



Telefónica O2 Czech Republic

Quarterly Results
January – June 2009

29th July, 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.

1H and 2Q 2009 Performance Highlights

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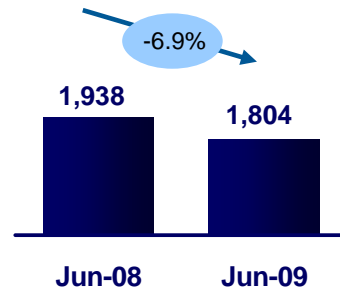
1H and 2Q 2009 performance highlights



- **Deteriorating economic environment affected revenues in 2Q09**
- **Full year guidance¹⁾ confirmed for OIBDA and Operating Cash Flow**
- **Mobile revenues impacted by less consumption due to worsening economic downturn**
- **Lower ICT revenues due to public sector budget constraints in 2Q09**
- **New customer propositions helped to maintain solid commercial momentum in fixed and mobile**
- **Slovakia delivered best ever customers net adds in 2Q09 with continuous good financial performance**
- **Operating cash flow generation impacted by 3G rollout, to turn positive in 2H due to strict financial discipline and CAPEX phasing**

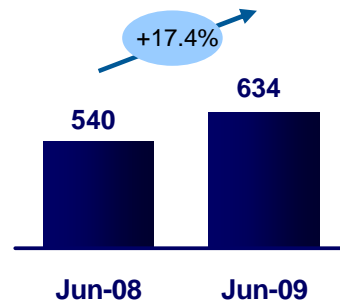
Year-on-year slowdown of fixed telephony lines losses, O₂ positively impacted by continuous growth of BB customers

Fixed telephony lines
(‘000)



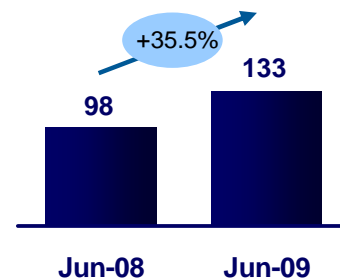
- Year-on-year slowdown of fixed telephony lines losses continued also in 2Q
- 47k net losses in 2Q09 (-18.7% y-o-y)

Retail ADSL
(‘000)



- Strong BB customer base growth continues helped by a new broadband centric proposition
- Solid retail ADSL net adds in 2Q09: 22k (2 times higher compared to 2Q08)

O₂ TV customers
(‘000)



- O₂ TV customer base added 5K in 2Q reaching 133k

Broadband centric proposition and F/M convergence to boost our customers figures onwards



Strategic movement

- From voice centric to broadband centric proposition
- Truly F/M convergence approach

