



# Telefónica O2 Czech Republic

Quarterly Results  
January – March 2009

28<sup>th</sup> April, 2009

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.



# 1Q 2009 Performance Highlights

# 1



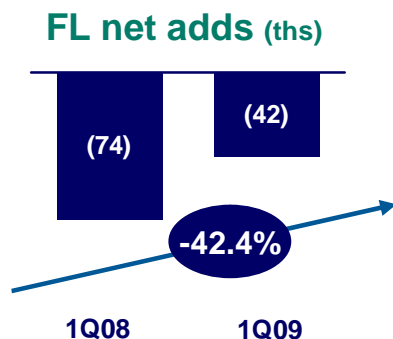
# 1Q 2009 performance highlights



- **1Q 2009 performance on track to meet the full year guidance**
- **Very strong commercial activity resulting in solid fixed and mobile KPIs net adds**
- **Mobile business impacted by MTR cut and challenging environment**
- **Continuous customer base growth and good financial performance in Slovakia**
- **Completion of former headquarter sale materialized in 1Q**
- **Operating cash flow generation impacted by 3G rollout and phasing**
- **Dividend of CZK 50 per share approved at AGM**

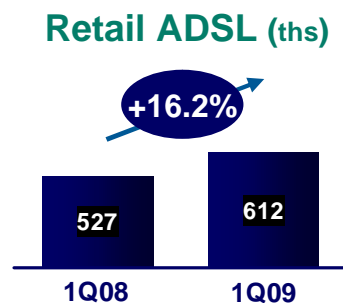
# Fixed business performance positively impacted by improvement of traditional services and uptake of BB

Containing fixed line accesses

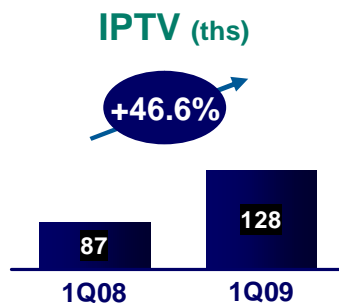


- Reduction of fixed access losses continues, supported by solid BB

Unique value proposition



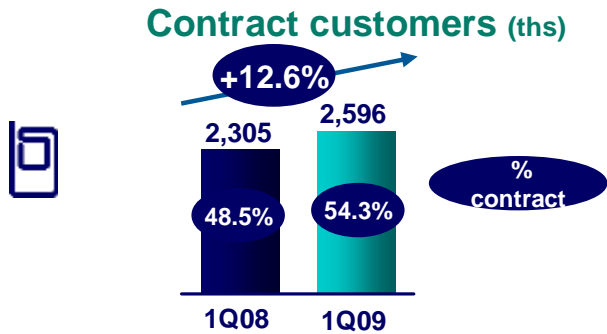
- Strong net adds in 1Q: retail ADSL 34k (+80% y-o-y)



- Healthy BB customer base growth
- O<sub>2</sub> TV customer base reached 128 k

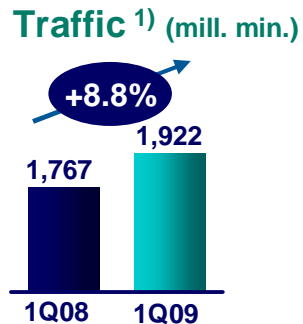
# Improving customer mix to compensate a weakness in **O<sub>2</sub>** ARPU

Improving customer quality



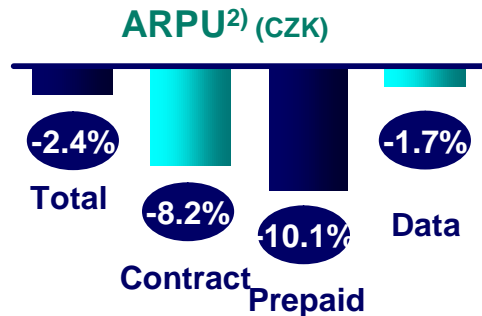
- 77k net adds in 1Q09, +24.8% y-o-y, helped by successful uptake of new flat rate based tariffs (O<sub>2</sub> NEON)
- Contract customers represent 54.3% of total active base at 1Q09

Fostering usage



- Growth of total traffic driven by outgoing traffic (+8.9% y-o-y) on the back of customer mix improvement

