



# Telefónica O2 Czech Republic

Quarterly Results  
January – March 2007

26th April, 2007

*Telefonica*

O<sub>2</sub>

## 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.

## 1Q 2007 Highlights

- **Solid financial performance**
- **Continued strong mobile performance, flat fixed revenues**
- **Efficiency oriented organization**
- **Launch in Slovakia, subscribers' activations beyond expectations**
- **2007 full year financial guidance supported**
- **AGM approved dividend**

## Key Financial and Operational Highlights

(CZK millions)	Jan - Mar 2006	Jan - Mar 2007	Change 1Q07/1Q06
<b>Group Revenues</b>	14,825	15,181	2.4%
<b>Group OIBDA</b>	7,194	7,040	(2.1%)
<b>Group OIBDA margin</b>	48,9%	46,6%	(2.3% p.p)
<b>Group Net Income</b>	2,053	2,309	12.5%
<b>Free Cash Flow</b>	3,335	4,131	23.9%
<b>Group CAPEX</b>	972	814	(16.3%)

(thousands)	31 Mar 2006	31 Mar 2007	Change Mar07/Mar06
<b>Mobile Contract Customers</b>	1,643	1,966	19.7%
<b>Broadband Connections</b>	338	503	48.8%
<b>O2 TV</b>	-	26	n.m.
<b>Fixed Telephony Accesses</b>	2,817	2,288	(18.8%)

## Continuous focus on growth areas and retention

Bundles/ Convergence	Broadband	Mobile
<p><b>Value proposition enhancement</b></p>	<p><b>Value proposition enhancement</b></p>	<p><b>Confirmed healthy performance</b></p>
<p><b>O2 Trio</b></p> <ul style="list-style-type: none"> <li>• First 3P offer on the market</li> <li>• Unlimited fixed voice, ADSL &amp; IPTV in one package</li> </ul> <p><b>O2 Duo Mobile</b></p> <ul style="list-style-type: none"> <li>• First F/M convergent offer</li> <li>• Fixed ADSL BB &amp; mobile voice tariff in one package</li> </ul>	<p><b>ADSL speed upgrade</b></p> <ul style="list-style-type: none"> <li>• 2 to 4 times speed upgrade</li> <li>• Basic speed 2 Mbps</li> <li>• From April 2007</li> <li>• Wholesale and retail</li> <li>• Unchanged prices</li> <li>• Automatic speeds upgrade for existing customers</li> <li>• Speeds already upgraded for 70% of customers</li> </ul>	<ul style="list-style-type: none"> <li>• Revenues growth</li> <li>• Improving customer base via prepaid to postpaid migration</li> <li>• Traffic (MOU)</li> <li>• ARPU</li> </ul>

## Launch in Slovakia

- **Promising take up and growth**
  - **Over 600k registered pre-subscribers by 31 Jan 2007**
  - **Over 400k active customers by 19 Apr 2007**
  - **New pre-paid tariffs well accepted by the public**
- **Operations launch process at full speed**
  - **Own network rollout – license obligation and improving margins**
  - **Direct distribution (O2 branded shops) channels in operation**
  - **Backoffice infrastructure being deployed**
- **Going forward**
  - **Delivery of customer expectations**

## Outlook

- **Delivery of the full year financial guidance**
  - **Revenues: 1-3%,**
  - **OIBDA<sup>(1)</sup>: -1 to 0%,**
  - **CAPEX: CZK 9 billion**
- **Operational focus**
  - **Bundles/BB**
  - **Mobile performance**
  - **ICT**
  - **Further efficiency improvements**
- **Slovak business**