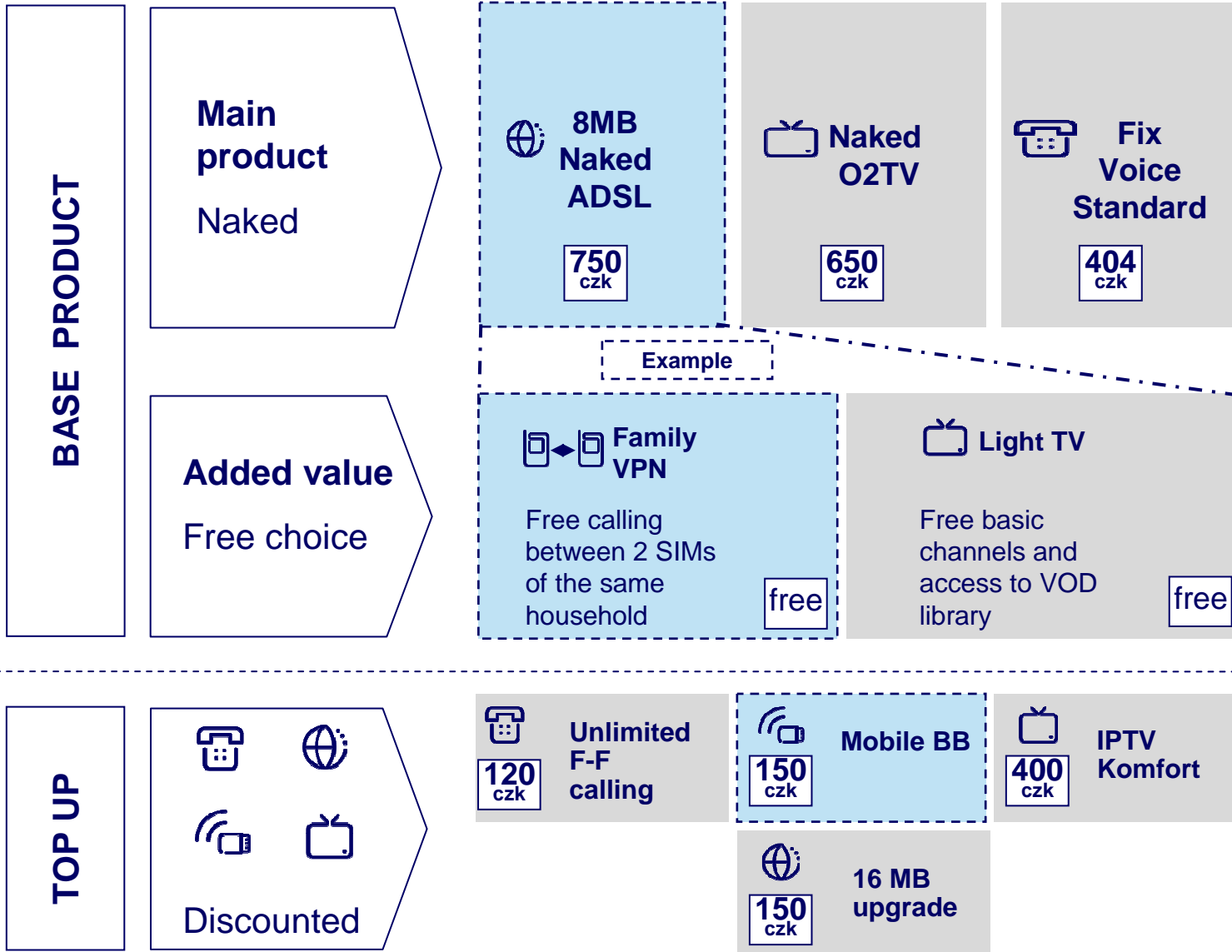
Propositions

- Naked services as main product
- More value as part of the base product
- Flexible bundling including F/M combination

Impact

- To boost broadband customers growth
- Optimal ARPU management due to flexibility and F/M convergence of the proposition

New concept for households: broadband centric & flexible offer



Choose what you want to use

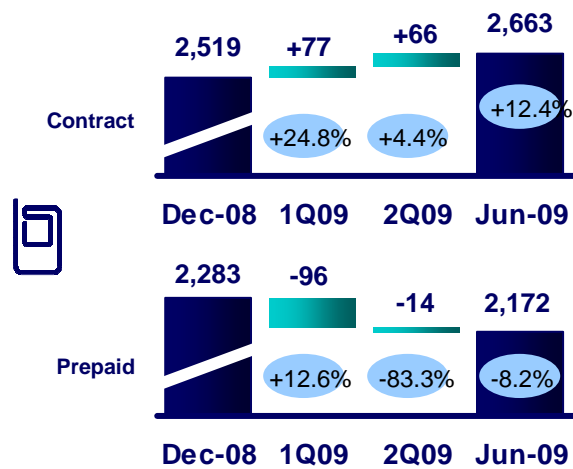


Continuous growth in customers and improving customer mix to partially compensate weakness in usage and MTR cuts



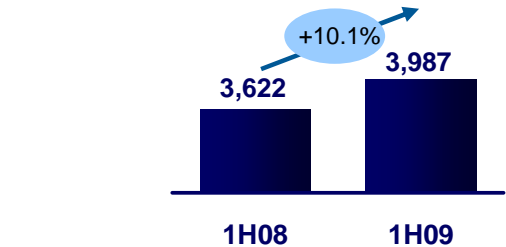
Mobile customers
(‘000)

y-o-y change



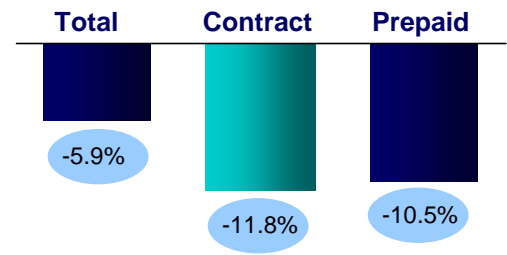
- 4,835 thousand mobile customers at 30 June 2009 (+2.1% y-o-y)
- Contract customers represented 55.1% of total customer base at 2Q09 (+5.1 p.p. y-o-y)
- Significant improvement in prepaid customer base in 2Q (-14.2k vs. -96.1k in 1Q) due to successful launch of new customer proposition “NA!VÍC”
- Improving churn: 1.7% in 2Q09 (-0.2 p.p. yoy)

Traffic¹⁾ growth
(mil. min.)



