



# Telefónica O2 Czech Republic

2007 Full Year Results  
January – December 2007

22<sup>nd</sup> February, 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.

A dynamic background image showing a splash of water with numerous bubbles and droplets against a blue gradient. The water is captured in mid-air, creating a sense of movement and freshness.

# Agenda

1. 2007 Business Highlights
2. 2007 Full Year Earnings Results
3. Outlook, Guidance & Dividend Proposal



# 2007 Business Highlights

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## 2007 Highlights

- **Performance turnaround**
- **Fixed business driven by broadband, ICT and bundles**
- **Mobile business focusing on valuable usage and consumption**
- **Entry in Slovakia on track**
- **Upper level of the guidance achieved**
- **Dividend proposal**

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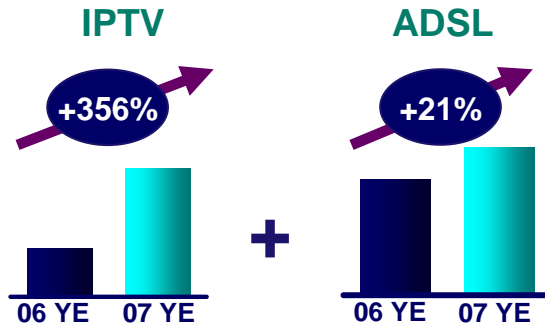
## Market trends & Environment

- **Market trends – F/M substitution and convergence**
- **Competition – alternative operators consolidation, 4<sup>th</sup> mobile operator entrance**
- **Regulation**
  - **Local – no major changes**
  - **EU – voice roaming regulation**

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# BB and ICT solutions fostering fixed line usage and reversing revenues trends

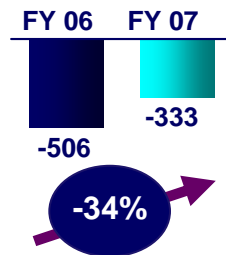
Unique value proposition



- Value proposition enhancement
- Unique content proposition
- Fundamental part of bundled offers (2P and 3P)

Containing line losses

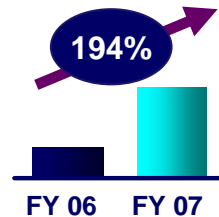
Fixed line net losses (ths)



- Positive impact of 2P and 3P launch on fixed telephony accesses disconnections

New revenues stream

ICT Revenues <sup>1)</sup>



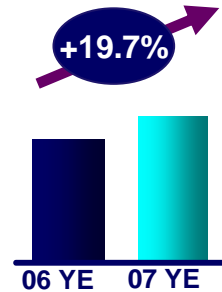
- Developing a trusted, network centric ICT integrator
- Local acquisition (Deltax) to foster further growth

(1) Results of Deltax Systems not consolidated in 2007

# 8 Improving customer mix and data driving mobile usage and ARPU growth

Improving customer quality

Contract customers



- 19.7% y-o-y growth (369k net adds)
- 43.8% of total base (38.5% at 2006 YE)
- Positive impact on MoU and ARPU

Fostering usage

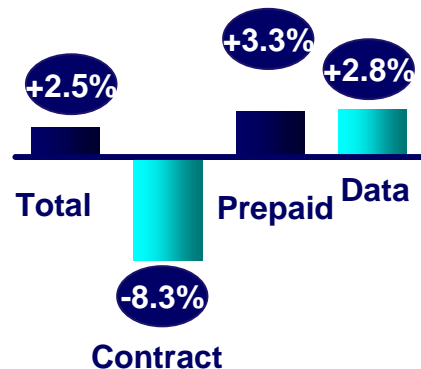
Mobile MoU



- Outgoing traffic: +21.7% y-o-y
- MoU: 117 minutes (+14.7% y-o-y)
- Traffic stimulation activities

Focusing value

ARPU



- Blended ARPU: +2.5% y-o-y to CZK 524
- Contract ARPU diluted by migrations (-8.3% y-o-y)
- Non-SMS data ARPU: 43% of data ARPU



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## Slovakia – Visible footprint on the market, key focus on customers activity and growth

### Customers & Products

- Full portfolio for consumer segment launched
- Focus on customers' acquisition, mix and activity ratio
- > 5% market share at 2007 YE achieved

### Operations

- Leverage on CZ operation proves to be right approach
- Own GSM network rollout (~ 550 BTS, > 60% traffic captured over own network)
- Continuous shift from national roaming to own network

### Sales & Marketing

- 14 brand stores, 16 franchise shops
- Non traditional sales channels – E-shop, > 3,500 POS
- Focus on best quality customer care

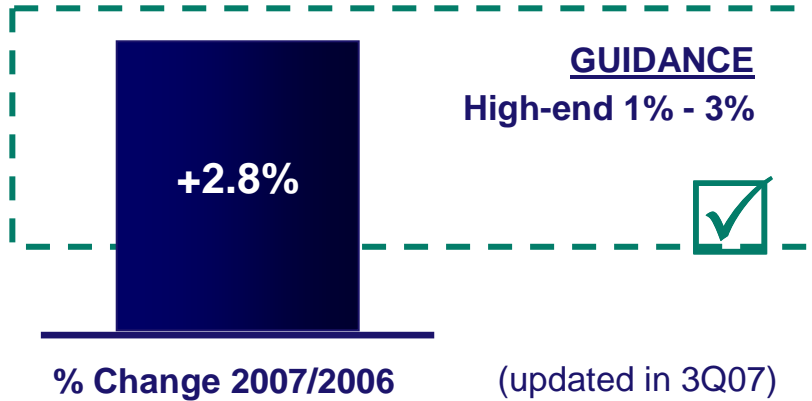
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# Delivered results on the upper range of the 2006 guidance base

