



**ČESKÝ TELECOM, a.s.**

**Q3 2005 Earnings Results**

**ING Annual Emerging European Forum  
November 30<sup>th</sup>, 2005 - Prague**



**Milan Zapletal – Corporate Planning  
and Controlling Director**

**Summary Highlights**  
**Synergy Effects**  
**Management & Shareholders Issues**  
**Broadband, UMTS & Innovations**  
**Q3 2005 Earnings Results**  
**Strategic Outlook**



# 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.

# 5

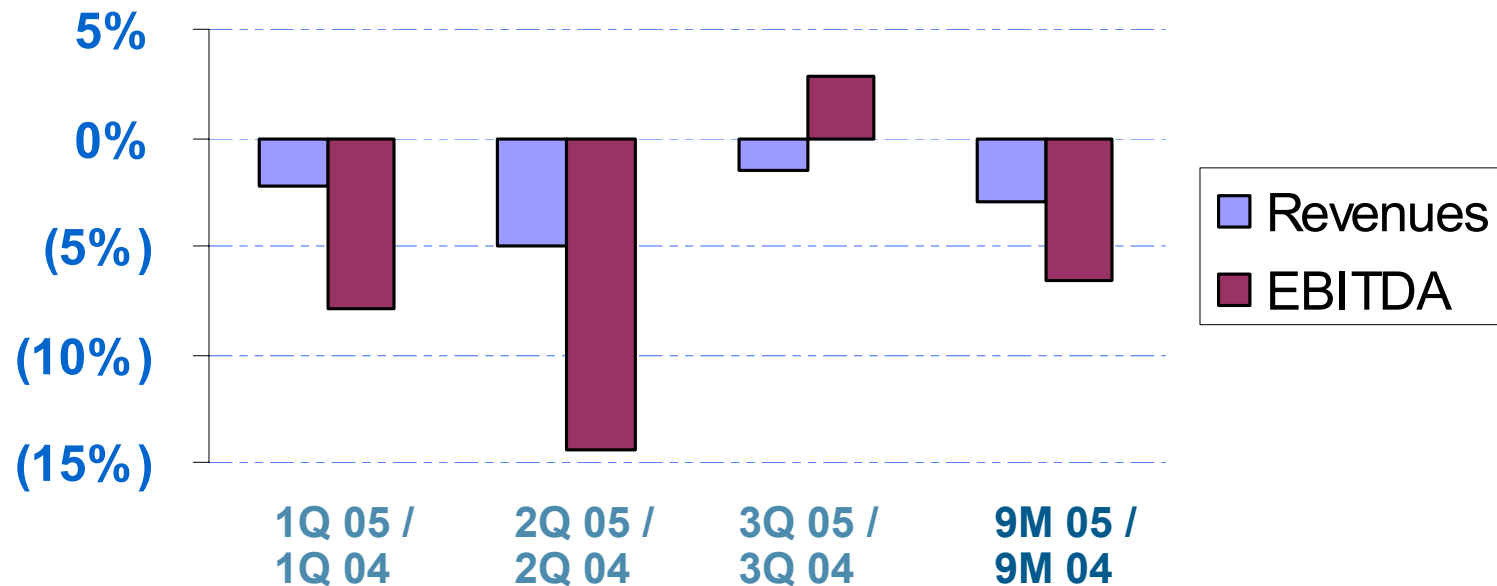
## Q3 2005 Summary Highlights

- Continued strong growth of fixed broadband customers
- # 1 mobile operator in postpaid segment with accelerating growth momentum
- Further customer acquisition and migration to postpaid services ahead of mobile portability
- Areas of potential synergies within Telefónica Group and between ČESKÝ TELECOM and Eurotel being defined
- Organizational structure changes implemented and new management appointed
- Telefónica controls 69.4% of ČESKÝ TELECOM after the closure of share buy-out
- Decision on external network maintenance outsourcing taken
- UMTS commercial launch on December 1<sup>st</sup>

# 6

## Q3 2005 Financial Highlights

### Consolidated Revenues & EBITDA 2005 / 2004 performance



# 7

## Q3 2005 Financial Highlights

- Consolidated revenues CZK 45bn, down 2.9% yoy
- Consolidated OPEX CZK 24bn, up 0.6% yoy
- EBITDA CZK 21bn, down 6.6% yoy
- EBITDA margin of 47%, above peers and industry average
- Net Income CZK 4.8bn (i.e. CZK 20 per share\*), up 6.5% yoy
- FCF CZK 13.7bn (i.e. CZK 57 per share\*), down 5.7% yoy
- CAPEX of CZK 3.2bn, down 7% yoy (7.1% of revenues)
- Leverage reduced to 12%, down from 32% in Q3 04

*\* Note: Net Income and Free Cash Flow per share arithmetically annualized, does not imply expected 2005 year end performance*

# 8

## Fixed Line Business Highlights

### Continued strong growth in data driven by broadband

- Data, leased lines, and VAS generating 22% of total revenues, up 12% yoy, growth driven by ADSL
- Growth of data, ADSL and related services mitigating the impact of falling in traditional voice revenues
- Successful marketing campaigns launched in the spring stimulating strong demand for ADSL services

### New fixed line tariffs - more attractive pricing for the customer and closer align pricing and underlying costs for CTC

- Partial rebalancing did not result in excessive line cancellations
- While positive financial impact is yet to be confirmed there has been a favourable qoq trend in churn rate and new adds growth

### Focus on operational efficiency, process optimization and identification of synergies with Telefonica and Eurotel



# 9

## Mobile Business Highlights

**Sustained growth on a market with a penetration over 100%**

- Number of total customers up 8% yoy
- Revenues up 1.1% yoy

**Postpaid customers up 37% yoy (up 10% qoq) and total data customers (GPRS and CDMA) up 75% yoy**

- Value generation per customers expected to improve
- No. of minutes and SMS per user up, ARPU improving

