

ČESKÝ TELECOM

2004 Year-End Preliminary Results

Investor Conference Call



Gabriel Berdár, Chairman of the BOD and CEO
Juraj Šedivý, 1st Vice-chairman of the BOD and CFO



February 16, 2005

2 CAUTIONARY STATEMENT

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

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

ČESKÝ TELECOM Group in 2004 Leading Integrated Telecom Operator

Leader in fixed-line market with 3.4 m customers

Leader in mobile market with 4.6 m customers

Fixed line business

▪ Revenues	- 5.9% y/y
▪ Operating costs	- 10.2% y/y
▪ No of lines	- 6.1% y/y
▪ No of lines per employee	+16.5% y/y
▪ Total no of fixed data customers (ISDN, ADSL)	593,246
▪ of which no of Internet Expres customers (ADSL)	101,208

Mobile

▪ Revenues	+ 1.4% y/y
▪ Operating costs	+ 6.6% y/y
▪ No of SIM cards	+ 8.9% y/y
▪ Total no of mobile flat fee data customers (GPRS, CDMA)	89,000
▪ of which no of Eurotel Data Expres customers (CDMA)	30,000

4

2004 Group Summary Highlights

Financial Performance of the Group Influenced by changing structure of revenue streams Further benefited from 100% Eurotel consolidation

- EBITDA margin of 47%
- CAPEX to revenues ratio of 9.3%, below the communicated target of 12%
- Net leverage lowered to 27% from 44% at YE 2003 by repayment of Eurotel acquisition debt
- FCF yield of 15% (FCF to total market capitalization)

Note: Data for 2003 consolidated with 51% of Eurotel for the period of I-XI and 100% for XII. Data for 2004 fully consolidated with 100% of Eurotel. Market capitalization calculated based on a close price on PSE of CZK 404.6 as of Feb 15, 2005.

5

2004 Group Summary Highlights Benefits from Eurotel Consolidation

Improved Financial Performance on positive effect of 100% Eurotel consolidation in 2004 (compared to 51% Eurotel consolidation prior to December 2003)

- 21% y/y increase in total Group revenues of CZK 62.1 bn
- Consolidated EBITDA of CZK 29.1bn
- Significant Free Cash Flows of CZK 19.5 bn generated, up 31% y/y (i.e. 31% of revenues, or CZK 60.5 per share)

Note: Data for 2003 consolidated with 51% of Eurotel for the period of I-XI and 100% for XII. Data for 2004 fully consolidated with 100% of Eurotel

6

2004 Group Summary Highlights

Operating Performance – Fully in line with Strategic Transformation Goals

- **Staff reduced by 15.4% to 11,313 employees**
 - driven by fixed segment headcount reduction by 19.3% to 8,830 employees
 - improving lines per employee ratio in fixed segment by 16.5% to 383
- **DSL roll-out strategy on target**
 - expected reduction of dial-up internet traffic in favour of broadband
 - broadband services fastest growing revenue category
- **Improved customer care in fixed segment**
 - significant decrease of average time for claims settlement
 - improving average instalation time of retail ADSL,PSTN, ISDN connections
- **Other efficiency improvements achieved**
 - cost reduction, outsourcing projects, non-core assets disposals

7 Regulatory Environment and Tax Changes

The Czech Telecom market is one of the most liberalized ones in CEE

2004

Tax Changes

- Increase in VAT rate to 19% from 5% for telecommunication services
- Corporate tax rate reduced to 28% from 31%

2004

Regulatory Issues

- Interconnect charges for fixed termination reduced by 20% and for mobile by 13%
- In spite of the full liberalization of the telecom market line rental tariffs are still not rebalanced
- Access deficit of over 50% weighs upon the fin. performance
- ADSL wholesale prices regulated via interconnection regime
- No government support on broadband penetration
- Collection of Universal Service receivables still pending

Regulatory Milestones

Jan 2001: Market liberalization of public fixed voice services
Nov 2001: Regulation of mobile termination rates introduced
Jun 2002: Introduction of carrier selection
Dec 2002: Introduction of carrier pre-selection and NP
Aug 2003: ULL

Regulatory Milestones

Q2 2005: Expected Enactment of New Communications Act
- to bring the Czech regulatory environment in line with EU (possibility to appeal CTO's decisions, more transparent decision-making process)
2H 2005: Expected mobile number portability