- Outgoing traffic +10% y-o-y in 1H09 on the back of contract base growth

ARPU
(1H09 y-o-y change)



- Blended ARPU down by 5.9% y-o-y to CZK 526 in 1H09 impacted by MTR cuts and customers optimizing their behavior
- Contract ARPU diluted by migrations from prepaid (-11.8% y-o-y in 1H09 to CZK 784)

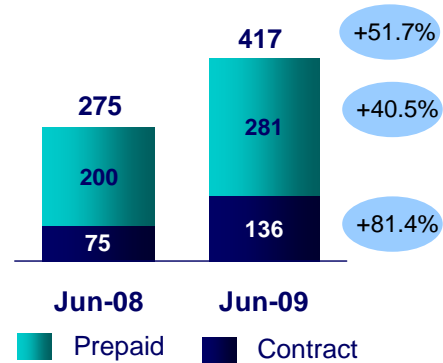
¹⁾ Outgoing and incoming, excluding inbound roaming and roaming abroad

Slovakia – best ever customer net adds in 2Q09 on the back of successful customer proposition

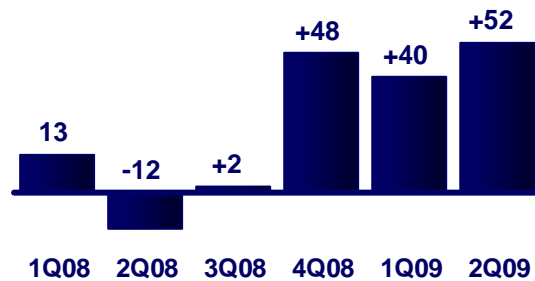


Mobile customers ('000)

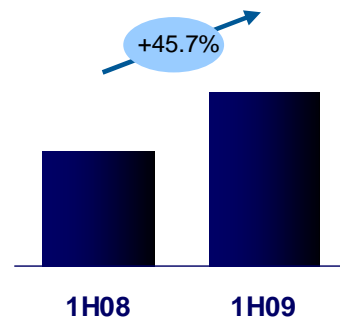
● y-o-y change



Net additions ('000)



Revenues (in EUR)



- Healthy customer growth continued also in 2Q09, leveraging on successful marketing proposition (O₂ Fair)
- 52k total customer net adds in 2Q09
- 34k net adds of prepaid customers in 2Q09 (-13k in 2Q08) to reach 281k
- Contract customers at 136k, representing 32.6% of total customer base (+5.4 p.p. y-o-y)
- 45.7% y-o-y revenue growth in 1H09 (+55.1% y-o-y in 2Q09) driven by customer base increase, improving customer mix and consumption growth
- 1H09 ARPU: contract at EUR 25, prepay at EUR 8

January – June 2009 Earnings Results

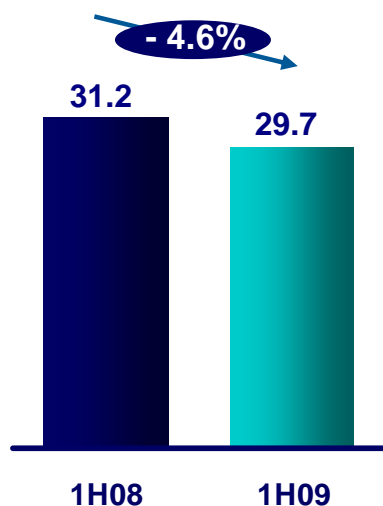
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Key Highlights of Group Financial Performance

