



Telefónica O2 Czech Republic

Quarterly Results
January – December 2009

25th February, 2010

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 and FY 2009 Performance Highlights

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4Q and FY 2009 performance highlights



- **2009 full year guidance¹⁾ met for OIBDA and Operating Cash Flow**
- **Efficiency agenda and non-recurring items helped to compensate for revenues drop, resulting in 1.7 p.p. yoy OIBDA²⁾ margin expansion**
- **Good commercial momentum maintained in mobile contract and fixed broadband segments**
- **Mobile revenues continued to be impacted by customers' optimization due to economic downturn and MTR cuts**
- **Slovakia maintained its momentum and improved financial performance**
- **Operating cash flow³⁾ growth (+1.8% yoy) while keeping investment in core areas**

¹⁾ OIBDA (excluding brand fees and impairment charge) decline of -4% to 0%, Operating Cash Flow (guided OIBDA less CAPEX) growth of +2% to +5%, in constant FX rate

²⁾ OIBDA excludes brand fees and impairment charge and assumes constant FX rate; comparable OIBDA margin growth of 1.0% excludes non-recurring items (2008: real estate sale and Universal Service totaling CZK 1,227 mil.; 2009: real estate sale, Universal Service and settlement agreement with T-Mobile totaling CZK 1,548 mil.)

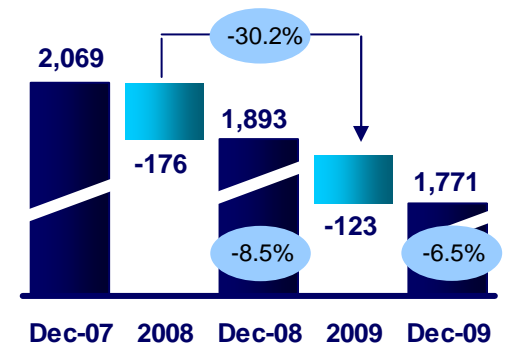
³⁾ OIBDA less CAPEX



Customer centric broadband proposition allowed us to accelerate broadband customers net additions and to decelerate fixed accesses disconnections

Fixed accesses
(‘000)

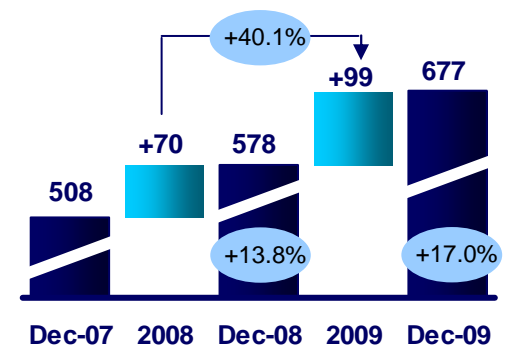
y-o-y change



- 1,771 thousand fixed accesses at 2009 year-end, down 6.5% y-o-y
- Including 62k naked broadband accesses

Retail ADSL
(‘000)

y-o-y change



- 99k retail ADSL net adds in 2009 (+40.1% y-o-y) driven by successful uptake by BB centric proposition

O2 TV customers
(‘000)

