Telefónica O2 Czech Republic

Quarterly Results
January – June 2008

24th July, 2008

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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.

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1H 2008 Business Highlights

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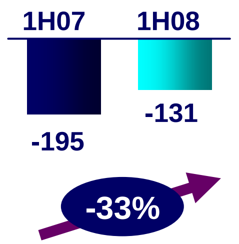
1H 2008 Highlights

- **Solid growth and profitability maintained** in a more challenging environment
- **Mobile business** the key growth driver of the Group
- **Traditional fixed line business** (accesses and traffic) is improving on the back of fixed accesses net losses deceleration
- **Focus on efficiency** continues, keeping the manageable OpEx growth under control
- **Real estate** transaction **contributed to the 2Q results**
- **Slovakia** – **prepay customer base is stabilizing and credit management improved**

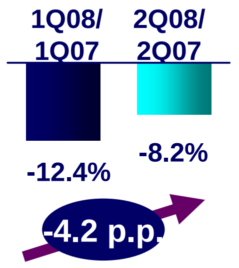
BB and bundles growth partially compensating decline in traditional business, which is improving

Containing fixed line accesses and traffic losses

FL net losses (ths)



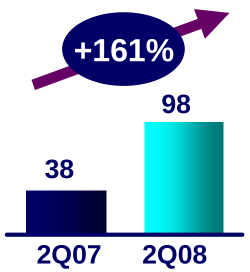
FL traditional revenues



- FL losses continue to gradually decline, supported by bundles uptake
- Resulting in slowdown of traditional fixed line revenues (accesses and traffic) decline

Unique value proposition

IPTV (ths)



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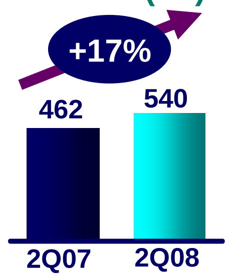
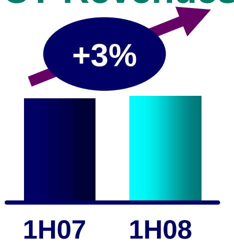
Retail ADSL (ths)



- Number of bundles increased to some 143k at 2Q 2008 (20k net adds in 2Q)
- Gaining market share in Pay TV market via unique content proposition

ICT business

ICT Revenues



- Contribution from Deltax Systems
- In 2007, 2Q and 3Q strong due to new contracts
- Higher contribution expected in 2H08

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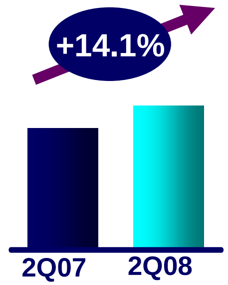
Improving customer mix and data continue to drive mobile usage and ARPU growth

Improving customer quality

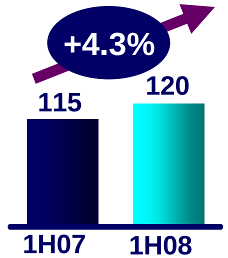
Contract customers



- Contract customers continue to growth healthy at 14.1% y-o-y (63k net adds in 2Q08)
- Representing 45.7% of total base (up from 42.4% at 2Q07), on track to reach 50% at 2010YE

Fostering usage

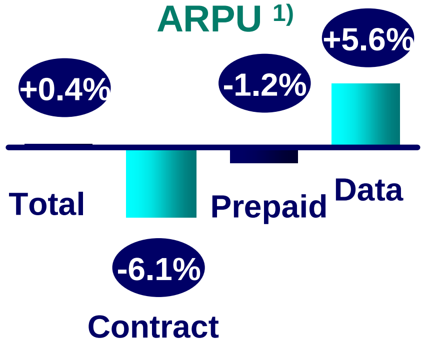
Mobile MoU



- Outgoing traffic (+12% y-o-y and MoU (+4.3% y-o-y) still growing in 1H08
- New flat rate based tariffs launched in May to stimulate the traffic

