



Telefónica O2 Czech Republic

2006 Full Year Results

23rd February, 2007

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.

Agenda

1. **2006 Highlights**
2. **2006 Financial Results**
3. **Strategic Outlook, Guidance & Dividend Proposal**

2006 Highlights

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2006 Highlights

Business

- F/M integration
- Re-branding
- New market entrance (O2 TV launch)
- Regulatory environment
- Entry in Slovakia

Financial

- Turnaround of revenues trend
- OIBDA growth
- Margins maintained
- Guidance accomplished
- Strong Free Cash Flow
- Dividend payment

Operational

- ADSL
- Mobile ARPU
- Productivity
- CAPEX
- Price pressures
- Fixed lines disconnections

Environment

Regulation

- Relevant market analyses
- Key decisions
 - Retail tariffs rebalancing
 - Wholesale ADSL
 - LLU
 - Interconnect charges
- Mobile number portability

Competition

- Fixed
 - Consolidation
 - Focus on corporate customers
- Mobile
 - Prepaid to postpaid migration
 - Focus on Data & Internet
- Cable
 - Consolidation

Financial Performance

(CZK millions)	Jan - Dec 2005	Jan – Dec 2006	Change FY06/FY05
Revenues	61,040	61,311	+ 0.4%
OIBDA ¹⁾	27,240	27,906	+ 2.4%
OIBDA margin ²⁾	44.9%	45.8%	+ 0.9 p.p.
Operating Income	9,432	11,160	+ 18.3%
Net income	6,249	8,020	+28.3%
Free Cash Flow	18,691	18,428	(1.4%)
CAPEX	6,072	6,500	+ 7.0%