ARPU hit by MTR and lower usage



- Blended ARPU down by 2.4% y-o-y to CZK 535 impacted by MTR cuts and change in usage patterns
- Contract ARPU diluted by migrations from prepaid (-8.2% y-o-y to CZK 810)
- Data ARPU slightly down by 1.7% y-o-y to CZK 130

<sup>1)</sup> Outgoing and incoming, excluding inbound roaming and roaming abroad

<sup>2)</sup> Per active customers (3 months activity criteria)

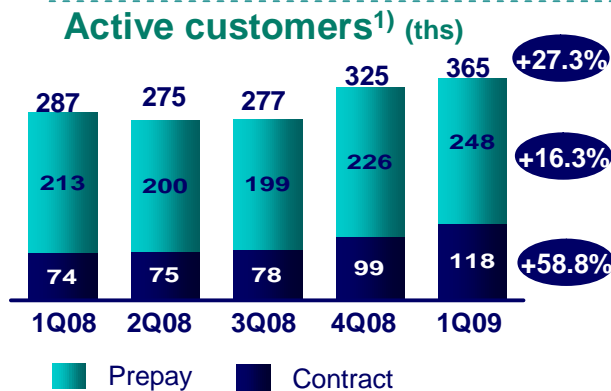
# Slovakia – solid customer growth continued in 1Q09 on O<sub>2</sub> the back of successful marketing proposition

New marketing proposition



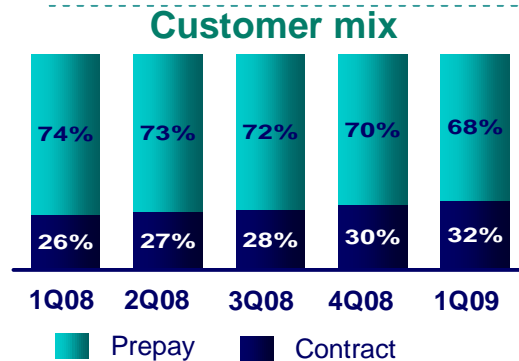
- O<sub>2</sub> Fair continued to be successfully sold also in 1Q 2009

Healthy customer growth



- ... and pushed the total active customer base to 365k at 1Q09 (40k net adds in 1Q – of which 19k contract) ...

Improving customer quality



- Close to 40% revenue growth driven by customer base increase, improving customer mix and consumption growth



# January – March 2009 Earnings Results

# 2



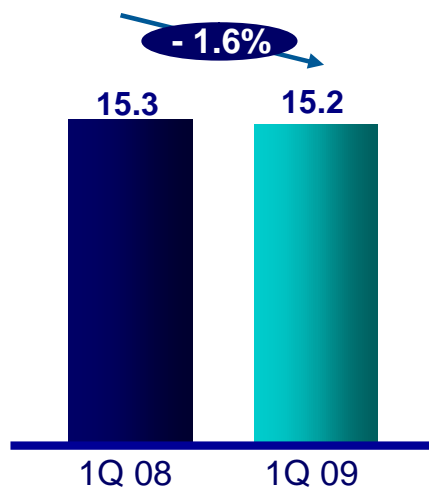


# Key Highlights of Group Financial Performance

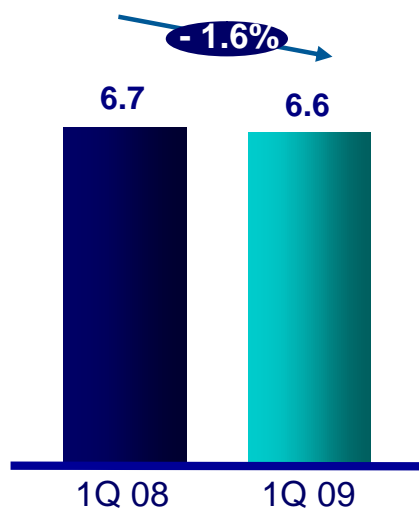


CZK millions	Jan - March 2008	Jan – March 2009	Change 1Q09/1Q08
<b>Business revenues</b>	<b>15,346</b>	<b>15,106</b>	<b>(1.6%)</b>
<b>CZ Fixed</b>	<b>6,948</b>	<b>6,805</b>	<b>(2.1%)</b>
<b>CZ Mobile</b>	<b>8,157</b>	<b>7,913</b>	<b>(3.0%)</b>
<b>OIBDA <sup>1)</sup></b>	<b>6,724</b>	<b>6,615</b>	<b>(1.6%)</b>
<b>OIBDA margin <sup>2)</sup></b>	<b>43.8%</b>	<b>43.8%</b>	
<b>Net income</b>	<b>2,435</b>	<b>2,645</b>	<b>8.7%</b>