8

ČESKÝ TELECOM Leading in Product Innovation

ČESKÝ TELECOM first to introduce new technologies

- **FIRST** broadband connectivity + mobile voice bundle on the Czech market (Jan 2005)
- **FIRST** PTT (Push To Talk) service in the Czech Republic (Dec 2004)
- **FIRST** introduced Digital Home and Digital Business concept introduced at Invex fair (Oct 2004)
- **FIRST** CDMA2000 1xEV-DO network at 450 MHz in the world (commercially launched Aug 2004)
- Starzone and Gamezone portals **FIRST** introducing MoD/VoD and online gaming in the Czech Republic (May 2004)
- **FIRST** integrated mobile portal in the Czech Republic Eurotel Live! (Mar 2004) and **FIRST** mobile music downloads in Europe Eurotel Jukebox (Feb 2004)
- **FIRST** flat fee internet connectivity service in CR Data Nonstop (Apr 2003)
... and many others

9

ČESKÝ TELECOM Market Leader in Broadband Services

New broadband product packages introduced



Internet Express (fixed broadband ADSL technology)

- launched in May 2004
- raised net adds of broadband connections to over 2000 weekly
- 101,208 ADSL connections at 2004 year-end, 575% y/y increase
- 88% of all fixed lines are covered with ADSL technology

Eurotel Data Express

Eurotel Data Express (mobile broadband CDMA technology)

- launched in August 2004
- first high-speed mobile Internet access in the CR
- gained 30,000 customers over 5 months
- 80% of total population are covered with CDMA technology
- competitive edge on the mobile market through unique CDMA technology



The Eurotel logo, featuring the word "Eurotel" in a blue, sans-serif font with a red swoosh above the "o".

February 16, 2005

The logo for Český Telecom, consisting of the text "ČESKÝ TELECOM" in a blue, sans-serif font, with three horizontal lines above the text.

10 Fixed-Mobile Integration

- **Program initiated in February 2004**
- **Initiatives targeted to:**
 - Operational best practice
 - Revenue synergies (Shops, International minutes, Indirect Sales)
 - Cost synergies (Strategic Sourcing, Bill printing)
 - CAPEX synergies (Strategic Sourcing, FWA Backup, Backhaul infrastructure)



Examples of Synergy Initiatives

Initiative	Description	Synergies
WiFi Roaming	More access points to both Český Telecom and Eurotel customers	Less CAPEX as access duplication is avoided Higher revenues through higher usage
Retail Stores	Joint retail store offering for all tele-communication needs	Less costs through more efficient use of retail space Higher revenues through additional sales
Strategic Sourcing	Common approach in field of procurement	Costs saving through joint purchasing
Fixed SMS	User friendly fixed-mobile SMS sending (both directions)	SMS traffic increase due to simple SMS sending / reply

11 Shareholders' Decisions in 2004

Jun 2004

- Selection of government's privatization advisor (CSFB/Česká spořitelna)

Oct 2004

- Dividend pay-out of CZK 5.48 billion, i.e. CZK 17 per share

Dec 2004

- Decision about the privatization of the government's 51% stake via a dual track strategy (M&A sale or sale through capital markets)
- Eurotel's dividend of CZK 8.0 billion (100% for CT)

Dec 2004 /
Jan 2005

- Information Memorandum distributed to potential investors

12

Consolidated Financial Data

Improved Financial Performance on positive effect of 100% Eurotel consolidation in 2004 (compared to 51% Eurotel consolidation prior to December 2003)

<i>(CZK mil)</i>	2003	2004
Revenues	51,476	62,141
of which extraordinary revenues	340	835
OPEX	(27,662)	(33,076)
of which extraordinary costs	1,587	1,675
EBITDA	23,814	29,065
<i>EBITDA margin</i>	46%	47%
Impairment charge	(9,909)	0
D&A	(19,444)	(20,748)
EBIT	(5,539)	8,317
EBT	(6,667)	7,914
Net income	(1,780)	5,568

Note: Data for 2003 consolidated with 51% of Eurotel for the period of I-XI and 100% for XII. Data for 2004 fully consolidated with 100% of Eurotel. All data are consolidated and according to IFRS. Data for 2004 are preliminary and unaudited.

13

Consolidated Financial Data

Improved Financial Performance on positive effect of 100% Eurotel consolidation in 2004 (compared to 51% Eurotel consolidation prior to December 2003)

<i>(CZK mil)</i>	2003	2004
Total Assets	154,706	134,299
Fixed Assets	139,301	123,784
Current Assets	15,405	10,515
Equity	90,149	90,193
Liabilities	64,549	44,100
Loans and Ovredrafts	45,065	25,482

Note: Data for 2003 consolidated with 51% of Eurotel for the period of I-XI and 100% for XII. Data for 2004 fully consolidated with 100% of Eurotel. All data are consolidated and according to IFRS. Data for 2004 are preliminary and unaudited.

