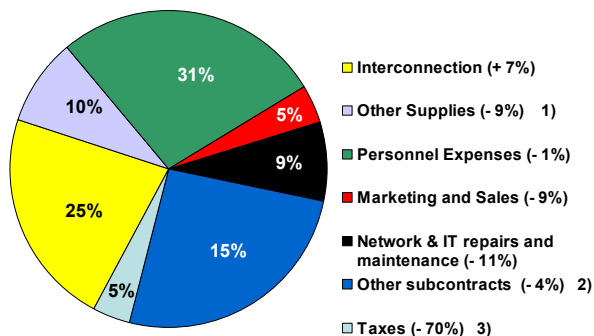


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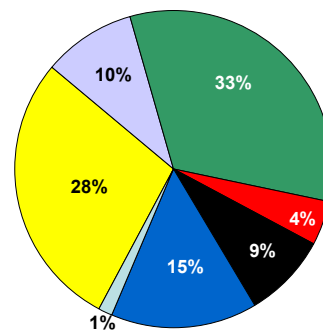
68 Fixed Line Business Operating Costs Breakdown

CZK 18.3 bn



2004

CZK 17.4 bn



2005

- 1) Other Supplies = Cost of Goods Sold and Other Supplies
- 2) Other Subcontracts = Rentals, Buildings and Vehicles, Utilities Supplies and Other Subcontracts
- 3) Other than income tax; Including Provisions



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Mobile Business Financial Performance

(CZK mil.)	2004 Restated	2005	yoy
Revenues	29,436	30,030	2.0%
Internal expenses capitalized in FA	214	228	6.5%
OPEX	(16,004)	(16,765)	4.8%
OIBDA before one-off items	13,646	13,493	(1.1%)
OIBDA margin before one-off items	46.4%	45.0%	(1.4pp)
Other net operating income (expense)	-	(611)	n.m.
Gain (loss) on sale of fixed assets	(48)	(30)	(37.5%)
Impairment	-	-	-
OIBDA	13,598	12,852	(5.5%)
OIBDA margin	46.2%	42.8%	(3.4pp)

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Mobile Business Operational Performance

	2004	2005	yoy
No. of registered customers (x '000) ¹⁾	4,394	4,676	6%
of which contract (x '000) ²⁾	1,058	1,546	46%
Total flat fee data customers (x '000) ³⁾	89	137	55%
of which CDMA customers (x '000)	30	70	133%
ARPU blended (CZK) ¹⁾	526	510	(3%)
Average MOU blended (in&outbound) ¹⁾	90	92	2%
Total no. of SMS (x '000 000)	2,292	2,519	10%
Eurotel's employees	2,483	2,490	0%

Note: 1) Based on new methodology of prepaid customers counts

2) GSM, CDMA and NMT

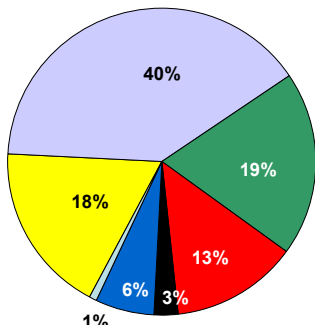
3) Total flat fee GPRS/EDGE and CDMA customers

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Mobile Business Business Revenues Breakdown

CZK 29.4 bn

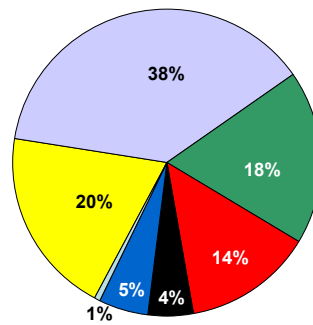


2004

1) Other include IT Services and Other Revenues

- Monthly fees (+ 11%)
- Traffic (- 3%)
- Interconnection (- 3%)
- VAS (+ 4%)
- Internet & Data (+ 98%)
- Equipment Sales (- 10%)
- Other (- 37%) 1)

CZK 30.0 bn



2005



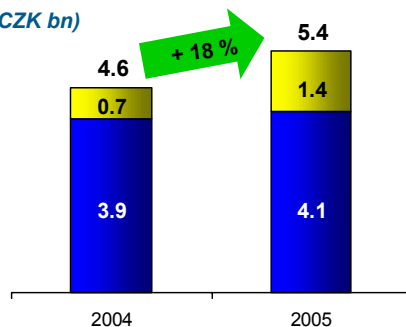
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Internet and value added services

(CZK bn)



- Internet
- Value Added Services (incl. SMS, MMS & Content)

Increasing popularity of Internet and value added services among mobile customers

SMS – total number of SMS up 10% to 2.52 bn

Internet – CDMA broadband Internet customers up 133% yoy to 70 thousand at YE2005