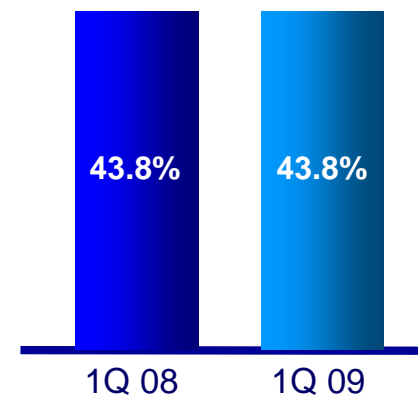
Group Business Revenue



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



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



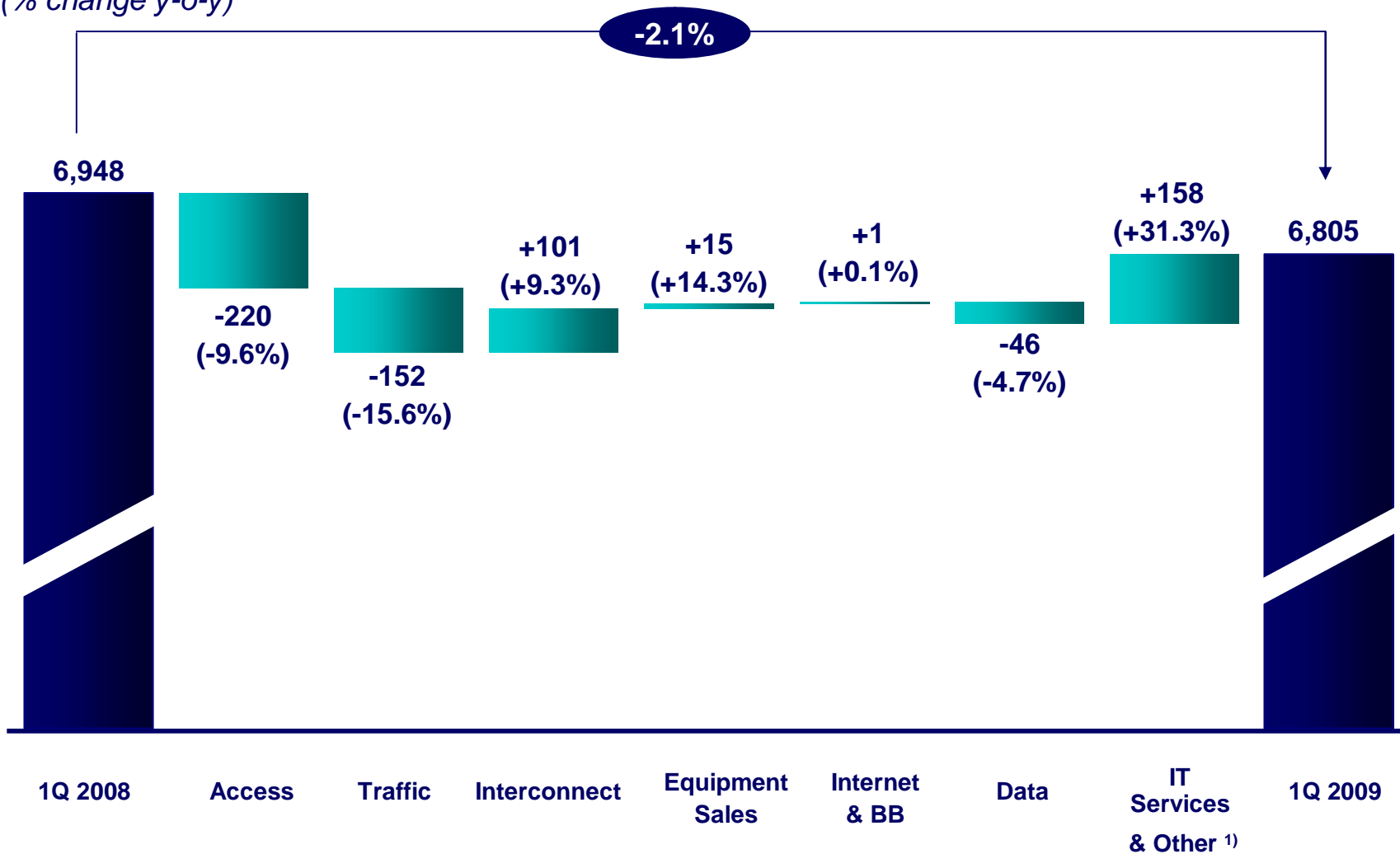
Notes: <sup>1)</sup> Including the impact of real estate sale, <sup>2)</sup> OIBDA margin = OIBDA/ Business revenues, <sup>3)</sup> Operating cash flow = OIBDA adjusted for guidance (excl. Impairment and brand fees) less CAPEX

