



# Telefónica O2 Czech Republic

Quarterly Results  
January – September 2009

11<sup>th</sup> November, 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.

# 9M and 3Q 2009 Performance Highlights

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# 9M and 3Q 2009 performance highlights

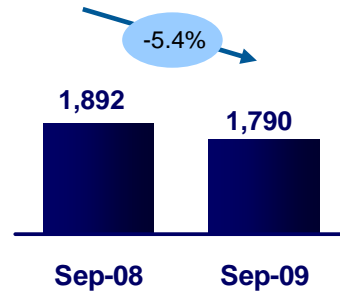


- **Negative impact of economic downturn on revenues seen also in 3Q09**
- **Full year guidance<sup>1)</sup> confirmed for OIBDA and Operating Cash Flow**
- **Solid customers figures delivered in mobile and fixed segments allowed us to outperform the market in 3Q09**
- **Mobile revenues impacted by customers' optimization and additional MTR cuts**
- **Fixed revenues year-on-year comparison in 3Q affected by Universal Service revenues**
- **Slovakia continued to deliver strong customers net adds and good financial performance**
- **OIBDA dropped at a lesser rate than Revenues due to OpEx discipline, helping to maintain high margin**

# Customer centric broadband proposition allowed us to outperform the market

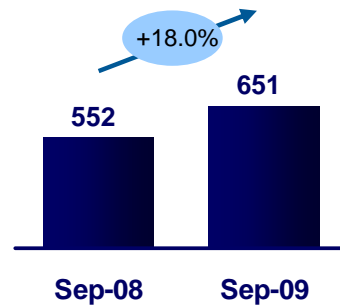


**Fixed accesses**  
(‘000)



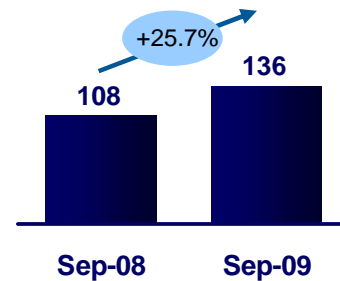
- 14k net losses in fixed accesses in 3Q09, down from 47k in 2Q,
- 30k naked broadband accesses at the end of 3Q09

**Retail ADSL**  
(‘000)



- 17k retail ADSL net adds in 3Q09 (1.4 times higher compared to 3Q08)

**O2 TV customers**  
(‘000)

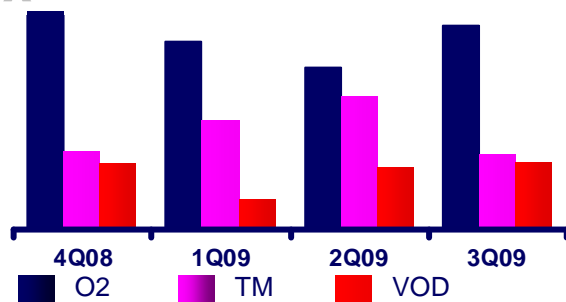


- O<sub>2</sub> TV customer base added 3k in 3Q reaching 136k



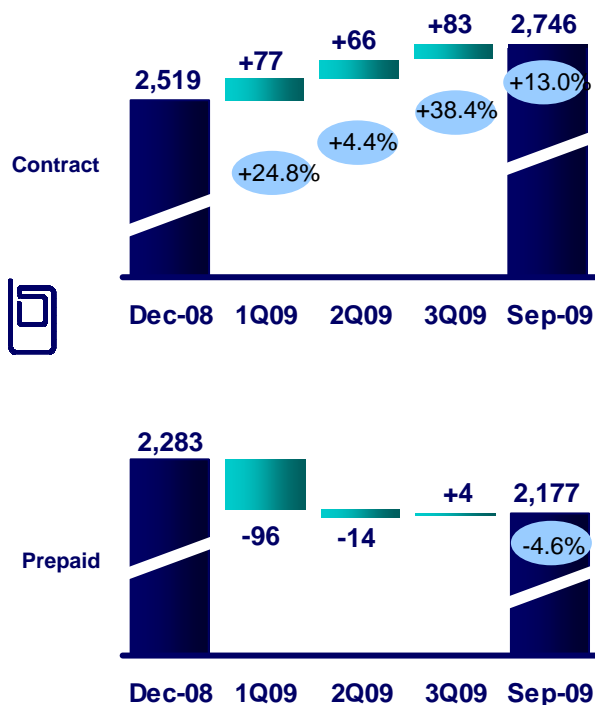
# Enhanced commercial proposition meeting customers' needs in tough times leading to continuous growth and improvement in customer mix