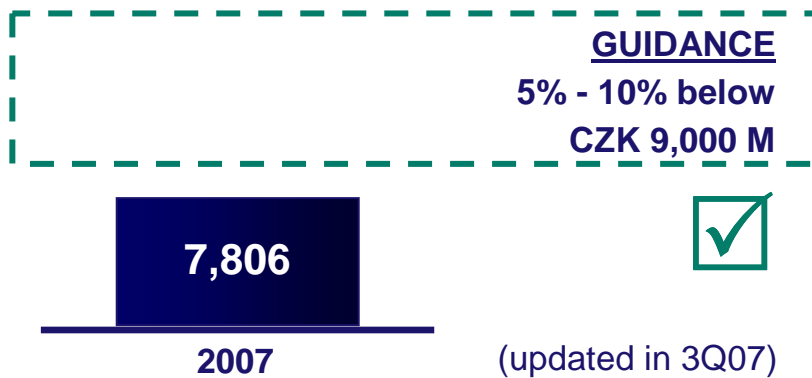
## Revenue Growth



## OIBDA<sup>(1)</sup> growth



## CAPEX



## Market share in Slovakia (registered customers)



(1) In terms of guidance calculation, OIBDA excludes other exceptional items not foreseeable in 2007. For comparison purpose, the equivalent other exceptional items registered in 2006 and 2007 were also deducted from reported figures (the only unforeseeable expense deducted from OIBDA in 2006 and 2007 was the impairment charge)

Guidance assumes constant exchange rates as of 2006



# January – December 2007 Earnings Results

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## Group Financial Performance

(CZK millions)

	Jan - Dec 2006	Jan – Dec 2007	Change FY07/FY06
<b>Revenues</b>	<b>61,311</b>	<b>63,033</b>	<b>+2.8%</b>
Internal expenses capitalized in fixed assets	911	553	(39.3%)
<b>Operating Costs</b>	<b>(34,100)</b>	<b>(35,707)</b>	<b>+4.7%</b>
Other operating income/(expense)	(61)	117	<i>n.m.</i>
Gain on sale of fixed assets	98	42	(57.1%)
Impairment of fixed assets	(253)	(5)	<i>n.m.</i>
<b>OIBDA <sup>1)</sup></b>	<b>27,906</b>	<b>28,033</b>	<b>+0.5%</b>
<b>OIBDA margin <sup>2)</sup></b>	<b>45.8%</b>	<b>44.8%</b>	
Depreciation and amortization	(16,746)	(14,435)	(13.8%)
<b>Operating Income</b>	<b>11,160</b>	<b>13,598</b>	<b>+21.8%</b>
Net financial expense	(220)	(88)	(60.1%)
<b>Income before taxes</b>	<b>10,940</b>	<b>13,510</b>	<b>+23.5%</b>
Income taxes	(2,920)	(3,124)	+7.0%
<b>Net income</b>	<b>8,020</b>	<b>10,386</b>	<b>+29.5%</b>

Note: Audited, according to IFRS

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

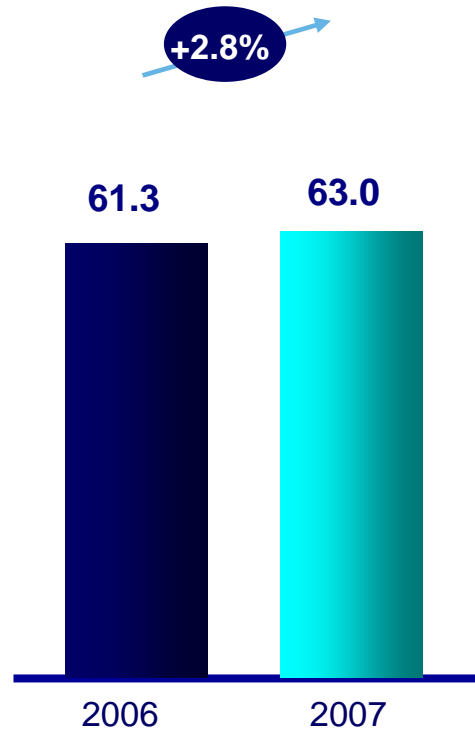
2) OIBDA margin = OIBDA/ Business revenues