Note: Audited, according to IFRS

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

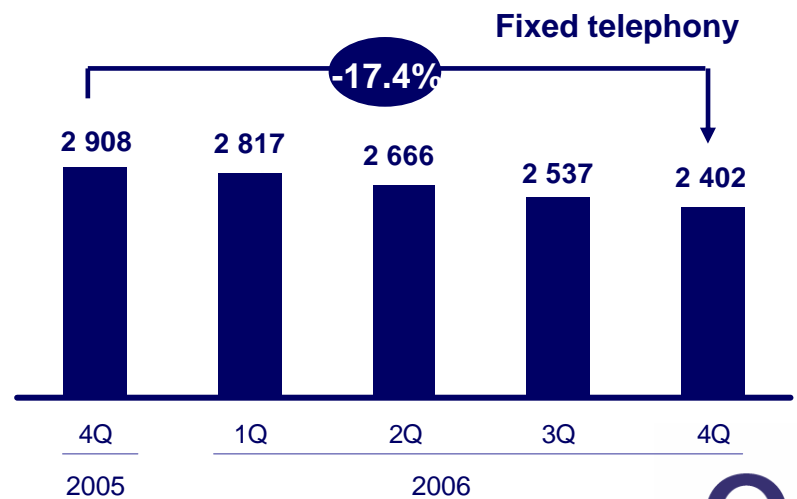
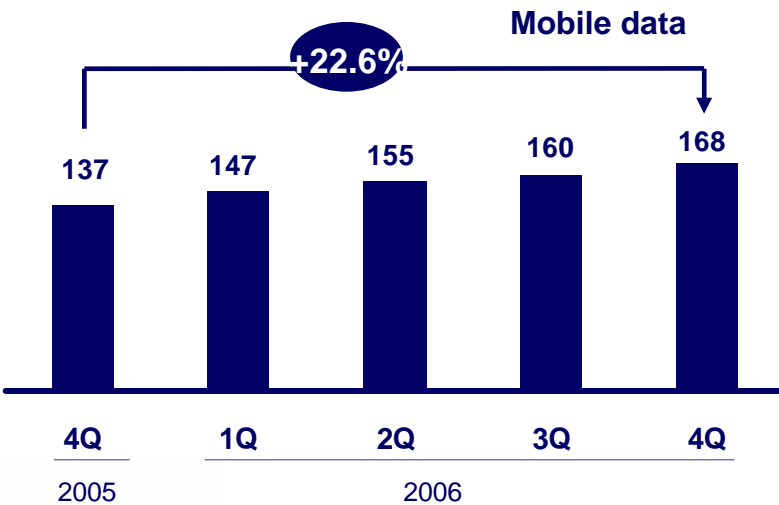
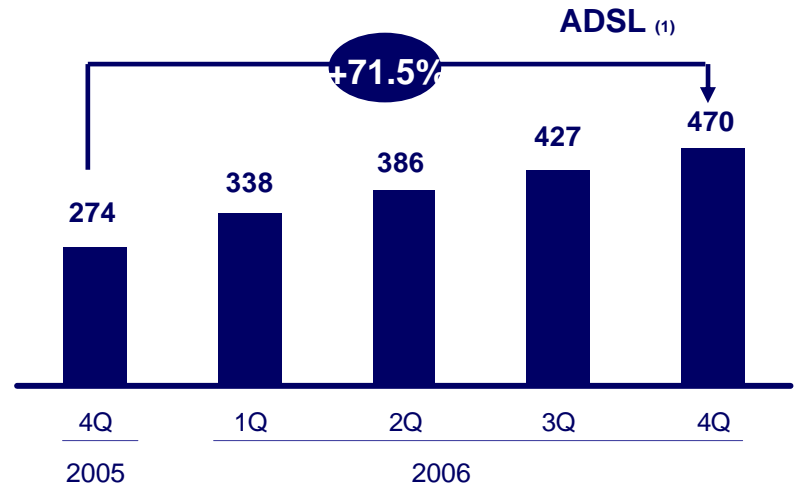
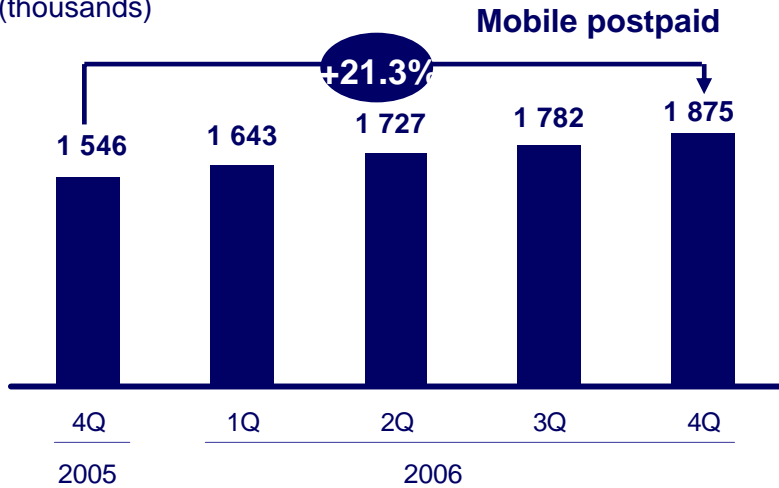
2) OIBDA margin = OIBDA/ Business revenues

Selected Operational Indicators

(thousands)	31 Dec 2005	31 Dec 2006	Change Dec06/Dec05
Fixed Telephony Accesses ¹⁾	2,908	2,402	(17.4%)
Fixed Broadband	274	470	+ 71.5%
- retail	226	405	+ 79.4%
- wholesale	48	65	+ 34.1%
O2 TV	-	16	n.m.
Mobile Customers	4,676	4,864	+ 4.0%
- contract	1,546	1,875	+ 21.3%
- prepaid	3,130	2,989	(4.5%)
Mobile Data Customers ²⁾	137	168	+ 22.6%

Key drivers of performance

(thousands)



Products & Services

Traditional

- **Mobile**
 - Customer base growth
 - Prepaid to postpaid migration
- **Fixed**
 - Re-balancing
 - Retention tools

BB & Data

- **Widest offer in the market**
- **ADSL**
- **Mobile data**

New markets

- **IPTV**
 - Synergies with TEF
 - Strategic focus on 3P and 4P
- **ICT solutions**
 - Complex data and IT services

Fixed/Mobile Integration & Convergence

Our plans for 2006

- **Distribution & Sales Forces**
- **Re-branding and cultural alignment**
- **Network**
- **Convergent products**
- **Systems & Processes**