**Contract customers net adds<sup>1)</sup>**  
(‘000)



- Outperforming market in contract customers' net additions in last consecutive quarters
- 58.4% market share on contract net adds in 3Q09

**Mobile customers**  
(‘000)



- +4.5% y-o-y growth in mobile customers to 4,923k
- 83k net adds in contract customers driven by O<sub>2</sub> Neon and O<sub>2</sub> Zero tariffs uptake; 55.8% of total customer base at 3Q09 (+4.2 p.p. y-o-y)
- Significant improvement in prepaid customer base seen in 2Q continued also in 3Q (+4.2k) due to successful launch of customer proposition focused on regular top-ups
- Improving churn: 1.9% in 9M09 (-0.1 p.p. yoy)
- Blended ARPU down by 7.7% y-o-y to CZK 521 in 9M09 impacted by MTR cuts, customers optimizing their behavior, migrations and weight of corporate and public sector in mobile revenues mix

<sup>1)</sup> Source: TM and VOD reports

# Slovakia – strong customer net adds on the back of successful customer proposition, outperforming market

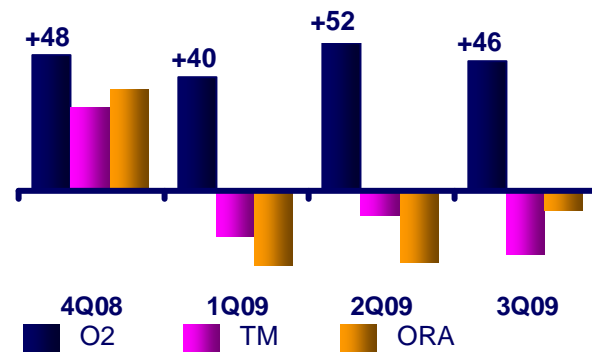


**Mobile customers**  
(‘000)

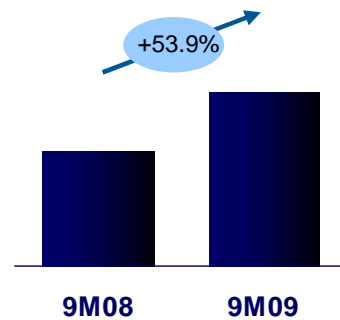
y-o-y change



**Net additions<sup>1)</sup>**  
(‘000)



**Revenues**  
(in EUR)



- Healthy customer growth in 4 consecutive quarters, leveraging on successful marketing proposition (O<sub>2</sub> Fair) launched in 3Q08
- 46k total customer net adds in 3Q09 (100% of net adds in the market captured for four consecutive quarters)
- 25k net adds of prepaid customers in 3Q09 to reach 306k
- Contract customers at 157k, representing 34% of total customer base at 3Q09 (+5.8 p.p. y-o-y)
- 53.9% y-o-y revenue growth in 9M09 (+66.1% y-o-y in 3Q09) driven by customer base increase, improving customer mix and consumption growth
- 9M09 ARPU: contract at EUR 24.7, prepay at EUR 8.2

