

ČESKÝ TELECOM

2003 First Nine Months Results

Conference call



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CAUTIONARY STATEMENT:

Any forward-looking statements concerning future economic and financial performance of CESKY TELECOM, a.s. and Eurotel Praha, spol. s r.o. 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 CESKY TELECOM, a.s. and Eurotel Praha, spol. s r.o. 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 CESKY TELECOM, a.s. and Eurotel Praha, spol. s r.o. could materially differ from those expressed in the forward-looking statements contained in this Presentation.

9M 2003 key consolidated results

- EBITDA margin at 49%
- CAPEX at CZK 4.2 bn, i.e. 11% of Revenues
- Free cash flows of CZK 9.6 bn up 16% yoy
- Total debt at CZK 16.9 bn at the end of period;
Gross gearing at 18%, Net gearing negative

9M 2003 key strategic issues

- New Management model and governance introduced
- Accelerated fixed-line staff reduction of 1,800 empl. in 2H 2003
- Antimonopoly office approved acquisition of the remaining 49% stake of Eurotel
- Financing of Eurotel acquisition – ČESKÝ TELECOM signed the mandate agreement with Bank Austria Creditanstalt AG, Citigroup, JP Morgan plc, KBC Bank N.V./ČSOB a.s. and SANPAOLO IMI S.p.A. to arrange a €850 million credit facility (Oct 15, 2003)
- TelSource announced its intention to sell 27% stake in ČESKÝ TELECOM
- Eurotel dividend of CZK 10.978 bn paid on Oct 1, 2003
- ČESKY TELECOM dividend of CZK 18.5 bn paid on Oct. 6, 2003

9M 2003 Operational Highlights

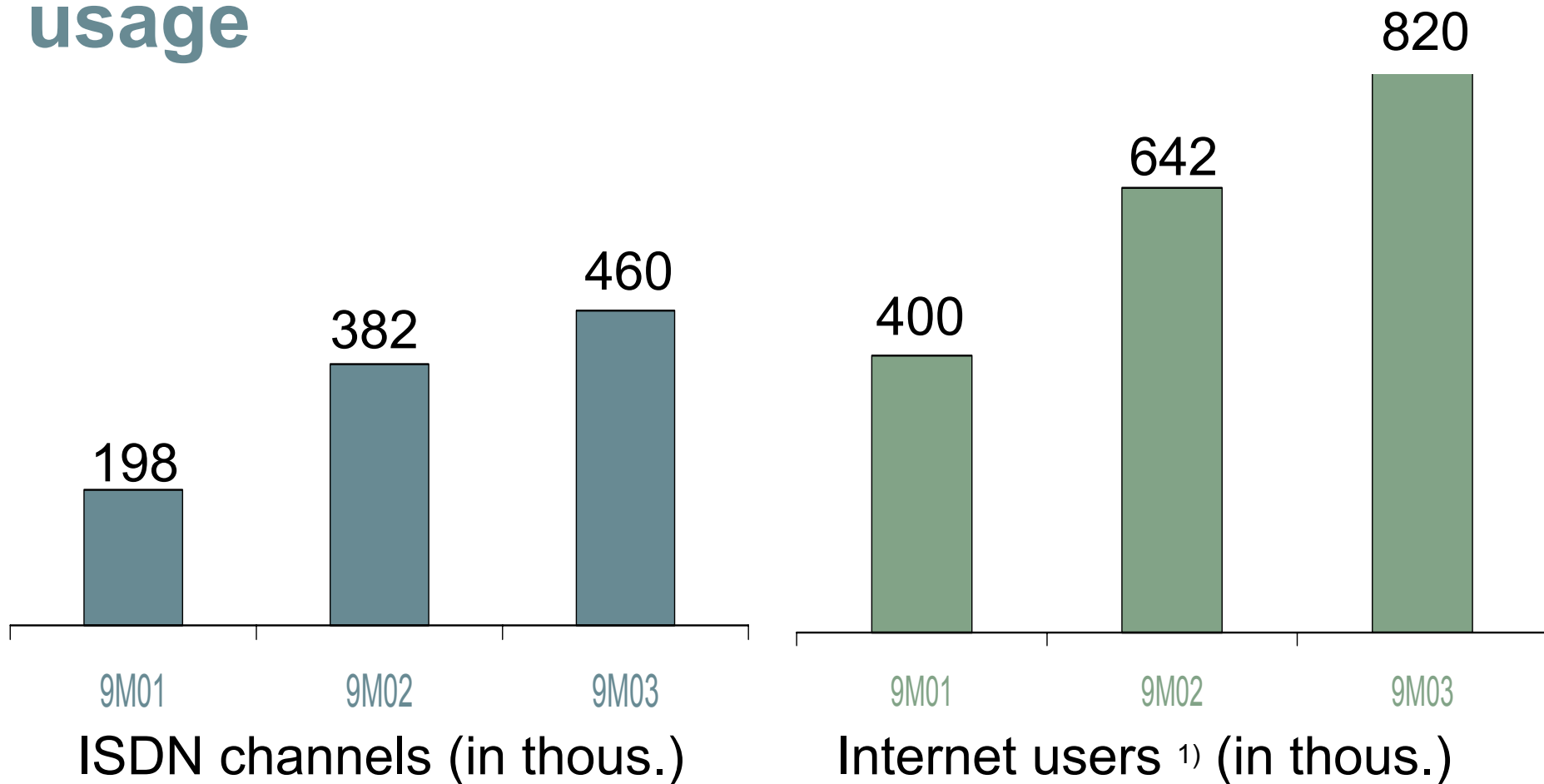
- Fixed-line penetration at 35%; mobile penetration is close to 90%. Eurotel had 4.019 million customers
- Continued growth in data and internet related services and VAS in both fixed and mobile segment
- ADSL service roll-out – 10,500 users acquired during first 6 months new pricing introduced in Sept 2003 (192/64 -> 512/128 kbps and 320/128 -> 1024/256)
- ČTc published RUO in Sept 2003 and commenced negotiations with FOLOs in the follow up of LLU introduction into Telco Act in Aug 2003
- Eurotel launched new innovative tariffs for weekend and international calling, introduced flat rate mobile Internet access including free minutes for voice

