



# Telefónica O2 Czech Republic

Quarterly Results  
January – September 2008

23<sup>rd</sup> October, 2008

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.

# 3Q 2008 Business Highlights

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# Key Highlights

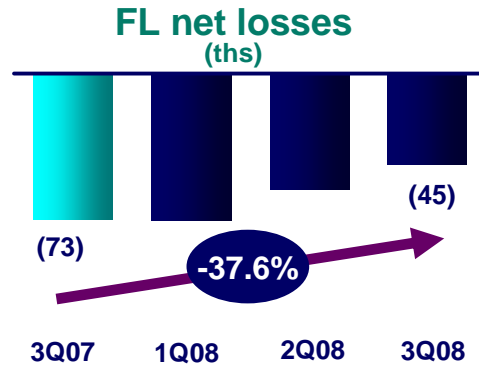


- **On track to meet the full year guidance**
- **Good performance of fixed business** supported by improvement in traditional business trends
- **Mobile business** growing at 3.7% year to date
- **Slovakia – new customer proposition** launched in September to boost customer base growth
- Maintaining **strong cash flow generation**

# Fixed business performance positively impacted by improvement of traditional services

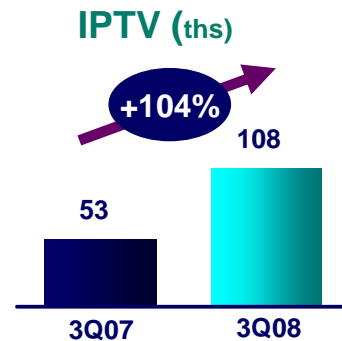


Containing fixed line accesses and traffic losses

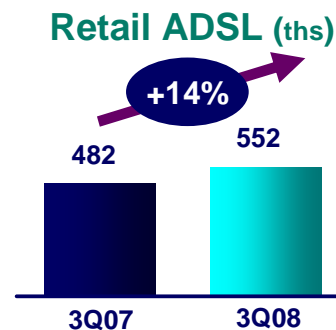


- FL losses continue to gradually decline (-37.6% y-o-y in 3Q08 and -33.9% y-o-y in 9M08)
- Supported by 2P and 3P bundles uptake

Unique value proposition



- Gaining market share in Pay TV market via unique content proposition
- Enhanced ADSL proposition via speed upgrades (standard speed at 8 Mb/s)

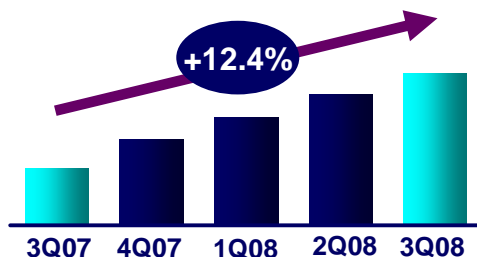


- Number of bundles increased to 190k at 3Q 2008 (47k net adds in 3Q, up from 20k in 2Q)

# Mobile business growth continues to be driven by improving customer mix and broadband growth

Improving customer quality

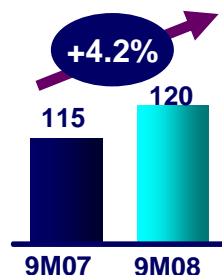
Contract customers



- Contract customers continue to grow healthy at 12.4% y-o-y (60,316 net adds in 3Q08)
- Representing 46.8% of total base (up from 43.5% at 3Q07 and 45.7% at 2Q08)

Fostering usage

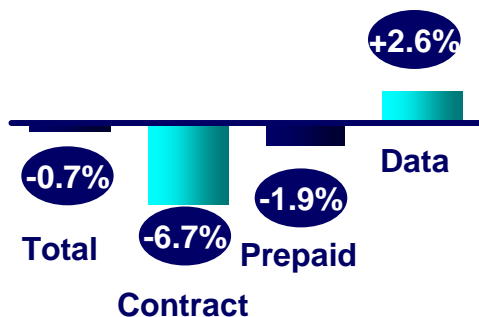
Mobile MoU



- Outgoing traffic (+11% y-o-y) and MoU (+4.2% y-o-y) growing in 9M08
- New flat rate based tariffs launched in May positively accepted among the customers