We have delivered

- **Sales force and POS integrated** ✓
- **O2 brand introduced** ✓
- **Convergent products launched** ✓
- **Network construction and maintenance aligned** ✓
- **“Flagship” projects on track** ✓

Mobile launch in Slovakia

- **Organic expansion/Scaling of the business**
- **Light asset operation**
- **Successful pre-launch offer**
- **Commercial launch**
- **Brand**

2006 Financial Results

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Group Financial Performance

(CZK millions)	Jan - Dec 2005	Jan – Dec 2006	Change FY06/FY05
Revenues	61,040	61,311	+ 0.4%
Internal expenses capitalized in fixed assets	594	911	+ 53.4%
Operating Costs	(33,186)	(34,100)	+ 2.8%
Other operating expense	(63)	(61)	(3.2%)
Gain on sale of fixed assets	116	98	(15.5%)
Impairment of fixed assets	(1,261)	(253)	n.m.
OIBDA ¹⁾	27,240	27,906	+ 2.4%
OIBDA margin ²⁾	44.9%	45.8%	+ 0.9 p.p.
Depreciation and amortization	(17,808)	(16,746)	(6.0%)
Operating Income	9,432	11,160	+ 18.3%
Net financial expense	(684)	(220)	(67.8%)
Income before taxes	8,748	10,940	+ 25.1%
Income taxes	(2,500)	(2,920)	+ 16.8%
Net income	6,249	8,020	+ 28.3%

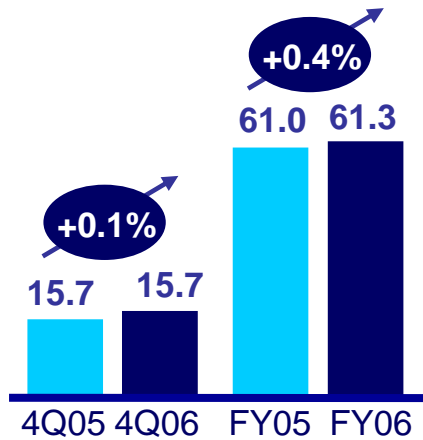
Note: Audited, according to IFRS

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

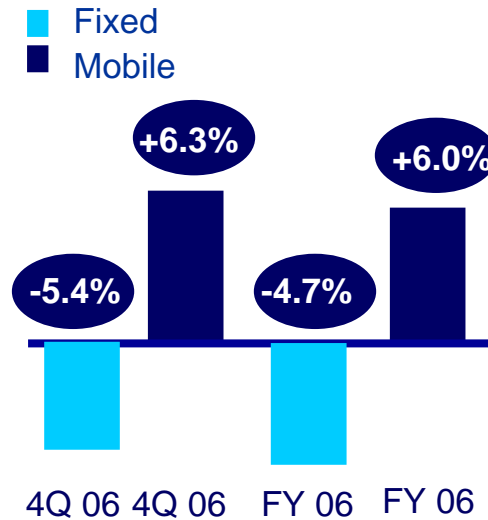
2) OIBDA margin = OIBDA/ Business revenues

Group revenues turn around in 2006, OIBDA growth despite cost pressure in Q4

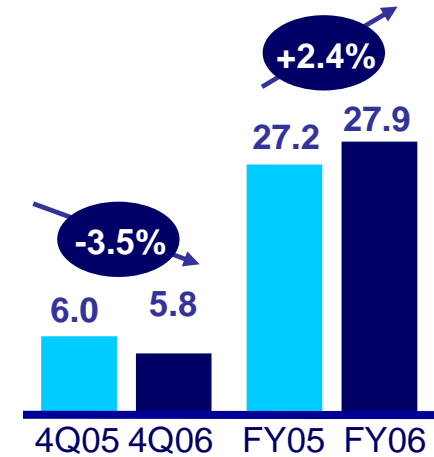
Group Revenue evolution
(CZK in billion)



F&M Revenue y-o-y growth



Group OIBDA evolution
(CZK in billion)



