



Telefónica O2 Czech Republic

Quarterly Results
January – March 2008

21st April, 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.

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 2008 Business Highlights

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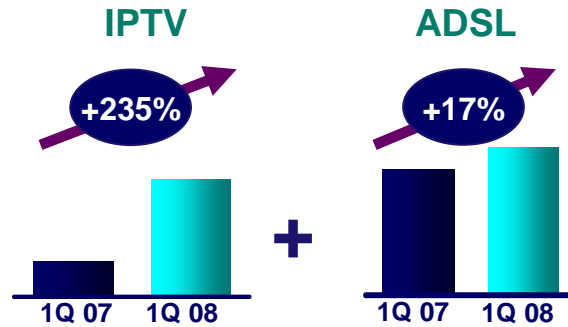
1Q 2008 Highlights

- **Mobile business driving Group growth focusing on usage stimulation and broadband**
- **Fixed business driven by broadband, IPTV and bundles**
- **Continuing growth of ICT, contributed by Deltax acquisition**
- **Solid profitability maintained**
- **Slovakia – focus on customers' acquisition, quality and activity**
- **Dividend of CZK 50 per share approved by AGM**

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BB and ICT solutions growth not fully compensating decline in traditional voice business

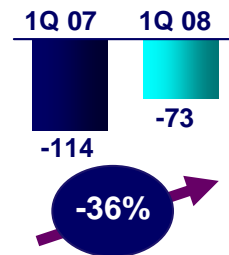
Unique value proposition



- Value proposition enhancement
- Fundamental part of bundled offers (2P and 3P)
- Some 120k of bundles at 1Q 2008

Containing line losses

Fixed line net losses (ths)



- Slow down of the fixed lines cancellation rate due to 2P and 3P uptake

New revenues stream

ICT Revenues ¹⁾



- Developing a trusted, network centric ICT integrator
- Contribution of Deltax in 1Q 2008

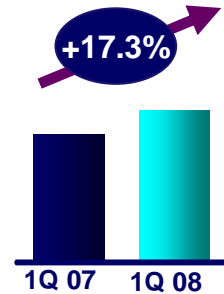
1) Results of Deltax Systems consolidated from 1Q 2008
2) +28% yoy based on comparable data (+41% yoy based on reported data, 1Q 2008 restated, 1Q 2007 not restated)

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

Improving customer quality

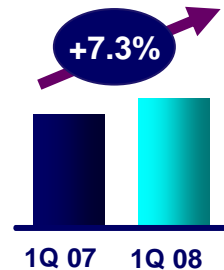
Contract customers



- 17.3% y-o-y growth (340k net adds)
- 44.7% of total base (40.6% at 1Q 07)
- Positive impact on blended MoU and ARPU

Fostering usage

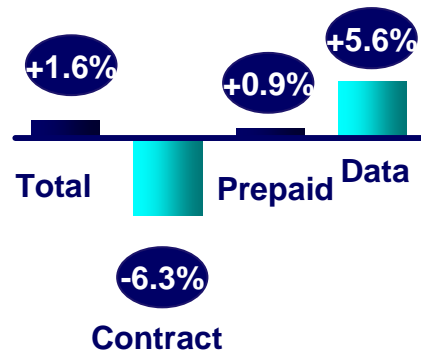
Mobile MoU



- Outgoing traffic: +14.5% y-o-y
- MoU: 117 minutes (+7.3% y-o-y)
- Traffic stimulation activities

Focusing value

ARPU



- Blended ARPU: +1.6% y-o-y to CZK 509
- Contract ARPU diluted by migrations (-6.3% y-o-y)
- Non-SMS data ARPU: 43% of data ARPU

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Slovakia – key focus on customers quality, activity and growth

- **Products:**
 - Continuous offering and promotion of innovative services
 - First offer for SME customers launched
- **Customers:**
 - Focus on customers' acquisition, mix improvement and activity
 - Part of initial launch campaign customers deactivated due to inactivity
 - 523k registered customers at 1Q 2008 - 74k contract, 449k prepaid (213k active¹⁾)
- **Operations:**
 - Continuous rollout of own GSM network to enable gradual shift from national roaming
(65% of the traffic captured over the own network)