– GPRS flat fee customers up 14% yoy to 67 thousand at YE2005



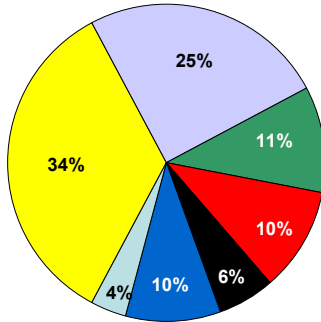
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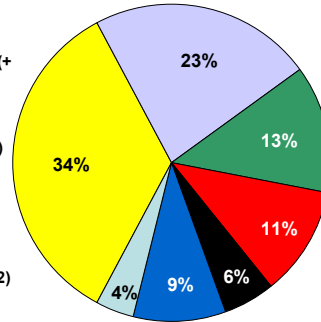
Mobile Business Operating Costs Breakdown

CZK 16.0 bn



2004

CZK 16.8 bn



2005

- 1) Other Supplies = Cost of Goods Sold and Other Supplies
- 2) Other Subcontracts = Rentals, Buildings and Vehicles, Utilities Supplies and Other Subcontracts
- 3) Including Provisions



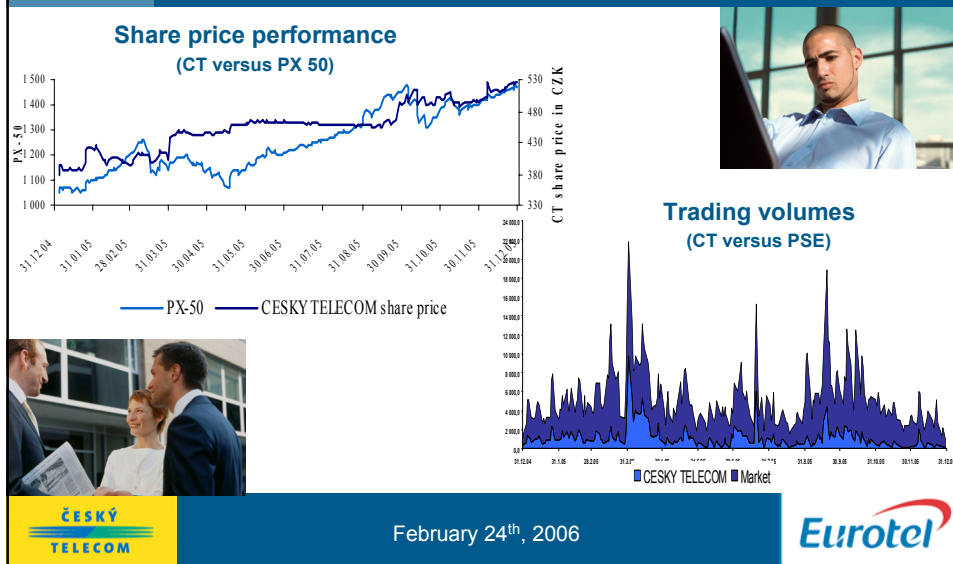
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**Delivering return
to shareholders**

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Delivering Return to Shareholders



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Delivering Return to Shareholders

	2004	2005
EPS (CZK)	17.3	19.4
P/E	21.3	27.0
Market Cap (CZK bn)	118.9	168.9
EV/OIBDA (x)	4.9	6.5
FCF/OIBDA (x)	0.7	0.7
FCF per share (CZK)	60.5	58.0
FCFE yield (%)	16.4	11.1
Debt/Equity (x)	0.28	0.10
Debt/OIBDA (x)	0.87	0.35

Note: P/E, market capitalization and enterprise value (EV) as of 30th December, respectively; EV = debt + market cap; FCF = free cash flow; FCFE yield = FCF/market capitalization. Note that the financial data were affected by changes in the accounting policy and the reporting structure. The data are consolidated and audited according to the IFRS.

ČESKÝ TELECOM

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Eurotel



Strategy Guidance

78 Strategy Guidance

- **Primary focus on customer needs leveraging our position of the only integrated telco in the CR**
- **Innovation leveraging Telefónica best practises and R&D**
 - including fixed/mobile and telco/IT convergence
- **Customer care - pursued attention on customer retention in traditional voice and data services**
- **Market development – addressing the market trends**
 - IPTV (mid year); VoIP (corporate launched, residential-H2)
 - ADSL and UMTS based VAS; ADSL/Voice product bundles
 - Moving towards IT
- **Maintaining above the industry average OIBDA margins, strong FCF generation and efficient Capex**

**Management expectation for 2006:
Flat revenues & OIBDA**

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Dividends 2005

Based on sound profit of 2005 and strong financial position the Board of Directors intends to propose at the AGM at end-April

Dividend payment of CZK 45 per share, i.e. a total amount of CZK 14.5bn, to be made in H2 2006

This represents the distribution of full 2005 net profit and a substantial part of retained earnings of previous periods



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Event Calendar H1 2006

By end of April 2006

Q1 2006 Financial Results

End April 2006

Annual General Meeting

May 2006

Telefónica's Investor Day

By end of July 2006

Q2 2006 Financial Results



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Telefonica