Operational overview

ČESKÝ TELECOM	9M02	9M03	Chg.
Telephone lines (in thous.)	3,692	3,600	(2%)
of which ISDN channels (in thous.)	382	460	20%
ADSL connections (in thous.)	-	10	-
Internet customers (in thous.) ¹⁾	642	820	28%
Avg. Monthly MOU per customer	260	255	(2%)
Employees	14,039	12,610	(10%)
Lines per Employee	263	285	9%
Eurotel			
Number of customers (in thous.)	3,679	4,019	9%
Avg. Monthly MOU per customer	99	90	(9%)
Avg. Monthly SMS per customer	47	46	(2%)
Number of employees	2,442	2,438	(0%)
Customers per employee	1,507	1,648	9%

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

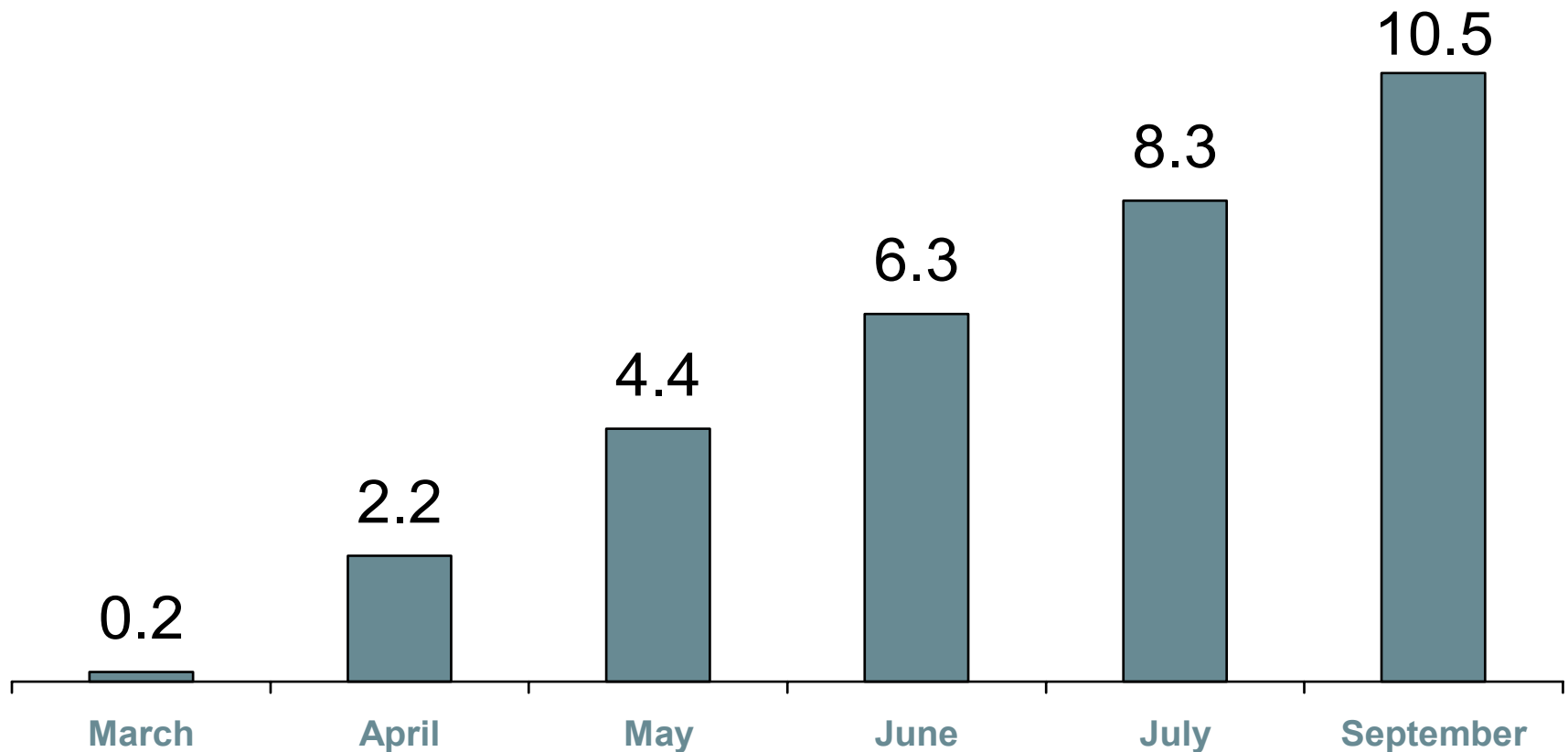
ISDN and Internet – support fixed line usage



¹⁾ Paid (IOL) and free (QUICK) internet access

ADSL – new attractive service

ADSL since launch in March 2003 (in thous.)