Focusing on broadband

ARPU <sup>1)</sup>



- Growth in data ARPU (+2.6% y-o-y to CZK 113 in 9M08) not fully compensating a decline in voice ARPU
- Blended ARPU slightly down by 0.7% y-o-y to CZK 519 in 9M08
- Contract ARPU diluted by pre- to postpay migrations (-6.7% y-o-y to CZK 854 in 9M08)

<sup>1)</sup> 9M08/9M07

# Slovakia – new marketing proposition to boost customer growth, network rollout in line with license requirement

- **277k active<sup>1)</sup> customers** at 3Q 2008 - 78k contract, 199k prepay (335k registered<sup>2)</sup>)
- **New marketing proposition** (O2 Fair) launched in September to boost **customers' growth** driven by “price and simplicity”
- **Positive trends** seen in **credit management** following **the measurements** put in place in 2Q
- **Gradual shift from national roaming to own network continues** (license conditions fulfilled)

<sup>1)</sup> 3 months activity criteria

<sup>2)</sup> 13 months activity criteria



# January – September 2008 Earnings Results

# 2





# Group Financial Performance

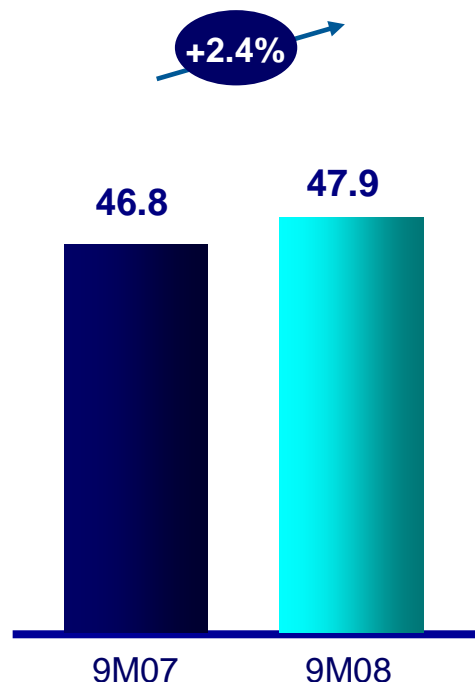


(CZK millions)	Jan - Sep 2007	Jan – Sep 2008	Change 9M08/9M07
<b>Business revenues</b>	<b>46,796</b>	<b>47,935</b>	<b>2.4%</b>
Other recurring revenues	305	168	(44.9%)
<b>Revenues</b>	<b>47,101</b>	<b>48,103</b>	<b>2.1%</b>
Internal expenses capitalized in fixed assets	394	298	(24.4%)
<b>Operating Costs</b>	<b>(26,219)</b>	<b>(27,586)</b>	<b>5,2%</b>
Other operating income/(expense)	108	(16)	n.m.
Gain on sale of fixed assets	35	828	n.m.
Impairment of fixed assets	11	(87)	n.m.
<b>OIBDA</b>	<b>21,431</b>	<b>21,540</b>	<b>0.5%</b>
<b>OIBDA margin <sup>1)</sup></b>	<b>45.8%</b>	<b>44.9%</b>	
Depreciation and amortization	(10,874)	(9,680)	(11.0%)
<b>Operating Income</b>	<b>10,557</b>	<b>11,861</b>	<b>12.3%</b>
Net financial expense	(66)	35	(152.1%)
<b>Income before taxes</b>	<b>10,491</b>	<b>11,895</b>	<b>13.4%</b>
Income taxes	(2,894)	(2,890)	(0.1%)
<b>Net income</b>	<b>7,597</b>	<b>9,005</b>	<b>18.5%</b>