Fixed Operational Performance

(thousands)	31 Dec 2005	31 Dec 2006	change Dec06/Dec05
Accesses	3,576	3,073	(14.1%)
<i>Final Client Accesses</i>	3,514	2,979	(15.2%)
Fixed Telephony Accesses ¹⁾	2,908	2,402	(17.4%)
Internet and Data Accesses	606	561	(7.4%)
- Narrowband	367	144	(60.8%)
- Broadband (ADSL)	226	405	+ 79.4%
- Other ²⁾	13	12	(7.7%)
Pay TV	-	16	n.m.
<i>Wholesale Accesses</i>	62	94	+ 50.9%
Unbundled loops	7	23	n.m.
Wholesale ADSL	48	65	+ 34.1%
Other ³⁾	7	6	(12.7%)
Voice outgoing traffic (mil. minutes)	3,588	3,337	(7.0%)
Dial-up outgoing traffic (mil. minutes)	2,818	1,181	(58.1%)

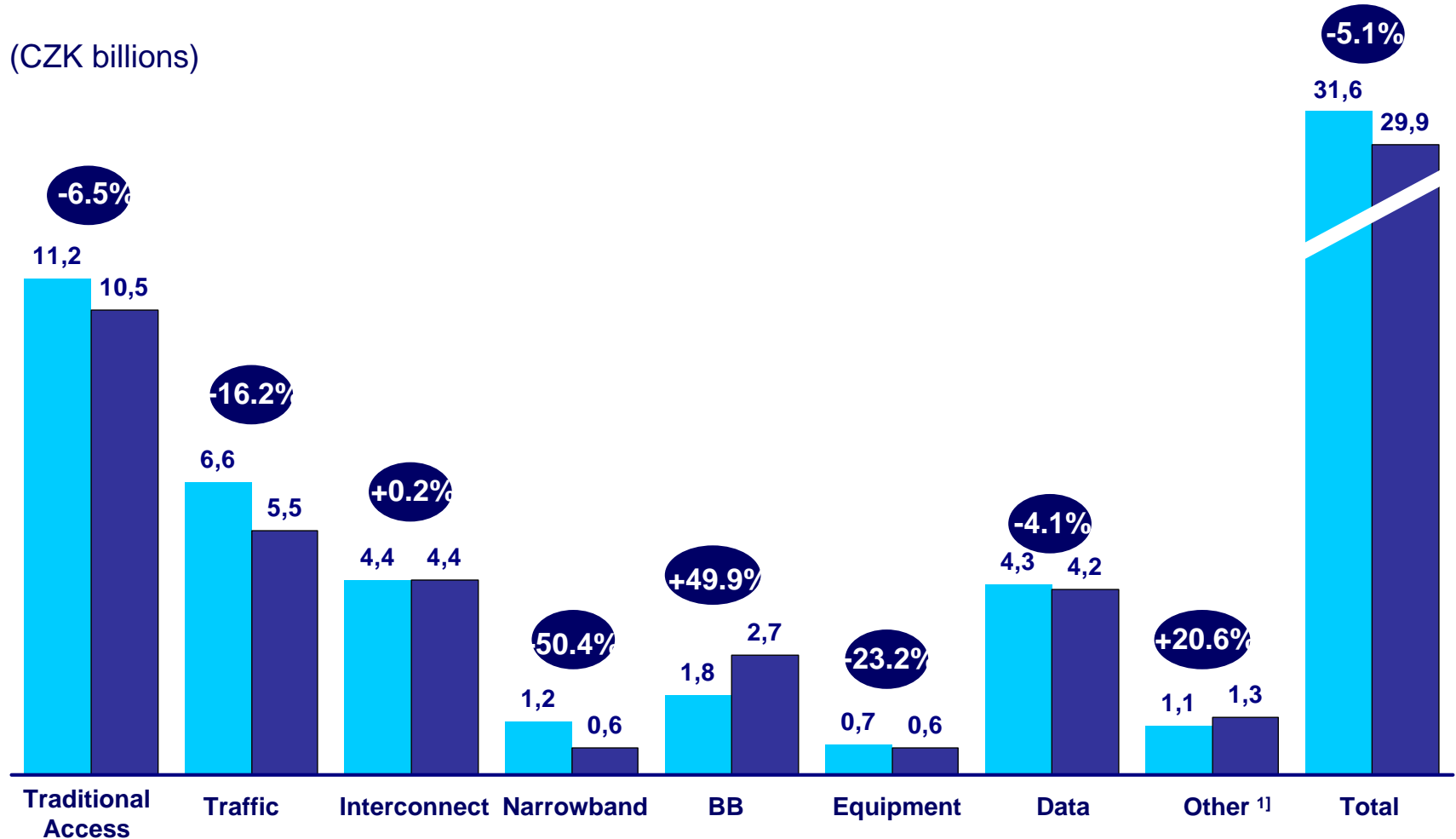
¹⁾ PSTN (including payphones) x1; ISDN Basic x 1; ISDN Primary Access x 30

