

ČESKÝ TELECOM

2003 First Half Results

Conference call



Gabriel Berdár, Chairman of Board of Directors and CEO

Juraj Šedivý, 1st Vicechairman of Board of Directors and CFO

30.7.2003

1H 2003 highlights

- Results
 - Ongoing high and stable EBITDA margin of 49%
 - Reduced CAPEX by 38% to CZK 2.7 bn
 - Improved Free cash flows of CZK 6.1 bn
- Strategic issues
 - AGM approved payment of dividends totalling CZK 18.5 billion, i.e. CZK 57.50 per share to be paid on Oct. 6, 2003
 - Agreement with AWBV signed regarding acquisition of 49% stake in Eurotel for USD 1.05 billion signed
 - Eurotel owners approved dividend of CZK 10.98 billion
 - Management model and company governance changed to “German” model

Operational overview

ČESKÝ TELECOM	1H02	1H03	Chg.
Telephone lines (in thous.)	3,738	3,617	(3%)
of which ISDN channels (in thous.)	358	444	24%
ADSL connections (in thous.)	-	6	-
Internet customers (in thous.) ¹⁾	590	786	33%
Avg. Monthly MOU per customer	264	266	1%
Employees	14,158	12,788	(10%)

Eurotel

Number of customers (in thous.)	3,567	3,993	12%
Avg. Monthly MOU per customer	99	89	(10%)
ARPU (in CZK) ²⁾	610	545	(11%)
Number of employees	2,435	2,439	0%

¹⁾ paid (IOL) and free (quick.cz) internet access

²⁾ ARPU = (Recurring revenues less roaming visitors revenues)/customer months

Income statement

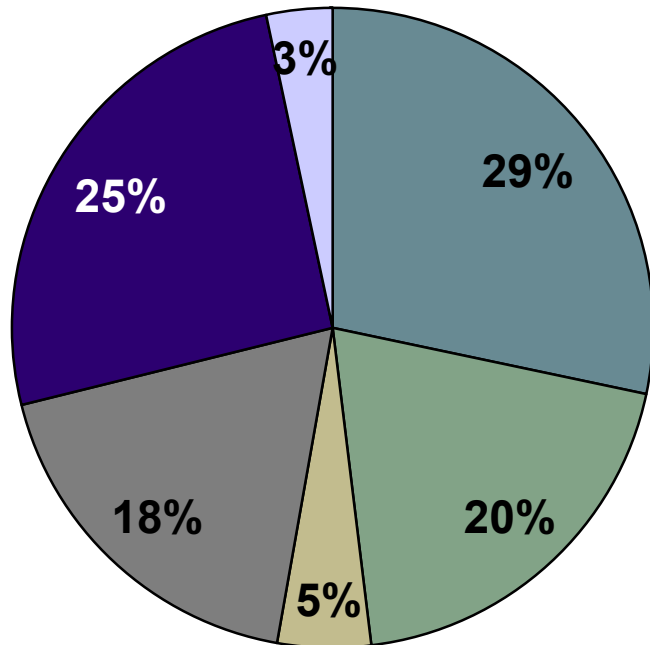
(in CZK bn.)	1H02	1H03	Chg.
Revenues	26.1	25.4	(3%)
Operating costs excl. D&A	(12.8)	(12.9)	1%
EBITDA	13.3	12.5	(6%)
D&A	(9.3)	(9.2)	(1%)
EBIT	4.0	3.2	(18%)
Net fin. charges	(0.1)	(0.2)	314%
EBT	3.9	3.0	(23%)
Net income	2.6	2.3	(13%)

EBITDA margin	51%	49%
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Note: consolidated, under IFRS.