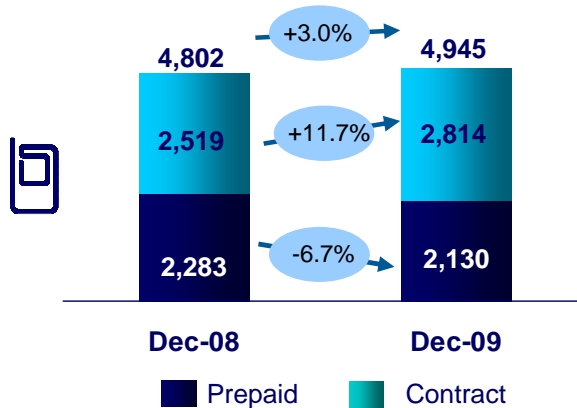


- O₂ TV customer base added 23k in 2009 to reach 138k at year-end

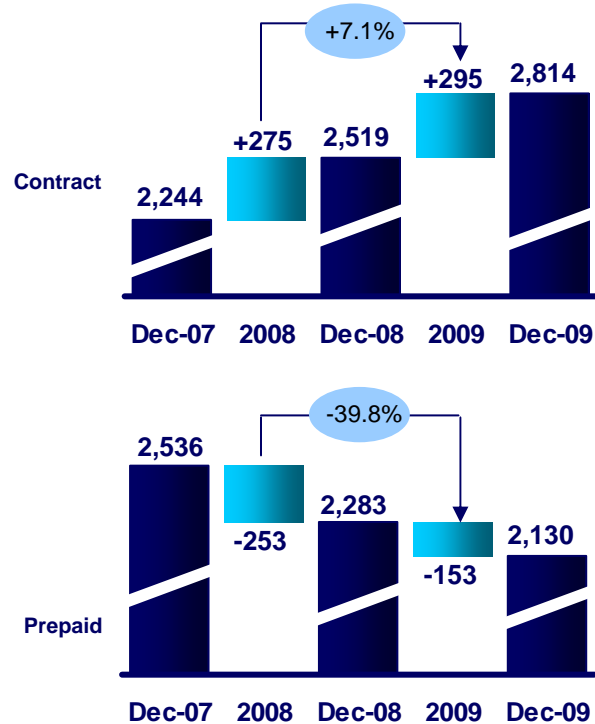
Solid commercial momentum leading to continuous customers' growth and improvement in customer mix



Mobile customers
(‘000)



Net additions
(‘000)

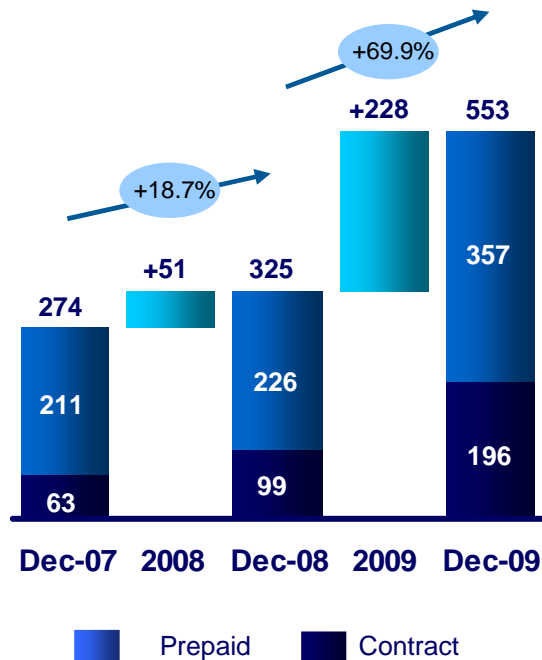


- 142k net adds in 2009 (6.5x more than in 2008) in highly penetrated market
- 295k net adds in contract customers in 2009 (+7.1% y-o-y) driven by O₂ NEON and O₂ ZERO tariffs uptake; contract customers represented 56.9% of total base at YE09 (+4.5 p.p. y-o-y)
- Significant improvement in prepaid customer base churn in 2009 due to successful customer proposition focused on regular top-ups: 153k net losses, down from 253k in 2008 (-39.8%)
- Blended ARPU down by 9.1% y-o-y to CZK 514 in 2009 impacted by MTR cuts and customers optimizing their behavior

Slovakia – accelerated commercial momentum in 4Q09 **O₂** on the back of successful customer proposition

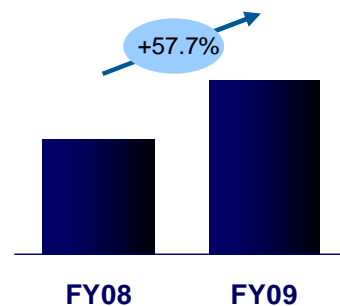
Mobile customers¹⁾
(‘000)

y-o-y change



- Accelerated customer growth in 4Q09, leveraging on successful marketing proposition based on value, simplicity and customer experience (O₂ Fair) launched in 3Q08
- Contract representing 35.4% of total customer base at YE09 (+4.9 p.p. y-o-y)