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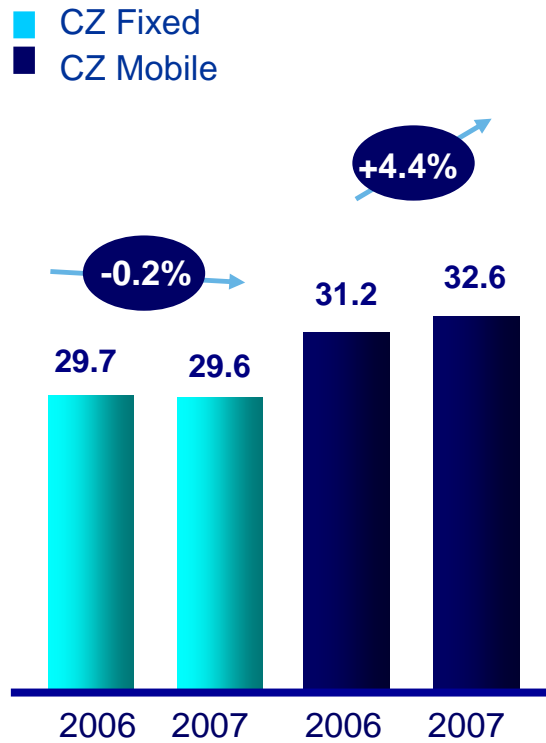
# Revenues and OIBDA growth

CZK billions  
(% change y-o-y)

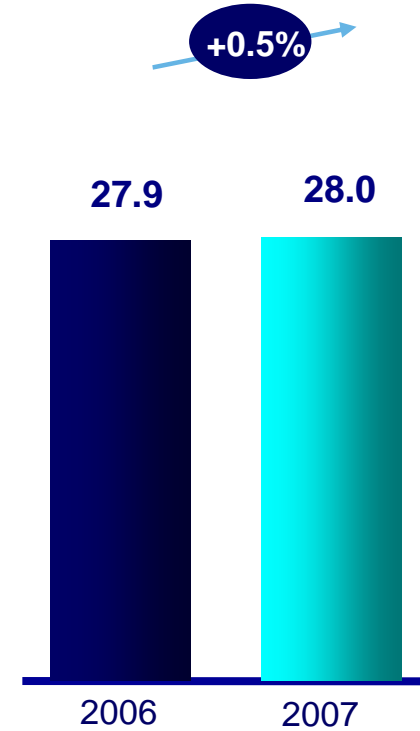
Group Revenue evolution



F&M Business Revenue

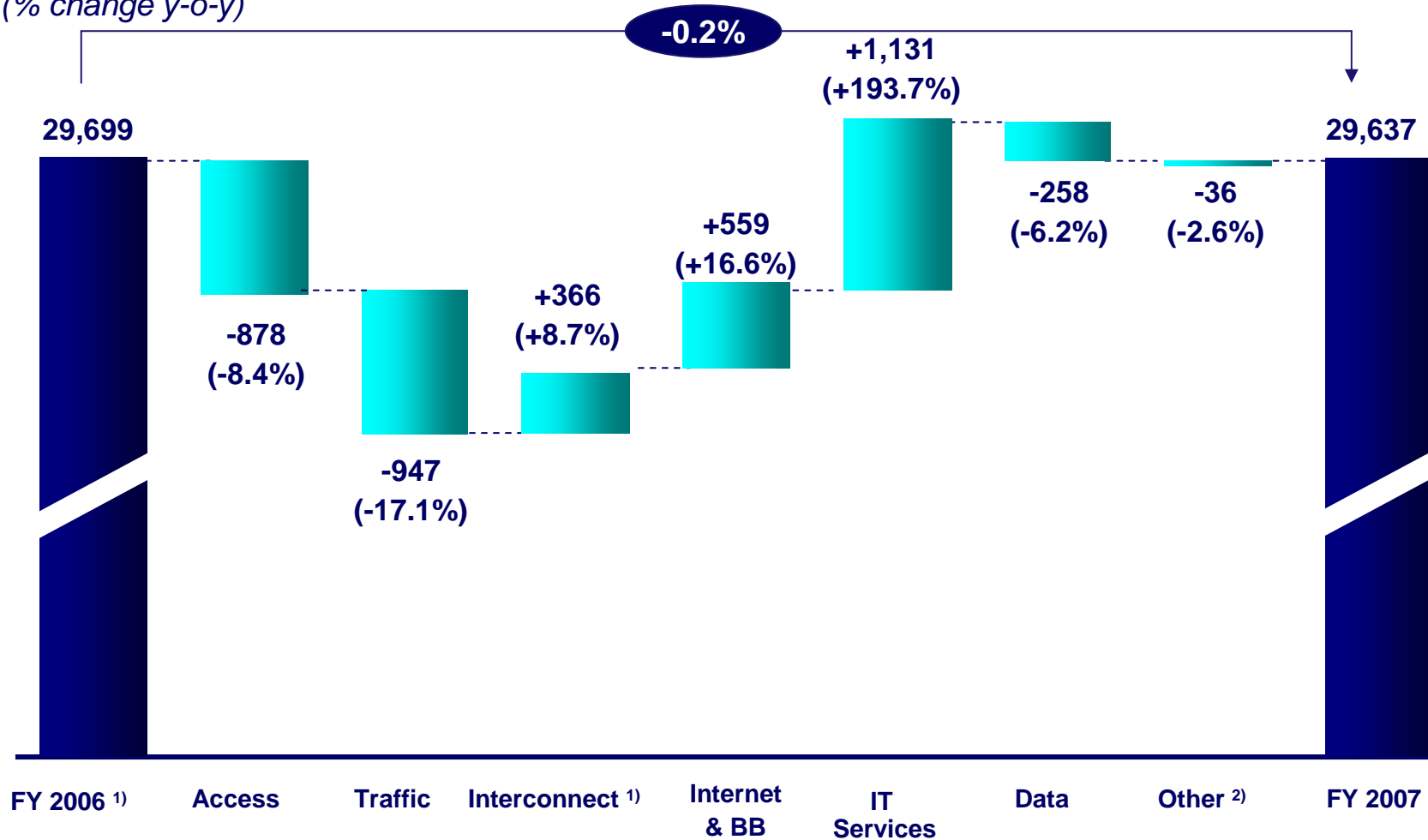


Group OIBDA evolution



# CZ Fixed Business Revenues – sources of variation

CZK millions  
(% change y-o-y)