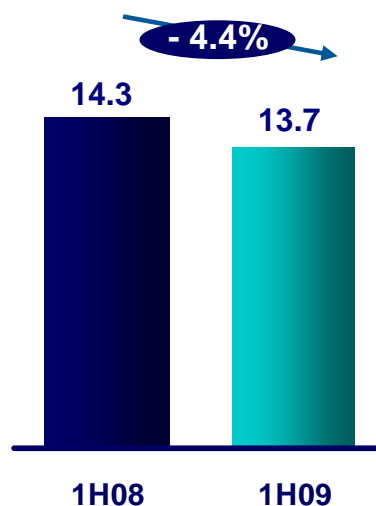


CZK millions	Jan - Jun 2008	Jan - Jun 2009	Change 1H09/1H08
Business revenues	31,160	29,737	(4.6%)
CZ Fixed	14,114	13,270	(6.0%)
CZ Mobile	16,549	15,640	(5.5%)
OIBDA ¹⁾	14,325	13,692	(4.4%)
OIBDA margin ²⁾	46.0%	46.0%	0.0 p.p.
Net income	5,801	5,722	(1.4%)

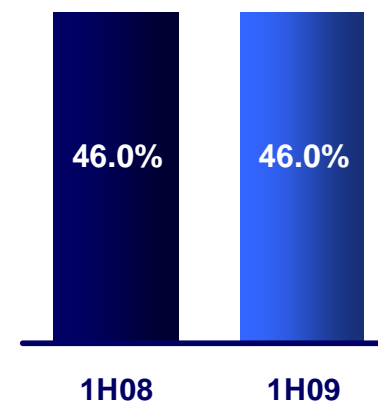
Group Business Revenue



Group OIBDA evolution ¹⁾



Group OIBDA margin evolution ¹⁾



Notes: ¹⁾ Including the impact of real estate sale and settlement agreement with T-Mobile, ²⁾ OIBDA margin = OIBDA/ Business revenues,

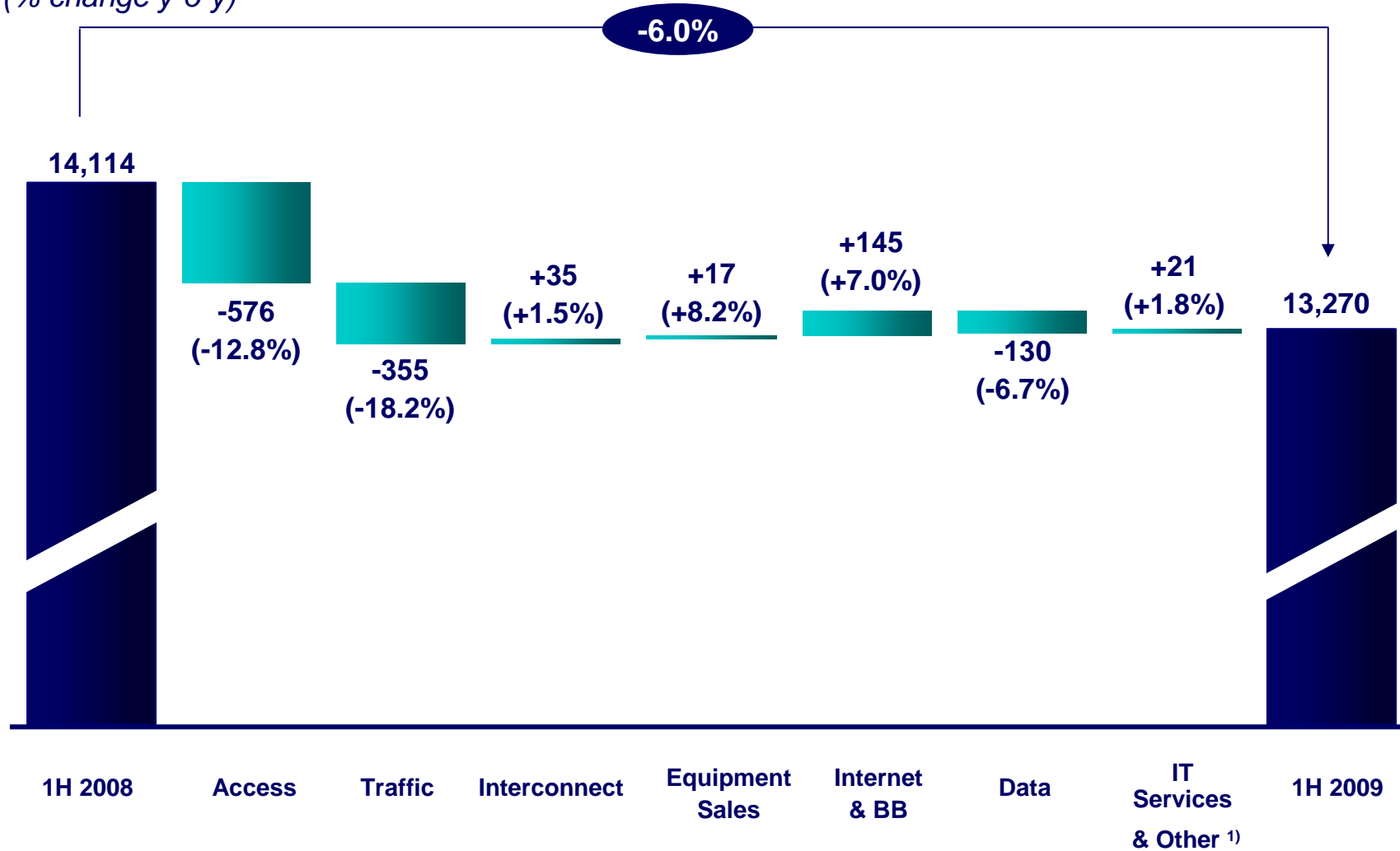
Figures for F&M revenues do not include inter-segment charges between fixed and mobile segment