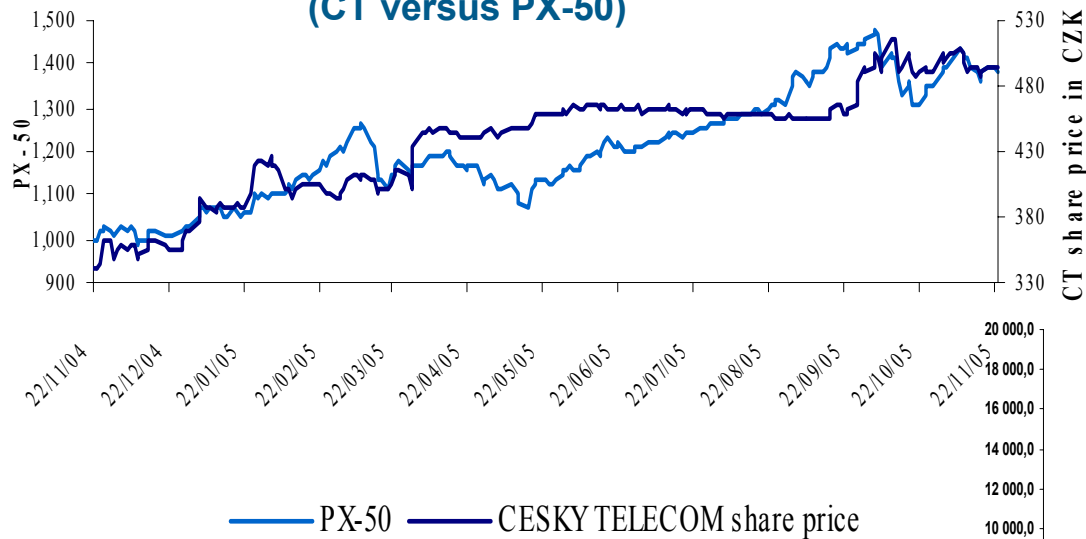
**Data revenues up 21%, generating 15% of total revenues**

- Further solid potential through Eurotel's strong service innovation and technology leadership on the data market

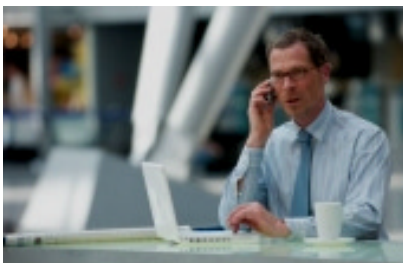
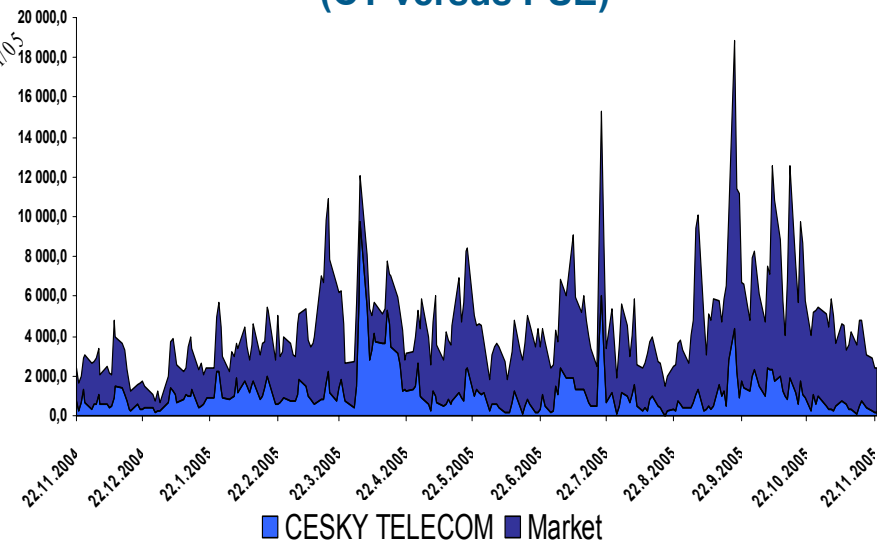
**EBITDA margin 47%, among the top industry performers**

# 10 Delivering Return to Shareholders

Share price performance  
(CT versus PX-50)



Trading volumes  
(CT versus PSE)



November 30, 2005



# 11 Delivering Return to Shareholders

	9M 2004	9M 2005
EPS (CZK)	18.7	19.9
P/E	26.4	24.8
Market Cap (CZK bn)	108.6	158.3
EV/EBITDA (x)	4.6	6.1
FCF/EBITDA (x)	0.7	0.7
FCF per share (CZK)	60.1	56.7
FCFE yield (%)	17.8	11.5
Debt/Equity (x)	0.32	0.12
Debt/EBITDA (x)	0.95	0.42

*Note: EPS, EBITDA, FCF are annualized; FCFE yield = FCF/market capitalization; P/E as of Nov 22, 05 (CZK 492.6)  
Market capitalization and EV as of Sep 30, 2004 and Sep 30, 2005, respectively.*

*Telefonica*

---

## Synergy effects resulting from new ownership structure

**Areas of synergies within Telefónica group and btw fixed and mobile businesses being identified, several initiatives already in execution phase (e.g. procurement)**

**Know-how and best practice transfer/sharing in the areas of:**

- **product development and marketing (e.g. IPTV, UMTS), CTc group benefiting from strong R&D and product development capacities of Telefónica**
- **further evolution and ongoing optimization of technology platforms at both, CTc and Eurotel, with the aim to enable efficient next generation service offering**
- **redesigning processes and organizational structure to enhance operating performance to meet best industry benchmarks**
- **procurement (e.g. technology, CPE), leading to substantial cost savings**

# Management & Shareholders Issues

## Share buy-out concluded

- Telefónica increased its share in ČESKÝ TELECOM to 69.4%

## Analysis of potential outdoor network maintenance outsourcing concluded

- CTc decided to continue its outdoor network operations in house - based on thorough analysis and identified potential for optimization of the network operation and maintenance within CTc

## State Administration contracts

- Increased sales activities and negotiations with individual sectors of State Administration with the aim to broaden service provisioning beyond validity of current frame agreement (2006)

# Management & Shareholders Issues

## Organizational changes

- Marketing and Sales
  - merged into one organizational (Commercial) unit
  - restructured into customer segment focused units enhancing the customer orientation
- Fernando Astiaso appointed the Chief Commercial Officer heading the new Commercial Unit