Revenues
(in EUR)



- 57.7% y-o-y revenue growth in 2009 (+66.9% y-o-y in 4Q09) driven by customer base increase, improving customer mix and consumption growth
- FY09 ARPU: contract: EUR 23.8, prepay: EUR 8.4

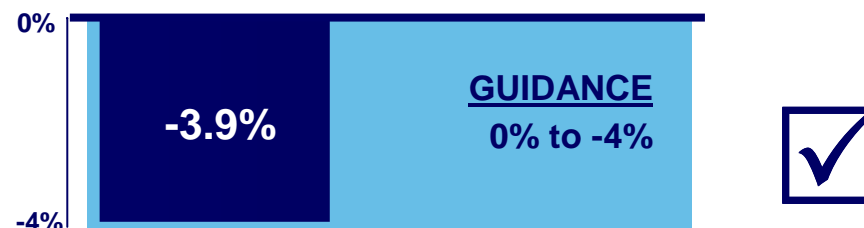
¹⁾ Including resale partners

2009 Guidance met for OIBDA and Cash Flow in a challenging environment

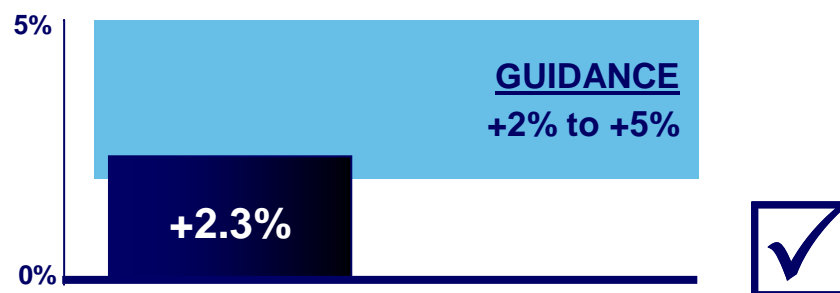
Business Revenue Growth % Change 2009/2008



OIBDA⁽¹⁾ growth % Change 2009/2008



Operating Cash Flow⁽²⁾ growth % Change 2009/2008



(1) In terms of guidance calculation, OIBDA excludes brand fees and impairment charge in 2009 (CZK 23 million of impairment charge and CZK 754 million of brand fees). For comparison purpose, the equivalent items registered in 2008 were also deducted from reported figures (base reported 2008 numbers exclude CZK 86 million of impairment charge and CZK 626 million of brand fees), in constant FX rate.

(2) Operating Cash Flow = Guided OIBDA less CapEx, in constant FX rate



January – December 2009 Earnings Results

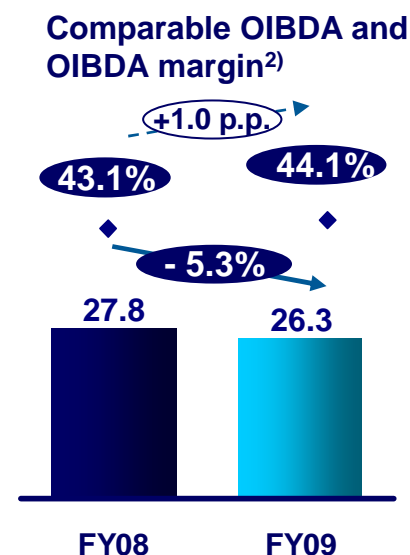
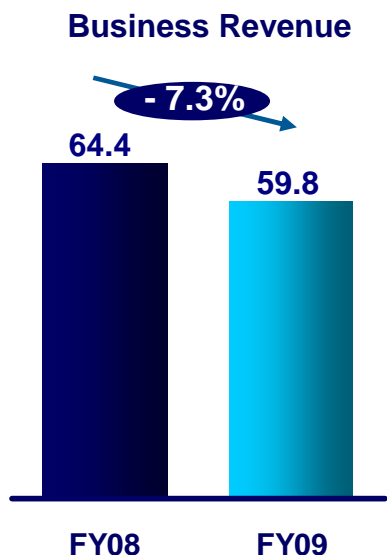
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Key Highlights of Group Financial Performance