Revenue structure

1H02

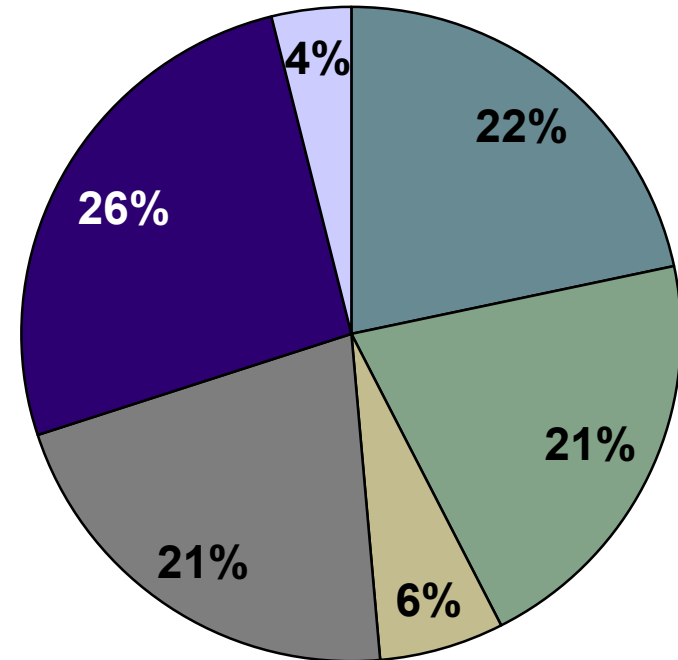


CZK 26.1 bn.

- 2.7%

1H03

- Call revenues (-26%)
- Subscription charges (+3%)
- Rev. from other oper. (+27%)
- Data, VAS & Leased lines (+14%)
- Eurotel consol. (-0%)
- Other (+14%)

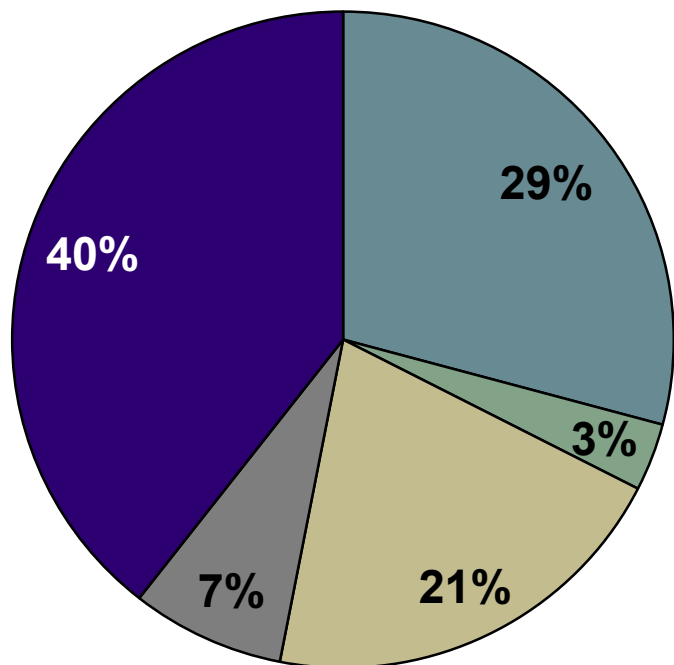


CZK 25.4 bn.

1) Other revenues: Connection charges, Equipment and material sales, Other revenues
 Note: consolidated, under IFRS. Legend is yoy % change in absolute values.