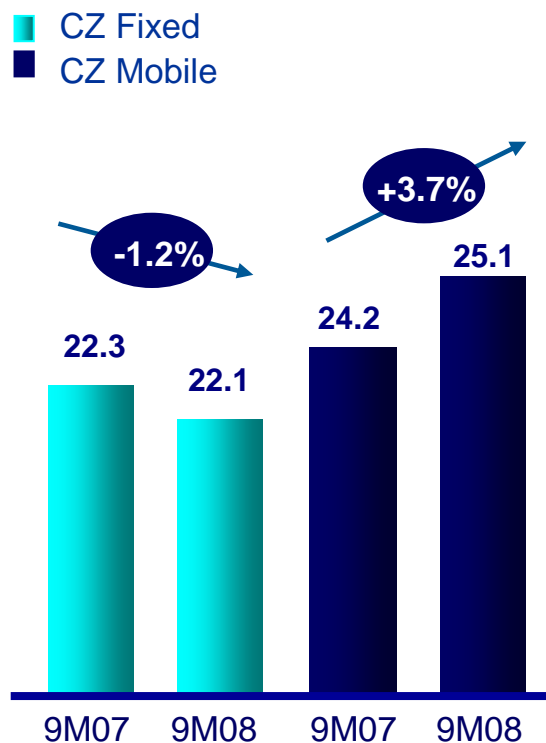
# Group revenues growth driven by fixed business in 3Q, maintaining solid OIBDA margin due to strict financial discipline

CZK billions  
(% change y-o-y)