<sup>1)</sup> In 4Q 2007, mobile international termination revenues reclassified from fixed revenues to mobile revenues; to allow 2007/2006 y-o-y comparison, 2006 numbers were restated to include the reclassification as if it was applied in 2006

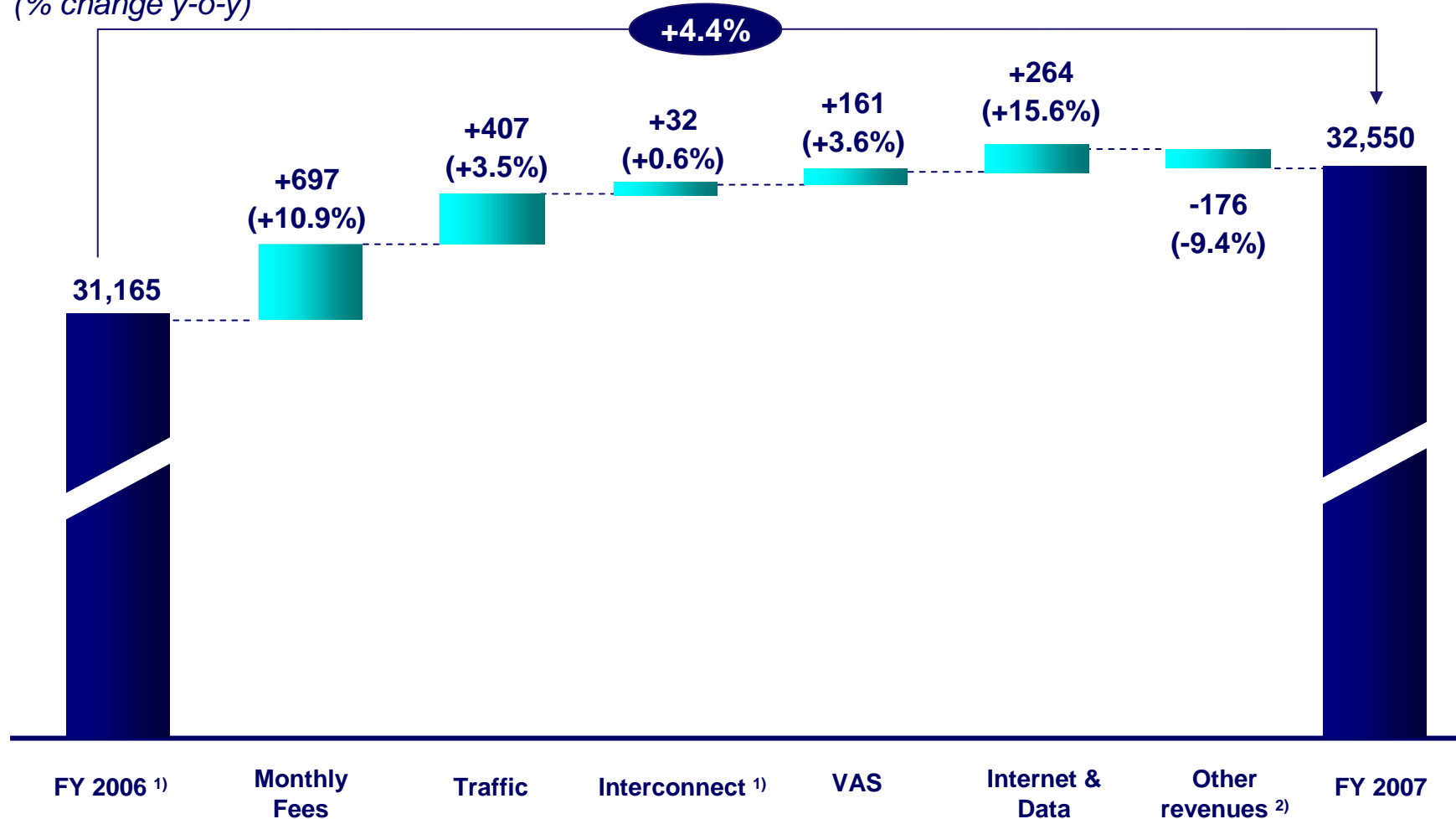
<sup>2)</sup> Other – incl. equipment sales and value added services

Figures excluding inter-segment charges between fixed and mobile segment; subsidiaries and related inter-company transactions and adjustments are not included



# CZ Mobile Business Revenues – sources of variation

CZK millions  
(% change y-o-y)



<sup>1)</sup> In 4Q 2007, mobile international termination revenues reclassified from fixed revenues to mobile revenues; to allow 2007/2006 y-o-y comparison, 2006 numbers were restated to include the reclassification as if it was applied in 2006