<sup>(1)</sup> 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

## Group Financial Performance

(CZK millions)	Jan - Mar 2006	Jan – Mar 2007	Change 1Q07/1Q06
<b>Revenues</b>	<b>14,825</b>	<b>15,181</b>	<b>2.4%</b>
Internal expenses capitalized in fixed assets	190	124	(34.7%)
<b>Operating Costs</b>	<b>(7,777)</b>	<b>(8,230)</b>	<b>5.8%</b>
Other operating expense	(44)	(47)	6.8%
Gain on sale of fixed assets	15	7	(53.3%)
Impairment of fixed assets	(15)	5	n.m.
<b>OIBDA <sup>1)</sup></b>	<b>7,194</b>	<b>7,040</b>	<b>(2.1%)</b>
<b>OIBDA margin <sup>2)</sup></b>	<b>48.9%</b>	<b>46,6%</b>	<b>(2.3% p.p)</b>
Depreciation and amortization	(4,173)	(3,854)	(7.6%)
<b>Operating Income</b>	<b>3,021</b>	<b>3,186</b>	<b>5.5%</b>
Net financial expense	(86)	(46)	(46.5%)
<b>Income before taxes</b>	<b>2,935</b>	<b>3,140</b>	<b>7.0%</b>
Income taxes	(882)	(831)	(5.8%)
<b>Net income</b>	<b>2,053</b>	<b>2,309</b>	<b>12.5%</b>

Note: Unaudited, according to IFRS

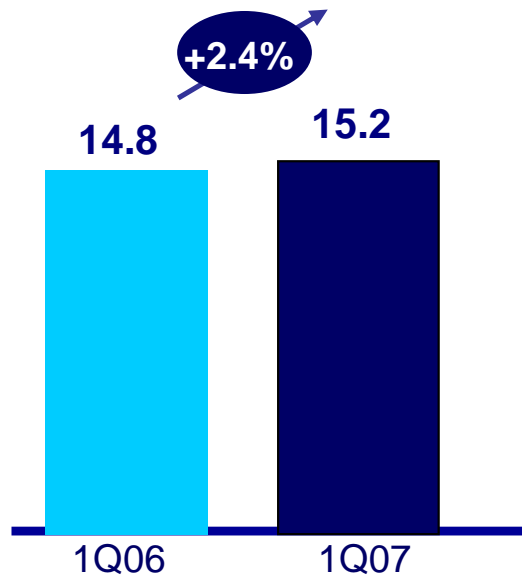
1) OIBDA = Revenues + internal expenses capitalized in FA – OPEX – other expenses + gain on sale of FA - impairment

2) OIBDA margin = OIBDA/ Business revenues

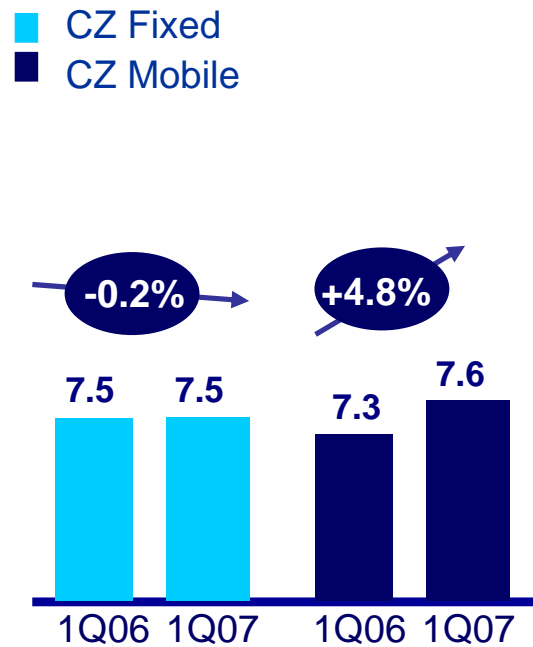


## Group revenues and OIBDA growth

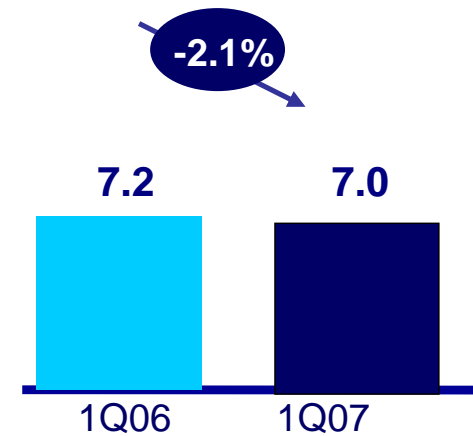
Group Revenue evolution  
(CZK in billion)