<sup>1)</sup> Source: TM and ORA reports



# January – September 2009 Earnings Results

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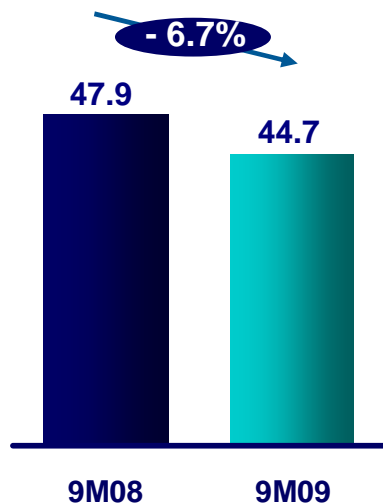


# Key Highlights of Group Financial Performance

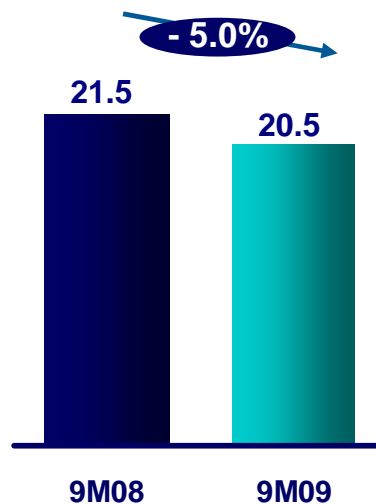


CZK millions	Jan - Sep 2008	Jan - Sep 2009	Change 9M09/9M08
<b>Business revenues</b>	47,935	44,742	(6.7%)
CZ Fixed	22,057	20,045	(9.1%)
CZ Mobile	25,135	23,413	(6.9%)
<b>OIBDA before brand fees <sup>1)</sup></b>	22,044	21,040	(4.4%)
<b>OIBDA before brand fees margin</b>	45.9%	47.0%	1.1 p.p.
<b>OIBDA <sup>1)</sup></b>	21,540	20,471	(5.0%)
<b>OIBDA margin</b>	44.9%	45.8%	0.9 p.p.
<b>Net income</b>	9,005	8,896	(1.2%)