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CZ Fixed Business Revenues – sources of variation



CZK millions
(% change y-o-y)

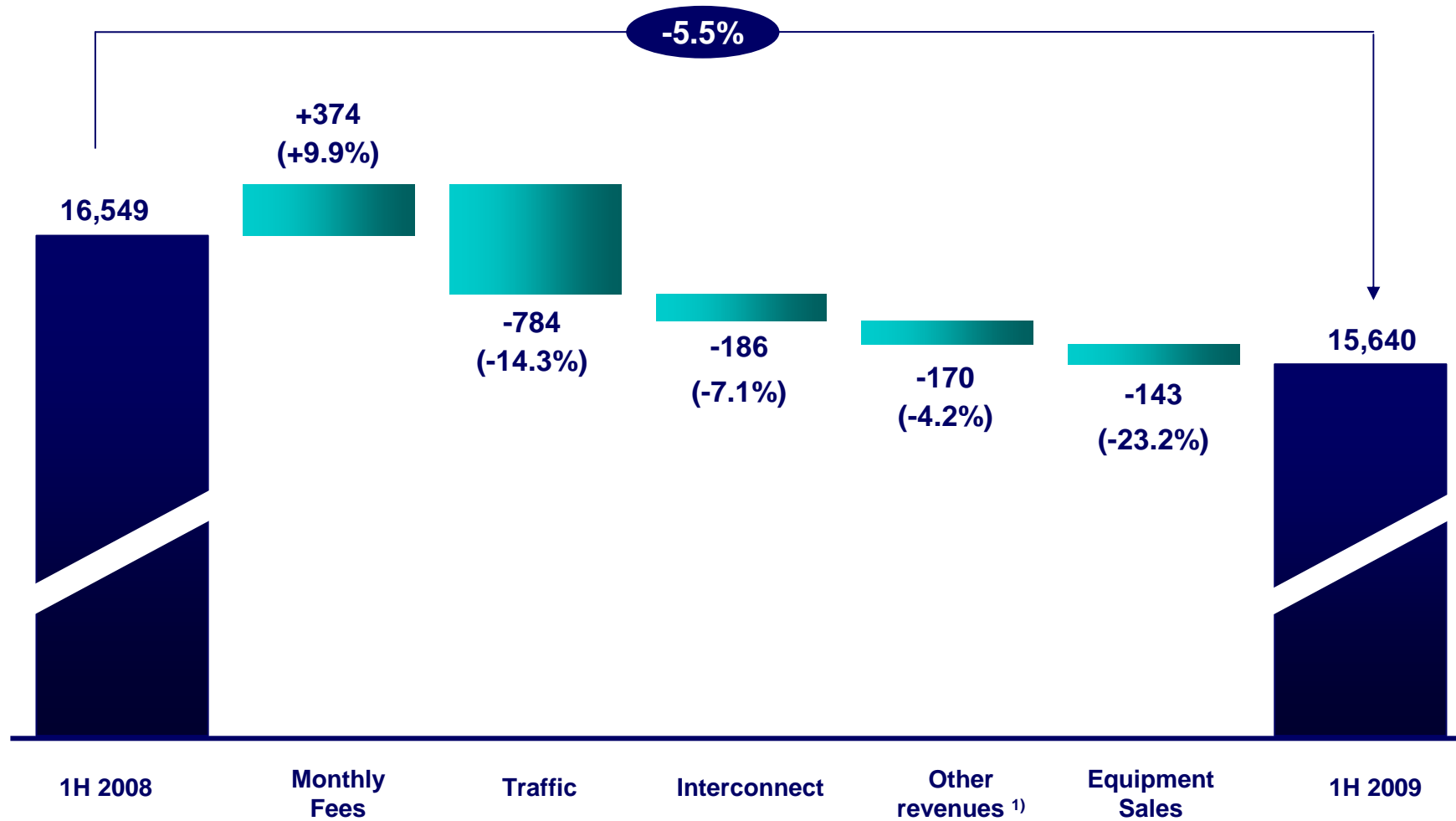


¹⁾ IT services and Other – incl. ICT, universal service and other revenues
Figures excluding inter-segment charges between fixed and mobile segment