Consolidated Operating Costs Structure

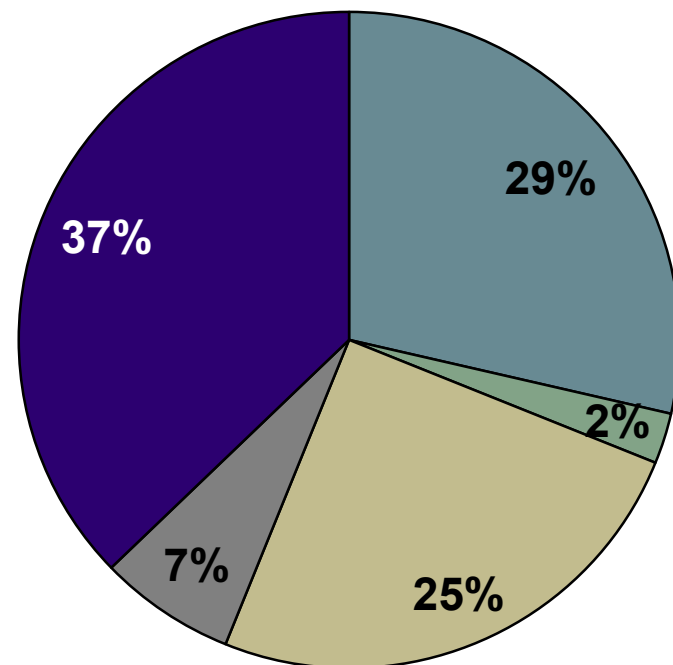
1H02



CZK 12.8 bn.

+ 0.8%

1H03

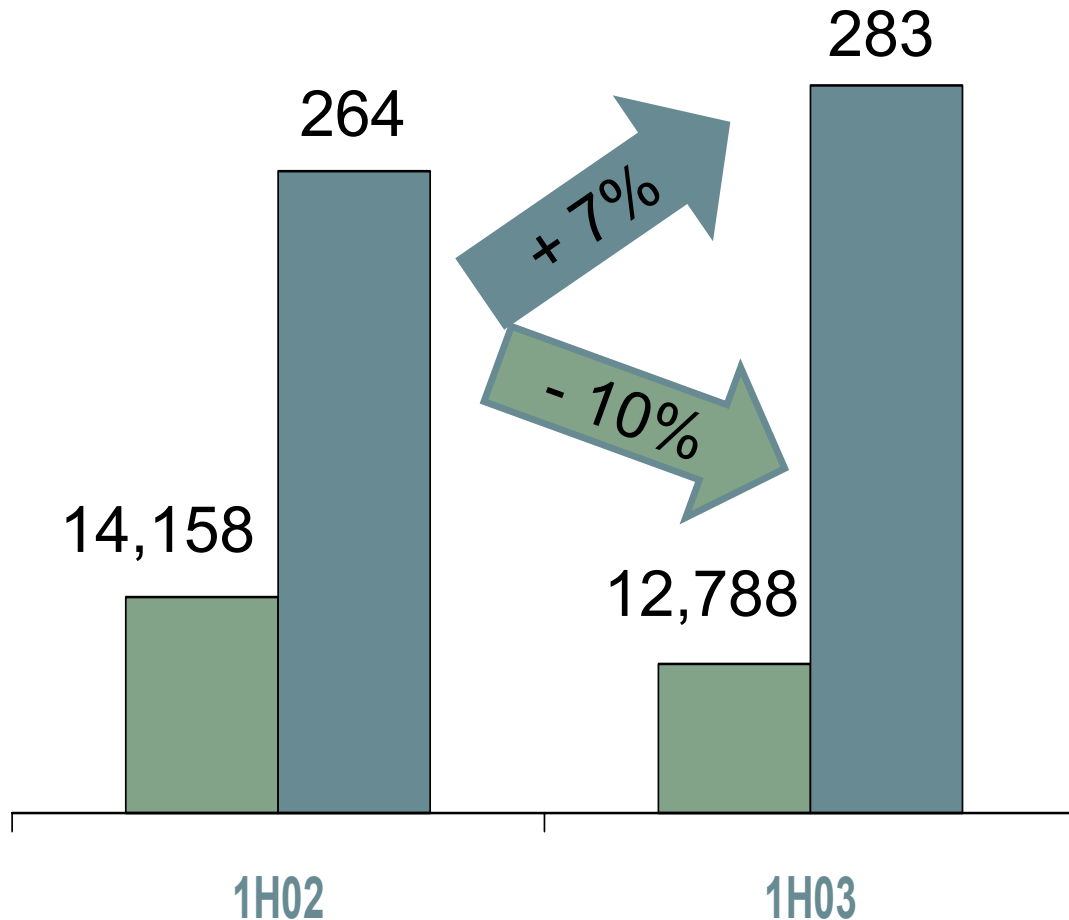


CZK 12.9 bn.