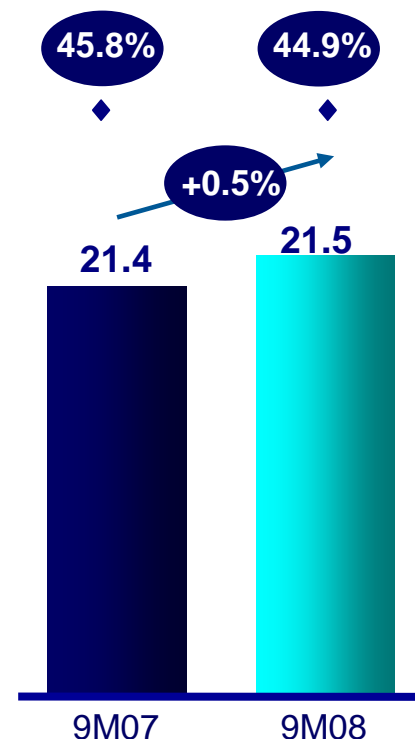
Group Business Revenue evolution



F&M Business Revenue



Group OIBDA margin and OIBDA evolution <sup>1)</sup>



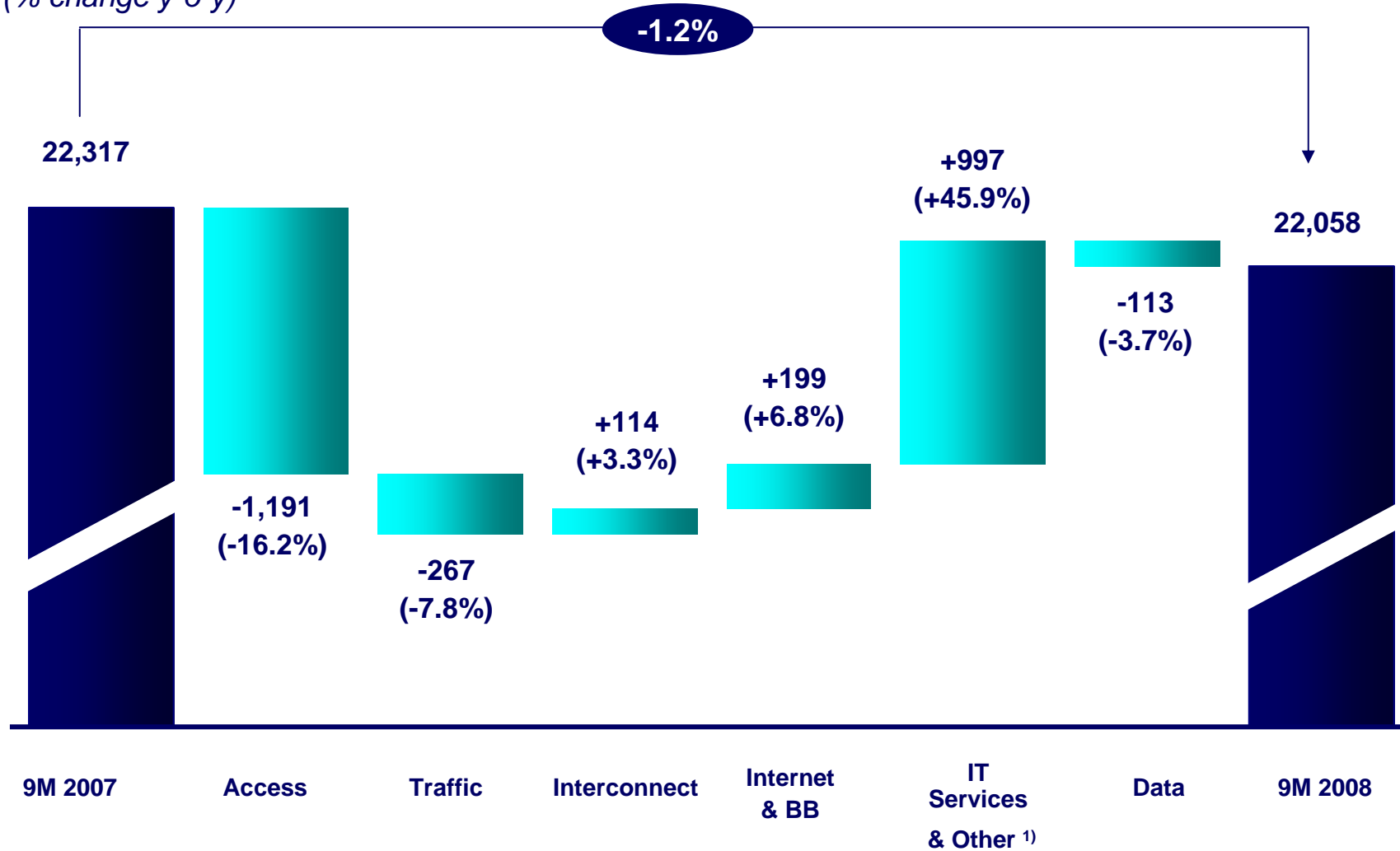
<sup>1)</sup> Including the impact of real estate sale

Figures for F&M revenues do not include inter-segment charges between fixed and mobile segment

# CZ Fixed Business Revenues – sources of variation



CZK millions  
(% change y-o-y)