Consolidated Income statement

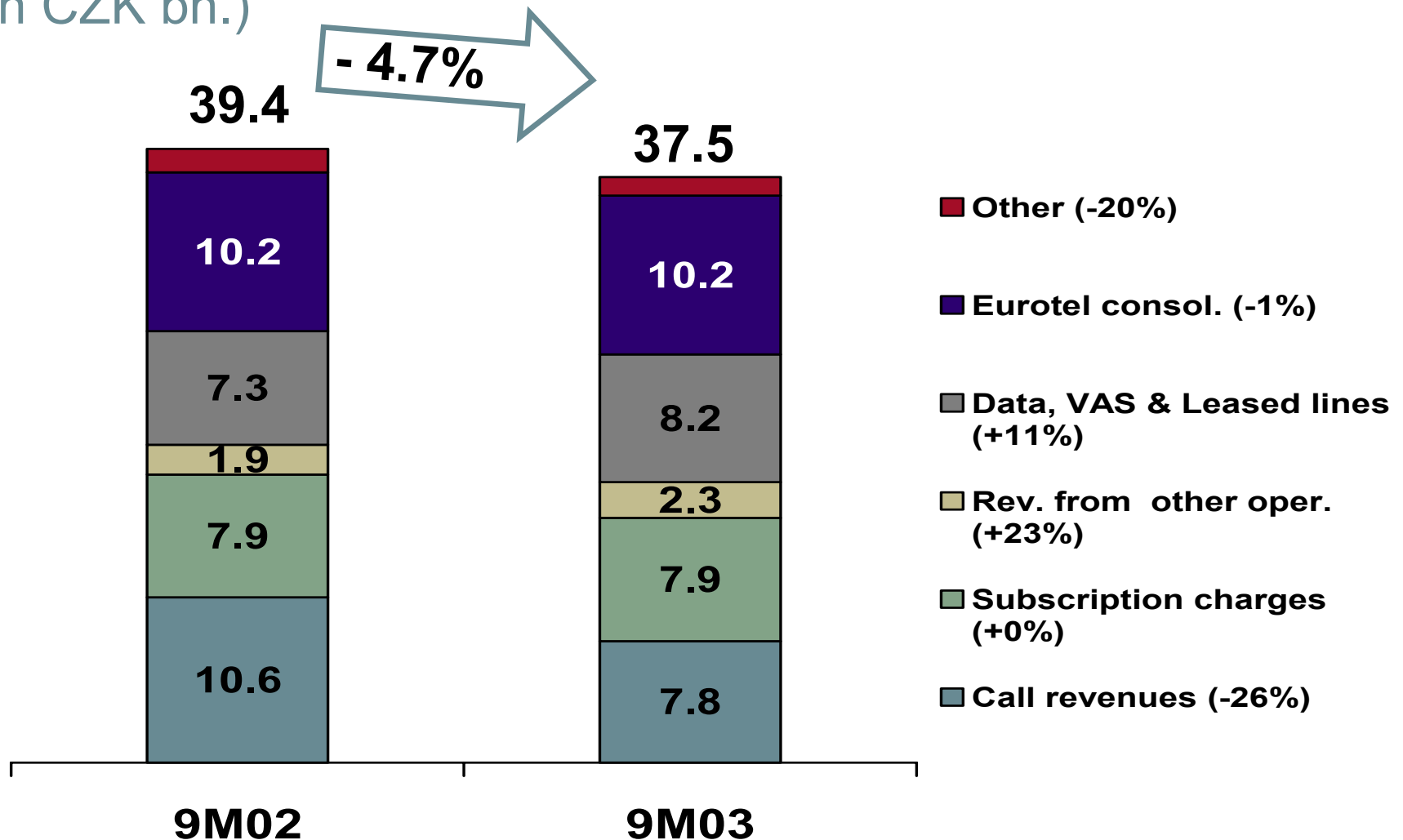
(in CZK bn.)	9M02	9M03	Chg.
Revenues	39.4	37.5	(5%)
Operating costs excl. D&A	(19.3)	(19.3)	(0%)
EBITDA	20.1	18.2	(9%)
D&A	(13.9)	(14.0)	1%
EBIT	6.2	4.2	(32%)
Net fin. charges	(0.5)	(0.5)	7%
EBT	5.7	3.7	(35%)
Net income	3.9	3.7	(6%)
EBITDA margin	51%	49%	

Deferred tax credit on dividends paid by CESKY TELECOM and Eurotel was applied in 3Q03 resp. in 2Q03

Note: consolidated, under IFRS.