January – March 2008 Earnings Results

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Group Financial Performance

(CZK millions)	Jan - March 2007	Jan – March 2008	Change 1Q08/1Q07
Business revenues	15,108	15,346	+1.6%
Other recurring revenues	73	64	(12.3%)
Revenues	15,181	15,410	+1.5%
Operating Costs	(8,270)	(8,792)	+6.3%
OIBDA ¹⁾	7,040	6,724	(4.5%)
<i>OIBDA margin ²⁾</i>	46.6%	43.8%	
Depreciation and amortization	(3,854)	(3,365)	(12.7%)
Operating Income	3,186	3,359	+5.4%
Net financial expense	(46)	2	(104.3%)
Income before taxes	3,140	3,361	+7.0%
Income taxes	(831)	(927)	+11.6%
Net income	2,309	2,434	+5.4%

Note: Unaudited, according to IFRS

1) OIBDA = Revenues + internal expenses capitalized in FA – OPEX – other income/(expenses) + gain on sale of FA - impairment

2) OIBDA margin = OIBDA/ Business revenues

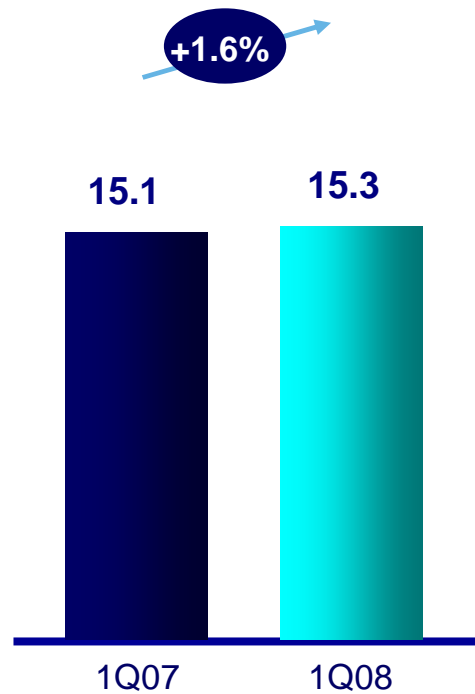
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Revenues and OIBDA growth

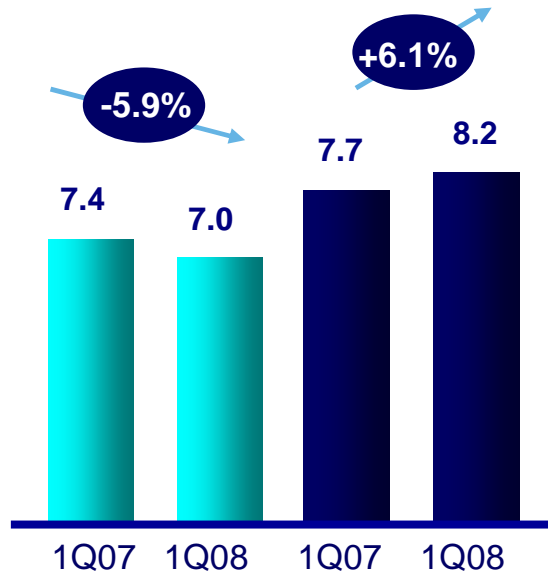
CZK billions
(% change y-o-y)