F&M Revenue y-o-y growth



Group OIBDA evolution  
(CZK in billion)



## CZ Fixed Operational Performance

(thousands)	31 March 2006	31 March 2007	change Mar07/Mar06
<b>Accesses</b>	<b>3,476</b>	<b>2,976</b>	<b>(14.4%)</b>
<i>Final Client Accesses</i>	<b>3,405</b>	<b>2,874</b>	<b>(15.6%)</b>
Fixed Telephony Accesses <sup>1)</sup>	2,817	2,288	(18.8%)
Internet and Data Accesses	589	560	(4.9%)
- Narrowband	292	111	(62.0%)
- Broadband (ADSL)	283	437	54.1%
- Other <sup>2)</sup>	13	11	(15.4%)
Pay TV	-	26	n.m.
<i>Wholesale Accesses</i>	<b>71</b>	<b>102</b>	<b>43.0%</b>
Unbundled loops	9	31	n.m.
Wholesale ADSL	55	65	18.5%
Other <sup>3)</sup>	7	6	(18.3%)
<b>Voice outgoing traffic (mil. minutes)</b>	<b>916</b>	<b>764</b>	<b>(16.6%)</b>
<b>Dial-up outgoing traffic (mil. minutes)</b>	<b>455</b>	<b>146</b>	<b>(67.9%)</b>

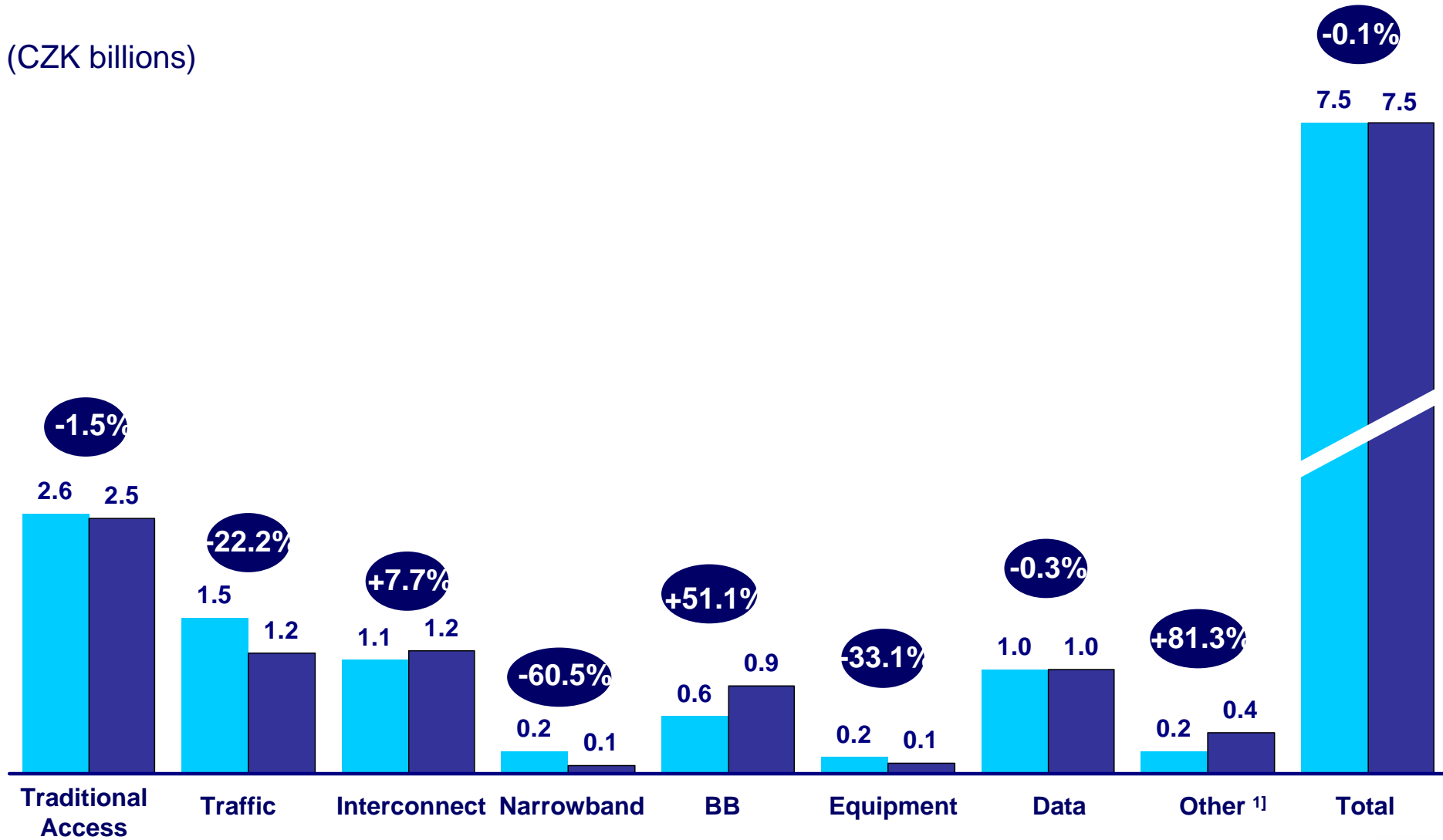
<sup>1)</sup> PSTN (including payphones) x1; ISDN Basic x 1; ISDN Primary Access x 30