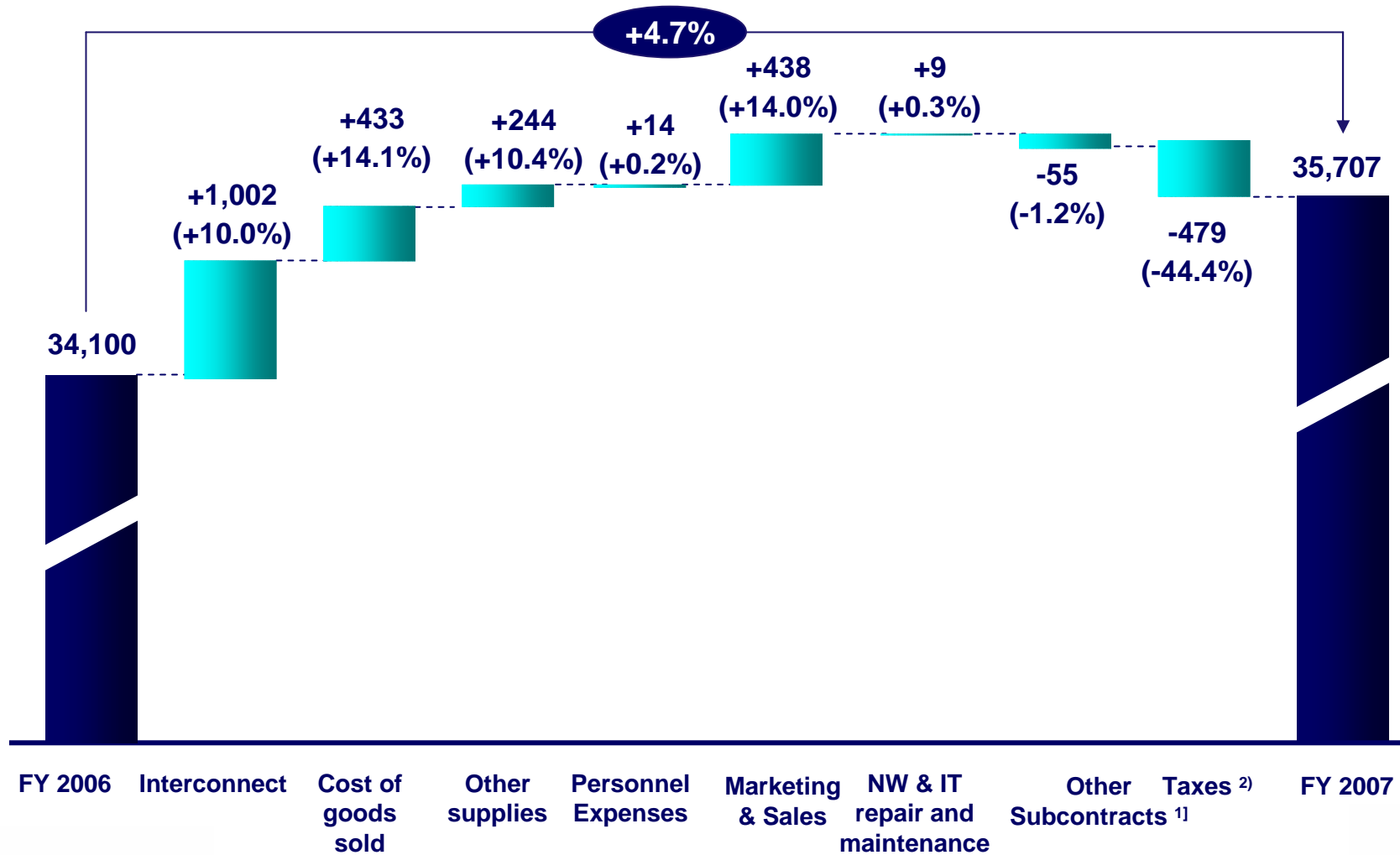
<sup>2)</sup> Other – incl. equipment sales and IT services

Figures do not include inter-segment charges between fixed and mobile segment; subsidiaries and related inter-company transactions and adjustments are not included

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# Group OPEX – sources of variation

CZK millions  
(% change y-o-y)