Group Business Revenue evolution

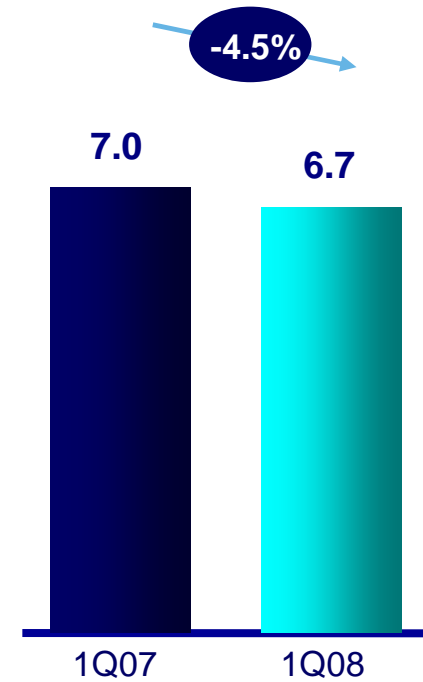


F&M Business Revenue

■ CZ Fixed
■ CZ Mobile



Group OIBDA evolution



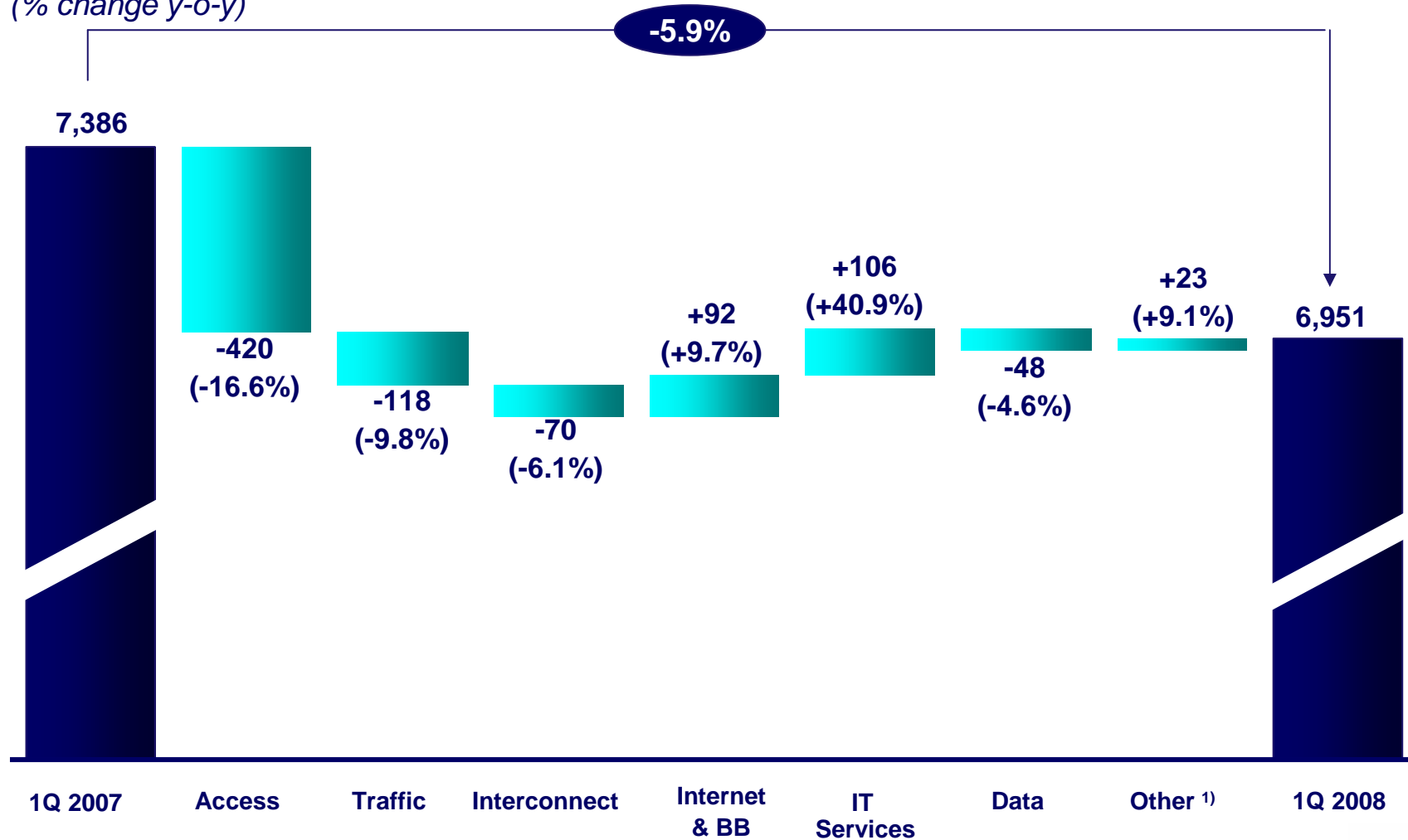
Figures for F&M revenues do not include inter-segment charges between fixed and mobile segment;



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CZ Fixed Business Revenues – sources of variation