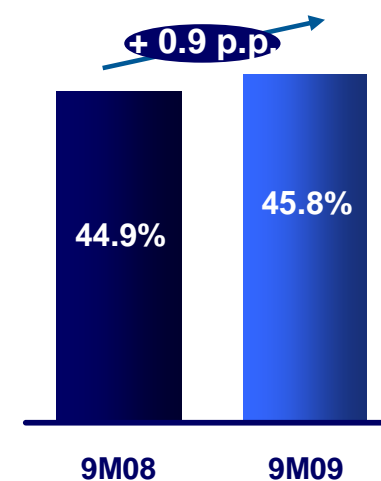
Group Business Revenue



Group OIBDA evolution <sup>1)</sup>



Group OIBDA margin evolution <sup>1)</sup>

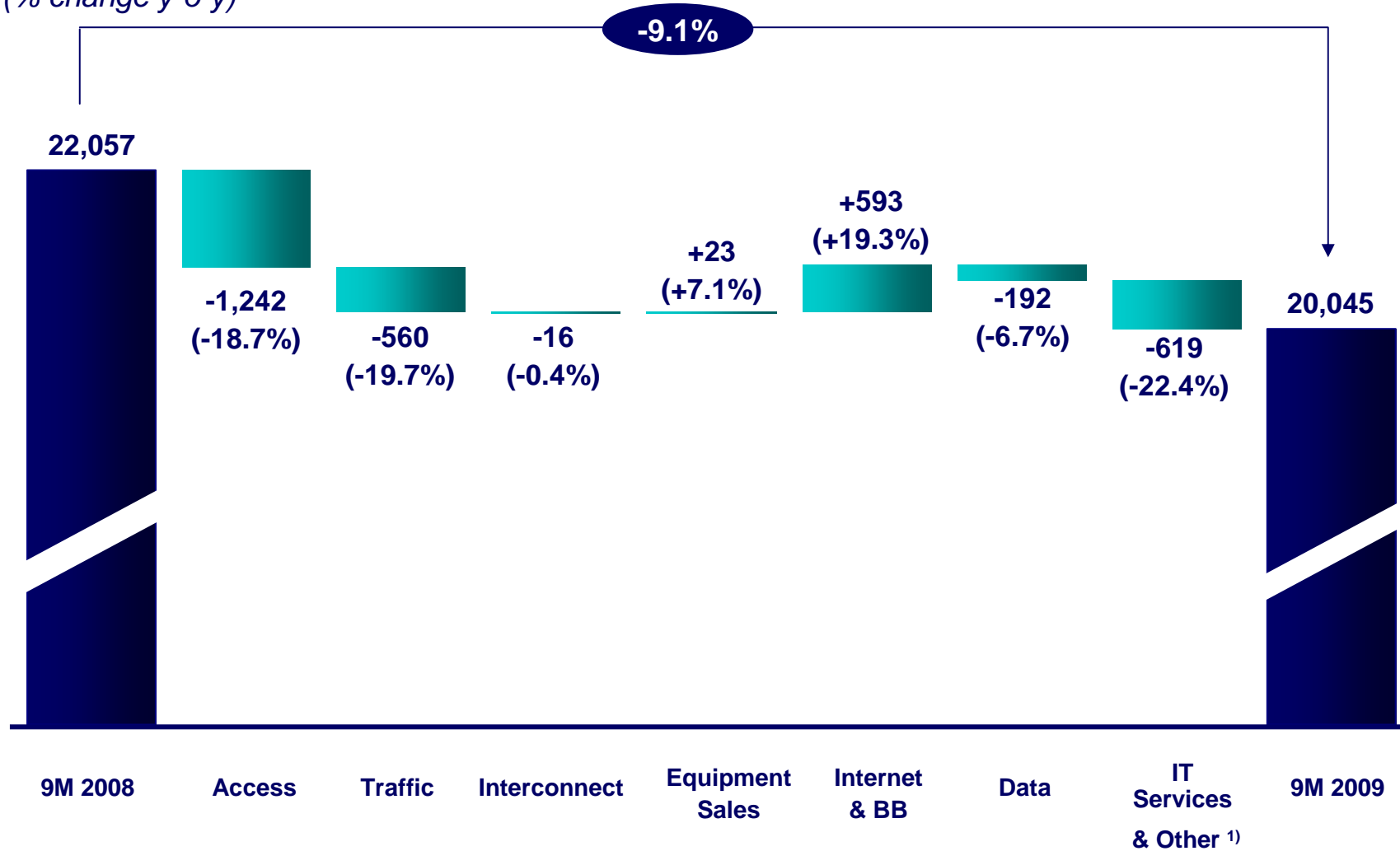


Notes: <sup>1)</sup> Including the impact of real estate sale and settlement agreement with T-Mobile, Figures for F&M revenues do not include inter-segment charges between fixed and mobile segment

# CZ Fixed Business Revenues – sources of variation



CZK millions  
(% change y-o-y)