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

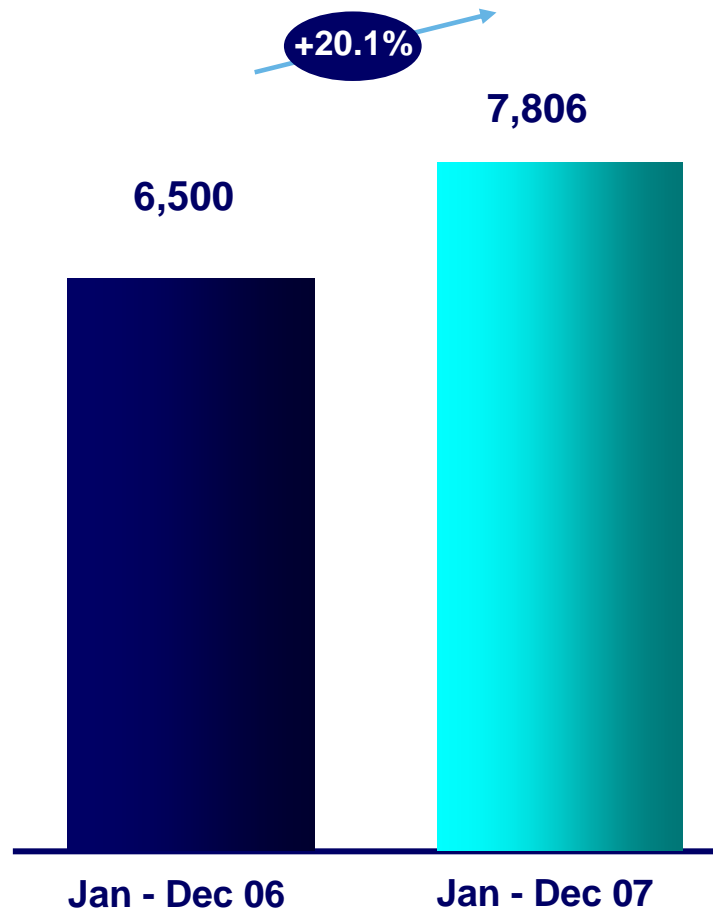
<sup>2)</sup> Taxes – other than income taxes, provisions and fees



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## Group CAPEX

CZK millions



- Overall Group CAPEX growing due to Slovak operations launch
  - Network rollout
  - Infrastructure & Systems
- CAPEX in Czech Republic spent largely to increase the capacity of ADSL, IPTV, GSM and mobile BB

## Group Cash Flow Statement

CZK millions

	Jan - Dec 2006	Jan – Dec 2007	Change FY07/FY06
Interest paid	(429)	(432)	+0.7%
Interest received	186	377	+102.7%
Income tax paid	(3,564)	(4,078)	+14.4%
<b>Net cash from operating activities</b>	<b>24,456</b>	<b>23,886</b>	<b>(2.3%)</b>
<b>Net cash from investing activities</b>	<b>(6,041)</b>	<b>(5,703)</b>	<b>(5.6%)</b>
- purchase/disposal of PPE and intangibles	(6,000)	(5,580)	(7.0%)
- marketable securities	-	53	n.m.
- grant/(payment) of loan	(41)	-	n.m.
- financial investments	-	(176)	n.m.
<b>Free cash flow <sup>1)</sup></b>	<b>18,428</b>	<b>18,306</b>	<b>(0.7%)</b>
<b>Net cash from financing activities</b>	<b>(14,494)</b>	<b>(16,083)</b>	<b>+11.0%</b>

Note: Audited, according to IFRS

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

## Group Balance Sheet

<i>CZK millions</i>	31 Dec 2006	31 Dec 2007	<i>Change Dec07/Dec06</i>
<b>Non-current assets</b>	<b>100,824</b>	<b>94,191</b>	<b>(6.6%)</b>
<b>Current assets</b>	<b>16,850</b>	<b>19,033</b>	<b>+13.0%</b>
- Cash & cash. Equiv.	7,461	9,576	+28.3%
- Short term fin.investments	66	48	(27.3%)
<b>Total assets</b>	<b>117,877</b>	<b>113,552</b>	<b>(3.7%)</b>
<b>Equity</b>	<b>88,481</b>	<b>82,792</b>	<b>(6.4%)</b>
<b>Non-current liabilities</b>	<b>16,495</b>	<b>9,017</b>	<b>(45.3%)</b>
- Long-term financial debt	9,156	3,062	(66.6%)
<b>Current liabilities</b>	<b>12,901</b>	<b>21,743</b>	<b>+68.5%</b>
- Short-term financial debt	206	6,207	<i>n.m.</i>
<b>Gross gearing</b>	<b>10.6%</b>	<b>11.2%</b>	
<b>Net gearing <sup>1)</sup></b>	<b>2.1%</b>	<b>(0.4%)</b>	

# Outlook & Guidance & Dividend Proposal

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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

## Investor Guidance

(CZK millions) **FY 2007** **FY 2008 Guidance**

<b>Revenues</b> <sup>(1)</sup>	<b>62,637</b>	<b>2 - 4%</b>
<b>OIBDA</b> <sup>(2)</sup>	<b>28,038</b>	<b>0 – 2%</b>
<b>CAPEX</b>	<b>CZK 7,806 million</b>	<b>~ 9,000 million</b>
<b>Slovakia</b>	<b>On track to meet the medium term guidance</b>	

<sup>1)</sup> In terms of 2008 guidance calculation, Revenues represent business revenues only

<sup>2)</sup> In terms of guidance calculation, Operating Income before D&A excludes other exceptional revenues/expenses not foreseeable in 2008. For comparison purpose, the equivalent other exceptional revenues/expenses registered in 2007 are also deducted from reported figures (the only unforeseeable expense deducted from 2007 OIBDA was the impairment charge)

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## 2007 Dividend Proposal

- Proposal to AGM of CZK 50 per share (9.4% yield) <sup>[1]</sup>
- Total payment of CZK 16.1 bn
- Representing a 155% payout of 2007 net profit
- Usage of distributable funds

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## Investor Relations Contacts

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# Backup

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## CZ Fixed Operational Performance