CZK millions
(% change y-o-y)



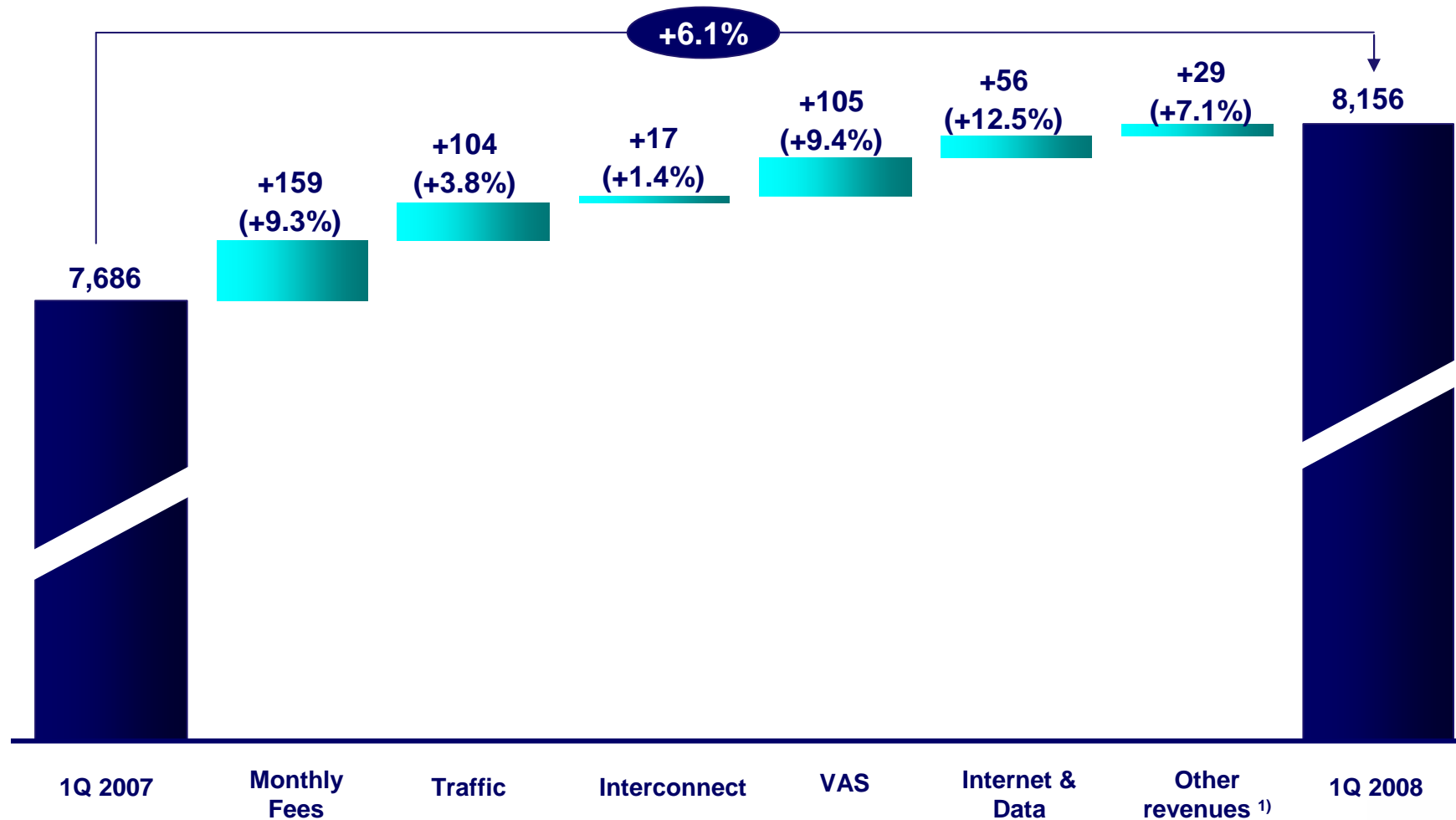
¹⁾ Other – incl. equipment sales and value added services

Figures excluding inter-segment charges between fixed and mobile segment



CZ Mobile Business Revenues – sources of variation

CZK millions
(% change y-o-y)