- Staff costs (-0%)
- Material consumed (-28%)
- Payments to other oper.(+24%)
- Equipment&Mat. cost of sales (-19%)
- Other costs (-4%)

1) Other costs: energy, repairs & maintenance, marketing & sales, real estate, other. costs
 Note: consolidated, under IFRS. Legend is yoy % change in absolute values.

Employees vs. Efficiency



- Staff cost flat yoy at CZK 3.7 bn.
- Fixed line efficiency increased 7% yoy to 283 lines per CTc empl.
- Number of Eurotel's employees flat yoy at 2.4 thous.

Balance Sheet

(CZK bn.)	31.12.02	30.6.03	Changes in 1H03
Fixed assets	131.2	124.4	<ul style="list-style-type: none"> ▪ Repayment of CZK 12 bn equivalent of eurobonds ▪ Raised CZK 1 bn @ 4.55, maturity in 2005 ▪ Approval of CTc dividend (CZK 18.5 bn) ▪ Approval of ET dividend (CZK 10.98 bn)
Current assets	25.1	21.0	
- Cash & cash equiv.	15.3	10.6	
Total assets	156.4	145.4	
Equity	111.3	94.5	
- Share capital	32.2	32.2	
- Reserves	79.1	62.3	
Liabilities	45.0	50.9	
- Debt	22.0	11.3	
- Creditors	11.4	28.3	
Gross gearing	20%	12%	
Net gearing	6%	1%	