CZK millions	Jan – Dec 2009	Change FY09/FY08	Comparable change ¹⁾ FY09/FY08
Business revenues	59,751	(7.3%)	(6.0%)
CZ Fixed	26,872	(9.9%)	(7.1%)
CZ Mobile	31,021	(7.6%)	
OIBDA before brand fees	27,830	(3.8%)	(5.1%)
OIBDA margin before brand fees	46.6%	1.7 p.p.	1.1 p.p.
OIBDA	27,076	(4.4%)	(5.6%)
OIBDA margin	45.3%	1.4 p.p.	0.8 p.p.
Net income	11,666	0.3%	



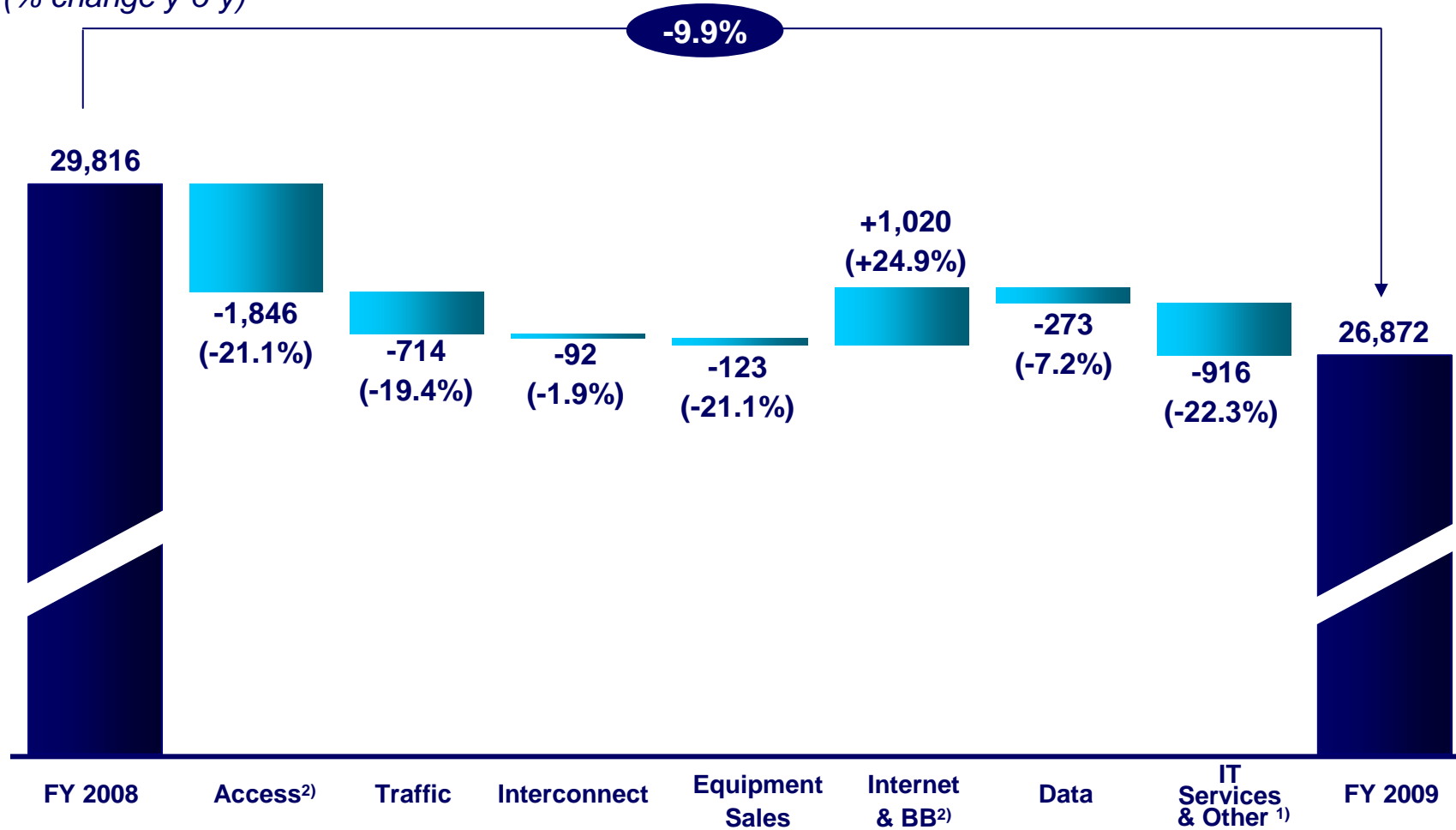
¹⁾ Comparable growth assumes constant FX rate; Revenues do not include universal service; OIBDA does not include non-recurring items (2008: real estate sale and Universal Service totaling CZK 1,227 mil.; 2009: real estate sale, Universal Service and settlement agreement with T-Mobile totaling CZK 1,548 mil.),