Revenue structure

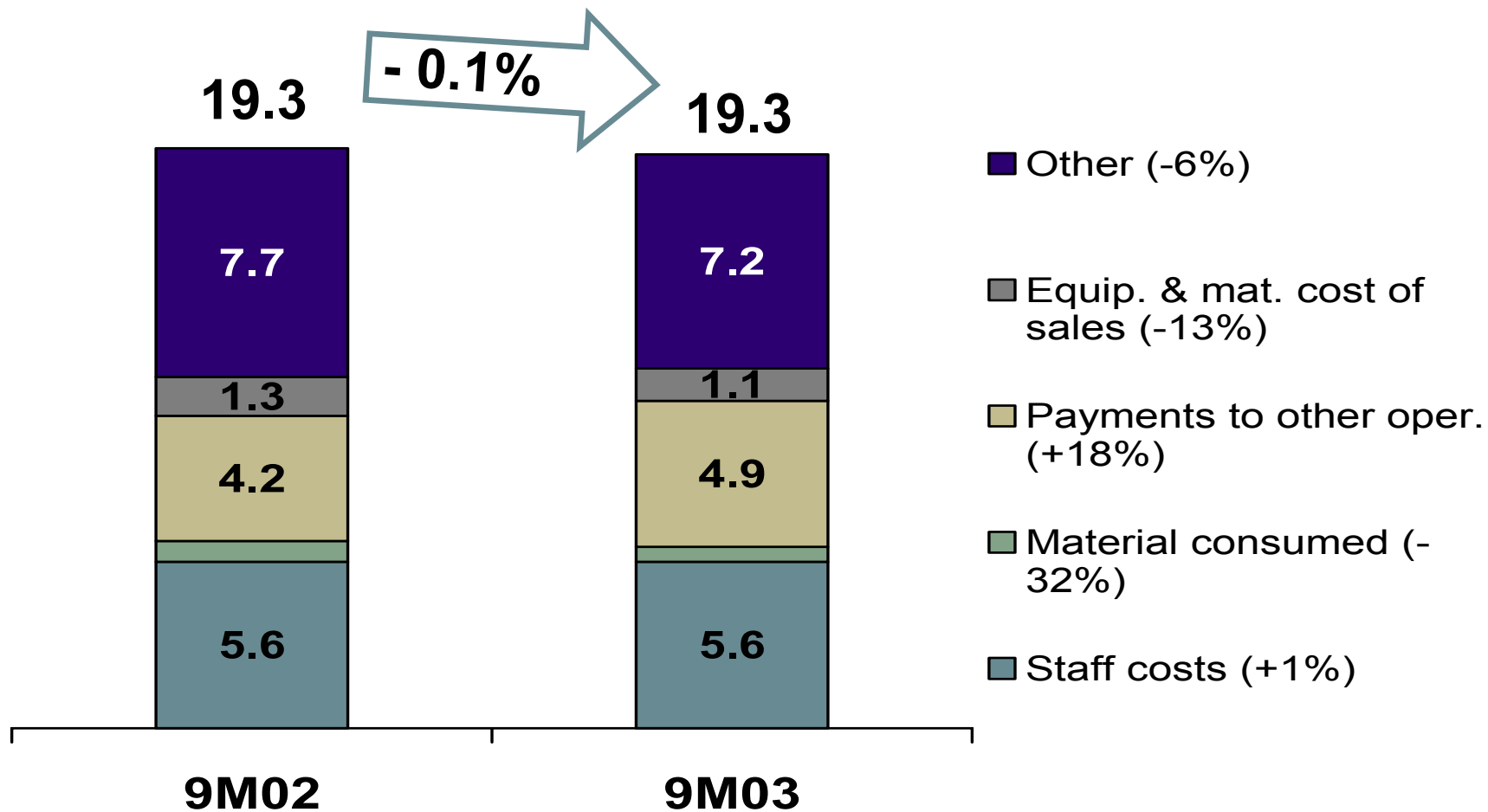
(in CZK bn.)