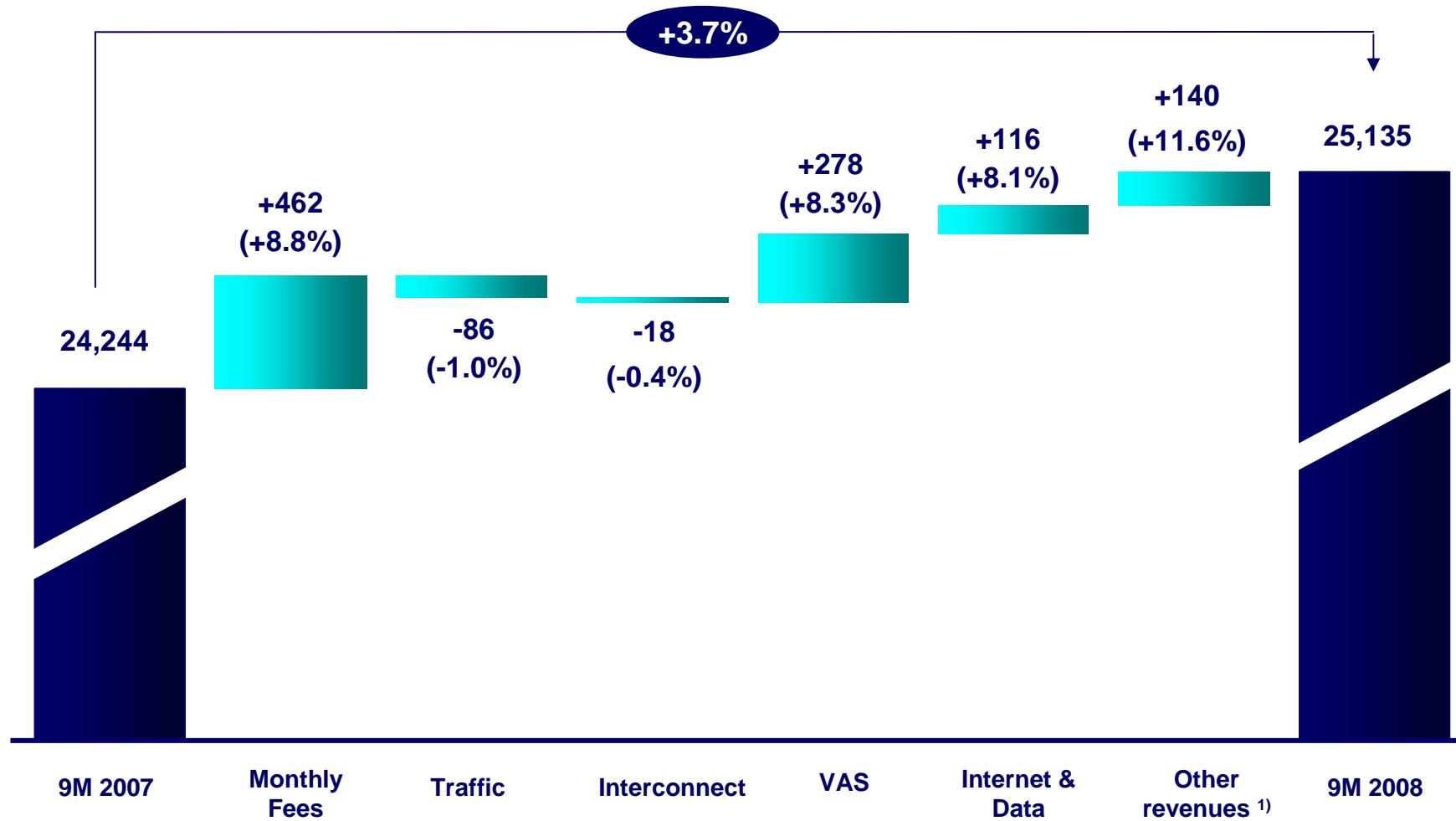


<sup>1)</sup> IT services and Other – incl. ICT, equipment sales, value added services and universal service  
Figures excluding inter-segment charges between fixed and mobile segment

# CZ Mobile Business Revenues – sources of variation



CZK millions  
(% change y-o-y)