Note: consolidated, under IFRS

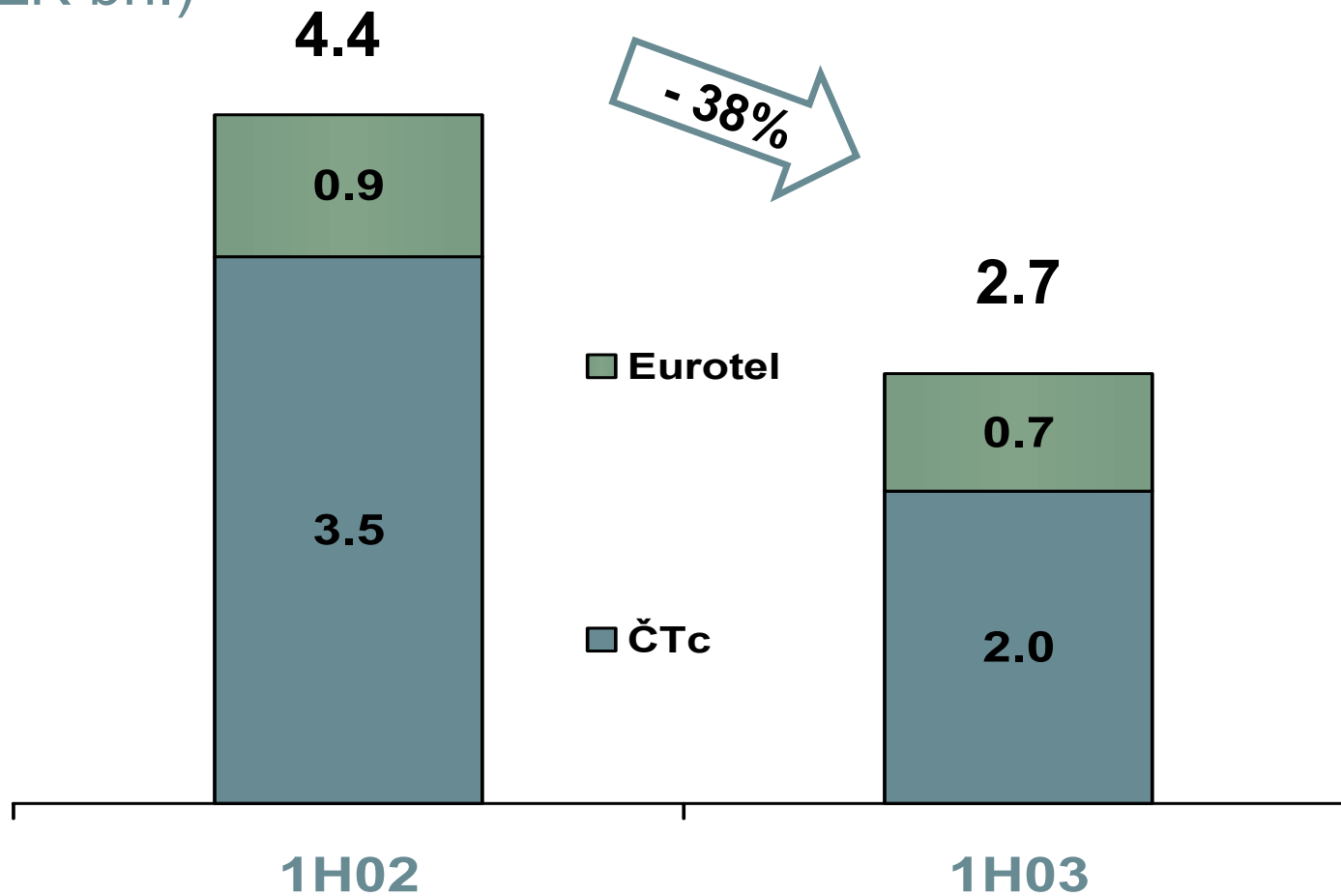
Cash flow

<u>(in CZK bn.)</u>	<u>1H02</u>	<u>1H03</u>	<u>Chg.</u>
Net cash from operating activities	8.8	8.5	(3%)
Net cash from investing activities	(3.3)	3.5	-
- purchase of PPE	(4.7)	(3.0)	(37%)
- purchase of intangible assets	(0.7)	(0.4)	(36%)
- marketable securities	1.2	5.9	405%
- other	0.9	0.9	2%
Free cash flow	4.3	6.1	40%
Net cash from financing activities	(7.1)	(10.8)	53%
Effect of exchange rate changes	(0.1)	0.0	-

Note: consolidated, under IFRS

CAPEX

(in CZK bn.)



Note: as per balance sheet, under IFRS

Eurotel – 1H 2003 Results highlights

(CZK bn.)	1H02	1H03	Chg.
Revenues	13.9	14.1	2%
Gross profit	9.8	10.2	4%
EBITDA	6.9	7.3	6%
Depreciation and amortisation	2.3	2.4	6%
EBIT	4.6	4.9	6%
EBT	4.6	5.0	9%
Net income	3.2	3.8	20%
EBITDA margin in %	50%	52%	
Loans & overdrafts	2.5	2.3	(8%)
Cash & cash equivalents	3.8	10.2	170%
CAPEX	2.2	2.1	(6%)
Free cash flow	4.1	3.7	(9%)

Note: under US GAAP

Outlook for 2003

- EBITDA margins expected in “upper 40s”
 - Continued focus on revenue protection and new opportunities in data, broadband, and integrated services
 - Continued focus on operating efficiencies improvement
- Depreciation expected to moderately decline
- CAPEX at max. 15% of revenues
- Yoy improvement in Free cash generation