²⁾ Comparable OIBDA and margin excludes brand fees, impairment charge and non-recurring items, assumes constant FX rate

CZ Fixed Business Revenues – sources of variation



CZK millions
(% change y-o-y)



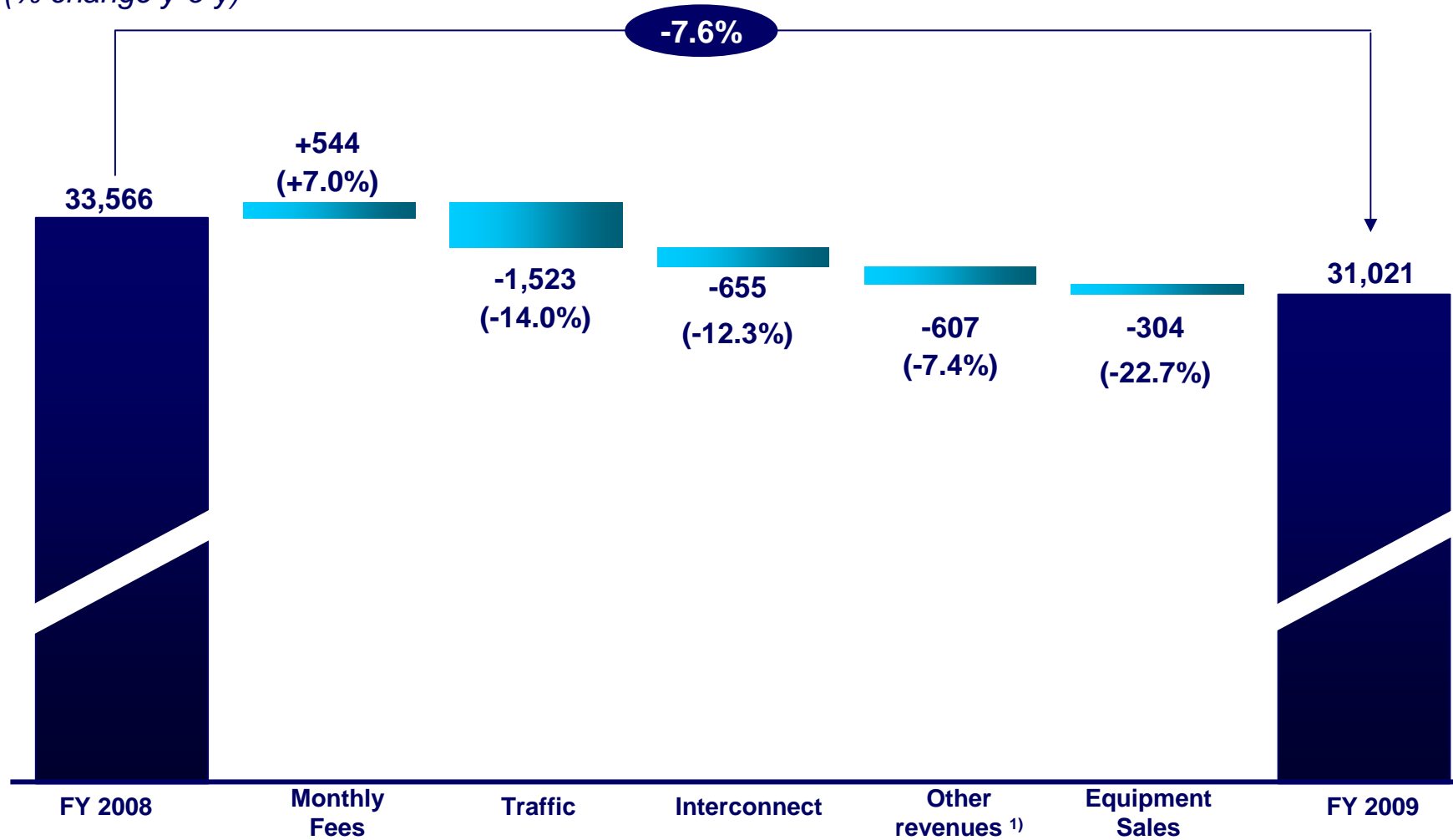
¹⁾ IT services and Other – incl. ICT, universal service and other revenues