<sup>2)</sup> Leased lines

<sup>3)</sup> Wholesale circuits

# CZ Fixed Business Revenues Breakdown

(CZK billions)



<sup>1)</sup> Other – incl. IT and value added services

Figures excluding inter-segment charges between fixed and mobile segment

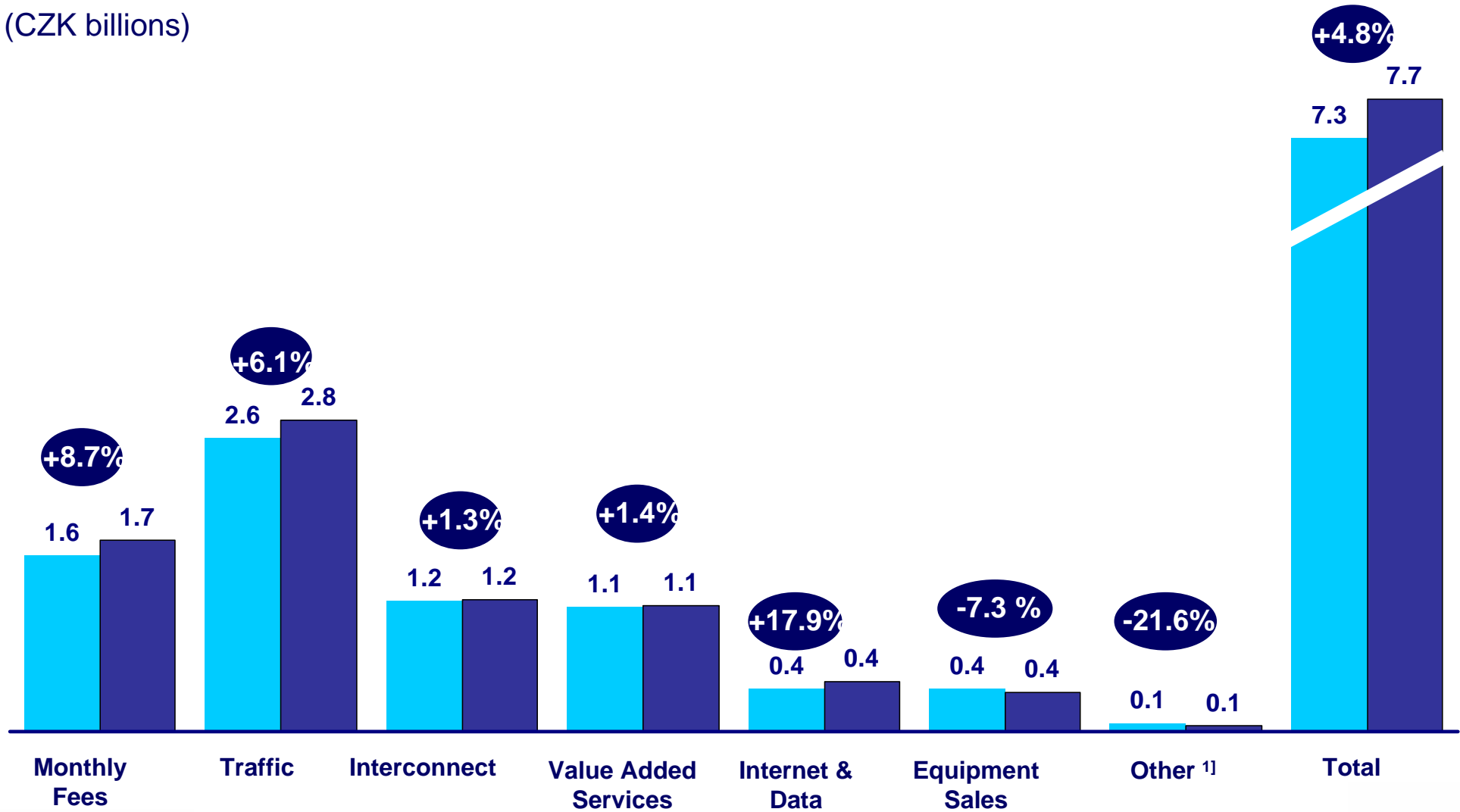
## CZ Mobile Operational Performance

(thousands)	31 March 2006	31 March 2007	change Mar07/Mar06
<b>No. of registered customers</b>	<b>4,695</b>	<b>4,839</b>	<b>3.1%</b>
- contract	1,643	1,966	19.7%
- prepaid	3,052	2,873	(5.9%)
<b>Data customers <sup>1)</sup></b>	<b>147</b>	<b>174</b>	<b>18.4%</b>
<b>ARPU blended (CZK)</b>	<b>490</b>	<b>496</b>	<b>1.2%</b>
contract ARPU (CZK)	996	902	(9.4%)
prepaid ARPU (CZK)	226	232	2.7%
data ARPU blended (CZK)	106	107	0.9%
non-SMS data ARPU as % of data ARPU	39%	41%	
<b>Average MOU blended (in &amp; outbound)</b>	<b>96</b>	<b>109</b>	<b>13.5%</b>
<b>Total no. of SMS (millions)</b>	<b>690</b>	<b>750</b>	<b>8.7%</b>

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

# CZ Mobile Business Revenues Breakdown

(CZK billions)