## Personnel changes in the BoD

- Ramón Ros appointed the new CFO of Eurotel and the member of the Board of Directors of CTC

## Corporate Governance changes

**Board of Directors currently elaborating the documents on:**

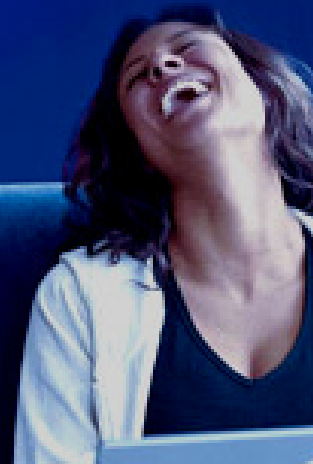
- **Proposed corporate governance changes - including enlargement of the number of Board of Directors members to 7 in order to strengthen commercial orientation of the Board**
- **Assessment of expected financial position of the company as of year 2005, and alternative uses of funds including potential distribution of profit to shareholders**
- **Proposals to be submitted to the shareholders at the AGM in Q2 2006**



## Internet Expres Doma

měsíčně od  
**399 Kč**

Více informací ▶



## Internet Expres Profi

měsíčně od  
**999 Kč**

Více informací ▶



# Broadband

# ... UMTS

# ... Innovations

# 18 Broadband Internet



## Strengthening the position as the market leader on the Czech broadband market

### 240 thousand ADSL broadband customers

- CTc ADSL market share grew to a stable 80% over Q3
- New weekly orders at strong 5,000, of which 85% are retail
- Growing demand for higher access speed
- Internet increasingly used by the customer for entertainment, education, shopping, transactional services, etc. becoming “dependent” on broadband
- Installation time cut by half over past year to 6 days

**Eurotel Data Expres (mobile broadband) – 56 thousand customers**

# 19 Growing the broadband market

## ... Creating the demand

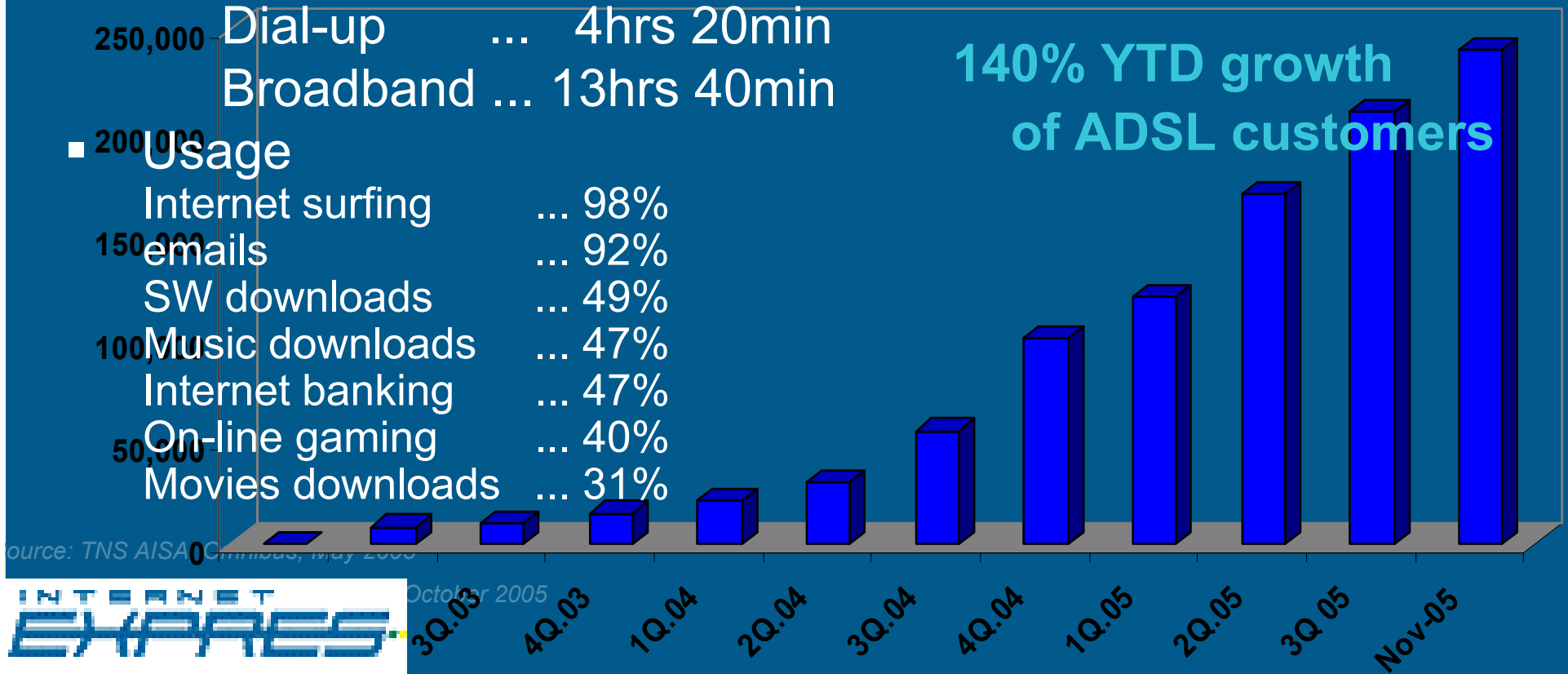
- PC penetration 35% households
- Internet penetration 31% households
- Average no. of hours spent on-line

Dial-up ... 4hrs 20min  
 Broadband ... 13hrs 40min

### Usage

Internet surfing ... 98%  
 emails ... 92%  
 SW downloads ... 49%  
 Music downloads ... 47%  
 Internet banking ... 47%  
 On-line gaming ... 40%  
 Movies downloads ... 31%

140% YTD growth  
 of ADSL customers



source: TNS AISAC, CompuLab, May 2005



October 2005  
 3Q.03 4Q.03 1Q.04 2Q.04 3Q.04 4Q.04 1Q.05 2Q.05 3Q.05 Nov-05

# 20

## UMTS Commercial Launch on December 1<sup>st</sup>, 2005

### Attractive portfolio of UMTS services targeting all our customers

- Videotelephony
- New multimedia services provided in real time
- The fastest really mobile data including international connectivity