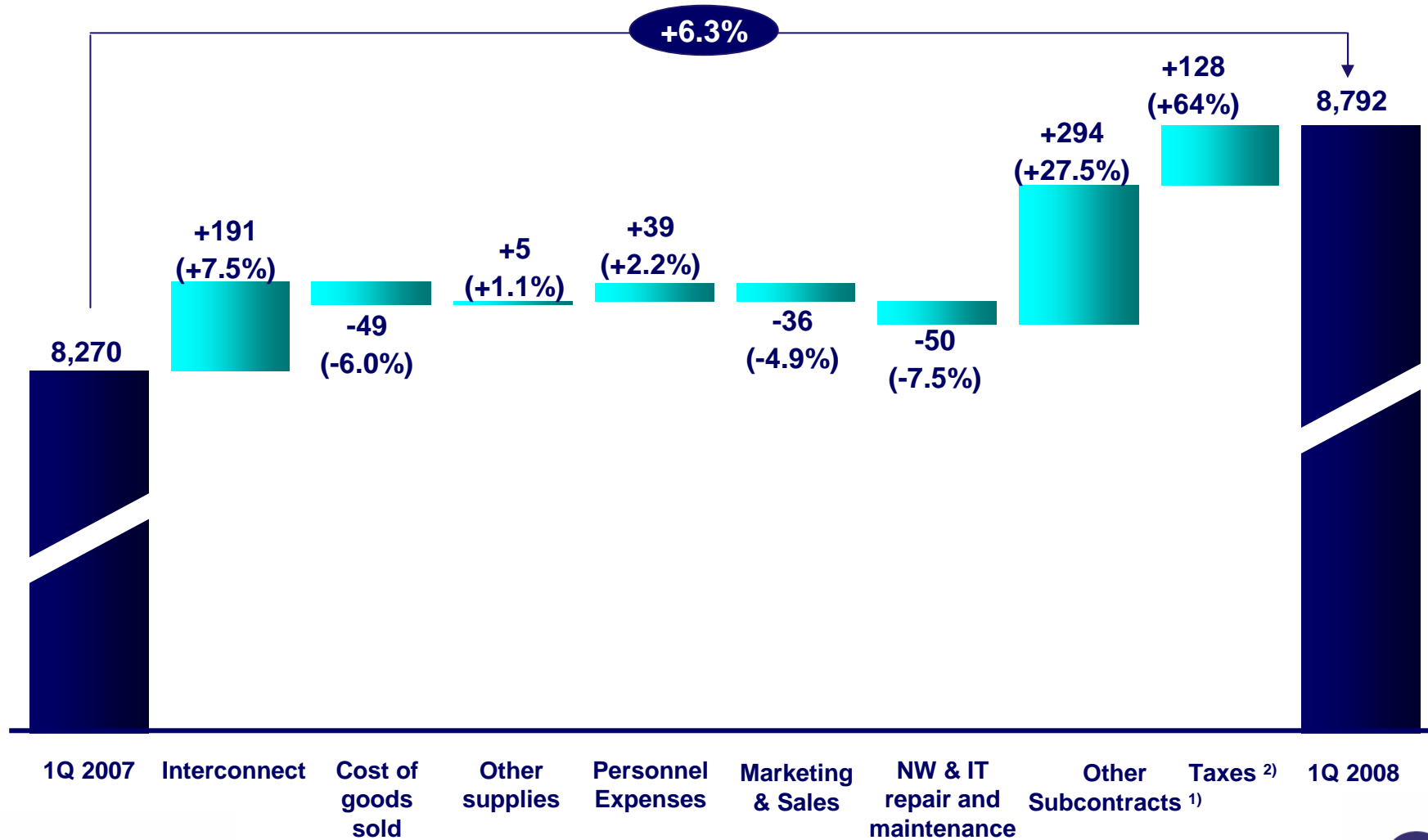
¹⁾ Other – incl. equipment sales and IT services