²⁾ Combined access and Internet % BB revenues went down 6.4% year-on-year in 2009 (2007/2008 growth at -8.8%)
Figures excluding inter-segment charges between fixed and mobile businesses

CZ Mobile Business Revenues – sources of variation



CZK millions
(% change y-o-y)



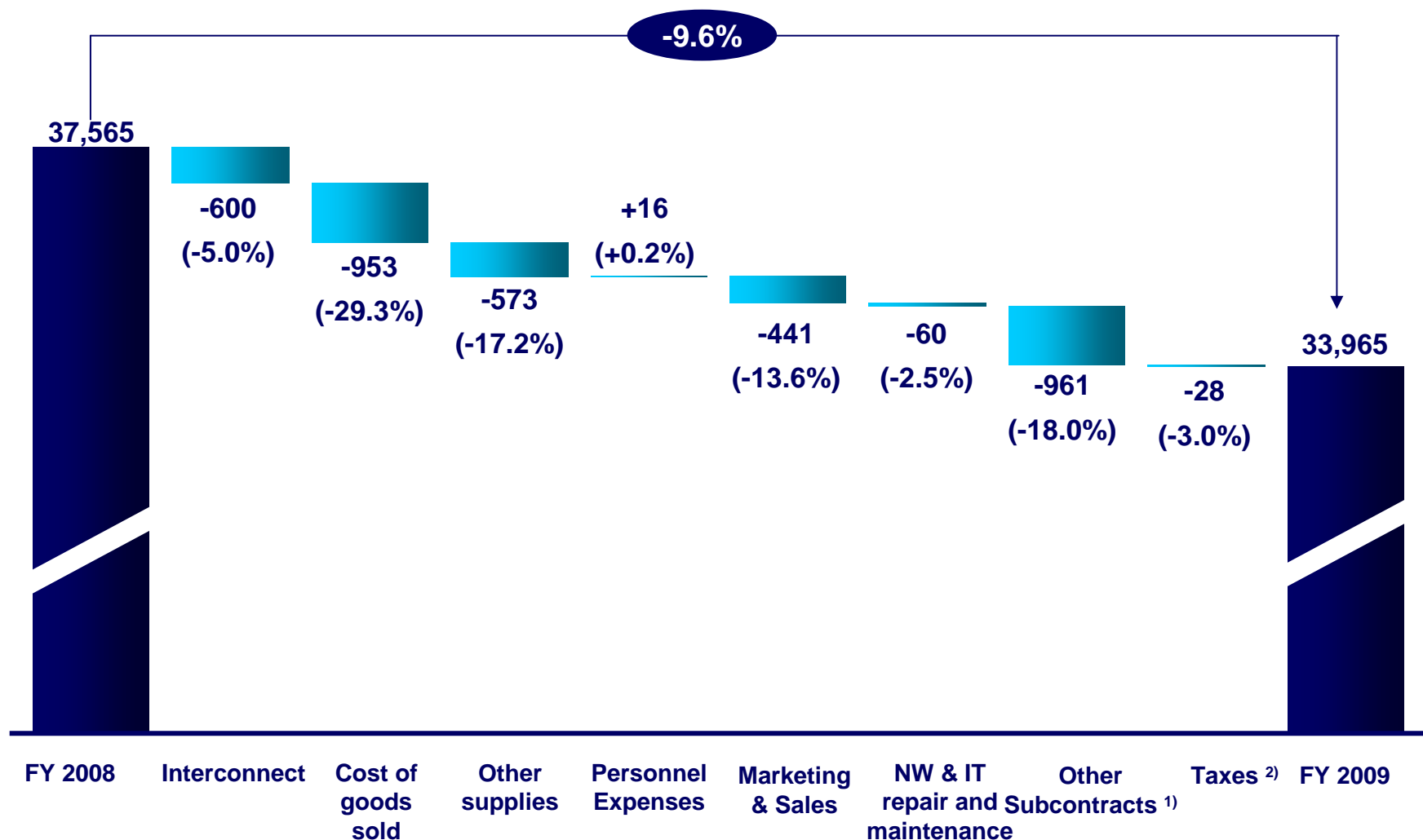
¹⁾ Other – incl. VAS, Internet & Data and Other revenues