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

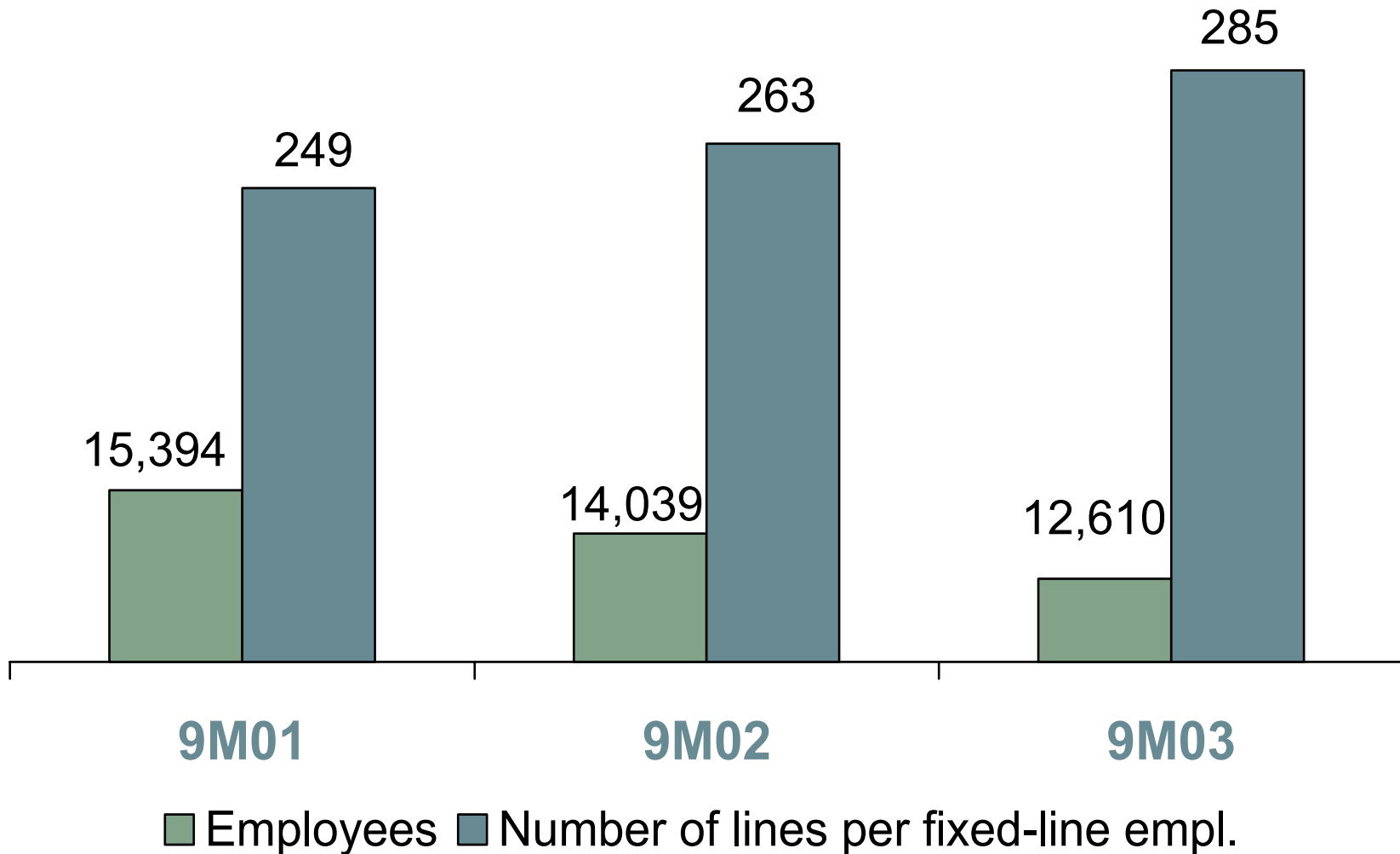
(in CZK bn.)



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



Balance Sheet

(CZK bn.)	31.12.02	30.9.03	Changes in 9M03
Fixed assets	131.2	120.9	<ul style="list-style-type: none"> ▪ Repayment of CZK 12 bn equivalent of eurobonds ▪ Raised CZK 1 bn @ 4.55, maturity in 2005 ▪ Raised CZK 6 bn @ 3.50, maturity in 2008 ▪ ET dividend (CZK 10.98 bn)
Current assets	25.1	26.8	
- Cash & cash equiv.	15.3	17.8	
Total assets	156.4	147.7	
Equity	111.3	95.5	
- Share capital	32.2	32.2	
- Reserves	79.1	63.3	
Liabilities	45.0	52.2	
- Debt	22.0	16.9	
- Creditors	11.4	25.0	
Gross gearing	20%	18%	
Net gearing	6%	-1%	