### Latest feature-rich UMTS mobile terminals now exclusively for Eurotel customers

- Including exclusive offer for Eurotel customers

**Eurotel is the first Czech operator to launch full-scale UMTS service portfolio with broad international compatibility on December 1**

### 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 will be compatible in almost 40 countries

### Reliable network built with strong partners

- Nokia supplies complete UMTS network including HSDPA
- Ericsson supplies platforms supporting advanced value added services

# 21 # 1 Mobile operator

... on the data market  
and in the postpaid segment

## # 1 on data market

The only comprehensive portfolio of access technologies on the Czech market

- GPRS, CDMA, ADSL, WiFi, UMTS (1st Dec) and HSDPA (beginning 2006)

Internet for Everyone product bundles

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

## # 1 on the postpaid market

The highest no. of postpaid customers with accelerating growth momentum

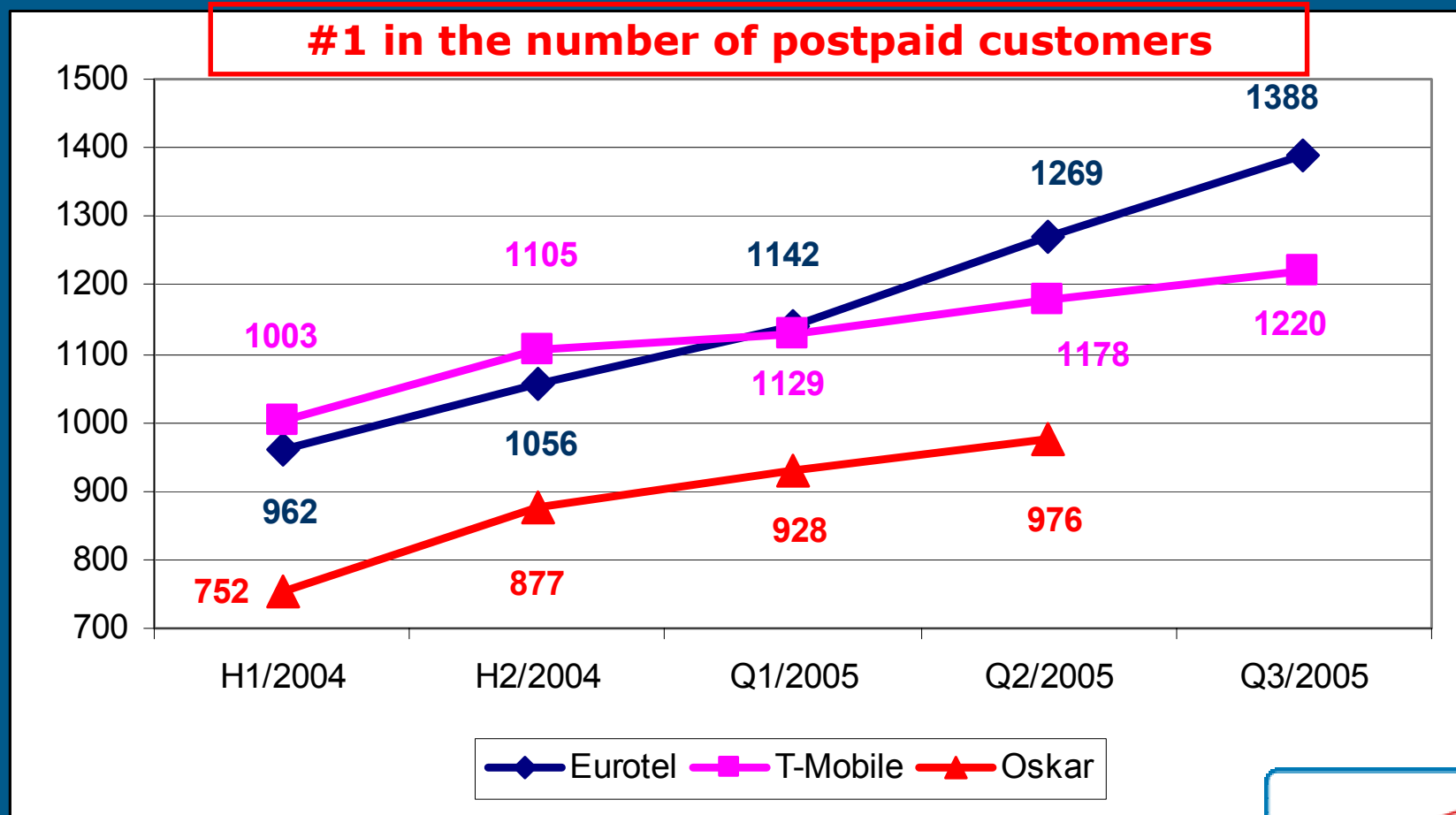
- 37% yoy (Q3 05), 28% (Q2), 19% (Q1)