Figures do not include inter-segment charges between fixed and mobile businesses



Group OPEX – sources of variation

CZK millions
(% change y-o-y)



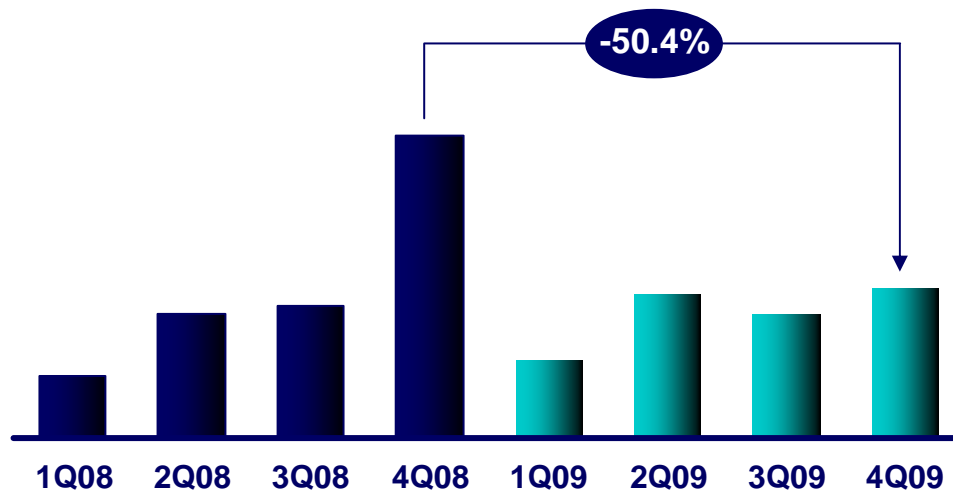
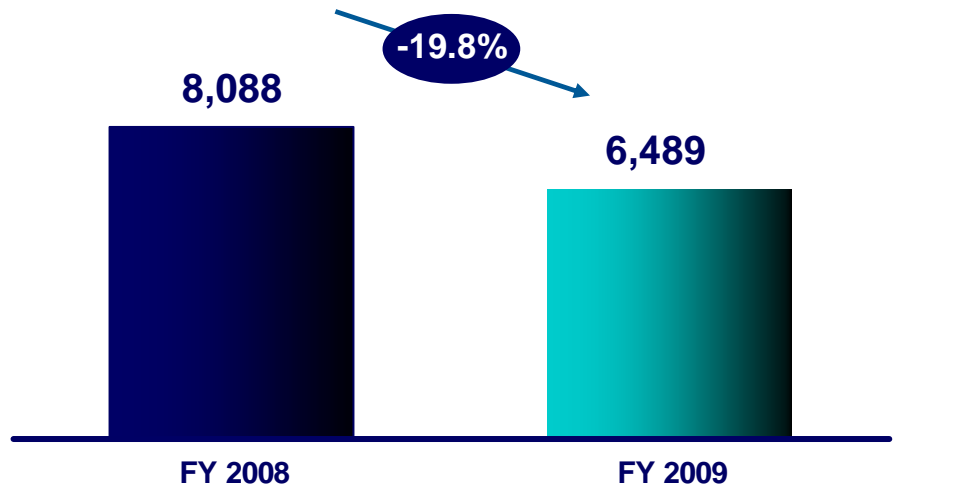
¹⁾ Other Subcontracts – incl. Rentals, Buildings, Vehicles, Utilities, Consultancy & Brand fees