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)

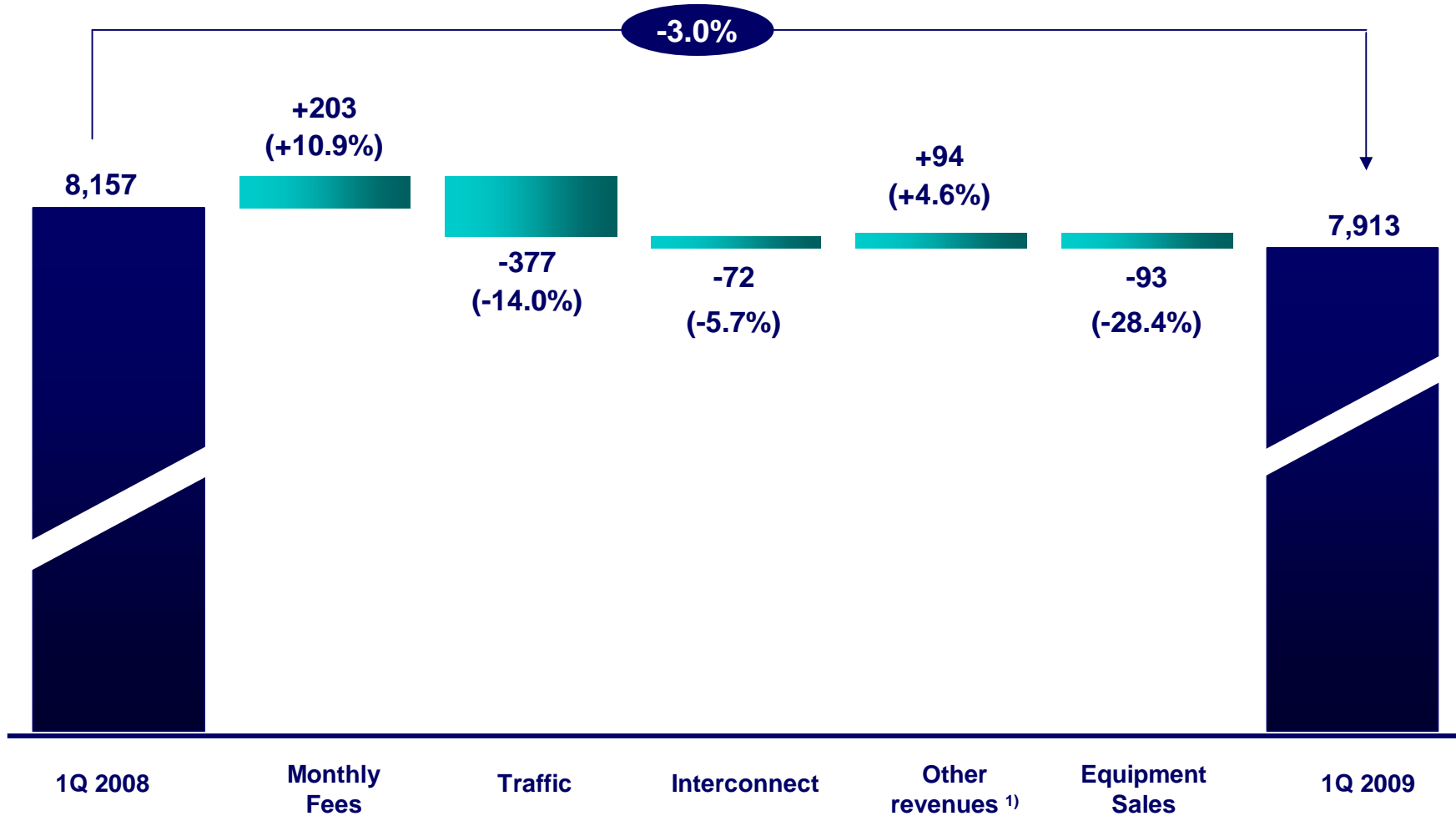


<sup>1)</sup> IT services and Other – incl. ICT, universal service and other revenues  
Figures excluding inter-segment charges between fixed and mobile segment