Note: consolidated, under IFRS

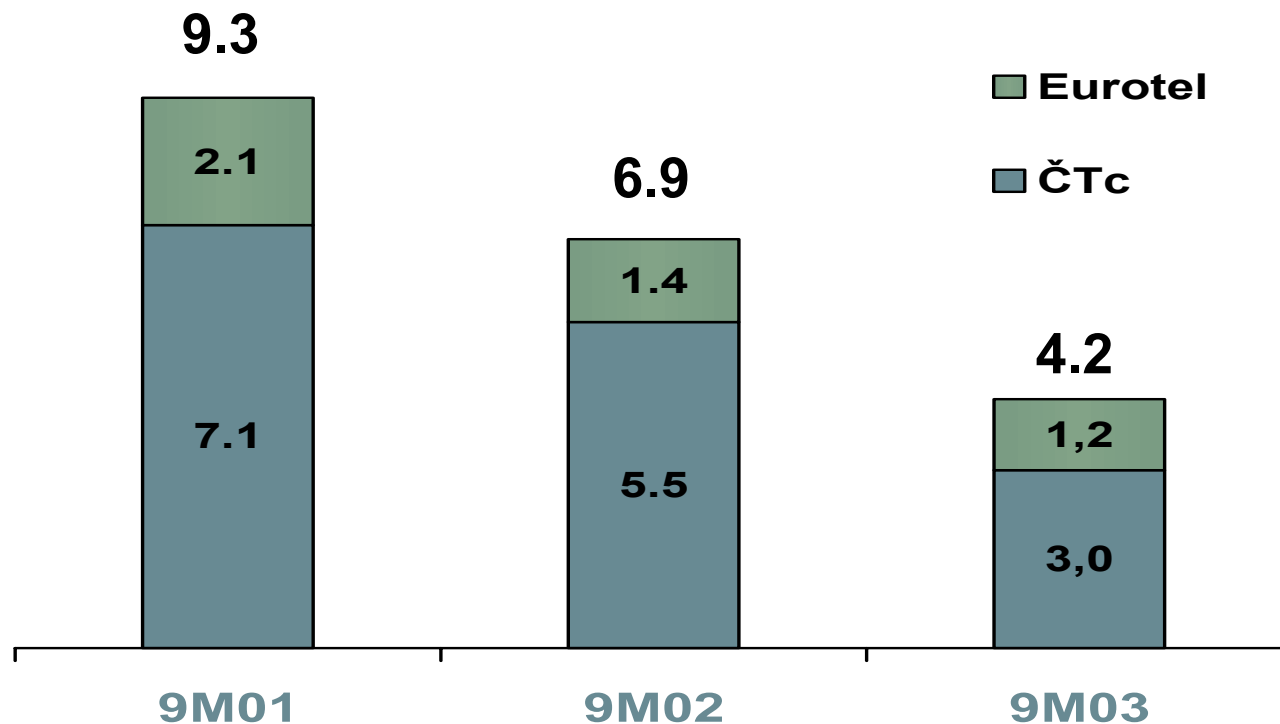
Cash flow

<u>(in CZK bn.)</u>	<u>9M02</u>	<u>9M03</u>	<u>Chg.</u>
Net cash from operating activities	14.6	13.3	(3%)
Net cash from investing activities	(9.3)	3.0	-
- purchase of PPE	(6.7)	(4.2)	(36%)
- purchase of intangible assets	(1.3)	(0.6)	(50%)
- marketable securities	(3.0)	6.7	326%
- other	1.6	1.2	(26%)
Free cash flow	8.3	9.6	16%
Net cash from financing activities	(4.3)	(7.2)	68%
Effect of exchange rate changes	1.0	9.2	

Note: consolidated, under IFRS

CAPEX

(in CZK bn.)