²⁾ Taxes = taxes other than income taxes, provisions and fees

Group CAPEX – Focus on selective investments into core areas



CZK millions



- Continuous focus on selective and efficient investments to core areas
- Different CAPEX phasing in 2009 compared to 2008 due to accelerated expansion of new generation mobile network (3G) from 4Q08 (4Q CAPEX: -50.4% y-o-y)
- GSM networks capacity and coverage enhancement
- CAPEX to Revenues at 10.8% in 2009, down by 1.7 p.p. y-o-y

Group Balance Sheet & Cash Flow Statement



<i>CZK millions</i>	31 Dec 2008	31 Dec 2009	<i>Change Dec09/Dec08</i>
Non-current assets	86,166	80,316	(6.8%)
Current assets	17,361	12,357	(28.8%)
- of which Cash & cash. Equiv.	7,116	1,269	(82.2%)
Total assets	103,623	92,768	(10.5%)
Equity	78,168	73,879	(5.5%)
Non-current liabilities	6,977	6,422	(7.9%)
- Long-term financial debt	3,098	3,045	(1.7%)
Current liabilities	18,478	12,467	(32.5%)
- Short-term financial debt	98	87	(11.0%)
	Jan - Dec 2008	Jan - Dec 2009	Change FY09/FY08
Interest paid	(487)	(237)	(51.3%)
Interest received	367	169	(54.0%)
Income tax paid	(4,859)	(3,659)	(24.7%)
Net cash from operating activities	21,842	17,422	(20.2%)
Net cash used in investing activities	(2,227)	(7,177)	n.m.
- Of which purchase of PPE and intangibles	(6,916)	(8,075)	16.8%
- Of which disposal of PPE an intangibles	4,586	891	(80.6%)
Free cash flow	19,512	10,238	(47.5%)
Net cash from financing activities	(22,075)	(16,092)	(27.1%)



2010 Outlook & Guidance

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- **Sustain commercial momentum** through offering new products and service improvements
- Focus on **broadband centric proposition** to **stabilize household access losses**
- Continue **focusing on mobile broadband** and exploiting **3G coverage advantage**
- **Slovakia** - keep **customer growth and profitability** to strengthen our position
- **Maintain focus on OPEX efficiency**

2010 Investor Guidance



(CZK millions) **FY 2009 base** **FY 2010 Guidance**

OIBDA ⁽¹⁾

26,282

-5% to -9%

CAPEX

6,489

~ 6,000

¹⁾ In terms of 2010 guidance calculation, OIBDA excludes brand fees. In addition, 2009 OIBDA base excludes non-recurring items (settlement with T-Mobile, universal service and gain from real estate sale) totaling CZK 1,548 million.

2010 Guidance excludes changes in consolidation and assumes constant FX rates of 2009.

2009 Dividend proposal



- Proposal to AGM of CZK 40 per share
- Total payment of CZK 12,884 million
- ~ 9% dividend yield⁽¹⁾

⁽¹⁾ Based on average share price between 2 January and 20 February 2010