# CZ Mobile Business Revenues – sources of variation



CZK millions  
(% change y-o-y)

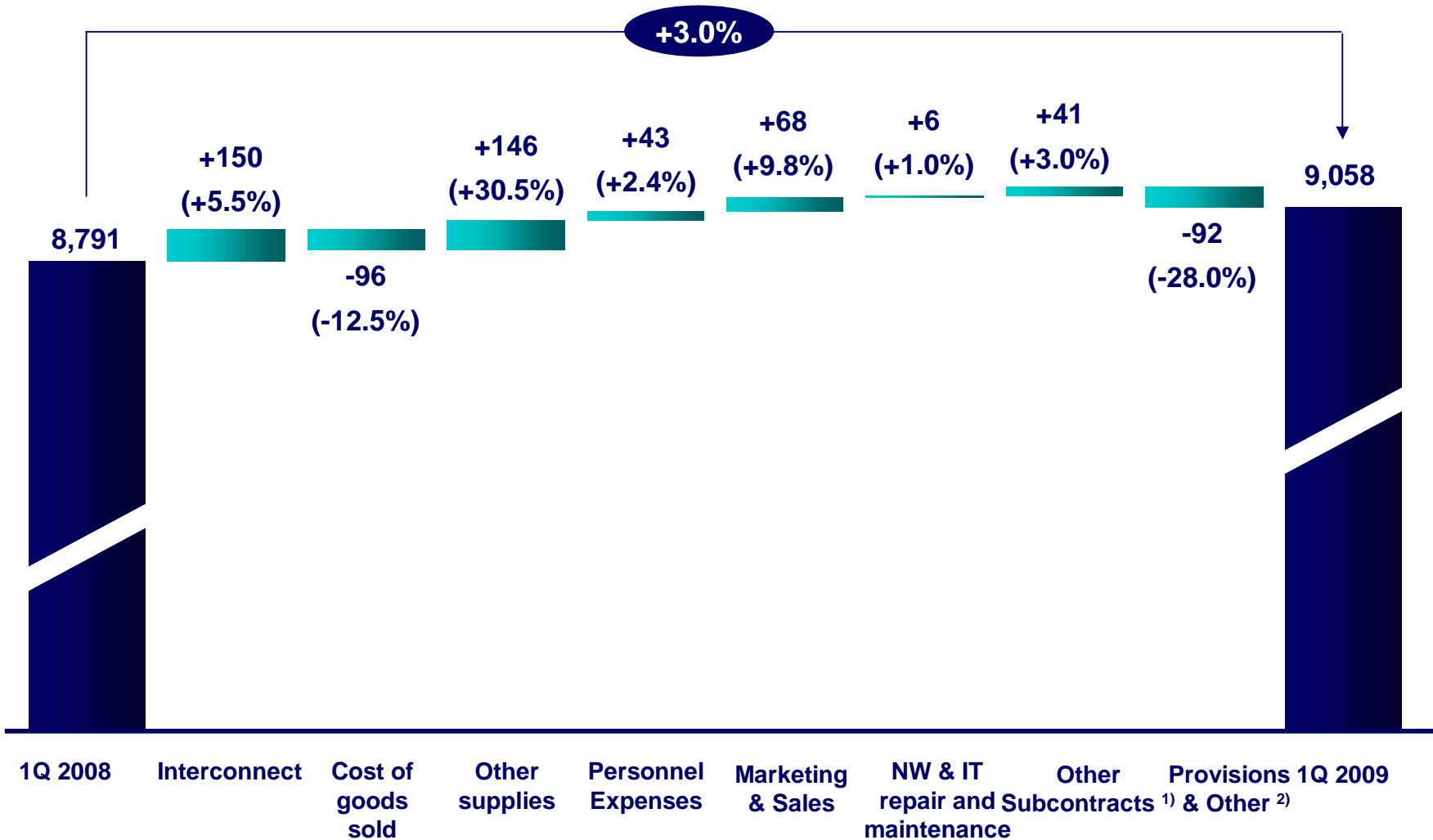


<sup>1)</sup> Other – incl. VAS, Internet & Data and Other revenues  
 Figures do not include inter-segment charges between fixed and mobile segment