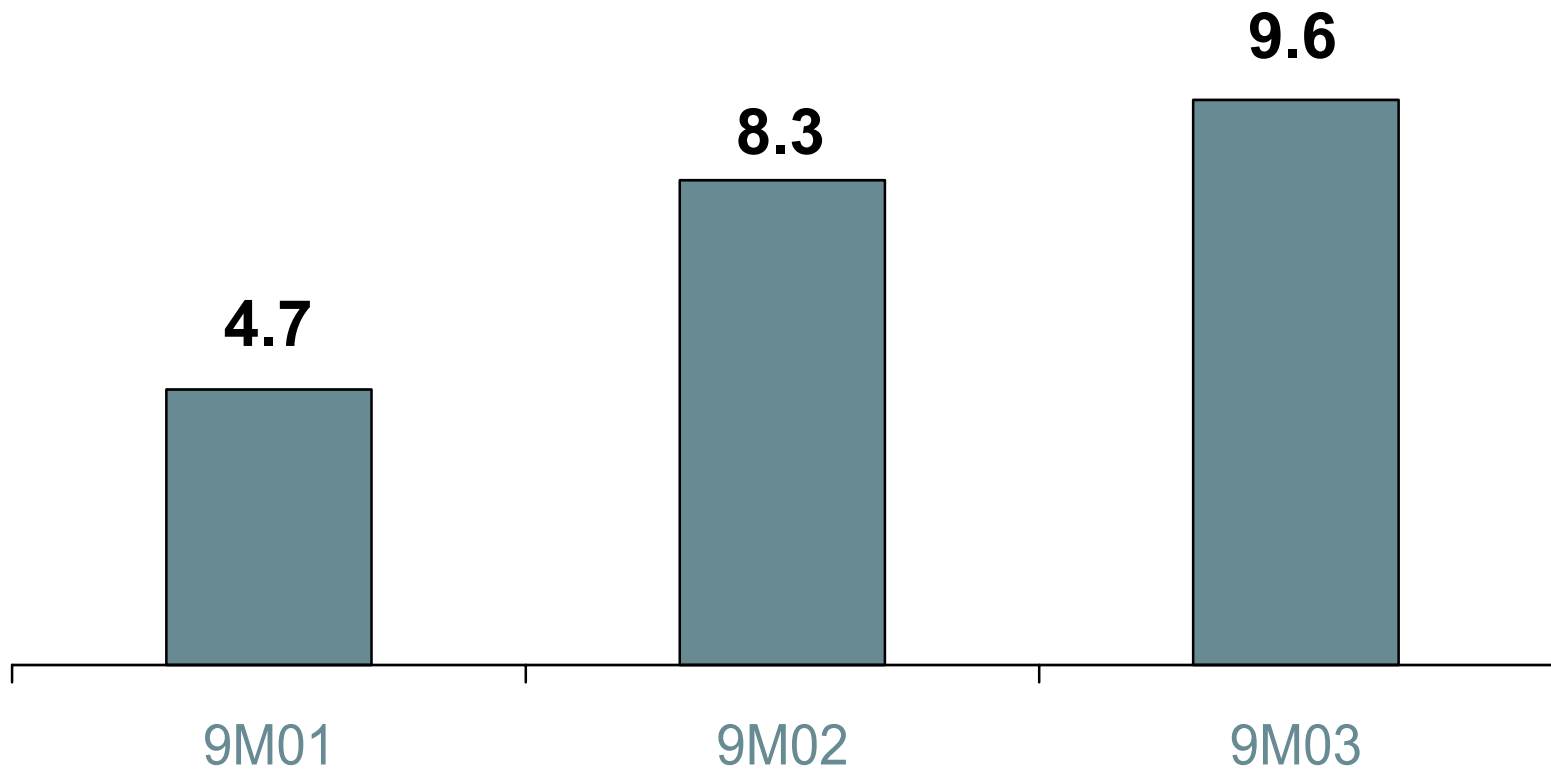


CAPEX as % of Revenues	9M01	9M02	9M03
	22%	18%	11%

Note: as per balance sheet, under IFRS

Free Cash Flow

(in CZK bn.)



FCF = Net cash from operating activities – Net cash from investing activities excl. marketable securities

Note: Consolidated, audited under IFRS

Eurotel – 9M03 Financial Results highlights

(CZK bn.)	9M02	9M03	Chg.
Revenues	21.2	21.6	2%
Gross profit	15.2	15.5	2%
EBITDA	10.6	11.1	5%
Depreciation and amortisation	3.4	3.7	7%
EBIT	7.2	7.5	4%
EBT	7.2	7.6	6%
Net income	4.9	5.5	13%
EBITDA margin in %	51%	52%	
Loans & overdrafts (eop)	2.5	2.4	(4%)
Cash & cash equivalents (eop)	5.5	2.7	(51%)
CAPEX	3.3	2.9	(11%)
Free cash flow	5.8	6.3	8%

Note: under US GAAP

Outlook for 2003

- EBITDA margins expected above 40%
 - Focus on revenue protection and new opportunities in data, broadband, and integrated services
 - Focus on operating efficiencies improvement
- Continuing pressure on traditional voice segment
- Moderate decline of Depreciation & Amortization
- CAPEX at approx. 15% of revenues
- Yoy improvement in Free cash generation
- Fixed-line staff reduction
- LLU – negotiations on prices with OLOs/regulator
- Closing of Eurotel transaction
- Increased uncertainty in the regulatory environment may result in negative impact on expected margins