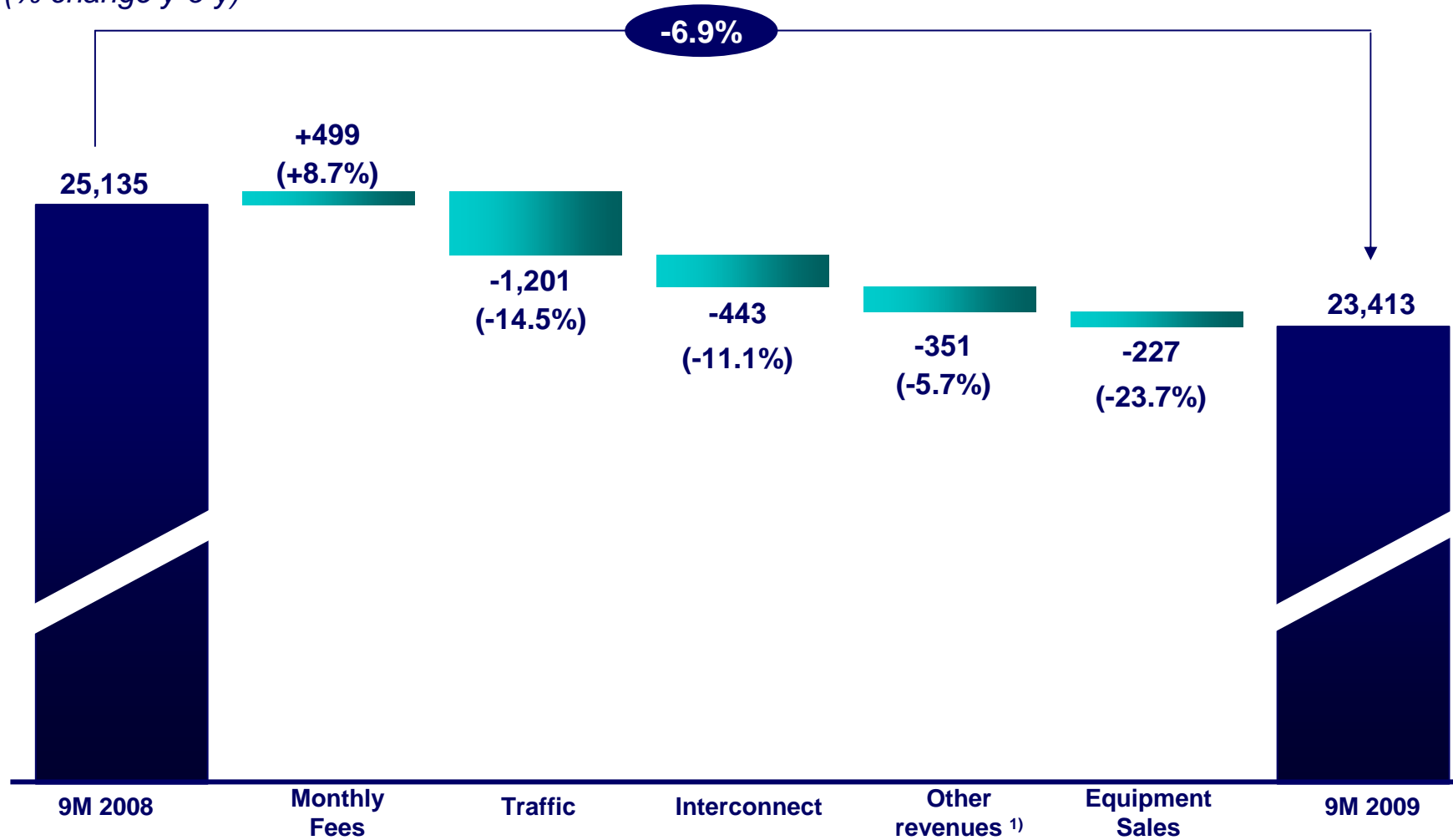


<sup>1)</sup> IT services and Other – incl. ICT, universal service and other revenues  
Figures excluding inter-segment charges between fixed and mobile segment

# CZ Mobile Business Revenues – sources of variation



CZK millions  
(% change y-o-y)