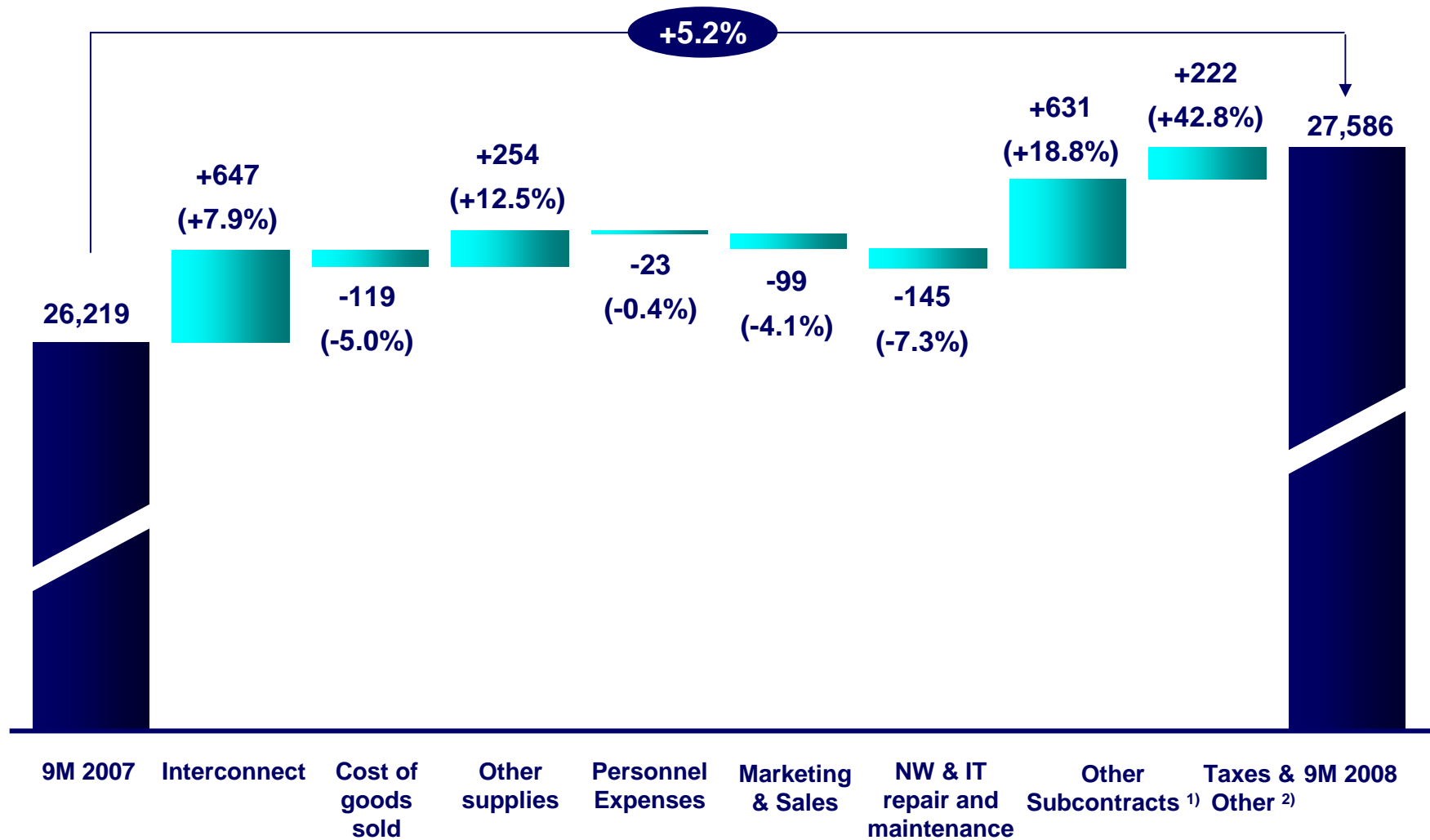


<sup>1)</sup> Other – incl. equipment sales and other business revenues  
 Figures do not include inter-segment charges between fixed and mobile segment

# Group OPEX – sources of variation



CZK millions  
(% change y-o-y)