Focusing value

ARPU [1)]



- Blended ARPU: basically flat at CZK 516
- Contract ARPU continues to be diluted by prepay to contract migrations (-6.1% to CZK 858)
- Data ARPU growing at 5.6.% y-o-y to CZK 112

[1)] 1H08/1HQ07

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Real estate portfolio sale materialized in 2nd Quarter 08

- **Disposal of a part of the real estate portfolio:**
  - Countrywide real estate portfolio of 175 complexes
  - Very complex transaction
  - Master agreement signed in May 2008
  - Transaction divided into three portfolios with expected settlement by the year end
  - Efficiency driven transaction
- **Financial impact fully recognized in 2Q 2008: income statement and balance sheet**
  - Net gain from sale at CZK 727m; while price exceeded CZK4bn
  - BS impact: decreased fixed assets (property, plant & equipment), increased receivable
  - Cash flow impact expected in 2H 2008
- **Expected slightly positive impact on net income in future periods**

Slovakia – stabilization of customer base, credit management improvement, network rollout continues

- **395k registered[1)] customers** at 2Q 2008 - 75k contract, 320k prepay (of which 200 active[2)])
- **Prepay customer base stabilized** after deactivation of some prepay customers acquired in the initial launch campaign who used service irregularly
- **Effective measures** put in place **to improve credit management**
- **Gradual shift from national roaming to own network continues** (635 BTS in operation enabling more than 70% of the traffic to capture over the own network)

[1)] 13 months activity criteria
[2)] 3 months activity criteria

January – June 2008 Earnings Results

Group Financial Performance

(CZK millions)	Jan - Jun 2007	Jan – Jun 2008	*Change 1H08/1H07*
Business revenues	**30,820**	**31,160**	***1.1%***
Other recurring revenues	250	116	*(53.6%)*
Revenues	**31,070**	**31,276**	***0.7%***
Internal expenses capitalized in fixed assets	**291**	**199**	***(31.6%)***
Operating Costs	**(17,218)**	**(17,805)**	***3,4%***
Other operating income/(expense)	**(5)**	**(22)**	***n.m.***
Gain on sale of fixed assets	**32**	**764**	***n.m.***
Impairment of fixed assets	**10**	**(87)**	***n.m.***
OIBDA	**14,180**	**14,325**	***1.0%***
OIBDA margin [1)]	***46.0%***	***46.0%***	
Depreciation and amortization	(7,471)	(6,570)	*(12.1%)*
Operating Income	**6,709**	**7,755**	***15.6%***
Net financial expense	(55)	(3)	*(94.5%)*
Income before taxes	**6,654**	**7,752**	***16.5%***
Income taxes	(1,763)	(1,951)	*10.7%*
Net income	**4,891**	**5,801**	***18.6%***