# 22

## # 1 Mobile operator

### ... in the postpaid segment



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



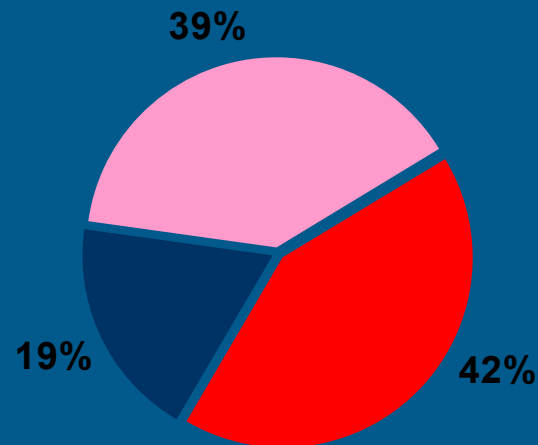
23

# # 1 Mobile operator

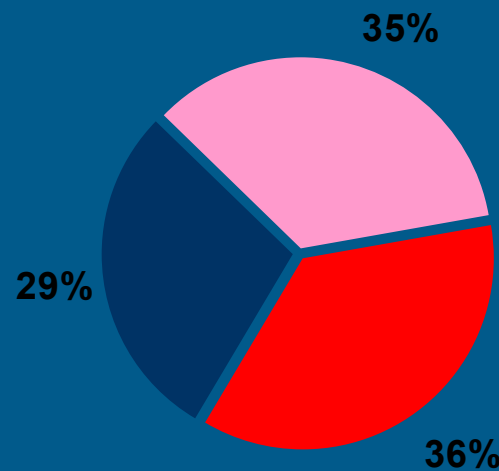
## ... in the postpaid net adds

#1 in postpaid net adds

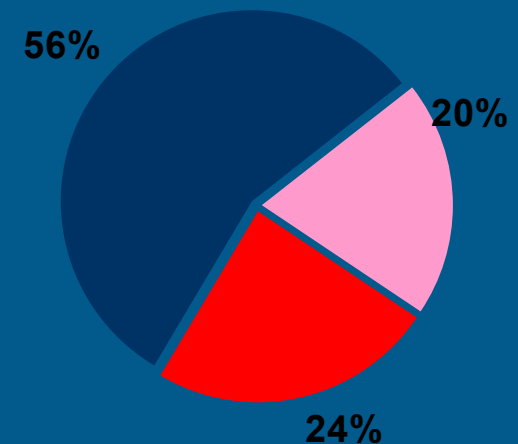
2003



2004



9M 2005



 Eurotel

 T-Mobile CR

 Oskar Vodafone

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

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



# Innovations

## ... new data and VAS services

### New services introduced at Invex on October 24<sup>th</sup>

- CTc along with Microsoft introduce a **Digital Entertainment Centre** – a package of multimedia computer, Internet connection and multimedia services
- **First interactive services through digital TV** on the Czech market – in cooperation with TV Ocko music station, viewers' interaction through SMS messages, telephone calls and Internet votes
- **IP telephony services for businesses – ePhone Internet** enables to use MS Outlook 2003 for emails as well as telephone calls
- **Electronic post services for businesses** – hosted email, higher level of security, full inclusive mail server administration for a flat fee
- **Complete Office** – interconnects company branches to one common data network with fixed broadband Internet, mobile and IP telephony
- **Dohled 24** – property protection 24 hours a day, 7 days a week via fixed line, Internet or mobile, surveillance centre managed by CTc



bezstarostná jízda  
s Internetem Expres



skvělá zimní nabídka

INTERNET  
**EXPRES**

ČESKÝ  
TELECOM

**Christmas Offer**  
**- Český Telecom**

# 26

## Internet Expres Home

- 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**

<p>128/64 kb/s CZK 399 Internet Expres Impuls</p> 	<p>512/128 kb/s  CZK 599 Internet Expres Ideal</p> 	<p>1024/256 kb/s  CZK 799 Internet Expres Sprint</p> 	<p>2048/256 kb/s  CZK 1 399 Internet Expres Maxi</p> 
---	--	---	---





# 28

# Christmas campaign

...voted the best on the market

## Postpaid Acquisition Offer

- Free calls beyond 3rd minute
- Free calls for 2 years w/ more minutes
- Broad handset portfolio for CZK1
- New UMTS/3G Mobiles

## Prepaid Offer

- 100 percent Top Up Bonus
- Free calls beyond 3rd minute

## Internet Pro & Kombi CDMA

- From CZK 699 with CZK 1 Modem with 2 free months
- Best Dell Laptop pricing in the market

## Retention and Stimulation Offerings

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





**9M 2005**

**Earnings**

**Results**

## 30

## Consolidated Income Statement

<i>(CZK mil.)</i>	<b>9M 2004</b>	<b>9M 2005</b>	<i>yoy</i>
<b>Revenues</b>	<b>46,528</b>	<b>45,178</b>	<b>(2.9%)</b>
OPEX <sup>1)</sup>	(24,037)	(24,170)	0.6%
<b>EBITDA</b>	<b>22,491</b>	<b>21,008</b>	<b>(6.6%)</b>
<b><i>EBITDA margin</i></b>	<b>48%</b>	<b>47%</b>	
Depreciation & Amortisation	(15,556)	(13,430)	(13.7%)
Impairment charge	-	(180)	<i>n.m.</i>
<b>EBIT</b>	<b>6,935</b>	<b>7,398</b>	<b>6.7%</b>
EBT	6,414	6,895	7.5%
<b>Net Income</b>	<b>4,509</b>	<b>4,801</b>	<b>6.5%</b>

*Note: Data are fully consolidated with 100% of Eurotel. Data are unaudited and according to IFRS.*

1) Includes one-off and extraordinary items

# Consolidated Balance Sheet

<i>(CZK mil.)</i>	<b>30/9/2004</b>	<b>30/9/2005</b>	<b>yoy</b>
Fixed assets	126,871	113,388	(10.6%)
Current assets	12,693	10,477	(17.5%)
- Cash & cash eq. <sup>1)</sup>	2,809	799	(71.6%)
<b>Total assets</b>	<b>139,564</b>	<b>123,865</b>	<b>(11.2%)</b>
<b>Total Equity</b>	<b>89,186</b>	<b>95,033</b>	<b>6.6%</b>
- Share capital	32,209	32,209	0.0%
- Reserves	56,971	62,824	10.3%
<b>Liabilities</b>	<b>50,378</b>	<b>28,832</b>	<b>(42.8%)</b>
- Loans & overdrafts	28,446	11,664	(59.0%)
<b>Gross leverage</b>	<b>32%</b>	<b>12%</b>	
<b>Net leverage</b>	<b>29%</b>	<b>11%</b>	

*Note: Data are fully consolidated with 100% of Eurotel. Data are unaudited and according to IFRS.*

*1) Including short term available-for-sale and held-to-maturity investments*

# Consolidated Cash Flow Statement

(CZK mil.)	9M 2004	9M 2005	yoy
Interest paid	(1,077)	(843)	(21.7%)
Interest received	69	38	(44.9%)
Income tax paid	(2,006)	(2,758)	37.5%
<b>Net cash from operating activities</b>	<b>18,390</b>	<b>17,203</b>	<b>(6.5%)</b>
<b>Net cash from investing activities</b>	<b>(3,606)</b>	<b>(3,333)</b>	<b>(7.6%)</b>
- purchase/disposal of PPE	(3,610)	(2,650)	(26.6%)
- purchase of intangible assets	(261)	(867)	n.m.
- purchase of financial investments	-	-	n.m.
- marketable securities	265	184	(30.6%)
Free cash flow I <sup>1)</sup>	14,519	13,686	(5.7%)
Free cash flow II <sup>2)</sup>	15,527	14,491	(6.7%)
<b>Net cash from financing activities</b>	<b>(16,850)</b>	<b>(13,580)</b>	<b>(19.4%)</b>

Note: Data are fully consolidated with 100% of Eurotel. Data are unaudited and according to IFRS.