<i>thousands</i>	31 Dec 2006	31 Dec 2007	<i>Change Dec07/Dec06</i>
<b>Accesses</b>	<b>3,073</b>	<b>2,825</b>	<b>(8.1%)</b>
<i>Final Client Accesses</i>	<i>2,979</i>	<i>2,715</i>	<i>(8.9%)</i>
Fixed Telephony Accesses <sup>1)</sup>	2,402	2,069	(13.9%)
Internet and Data Accesses	561	573	+2.1%
- Narrowband	144	57	(60.7%)
- Broadband (ADSL)	405	508	+25.5%
- Other <sup>2)</sup>	12	8	(34.0%)
Pay TV	16	73	<i>n.m.</i>
<i>Wholesale Accesses</i>	<i>94</i>	<i>111</i>	<i>+17.6%</i>
Unbundled loops	23	43	+85.1%
Wholesale ADSL	65	62	(4.7%)
Other <sup>3)</sup>	6	6	0.0%
<b>Voice outgoing traffic (mil. minutes)</b>	<b>3,336</b>	<b>2,702</b>	<b>(19.0%)</b>
<b>Dial-up outgoing traffic (mil. minutes)</b>	<b>1,181</b>	<b>380</b>	<b>(67.8%)</b>



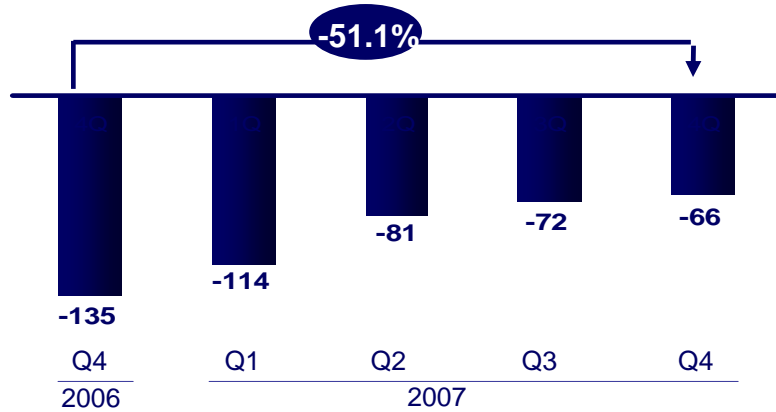
## CZ Mobile Operational Performance

<i>thousands</i>	31 Dec 2006	31 Dec 2007	<i>Change Dec07/Dec06</i>
<b>No. of registered customers</b>	<b>4,865</b>	<b>5,126</b>	<b>+5.4%</b>
- contract	1,875	2,244	+19.7%
- prepaid	2,990	2,882	(3.6%)
<b>Data customers <sup>1)</sup></b>	<b>168</b>	<b>192</b>	<b>+14.3%</b>
<b>ARPU blended (CZK)</b>	<b>511</b>	<b>524</b>	<b>+2.5%</b>
contract ARPU (CZK)	989	907	(8.3%)
prepaid ARPU (CZK)	239	247	+3.3%
data ARPU blended (CZK)	108	111	+2.8%
non-SMS data ARPU as % of data ARPU	41%	43%	
<b>Average MOU blended (in &amp; outbound)</b>	<b>102</b>	<b>117</b>	<b>+14.7%</b>
<b>Total no. of SMS (millions)</b>	<b>2,858</b>	<b>3,082</b>	<b>+7.8%</b>

# Key drivers of performance - fixed

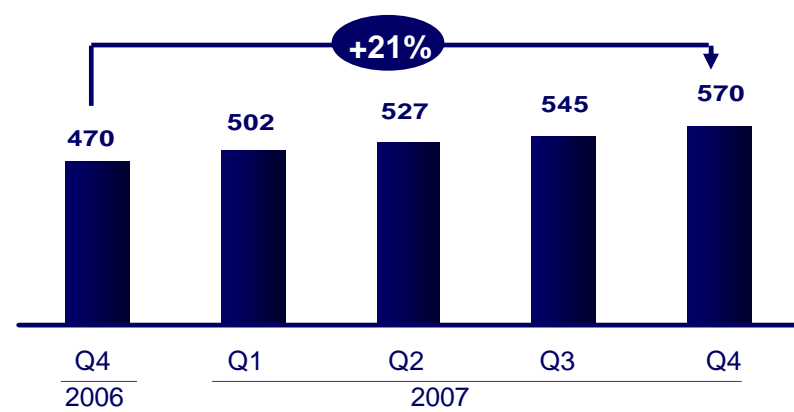
(thousands)

**Fixed telephony net losses**



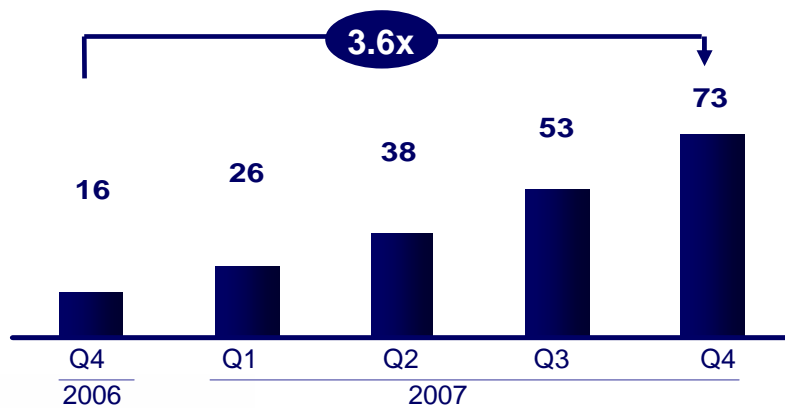
(thousands)