Note: Unaudited, according to IFRS
[1)] OIBDA margin = OIBDA/ Business revenues

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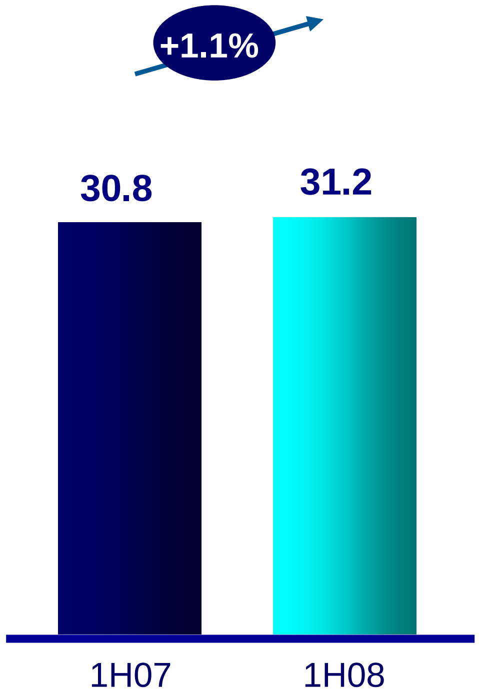
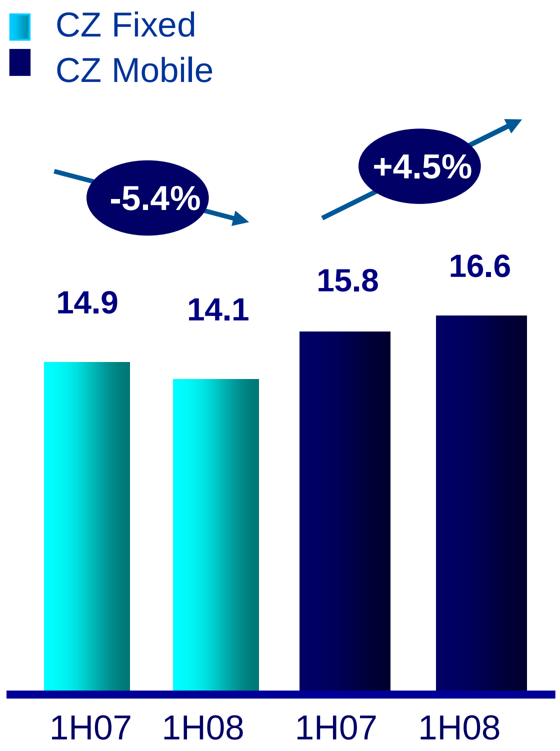
Revenues growing, maintaining solid OIBDA margin

CZK billions
(% change y-o-y)