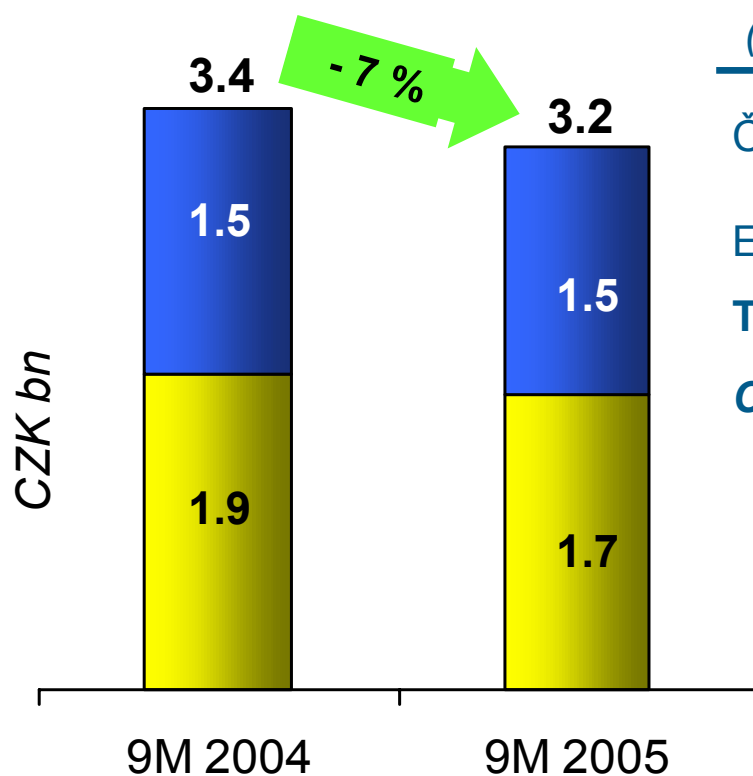
<sup>1)</sup> Net cash from operating activities less Net cash from investing activities excl. marketable securities and purchase of fin. investments

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



# 33

## Consolidated CAPEX



(CZK mil)	9M 04	9M 05	yoy
ČESKÝ TELECOM <sup>1)</sup>	1,565	1,460	(7%)
Eurotel	1,866	1,745	(6%)
<b>Total CAPEX</b>	<b>3,431</b>	<b>3,205</b>	<b>(7%)</b>
<b>CAPEX/Revenues</b>	<b>7.4%</b>	<b>7.1%</b>	

■ ČESKÝ TELECOM  
■ Eurotel

Note: Data are fully consolidated with 100% of Eurotel. Data are unaudited and according to IFRS.

1) CAPEX for ČESKÝ TELECOM including minor subsidiaries

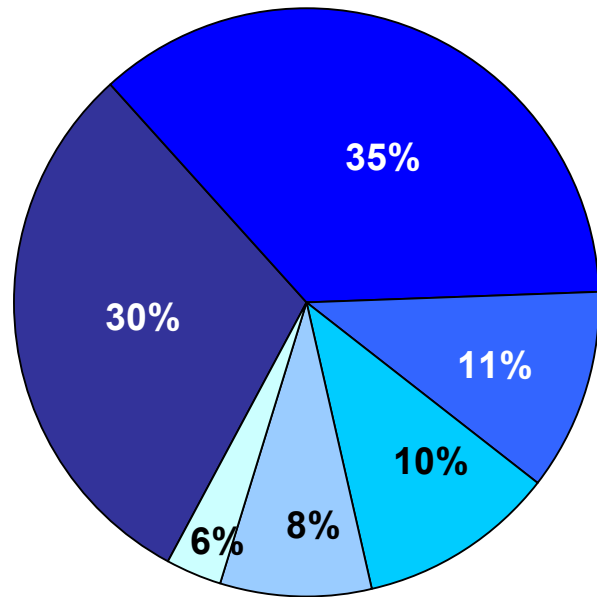
# Fixed Business Financial Performance

<i>(CZK mil)</i>	9M 2004	9M 2005	yoy
Revenues	25,968	23,961	(7.7%)
OPEX	(14,130)	(13,578)	(3.9%)
EBITDA	11,838	10,383	(12.3%)
<i>EBITDA margin</i>	45.6%	43.3%	

*Note: Data are for ČESKÝ TELECOM and minor subsidiaries without Eurotel, i.e. data are before consolidation and shareholding adjustments between fixed and mobile segments. All data are according to IFRS.*

# Fixed Business Revenues Breakdown

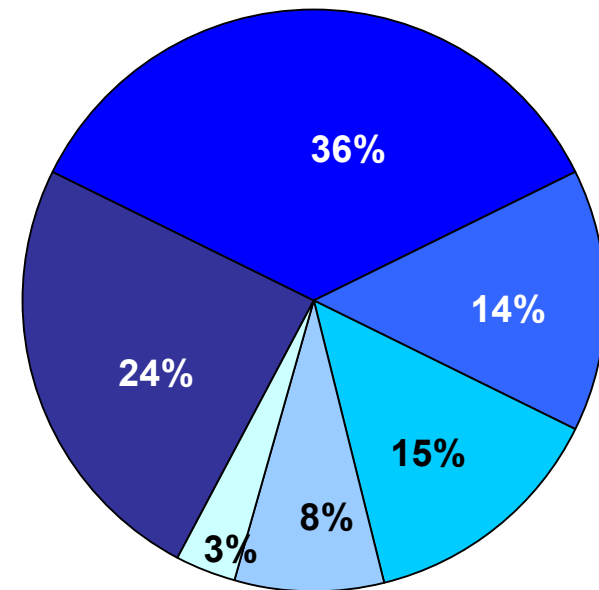
CZK 25.97 bn



9M 2004

- Communications traffic revenues (-24%)
- Subscription and connection charges (-6%)
- Rev. from operators (+24%)
- Internet, data, VAS and other serv. (+23%)
- Leased circuits (-4%)
- Other (-51%)