²⁾ Leased lines

³⁾ Wholesale circuits

Fixed Business Revenues Breakdown

(CZK billions)



¹⁾ Other – incl. IT and value added services

Figures excluding inter-segment charges between fixed and mobile segment

Mobile Operational Performance

(thousands)	31 Dec 2005	31 Dec 2006	Change Dec06/Dec05
No. of registered customers ¹⁾	4,676	4,864	+ 4.0%
- contract ²⁾	1,546	1,875	+ 21.3%
- prepaid ^{1) 2)}	3,130	2,989	(4.5%)
Data customers ³⁾	137	168	+ 22.6%
ARPU blended (CZK) 1)	510	511	+ 0.2%
contract ARPU (CZK)	1,165	989	(15.1%)
prepaid ARPU (CZK)	244	239	(2.0%)
data ARPU blended (CZK)	102	108	+ 5.9%
non-SMS data ARPU as. % of data ARPU	39%	41%	+ 5.5%
Average MOU blended (in & outbound) ¹⁾	92	102	+ 10.9%
Total no. of SMS (millions)	2,519	2,858	+ 13.5%

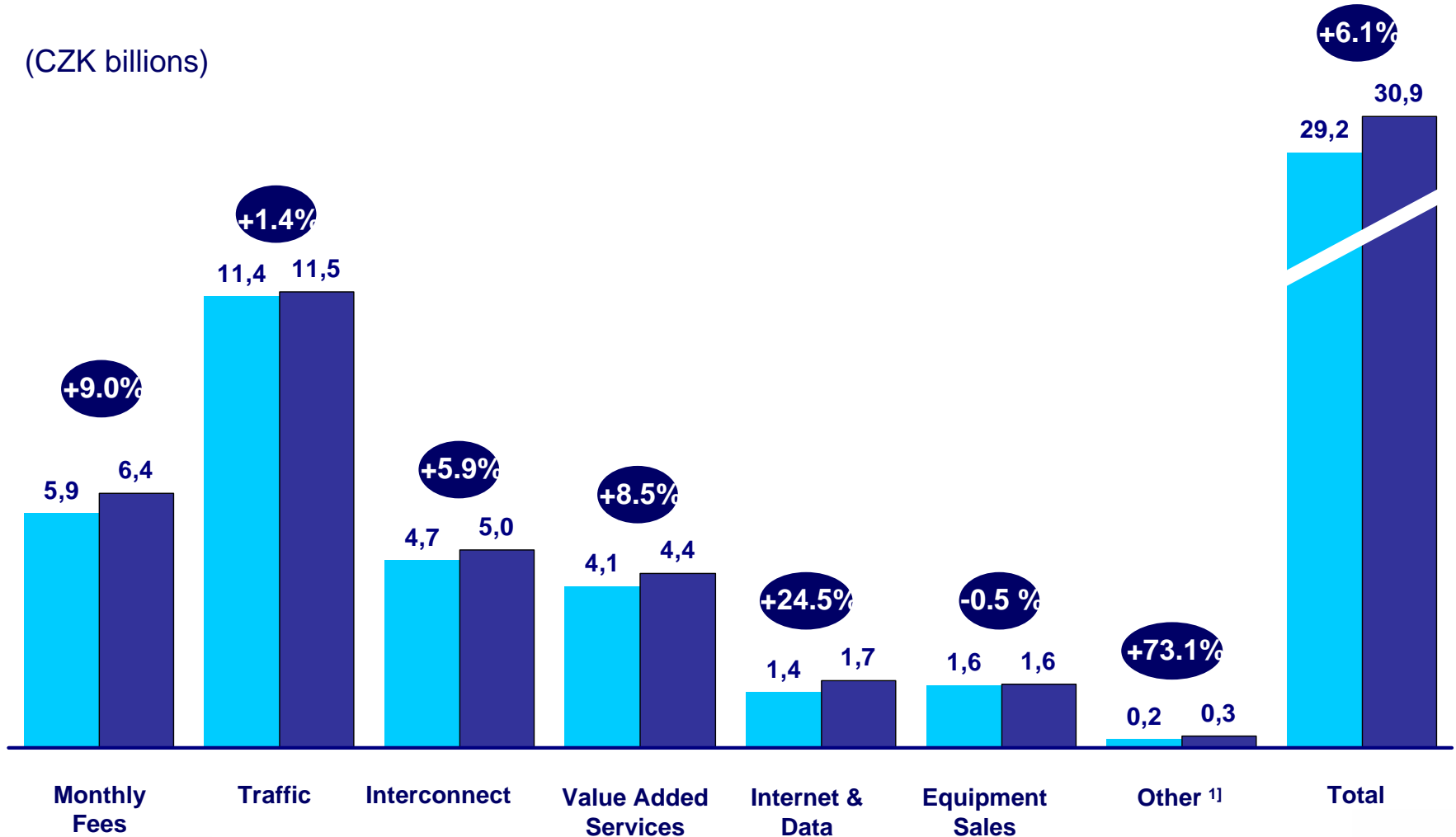
1) Based on new methodology of prepaid customers counts