Financial Results of Eurotel First Half 2003

Prague – July 30, 2003

Terrence Valeski, CEO and Managing Director

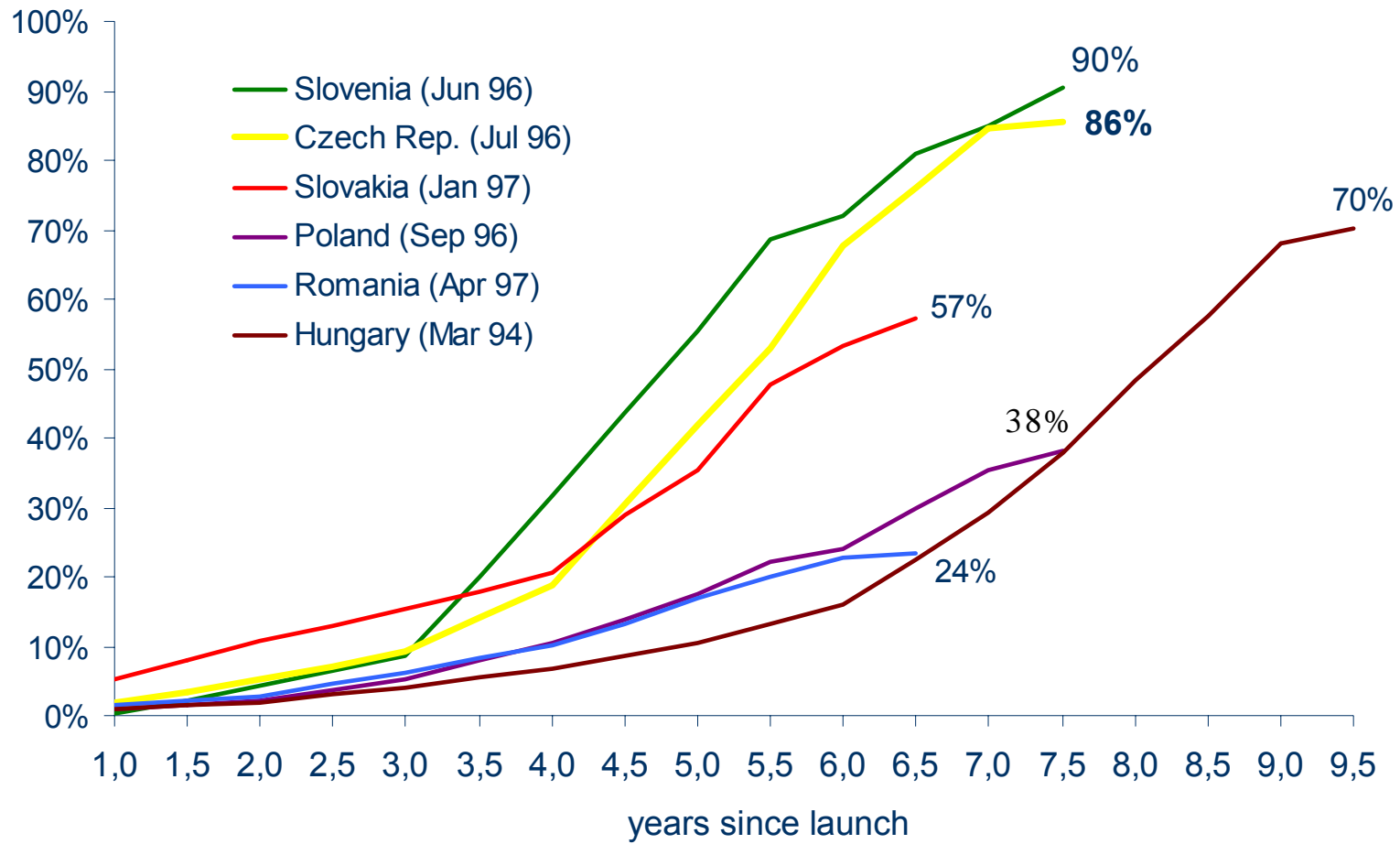
Robert Bowker, Chief Financial Officer

First Half 2003 Overview

- Czech Mobile market saturation continues
- Continued solid financial performance of Eurotel
 - Strong company management – focus on growth
 - Customer orientation - new and innovative products and services
- GPRS Data Nonstop tariff – innovative DATA service (alternative to fixed lines)
- First ever dividends payable to shareholders by Eurotel
- Buy up of AWBV 49%