14

Consolidated Financial Data

Improved Financial Performance on positive effect of 100% Eurotel consolidation in 2004 (compared to 51% Eurotel consolidation prior to December 2003)

	2003	2004
CAPEX (CZK bn)	7.0	5.8
CAPEX / Rev.	14%	9%
FCF (CZK bn)	14.9	19.5
FCF / Rev.	29%	31%
Total Debt (CZK bn)	45.1	25.5
Net gearing	44%	27%
Gross gearing	50%	28%

Note: Data for 2003 consolidated with 51% of Eurotel for the period of I-XI and 100% for XII. Data for 2004 fully consolidated with 100% of Eurotel. All data are consolidated and according to IFRS. Data for 2004 are preliminary and unaudited.

15

Fixed Business Financial Performance

<i>(CZK mil)</i>	2003	2004	Y/Y Chg.
Revenues	36,507	34,369	(6%)
OPEX	(21,216)	(19,051)	(10%)
EBITDA	15,291	15,318	0%
<i>EBITDA margin</i>	42%	45%	3%

Note: All data are according to IFRS. Data for 2004 are preliminary and unaudited

16

Mobile Business Financial Performance

<i>(CZK mil)</i>	2003	2004	Y/Y Chg.
Revenues	29,078	29,480	1%
OPEX	(14,880)	(15,842)	6%
EBITDA	14,198	13,638	(4%)
<i>EBITDA margin</i>	49%	46%	(3%)

Note: All data are according to IFRS. Data for 2004 are preliminary and unaudited

17

Fixed Business Operational Performance

	2003	2004	Y/Y Chg.
Lines (x '000)	3,585	3,368	(6%)
Total data customers (x '000)	492	593	21%
of which ADSL connections (x '000)	15	101	575%
Internet customers (x '000)	865	1,040	20%
Fixed line employees	10,935	8,830	(19%)
Lines / fixed line employee	329	383	17%

18

Mobile Business Operational Performance

	2003	2004	Y/Y Chg.
Mobile SIM cards (x '000)	4,215	4,591	9%
Total mobile flat fee data customers – GPRS, CDMA (x '000)	32	89	178%
of which CDMA customers (x '000)	0	30	<i>n.m.</i>
Mobile business employees	2,442	2,483	2%
SIM cards / employee	1,726	1,849	7%

19

Strategic Outlook for 2005

Maintaining leading position on the telecom market

Restoring above-the-market growth

- Pursue aggressive DSL roll-out strategy
- Completely new mobile tariff structure introduced by Eurotel (Jan 05)
 - addresses strong ARPU customer segments
 - enhanced competitive position for forthcoming mobile number portability
- Digital Home and Digital Business (Feb 05)
 - joint project with Microsoft
- Preparation for pilot launch of UMTS network
- IPTV commercial launch in late 2005



Maintaining above-the-average EBITDA margin, strong FC generation and capital base

- EBITDA margin maintained at strong mid 40's
- CAPEX to remain below 12% of revenues
- Continued strong Free Cash Flow generation
- Further headcount reduction in the fixed business (target of 7,000 employees at YE2005)
- Partial improvement of the regulatory environment after the introduction of the new telecom act
- Capitalization of synergy effects between fixed and mobile networks
- Privatization of the government's 51% stake completed

Privatization schedule based on official communication by the government to date

Jan 9, 2005

- The government approved a short-list of five bidders – Swisscom, Belgacom, Telefonica, PPF/J&T and Blackstone/CVC/Providence

Feb 14, 2005

- Data rooms are opened; due diligence commences

Mar 29, 2004

- Deadline for final bids

end-Mar 2005

- The government selects a strategic investor or approves a flotation on the capital markets

March 23, 2005

- 2004 YE Audited Results

March 24, 2005 at 11 a.m. CET

- Analyst Meeting

2H April, 2005

- Q1 2005 Results

Your Investor Relations Team

investor.relations@ct.cz

Klára Klímová

+420 271 463 784

klara.klimova@ct.cz

Jakub Hampel

+420 271 462 076

jakub.hampel@ct.cz

Petra Lapková

+420 271 462 169

petra.lapkova@ct.cz

IR assistant

tel: +420 271 462 120; fax: +420 271 469 825