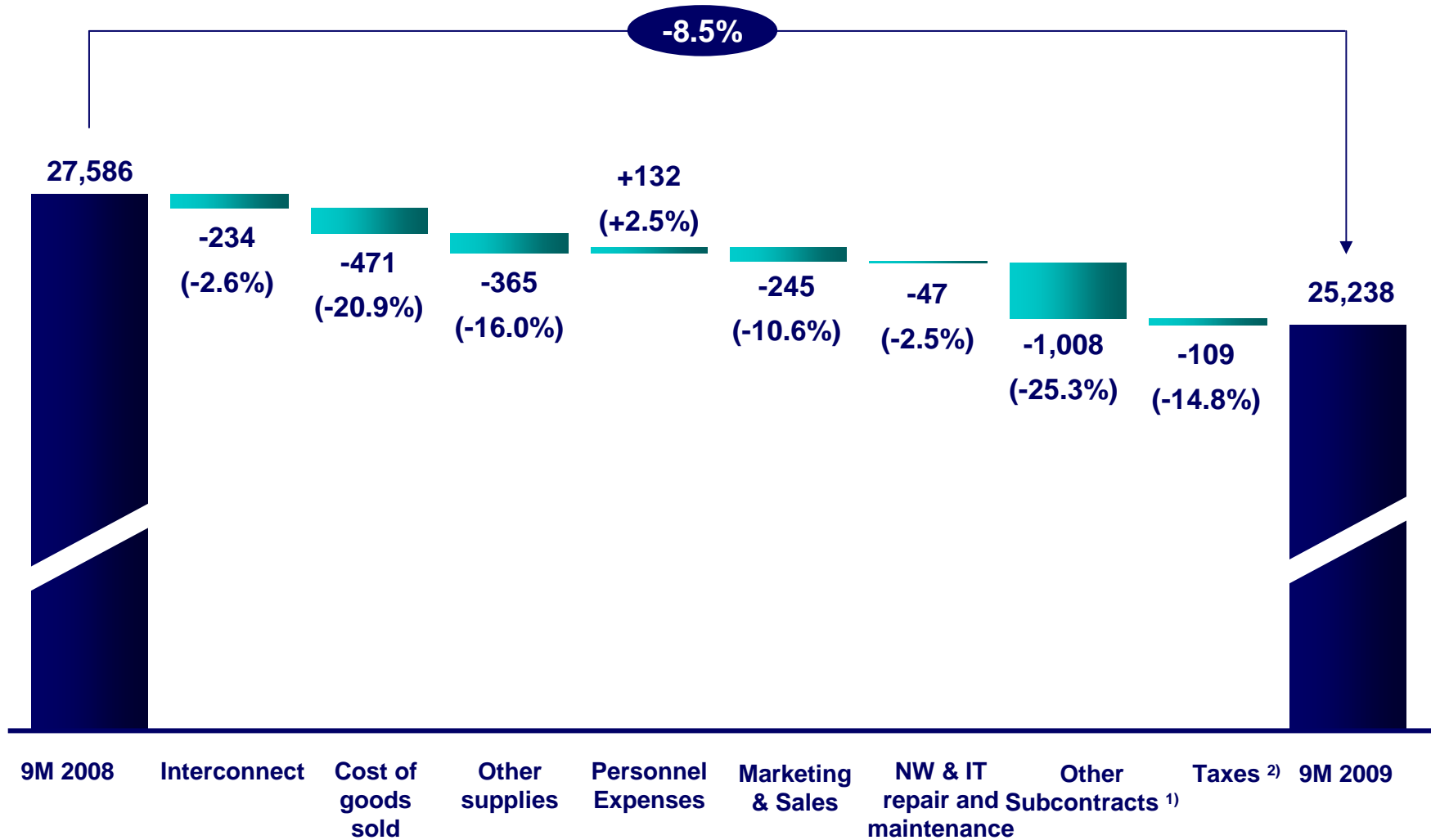


<sup>1)</sup> Other – incl. VAS, Internet & Data and Other revenues  
 Figures do not include inter-segment charges between fixed and mobile segment

# Group OPEX – sources of variation



CZK millions  
(% change y-o-y)