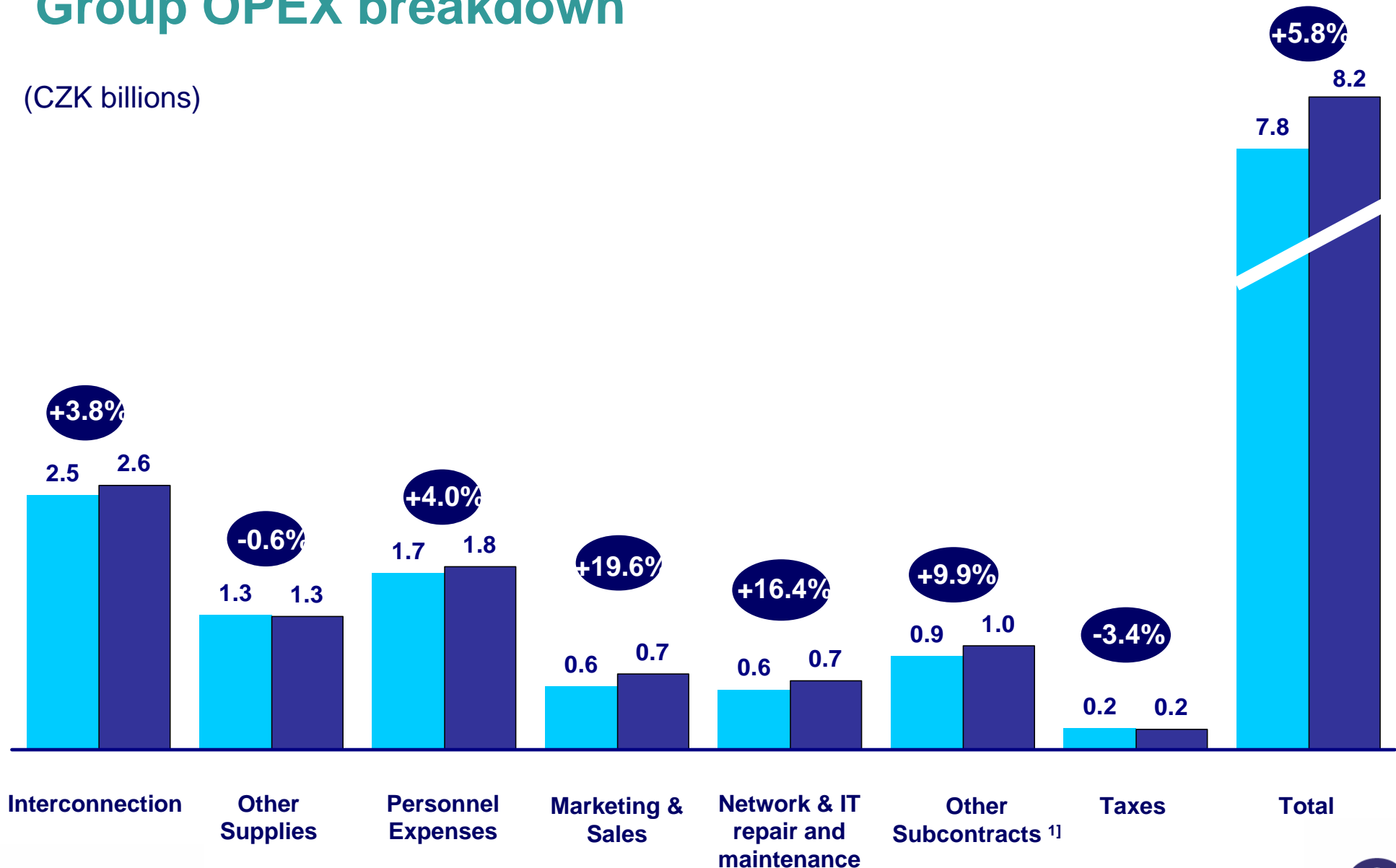


<sup>1)</sup> Other – incl. IT services

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

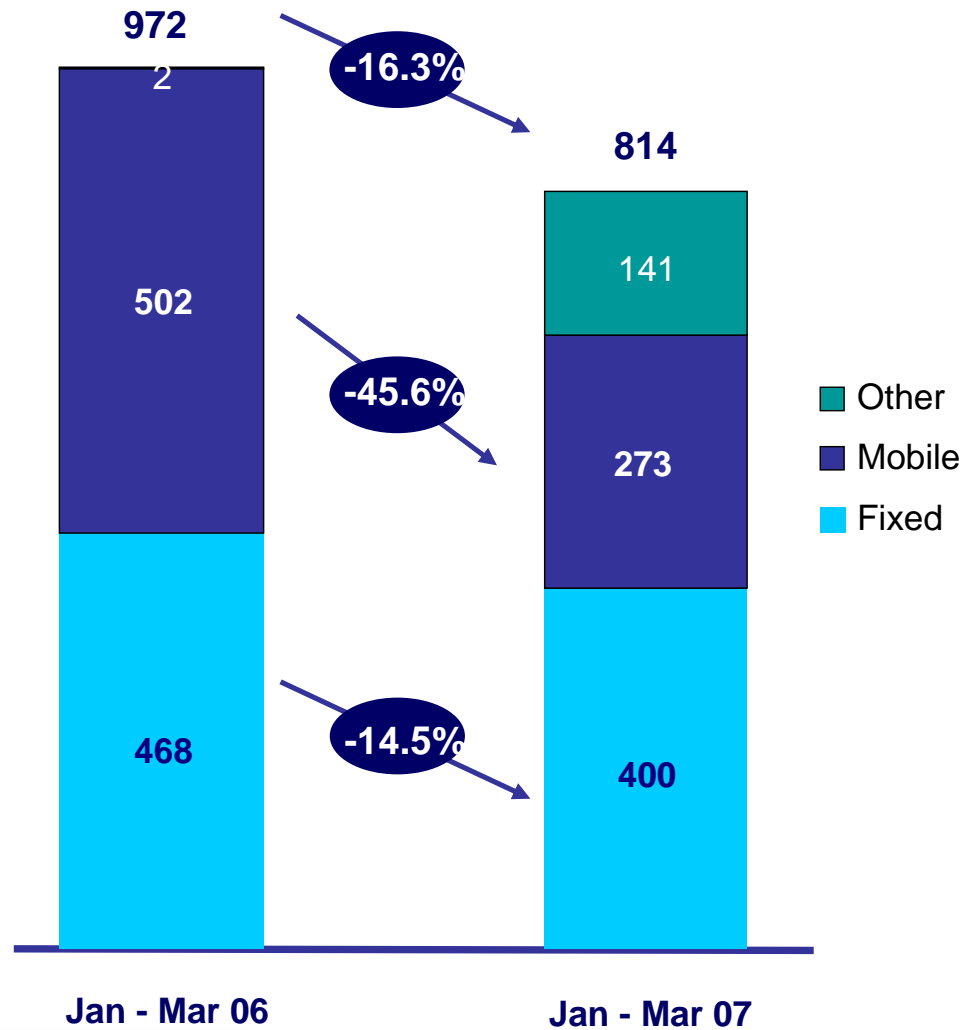
## Group OPEX breakdown

(CZK billions)



# CAPEX

(CZK millions)



- Bulk of the investments directed to the growth areas
  - ADSL rollout
  - IPTV project
  - CDMA
  - GSM network
- CAPEX/Sales ratio of 5.4% in 1Q 2007

## Group Cash Flow Statement

(CZK millions)	Jan - Mar 2006	Jan – Mar 2007	Change 1Q07/1Q06
Interest paid	-	-	0.0%
Interest received	21	72	242.9%
Income tax paid	(769)	(710)	(7.7%)
<b>Net cash from operating activities</b>	<b>5,478</b>	<b>5,360</b>	<b>(2.2%)</b>