CZ Mobile Business Revenues – sources of variation



CZK millions
(% change y-o-y)

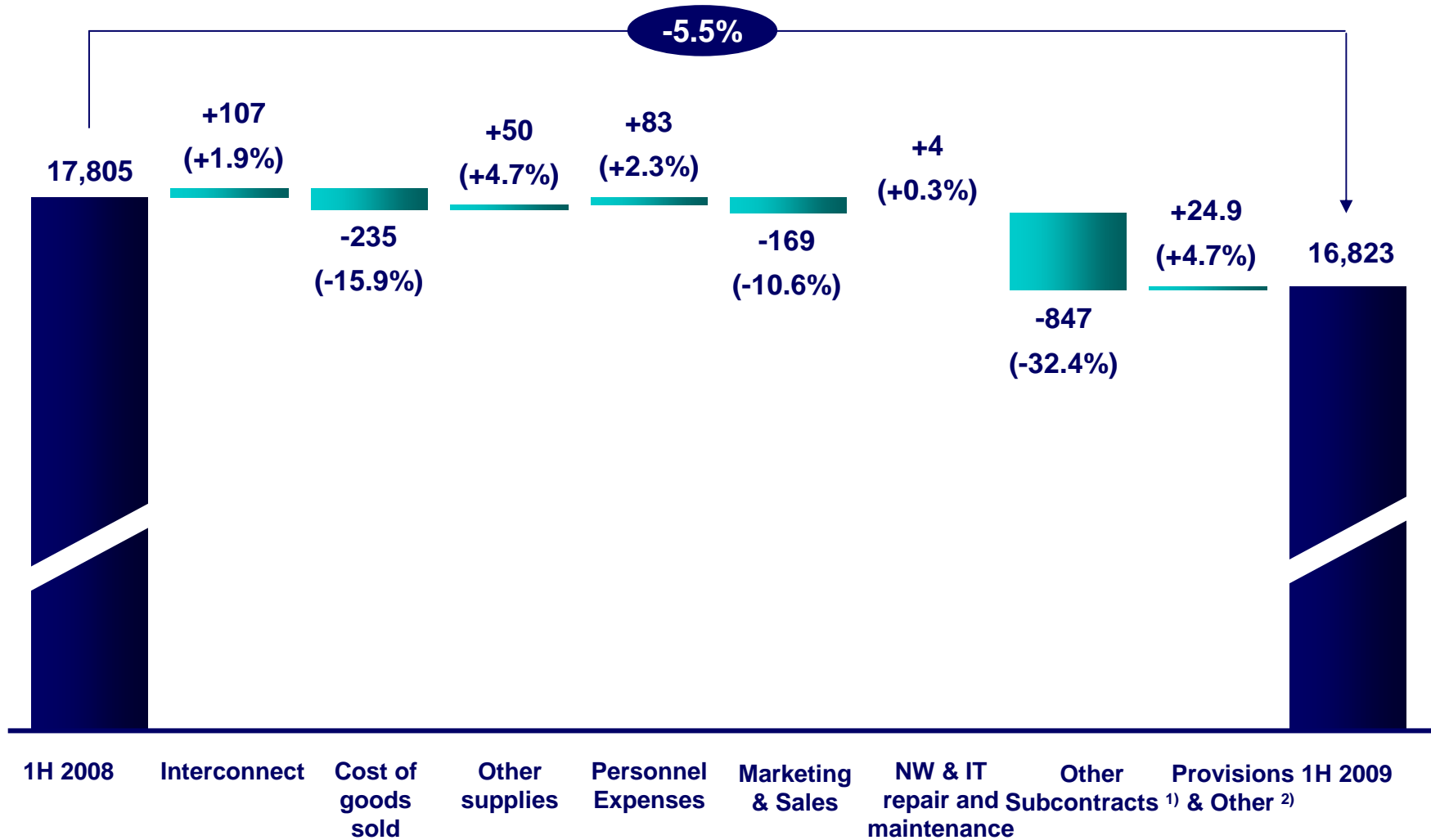


¹⁾ Other – incl. VAS, Internet & Data and Other revenues
 Figures do not include inter-segment charges between fixed and mobile segment