CZK 23.96 bn



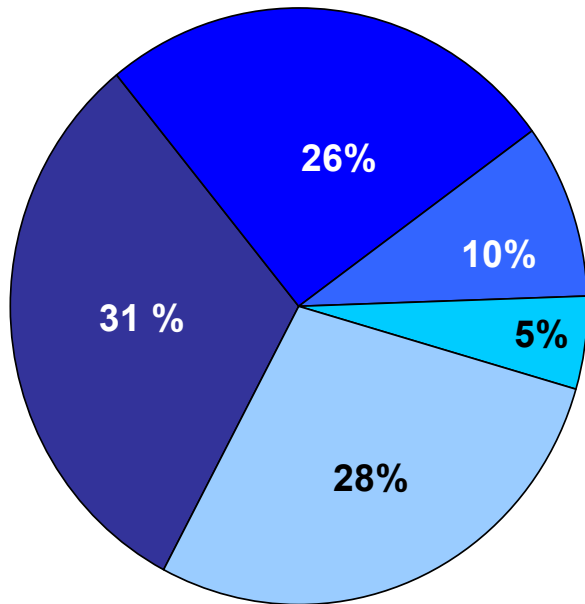
9M 2005

Note: Other include equipment sales and sales of material and other revenues

36

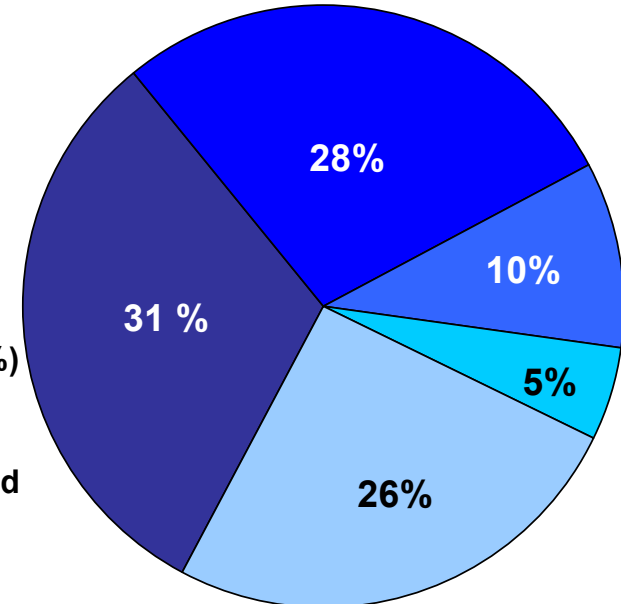
# Fixed Business Operating Costs Breakdown

CZK 14.13 bn



9M 2004

CZK 13.58 bn



9M 2005

- Staff costs (-4%)
- Payments to operators (+5%)
- Repairs and maintenance (-1%)
- Material and energy consumed (-2%)
- Other (-13%)

*Note: Other include equipment and material COS, commissions and subcontractors, marketing and sales, operating leasing, consultancy and other costs*

# Fixed Business Operational Performance

	30/9/2004	30/9/2005	yoy
<b>Fixed Lines (x '000)</b>	<b>3,410</b>	<b>3,189</b>	<b>(7%)</b>
<b>Total data customers (x '000) <sup>1)</sup></b>	<b>554</b>	<b>678</b>	<b>22%</b>
<b>of which ADSL connections</b>	<b>61</b>	<b>221</b>	<b>262%</b>
<b>Internet customers (x '000) <sup>2)</sup></b>	<b>978</b>	<b>1,171</b>	<b>20%</b>
<b>Fixed-line employees <sup>3)</sup></b>	<b>9,228</b>	<b>7,780</b>	<b>(16%)</b>
<b>Lines / fixed line employee</b>	<b>371</b>	<b>412</b>	<b>11%</b>

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 and without Eurotel

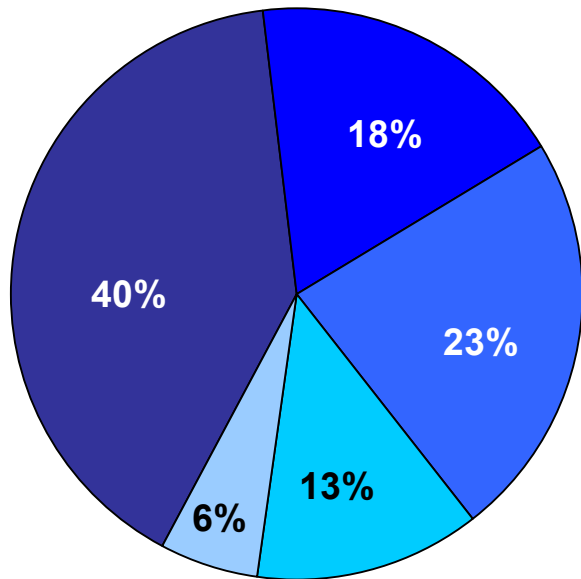
# Mobile Business Financial Performance

<i>(CZK mil)</i>	9M 2004	9M 2005	yoy
Revenues	21,938	22,183	1.1%
OPEX	(11,345)	(11,782)	3.9%
EBITDA	10,593	10,401	(1.8%)
<i>EBITDA margin</i>	<i>48.3%</i>	<i>46.9%</i>	

*Note: Data are for Eurotel, i.e. before consolidation and shareholding adjustments between fixed and mobile segments. All data are according to IFRS.*