**ADSL\***



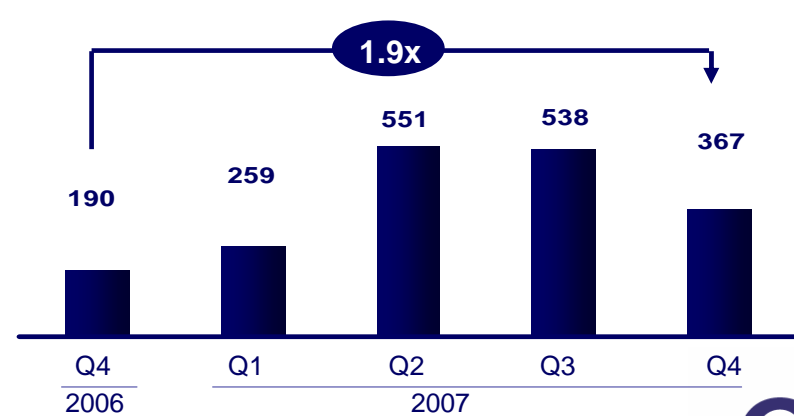
(thousands)

**IPTV**



(CZK million)

**ICT revenues**

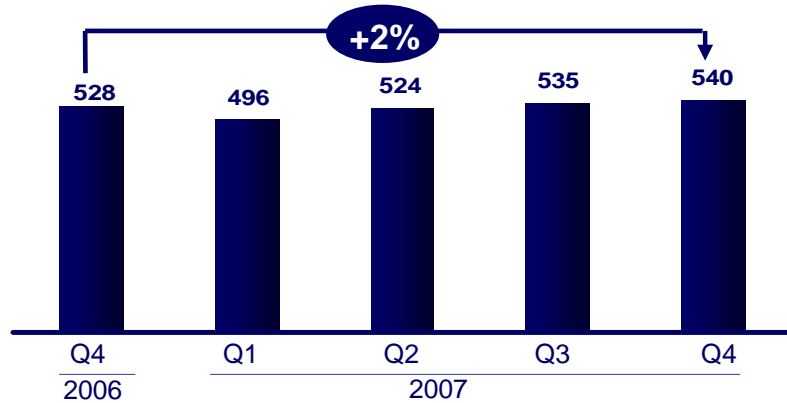


# Key drivers of performance - mobile

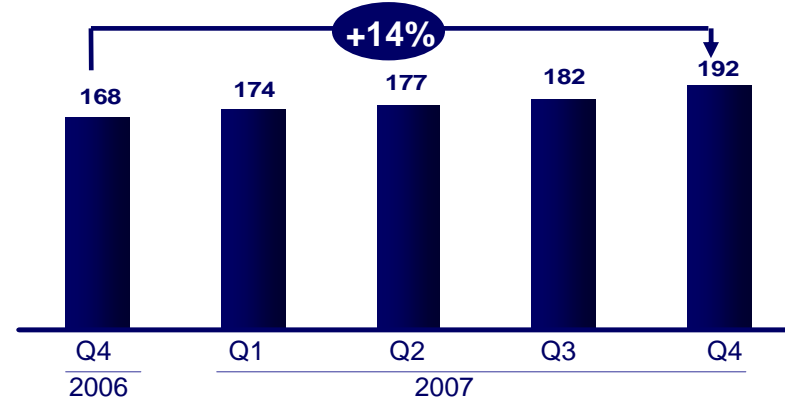
(In CZK monthly average)

(thousands)

ARPU blended



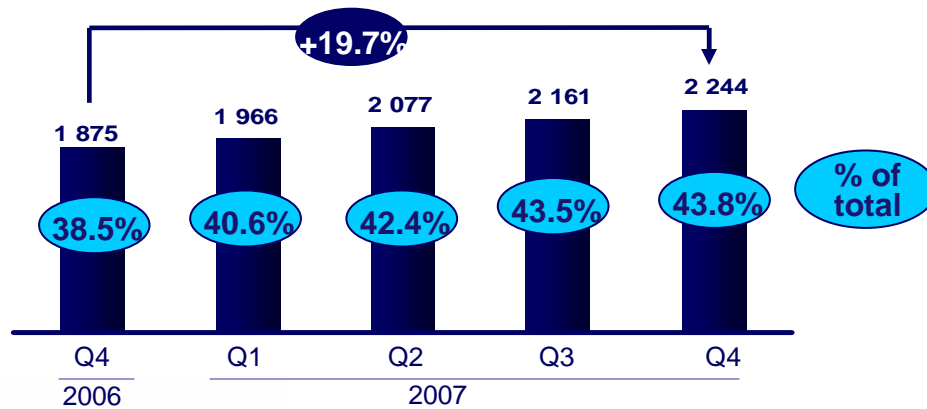
Mobile data customers



(thousands)

(minutes)

Mobile postpaid



Mobile MoU