Penetration Comparison

Wireless penetration development with launch dates of first GSM network



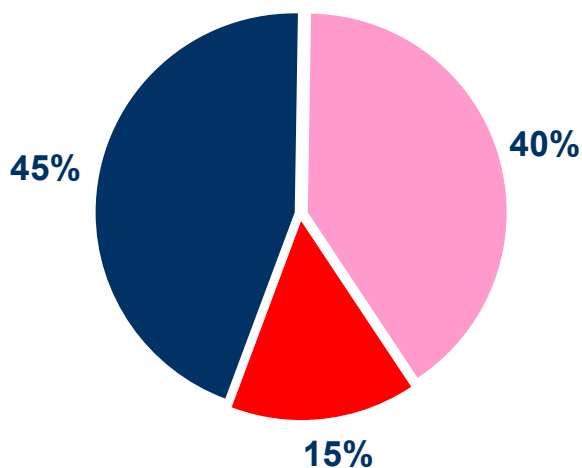
Note: Latest penetration levels as of March 31, 2003

Source: Mobile Communications

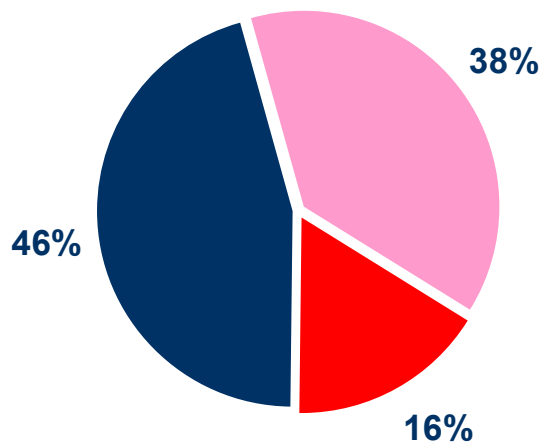
Market Share Comparison

For the Three Months Ended March 31, 2003

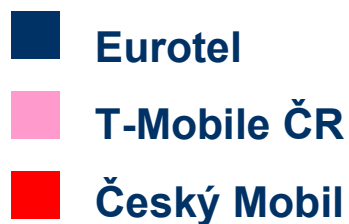
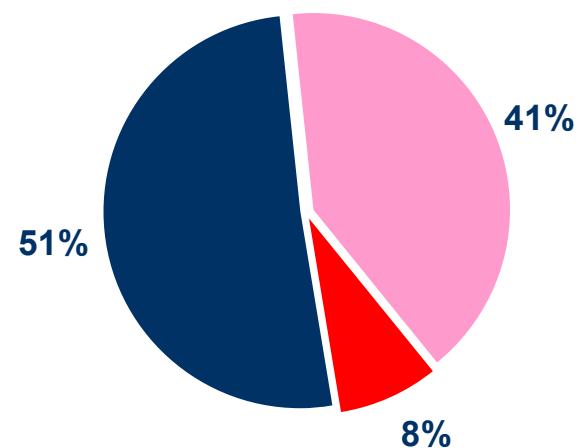
Customers



Revenues



EBITDA



Source: T-Mobile ČR's and TIW's press releases

Operating Results

For the 6 months ended June 30,

	2003	2002	Change	Change in %
Ending number of customers (in thousands)	3 993	3 567	426	12%
Total minutes of use (in millions)	2 118	2 022	96	5%
Total SMS (in millions)	1 084	971	113	12%

Income Statement – Revenues and EBITDA

<i>(in millions of CZK)</i>	For the 6 months ended June 30,			
	2003	2002	Change	Change in %
Revenues	14 139	13 862	277	2%
Recurring revenues	13 468	12 979	489	4%
Non-recurring revenues	671	883	(212)	(24%)
Gross profit	10 159	9 803	356	4%
Gross margin in %	72%	71%		
EBITDA	7 321	6 896	425	6%
EBITDA margin in %	52%	50%		

Notes:

Prepared under US GAAP.

Certain reclassifications have been made to prior year balances in order to make the presentation consistent with the current year. These reclassifications have no net impact on net income or shareholders' equity.