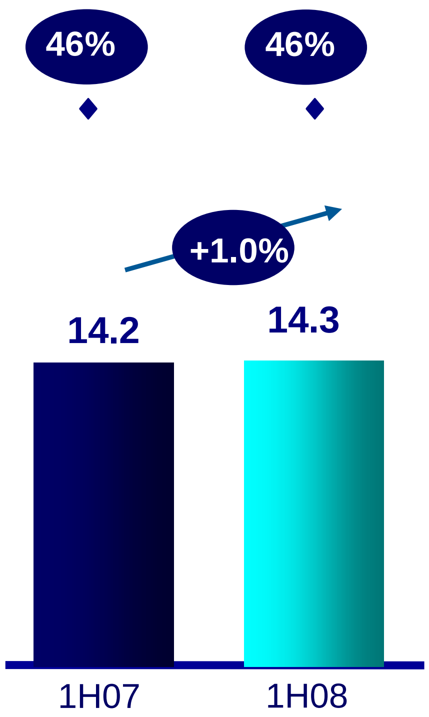
Group Business Revenue evolution



F&M Business Revenue



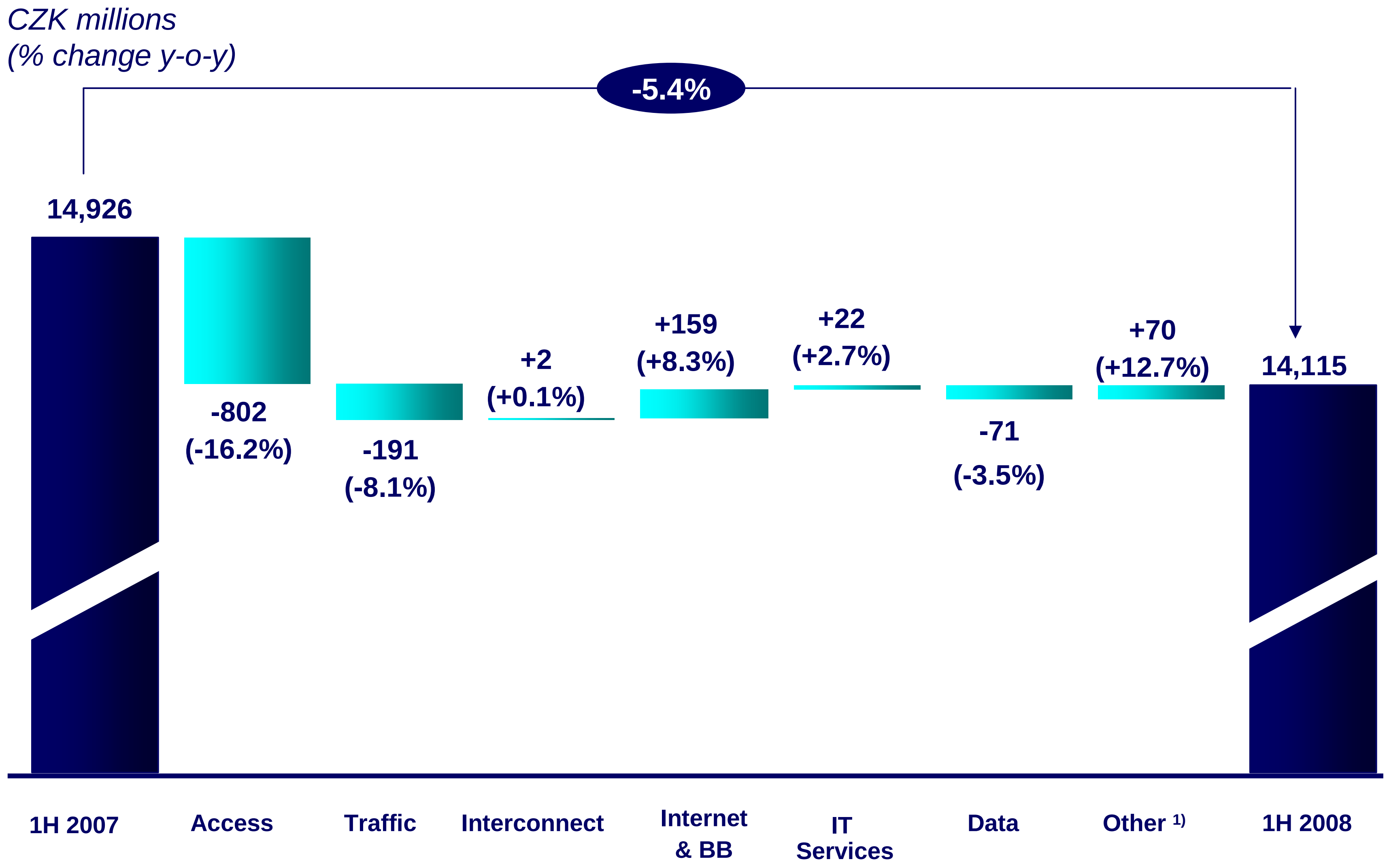
Group OIBDA margin and OIBDA evolution 1)



1) 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



[1] Other – incl. equipment sales and value added services
Figures excluding inter-segment charges between fixed and mobile segment