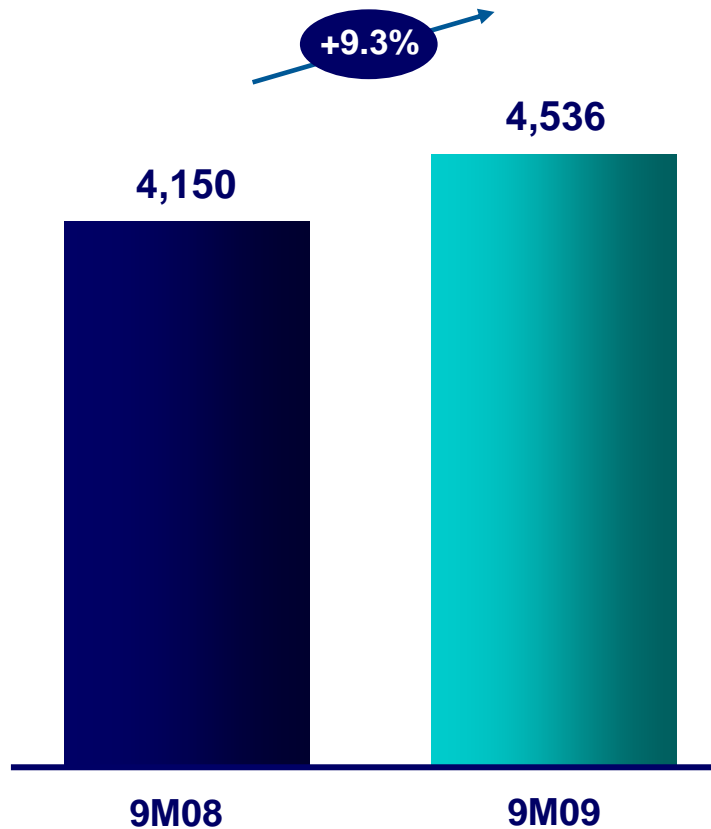


<sup>1)</sup> Other Subcontracts – incl. Rentals, Buildings, Vehicles, Utilities, Consultancy & Brand fees  
<sup>2)</sup> Taxes = taxes other than income taxes, provisions and fees

# Group CAPEX – Focus on 3G network expansion



CZK millions



- Continuous focus on selective and efficient investments to growth areas
- Different CAPEX phasing in 2009 compared to 2008 due to accelerated expansion of new generation mobile network (3G) from 4Q08
- 12 out of 13 main regional cities covered at the end of 3Q09
- GSM networks capacity and coverage enhancement
- CAPEX to Revenues at 10.1% in 9M 2009, up by 1.5 p.p. y-o-y

# Group Balance Sheet & Cash Flow Statement



<i>CZK millions</i>	31 Dec 2008	30 Sep 2009	Change Sep09/Dec08
<b>Non-current assets</b>	<b>86,166</b>	<b>81,325</b>	<b>(5.6%)</b>
<b>Current assets</b>	<b>17,361</b>	<b>26,202</b>	<b>50.9%</b>
- of which Cash & cash. Equiv.	7,116	15,170	113.2%
<b>Total assets</b>	<b>103,623</b>	<b>107,583</b>	<b>3.8%</b>
<b>Equity</b>	<b>78,168</b>	<b>71,037</b>	<b>(9.1%)</b>
<b>Non-current liabilities</b>	<b>6,977</b>	<b>6,217</b>	<b>(10.9%)</b>
- Long-term financial debt	3,098	2,895	(6.6%)
<b>Current liabilities</b>	<b>18,478</b>	<b>30,329</b>	<b>64.1%</b>
- Short-term financial debt	98	37	(62.7%)
	<b>Jan - Sep 2008</b>	<b>Jan - Sep 2009</b>	<b>Change 9M09/9M08</b>
Interest paid	(448)	(229)	(49.0%)
Interest received	368	155	(57.9%)
Income tax paid	(3,815)	(2,738)	(28.2%)
<b>Net cash from operating activities</b>	<b>14,681</b>	<b>13,903</b>	<b>(5.3%)</b>
<b>Net cash used in investing activities</b>	<b>(2,116)</b>	<b>(5,843)</b>	<b>n.m.</b>
- Of which purchase of PPE and intangibles	(5,100)	(6,740)	32.2%
- Of which disposal of PPE an intangibles	2,988	866	(71.0%)
<b>Free cash flow</b>	<b>12,569</b>	<b>8,031</b>	<b>(36.1%)</b>
<b>Net cash from financing activities</b>	<b>(5,481)</b>	<b>(6)</b>	<b>n.m.</b>