Income Statement – Net Income

<i>(in millions of CZK)</i>	For the 6 months ended June 30,			
	2003	2002	Change	Change in %
EBITDA	7 321	6 896	425	6%
EBITDA margin in %	52%	50%		
Income before tax	4 994	4 574	420	9%
Income tax	1 611	1 410	201	14%
Deferred tax credit on dividends	(420)	-	(420)	N/A
Net income	3 803	3 164	639	20%
Net income in %	27%	23%		

Notes:

Prepared under US GAAP.

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Normalized Net Income

<i>(in millions of CZK)</i>	For the 6 months ended June 30,			
	2003	2002	Change	Change in %
Net income	3 803	3 164	639	20%
Net income in %	27%	23%		
Deferred tax credit on dividends	(420)	-	(420)	N/A
Normalized net income	3 383	3 164	219	7%
Normalized net income in %	24%	23%		

Notes:

Prepared under US GAAP.

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Balance Sheet - Assets

<i>(in millions of CZK)</i>	June 30, 2003	December 31, 2002	Change	Change in %
Current assets	15 813	12 414	3 399	27%
Cash and cash equivalents	10 192	6 417	3 775	59%
Trade and other receivables	5 273	5 109	164	3%
Inventories	348	888	(540)	(61%)
Non-current assets	28 939	29 986	(1 047)	(3%)
Property, plant and equipment	24 419	25 478	(1 059)	(4%)
Intangible assets	4 520	4 508	12	0%
Total assets	44 752	42 400	2 352	6%

Notes:

Prepared under US GAAP.

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Balance Sheet – Total Liabilities and Equity

<i>(in millions of CZK)</i>	June 30, 2003	December 31, 2002	Change	Change in %
Current liabilities	16 798	7 178	9 620	134%
Short-term debt	299	253	46	18%
Other current liabilities	16 499	6 925	9 574	138%
Non-current liabilities	5 434	5 528	(94)	(2%)
Long-term debt	2 028	2 028	0	0%
Deferred tax liabilities	3 406	3 500	(94)	(3%)
Total equity	22 520	29 694	(7 174)	(24%)

Notes:

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Equity Reconciliation

Balance as of December 31, 2002

(in millions of CZK)

Share capital	1 650
Retained earnings	28 044
<hr/>	
Total shareholders' equity as of December 31, 2002	29 694

Balance as of June 30, 2003

Total shareholders' equity as of December 31, 2002	29 694
Net income for the six months ended June 30, 2003	3 803
Other changes in equity	1
Dividends	(10 978)
<hr/>	
Total shareholders' equity as of June 30, 2003	22 520

Notes:

Prepared under US GAAP.

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Dividends (payable on October 1, 2003)

(in millions of CZK)

Cesky Telecom - net dividends	4 759
Czech tax authorities (withholding tax)	840
Cesky Telecom - gross dividends	5 599
AWBV - gross dividends	5 379
Dividends declared	10 978
Cash and cash equivalents as of June 30, 2003	10 192



USD 200 million translated
at time of declaration

Notes:

Prepared under US GAAP.

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Eurotel – T-Mobile ČR Comparison

For the Three Months Ended March 31, 2003

<i>(in millions of CZK)</i>	For the 3 months ended March 31, 2003			
	Eurotel	T-Mobile	B/W	B/W in %
Revenues	6 804	5 692	1 112	20%
Recurring revenues	6 504	5 501	1 003	18%
Non-recurring revenues	300	191	109	57%
EBITDA	3 517	2 833	684	24%
Net income	1 641	1 038	603	58%
Customers (in thousands)	3 951	3 550	401	11%
Net adds (in thousands)	60	40	20	50%
ARPU (in CZK)	534	472	62	13%

Source: T-Mobile ČR's press release

First Half 2003 Summary

- Continued solid financial performance of Eurotel:
 - Revenue growth – customer focus, new products and services
 - EBITDA and profit growth – due to strong and efficient management as well as focus on the decrease of operational costs
- First ever dividend declared to shareholders of Eurotel