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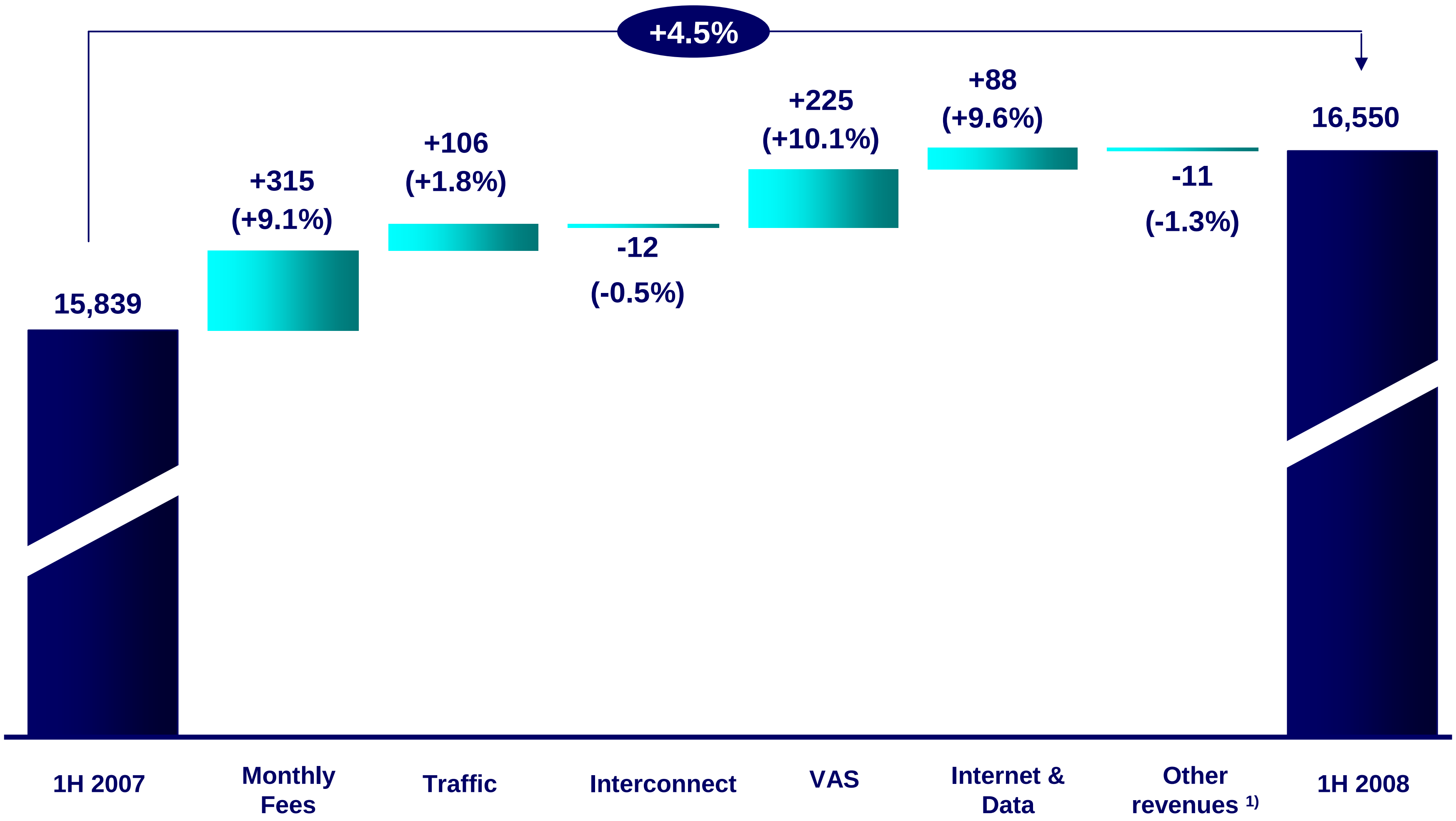
CZ Mobile Business Revenues – sources of variation

CZK millions
(% change y-o-y)



[1] Other – incl. equipment sales and other business revenues
Figures do not include inter-segment charges between fixed and mobile segment