# Mobile Business Revenues Breakdown

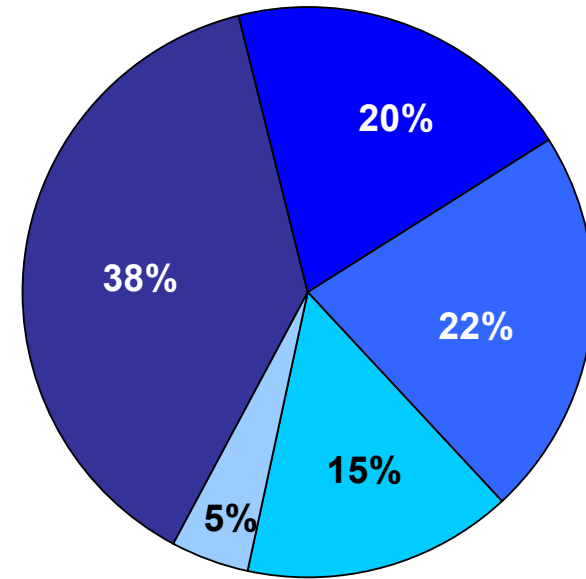
CZK 21.94 bn



9M 2004

- Communications traffic revenues (-4%)
- Subscription and connection charges (+9%)
- Rev. from operators (-3%)
- SMS, MMS, Internet, data and VAS (+21%)
- Other (-20%)

CZK 22.18 bn

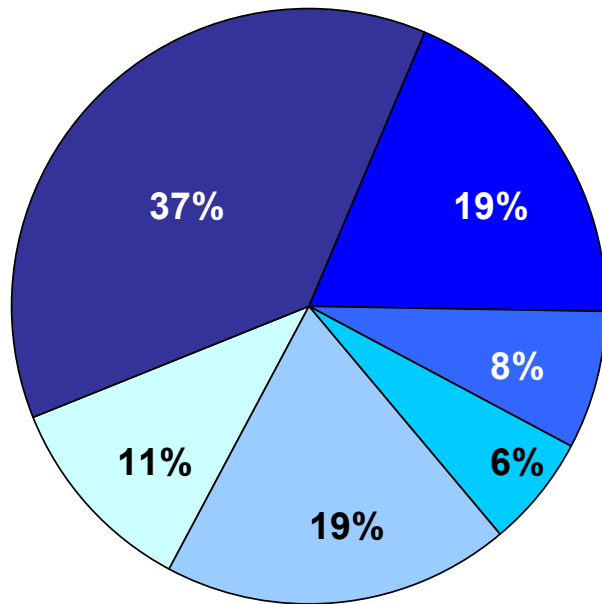


9M 2005

Note: Other include equipment sales and sales of material and other revenues

# Mobile Business Operating Costs Breakdown

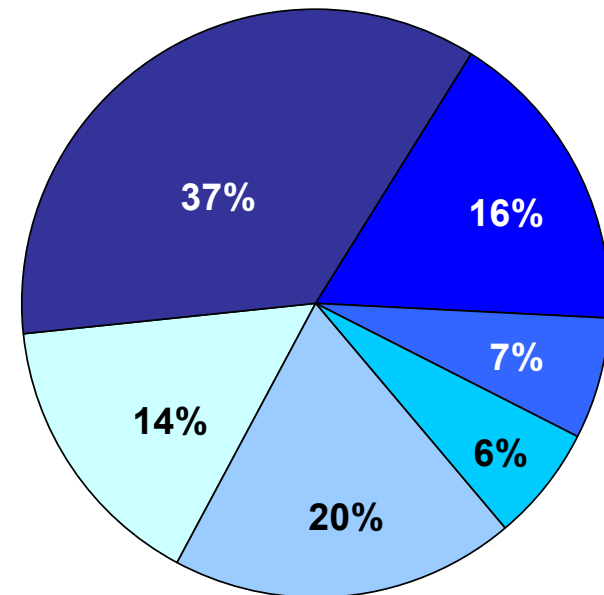
CZK 11.35 bn



9M 2004

- Staff costs (+33%)
- Payments to operators (+3%)
- Equipment and material cost of sales (-10%)
- Marketing and sales (-12%)
- Repairs and maintenance (+3%)
- Other (+9%)

CZK 11.78 bn



9M 2005

*Note: Other include commissions and subcontractors, material and energy consumed, operating leasing, consultancy and other costs*



# Mobile Business Operational Performance

	30/9/04	30/9/05	yoy
No of registered customers (x '000) <sup>1)</sup>	4,162	4,489	8%
of which postpaid (x '000)	957	1,311	37%
Total flat fee data customers (x '000) <sup>2)</sup>	69	121	75%
of which CDMA customers (x '000)	12	54	<i>n.m.</i>
ARPU blended (CZK) <sup>1)</sup>	527	508	(4%)
Average MOU blended (in&outbound) <sup>1)</sup>	89	90	1%
Total no. of SMS (x '000 000)	1,682	1,832	9%

Note: 1) Based on new methodology of pre-paid customers counts

2) Total flat fee GPRS/EDGE and CDMA customers



## Strategic Outlook

- **Interaction of ČESKÝ TELECOM with Telefónica Group to enhance all aspects of commercial and operational performance**
- **Service convergence and process/structure optimization with Eurotel as part of fixed/mobile convergence strategy**
- **Maintaining its market positions as a leading provider of full range of voice, data & broadband services on the Czech market**
- **Maintaining strong EBITDA margin and FCF generation**
- **Strong emphasis on innovation leadership**
  - Commercial launch of full scale UMTS network
  - IPTV to be launched in 2006
  - Potential participation in E-toll project
  - Voice over IP platform gradual roll-out to commence in 2006
  - Further enhancement of broad range of IP based services
  - Systems integration comprising telco/IT services

## Your Investor Relations Team

[investor.relations@ct.cz](mailto:investor.relations@ct.cz)

**Jakub Hampl**

+420 271 462 076

[jakub.hampl@ct.cz](mailto:jakub.hampl@ct.cz)

**Petra Lapková**

+420 271 462 169

[petra.lapkova@ct.cz](mailto:petra.lapkova@ct.cz)