# Group OPEX – sources of variation



CZK millions  
(% change y-o-y)



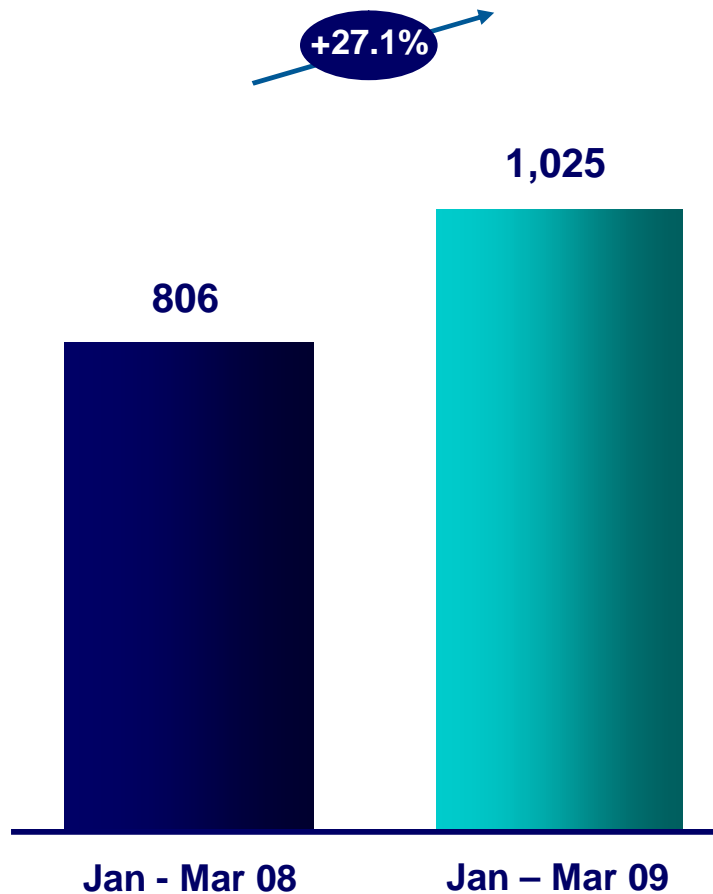
<sup>1)</sup> Other Subcontracts – incl. Rentals, Buildings, Vehicles, Utilities, Consultancy & Brand fees

<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 – accelerated mobile BB (3G) expansion, GSM networks capacity and coverage enhancement;
- Slovakia – network rollout, systems development

# Group Balance Sheet & Group Cash Flow Statement



<i>CZK millions</i>	31 Dec 2008	31 Mar 2009	<i>Change Mar09/Dec08</i>
<b>Non-current assets</b>	86,166	83,969	(2.5%)
<b>Current assets</b>	17,361	21,162	21.9%
- of which Cash & cash. Equiv.	7,116	10,757	51.2%
<b>Total assets</b>	<b>103,623</b>	<b>105,246</b>	<b>1.6%</b>
<b>Equity</b>	<b>78,168</b>	<b>80,784</b>	<b>3.3%</b>
<b>Non-current liabilities</b>	6,977	6,928	(0.7%)
- Long-term financial debt	3,098	3,150	1.7%
<b>Current liabilities</b>	<b>18,478</b>	<b>17,533</b>	<b>(5.1%)</b>
- Short-term financial debt	98	140	42.4%
	<b>Jan - March 2008</b>	<b>Jan - March 2009</b>	<b>Change 1Q09/1Q08</b>
Interest paid	(11)	(14)	28.8%
Interest received	84	55	(33.9%)
Income tax paid	(936)	(1,047)	11.9%
<b>Net cash from operating activities</b>	<b>5,297</b>	<b>4,662</b>	<b>(12.0%)</b>
<b>Net cash used in investing activities</b>	<b>(1,604)</b>	<b>(1,047)</b>	<b>(34.7%)</b>
- Of which purchase of PPE and intangibles	(1,659)	(1,860)	12.1%
- Of which disposal of PPE an intangibles	6	811	n.m.
<b>Free cash flow</b>	<b>3,644</b>	<b>3,613</b>	<b>(0.9%)</b>
<b>Net cash from financing activities</b>	<b>23</b>	<b>35</b>	<b>n.m.</b>