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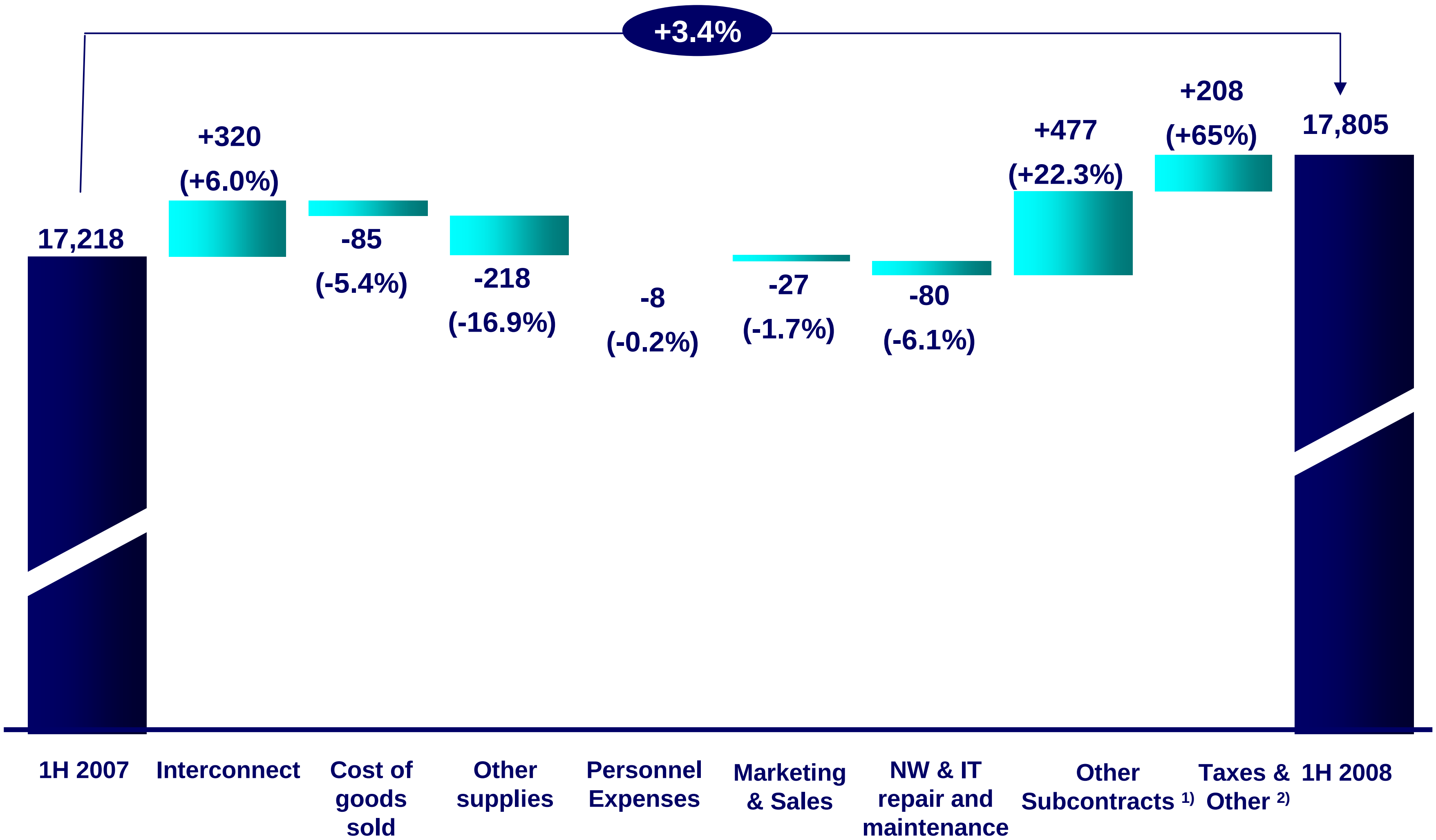
Group OPEX – sources of variation

CZK millions
(% change y-o-y)



[1] Other Subcontracts – incl. Rentals, Buildings, Vehicles, Utilities, Consultancy Fees & Brand fees
[2] Taxes = taxes other than income taxes, provisions and fees