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

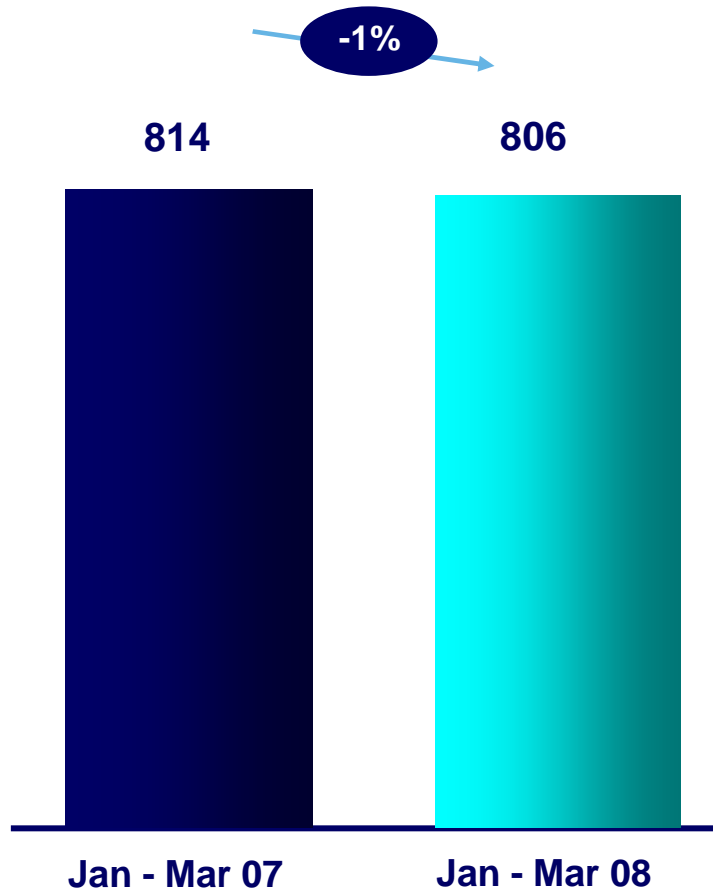
²⁾ Taxes – other than income taxes, provisions and fees



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Group CAPEX

CZK millions



- Bulk of investments directed to growth areas:

- Czech Republic – improvements and increase capacity of ADSL, IPTV, GSM and mobile BB
- Slovakia – network rollout, systems & IT

Group Cash Flow Statement

CZK millions

	Jan - Mar 2007	Jan – Mar 2008	Change 1Q08/1Q07
Interest paid	-	(11)	<i>n.m.</i>
Interest received	40	84	<i>n.m.</i>
Income tax paid	(710)	(936)	+31.8%
Net cash from operating activities	5,328	5,297	(0.6%)
Net cash used in investing activities	(1,176)	(1,604)	+36.4%
- purchase/disposal of PPE and intangibles	(1,229)	(1,653)	+34.5%
- marketable securities	53	-	<i>n.m.</i>
- financial investments	-	49	<i>n.m.</i>
Free cash flow ¹⁾	4,099	3,644	(11.1%)
Net cash from financing activities	-	-	<i>n.m.</i>

Note: Unaudited, according to IFRS

¹⁾ Net cash from operating activities less Net cash from investing activities excl. marketable securities and purchase of financial investments

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Group Balance Sheet

<i>CZK millions</i>	31 Dec 2007	31 Mar 2008	<i>Change Mar08/Dec07</i>
Non-current assets	94,191	91,524	(2.8%)
Current assets	19,033	23,113	+21.4%
- Cash & cash. Equiv.	9,576	13,378	+39.7%
- Short term fin.investments	48	68	+41.7%
Total assets	113,552	114,959	+1.2%
Equity	82,792	85,255	+3.0%
Non-current liabilities	9,017	8,731	(3.2%)
- Long-term financial debt	3,062	2,915	(4.8%)
Current liabilities	21,743	20,972	(3.5%)
- Short-term financial debt	6,207	6,397	+3.1%
Gross gearing	11.2%	10.9%	
Net gearing ¹⁾	(0.4%)	(4.9%)	



Note: Unaudited, according to IFRS

¹⁾ Net gearing = (Long and short term fin. debt – cash and short-term fin. investments) / equity



Outlook

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Outlook

- Profitable growth
- Customer centric organization bringing competitive advantage
- Convergent value proposition
 - Corporate – ICT
 - Consumer - IPTV & DSL, bundles
- Exploit mobile data opportunity
- Build on success in Slovakia
- Full year guidance maintained