2) GSM, CDMA and NMT customers

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

Mobile Business Revenues Breakdown

(CZK billions)

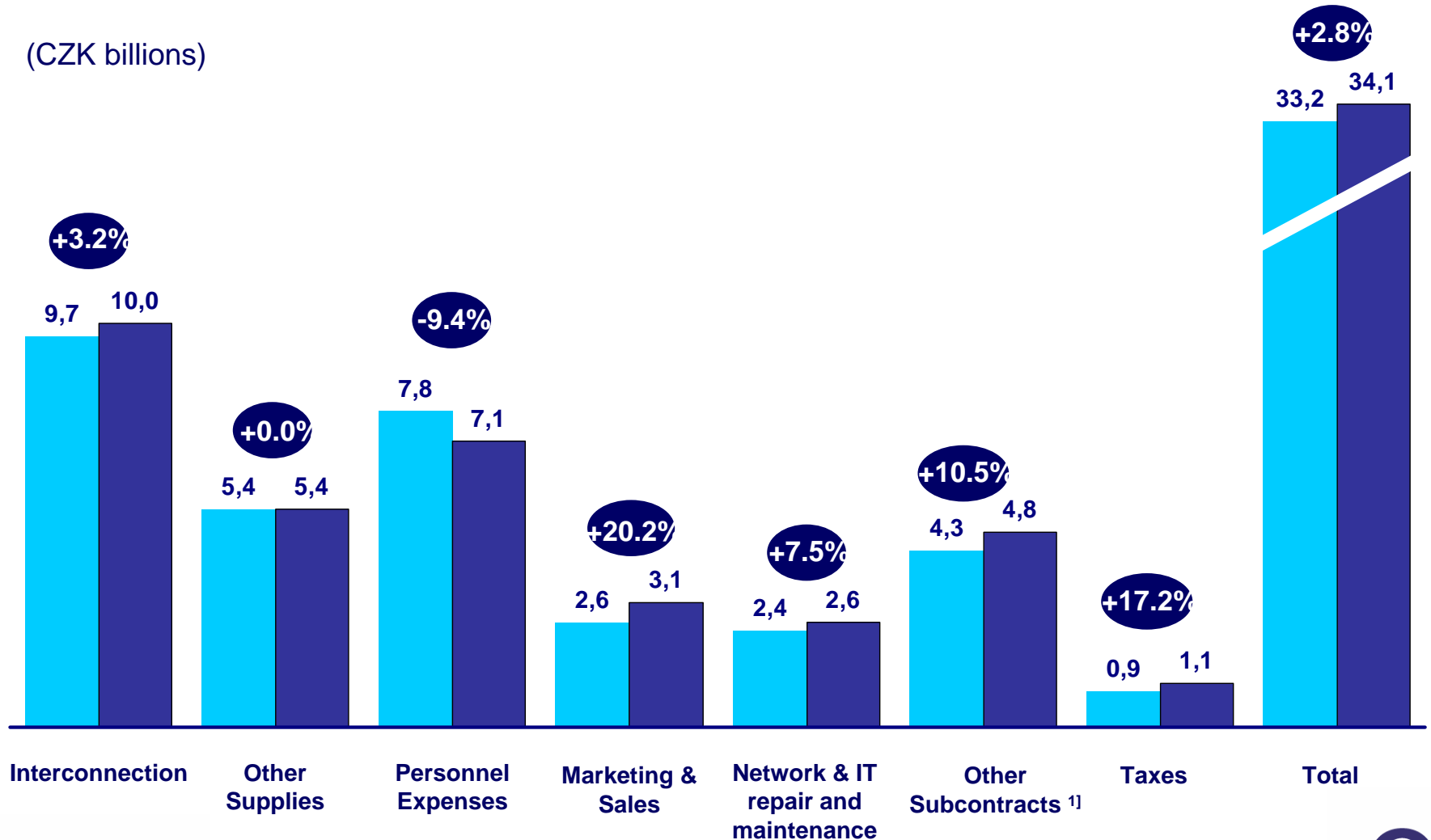