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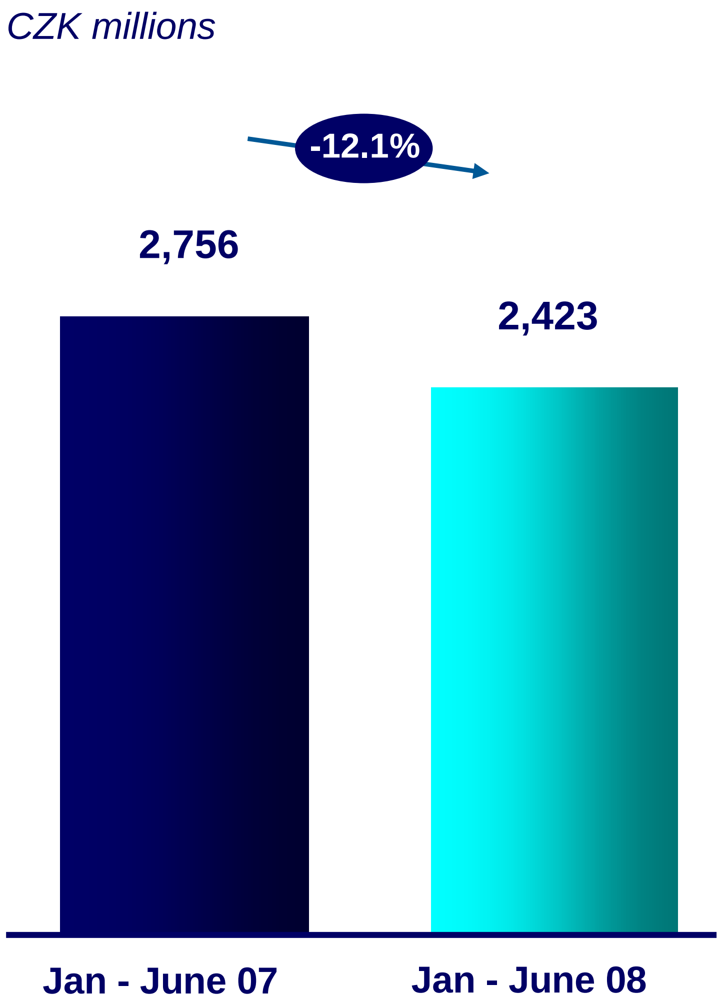
Group CAPEX



- **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**

Note: Unaudited, according to IFRS

Group Balance Sheet & Group Cash Flow Statement

CZK millions	**31 Dec 2007**	**30 Jun 2008**	***Change Jun08/Dec07***
Non-current assets	**94,191**	**86,544**	***(8.1%)***
Current assets	**19,033**	**28,920**	***51.9%***
- of which Cash & cash. Equiv.	9,576	15,017	*56.8%*
Total assets	**113,552**	**115,593**	***1.8%***
Equity	**82,792**	**72,521**	***(12.4%)***
Non-current liabilities	**9,017**	**6,697**	***(25.7%)***
- Long-term financial debt	3,062	2,749	*(10.2%)*
Current liabilities	**21,743**	**36,375**	***67.3%***
- Short-term financial debt	6,207	6,205	*0.0%*

	Jan - Jun 2007	**Jan – Jun 2008**	***Change 1H08/1H07***
Interest paid	1	(31)	*n.m.*
Interest received	101	173	*+71.3%*
Income tax paid	(1,423)	(2,769)	*+94.6%*
Net cash from operating activities	**12,143**	**8,374**	***(31.0%)***
Net cash used in investing activities	**(2,448)**	**(3,053)**	***+24.7%***
- Of which purchase/disposal of PPE and intangibles	(2,502)	(3,103)	*+24.0%*
Free cash flow	**9,641**	**5,271**	***(45.3%)***
Net cash from financing activities	**32**	**23**	***n.m.***

Note: Unaudited, according to IFRS

Conclusions

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Conclusions

- **Solid profitable growth maintained**
- **Mobile business remains the key growth driver**
- **Traditional fixed line business improving** with **ICT to contribute in 4Q**
- **Focus on efficiency keeping margins in high 40s' levels**
- **Stabilization of customer base in Slovakia**
- **Full year guidance maintained**