Group OPEX – sources of variation



CZK millions
(% change y-o-y)

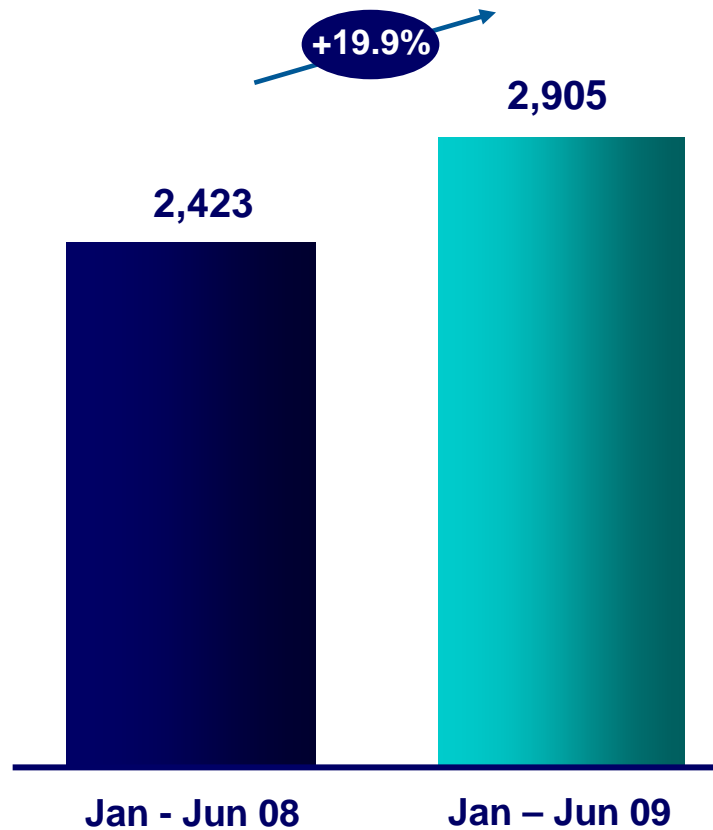


¹⁾ Other Subcontracts – incl. Rentals, Buildings, Vehicles, Utilities, Consultancy & Brand fees
²⁾ Taxes = taxes other than income taxes, provisions and fees

Group CAPEX



CZK millions



- Focus on selective and efficient investments to growth areas,
- Accelerated expansion of new generation mobile network (3G) - five more big cities covered in 1H 2009,
- GSM networks capacity and coverage enhancement
- CAPEX to Revenues at 9.8% in 1H 2009, up by 2.2 p.p. y-o-y

Group Balance Sheet & Cash Flow Statement



<i>CZK millions</i>	31 Dec 2008	30 Jun 2009	<i>Change Jun09/Dec08</i>
Non-current assets	86,166	82,606	(4.1%)
Current assets	17,361	23,983	38.1%
- of which Cash & cash. Equiv.	7,116	13,822	94.2%
Total assets	103,623	106,645	2.9%
Equity	78,168	67,898	(13.1%)
Non-current liabilities	6,977	6,488	(7.0%)
- Long-term financial debt	3,098	2,978	(3.9%)
Current liabilities	18,478	32,260	74.6%
- Short-term financial debt	98	185	89.1%
	Jan - Jun 2008	Jan - Jun 2009	Change 1H09/1H08
Interest paid	(31)	(29)	(6.8%)
Interest received	173	106	(38.8%)
Income tax paid	(2,769)	(2,103)	(24.1%)
Net cash from operating activities	8,374	10,333	23.4%
Net cash used in investing activities	(3,053)	(3,620)	18.6%
- Of which purchase of PPE and intangibles	(3,158)	(4,502)	42.6%
- Of which disposal of PPE an intangibles	55	849	n.m.
Free cash flow	5,271	6,679	26.7%
Net cash from financing activities	23	(5)	n.m.