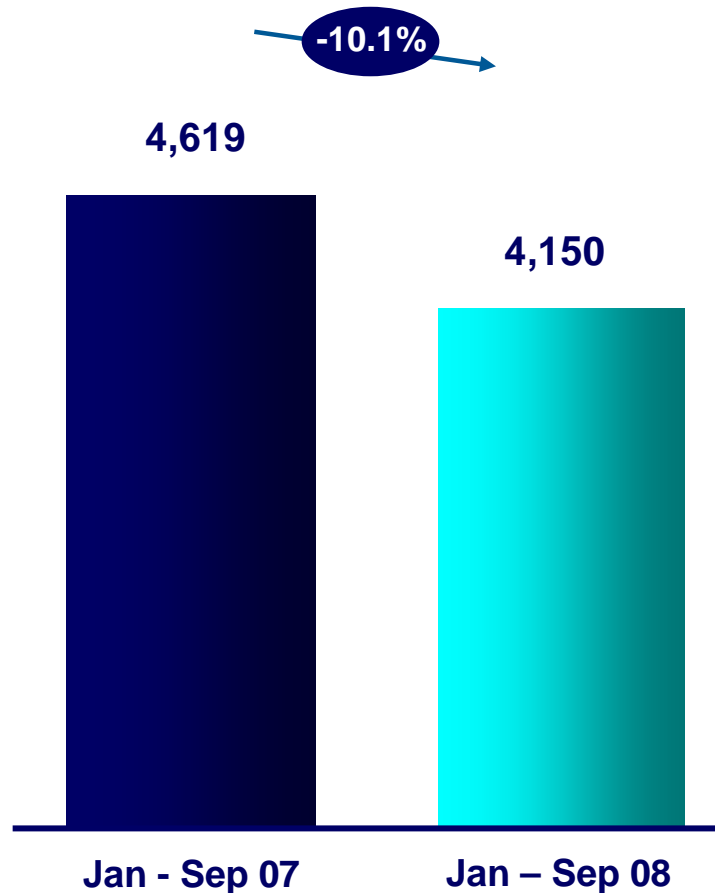


<sup>1)</sup> Other Subcontracts – incl. Rentals, Buildings, Vehicles, Utilities, Consultancy & Brand fees  
<sup>2)</sup> Taxes = taxes other than income taxes, provisions and fees

# Group CAPEX



CZK millions



- **Selective and efficient investments to growth areas:**
  - **Czech Republic – improvements and increase capacity of ADSL, IPTV, GSM and mobile BB**
  - **Slovakia – network rollout, systems & IT**

# Group Balance Sheet & Group Cash Flow Statement



<i>CZK millions</i>	31 Dec 2007	30 Sep 2008	Change Sep08/Dec07
<b>Non-current assets</b>	<b>94,192</b>	<b>85,238</b>	<b>(9.5%)</b>
<b>Current assets</b>	<b>19,032</b>	<b>28,017</b>	<b>47.2%</b>
- of which Cash & cash. Equiv.	9,576	16,708	74.5%
<b>Total assets</b>	<b>113,552</b>	<b>113,310</b>	<b>(0.2%)</b>
<b>Equity</b>	<b>82,792</b>	<b>75,711</b>	<b>(8.6%)</b>
<b>Non-current liabilities</b>	<b>9,018</b>	<b>6,704</b>	<b>(25.7%)</b>
- Long-term financial debt	3,062	2,838	(7.3%)
<b>Current liabilities</b>	<b>21,742</b>	<b>30,895</b>	<b>42.1%</b>
- Short-term financial debt	6,207	539	(91.3%)
	<b>Jan - Sep 2007</b>	<b>Jan - Sep 2008</b>	<b>Change 9M08/9M07</b>
Interest paid	(428)	(448)	+4.8%
Interest received	235	368	+56.5%
Income tax paid	(3,142)	(3,815)	+21.4%
<b>Net cash from operating activities</b>	<b>16,470</b>	<b>14,681</b>	<b>(10.9%)</b>
<b>Net cash used in investing activities</b>	<b>(3,383)</b>	<b>(2,116)</b>	<b>(37.5%)</b>
- Of which purchase of PPE and intangibles	(3,509)	(5,100)	+45.4%
- Of which disposal of PPE an intangibles	65	2,988	n.m.
<b>Free cash flow</b>	<b>13,027</b>	<b>12,569</b>	<b>(3.5%)</b>
<b>Net cash from financing activities</b>	<b>21</b>	<b>(5,481)</b>	<b>n.m.</b>

# Conclusions

# 3



# Conclusions

- **On track to meet the full year guidance**
- **Progress in traditional fixed line business**
- **Solid financial position**
- **Keeping our activities close to customers**
- **Slovakia – performance in line with expectations**