¹⁾ Other – incl. IT services

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

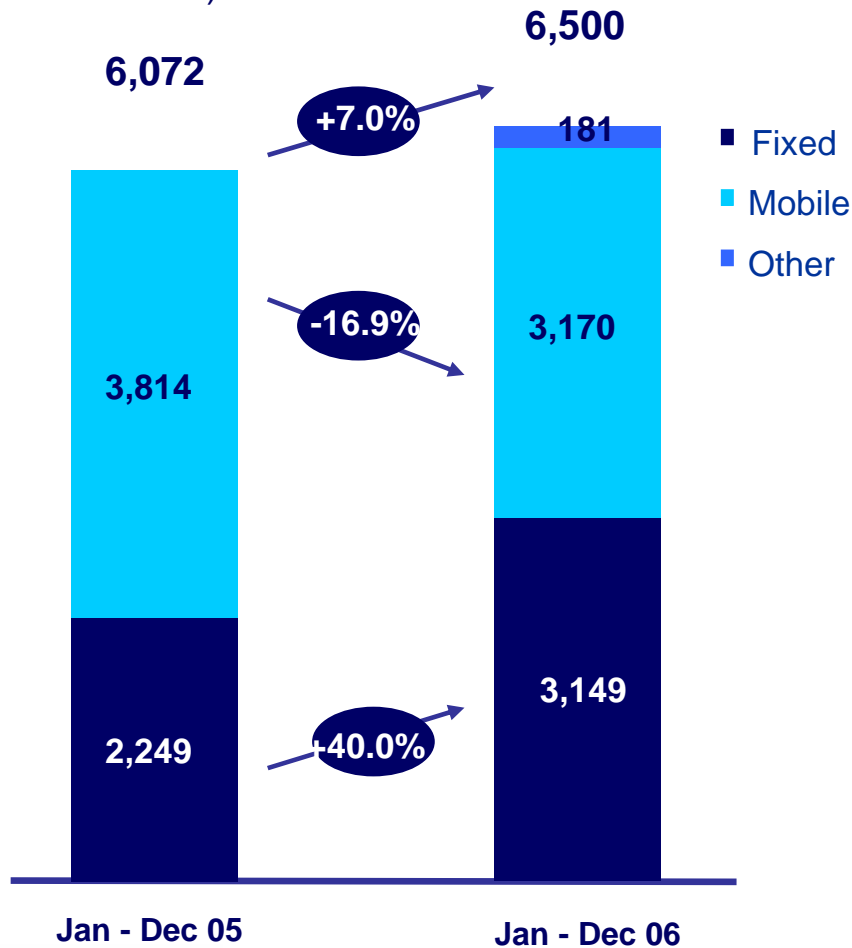
Group OPEX breakdown

(CZK billions)