<b>Net cash from investing activities</b>	<b>(5,440)</b>	<b>(1,176)</b>	<b>(78.4%)</b>
- purchase/disposal of PPE and intangibles	(2,143)	(1,229)	(42.7%)
- marketable securities	-	53	n.m.
- grant/(payment) of loan	(3,297)	-	n.m.
<b>Free cash flow I <sup>1)</sup></b>	<b>3,335</b>	<b>4,131</b>	<b>23.9%</b>
<b>Free cash flow II <sup>2)</sup></b>	<b>3,314</b>	<b>4,059</b>	<b>22.5%</b>
<b>Net cash from financing activities</b>	<b>-</b>	<b>-</b>	<b>0.0%</b>

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)	31 March 2006	31 March 2007	change Mar07/Mar06
<b>Non-current assets</b>	<b>108,239</b>	<b>97,844</b>	<b>(9,6%)</b>
<b>Current assets</b>	<b>15,966</b>	<b>22,061</b>	<b>+38,2%</b>
- Cash & cash. Equiv.	3,590	11,705	+226,0%
- Short term fin.investments	3,293	13	<i>n.m.</i>
<b>Total assets</b>	<b>124,451</b>	<b>120,115</b>	<b>(3,5%)</b>
<b>Equity</b>	<b>97,032</b>	<b>90,781</b>	<b>(6,4%)</b>
<b>Non-current liabilities</b>	<b>17,721</b>	<b>16,111</b>	<b>(9,1%)</b>
- Long-term financial debt	9,278	9,215	(0,7%)
<b>Current liabilities</b>	<b>9,698</b>	<b>13,223</b>	<b>+36,4%</b>
- Short-term financial debt	326	362	+11,3%
<b>Gross gearing</b>	<b>9.9%</b>	<b>10.5%</b>	<b>+0,7% p.p.</b>
<b>Net gearing <sup>1)</sup></b>	<b>2.8%</b>	<b>(2.4%)</b>	<b>(5,2% p.p.)</b>