CAPEX

(CZK millions)



- Bulk of the investments directed to the growth areas
 - ADSL rollout
 - IPTV project
 - CDMA
 - UMTS network

- CAPEX/Sales ratio of 10.6% in 2006

Group Cash Flow Statement

(CZK millions)	Jan - Dec 2005	Jan - Dec 2006	change FY06/FY05
Interest paid	(889)	(429)	(51.7%)
Interest received	47	186	n.m.
Income tax paid	(3,262)	(3,564)	+ 9.3%
Net cash from operating activities	23,656	24,456	+ 3.4%
Net cash from investing activities	(4,781)	(6,041)	+ 26.4%
- purchase/disposal of PPE and intangibles	(4,965)	(6,000)	+ 20.8%
- marketable securities	184	-	n.m.
- grant/(payment) of loan	-	(41)	n.m.
Free cash flow I ¹⁾	18,691	18,428	(1.4%)
Free cash flow II ²⁾	19,533	18,699	(4.3%)
Net cash from financing activities	(15,813)	(14,494)	(8.3%)

Note: Audited, 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)	31 Dec 2005	31 Dec 2006	Change Dec06/Dec05
Non-current assets	111,359	100,824	(9.5%)
Current assets	12,492	16,850	+ 34.9%
- Cash & cash. Equiv.	3,639	7,461	+ 105.0%
- Short term fin.investments	-	66	n.m.
Total assets	124,211	117,877	(5.1%)
Equity	94,975	88,481	(6.8%)
Non-current liabilities	18,421	16,495	(10.5%)
- Long-term financial debt	9,324	9,156	(1.8%)
Current liabilities	10,815	12,901	+ 19.3%
- Short-term financial debt	307	207	(32.6%)
Gross gearing	10.1%	10.6%	+ 0.5 p.p.
Net gearing ¹⁾	6.3%	2.1%	(4.2 p.p.)

Strategic Outlook & Guidance & Dividend Proposal

3

Outlook

- **Financial and operational efficiency**
- **Unique value proposition**
 - **Broadband**
 - **Convergence**
 - **Mobility**
 - **Customer experience**
- **Rollout of Slovak business**

Investor Guidance

(CZK millions)

	FY 2006	FY 2007	2006 -10 CAGR
Revenues	61,311	1 – 3%	1 – 4%
OIBDA ⁽¹⁾	28,159	-1% to 0%	1 – 3%
CAPEX	6,500	~ CZK 9 billion ~ 20% Slovakia	2007 to 2010 CZK 30 – 40 billion ~ 15 – 18% SK
Slovakia	-	Target of 5% market share	-

⁽¹⁾ In terms of guidance calculation, Operating Income before D&A excludes other exceptional revenues/expenses not foreseeable in 2007. For comparison purpose, the equivalent other exceptional revenues/expenses registered in 2006 are also deducted from reported figures (the main unforeseeable expense deducted from 2006 OIBDA was the impairment charge)

Guidance assumes constant exchange rates as of 2006

2006 Dividend

2006 dividend

- Proposal to AGM of CZK 50 per share (9.1% yield)*
- Total payment of CZK 16.1 bn
- 11.1% increase from last year dividend
- Representing a 201% payout of 2006 net profit

Rationale

- No need to hold surplus cash balances in the current environment
- Consistent with investment plans in growth areas of BB, mobile, business services & Slovakia
- Compliance with legal requirements: reserves available for distribution.

* Share price as of 20 Feb 2007: CZK 548.3

2007 Event Calendar & Investor Relations Contacts

- **26th April 2007 *** – Annual General Meeting
- **26th April 2007 *** – January to March 2007 Financial Results
- **26th July 2007 *** – January to June 2007 Financial Results
- **25th October 2007 *** – January to September 2007 Financial Results

* Subject to change

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