



ČESKÝ TELECOM, a.s.

Q3 2005 Earnings Results

**Investor Conference Call
October 27th, 2005**



Speakers:

Jaime Smith – CEO and Chairman of BoD of ČESKÝ TELECOM

Juraj Šedivý – CFO and 1st Vice Chairman of BoD of ČESKÝ TELECOM

Salvador Anglada – CEO of Eurotel and Member of BoD of ČESKÝ TELECOM

Ramón Ros – CFO of Eurotel and Member of BoD of ČESKÝ TELECOM

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4 CAUTIONARY STATEMENT

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

Although ČESKÝ TELECOM, a.s. makes every effort to provide accurate information, we cannot accept liability for any misprints or other errors.

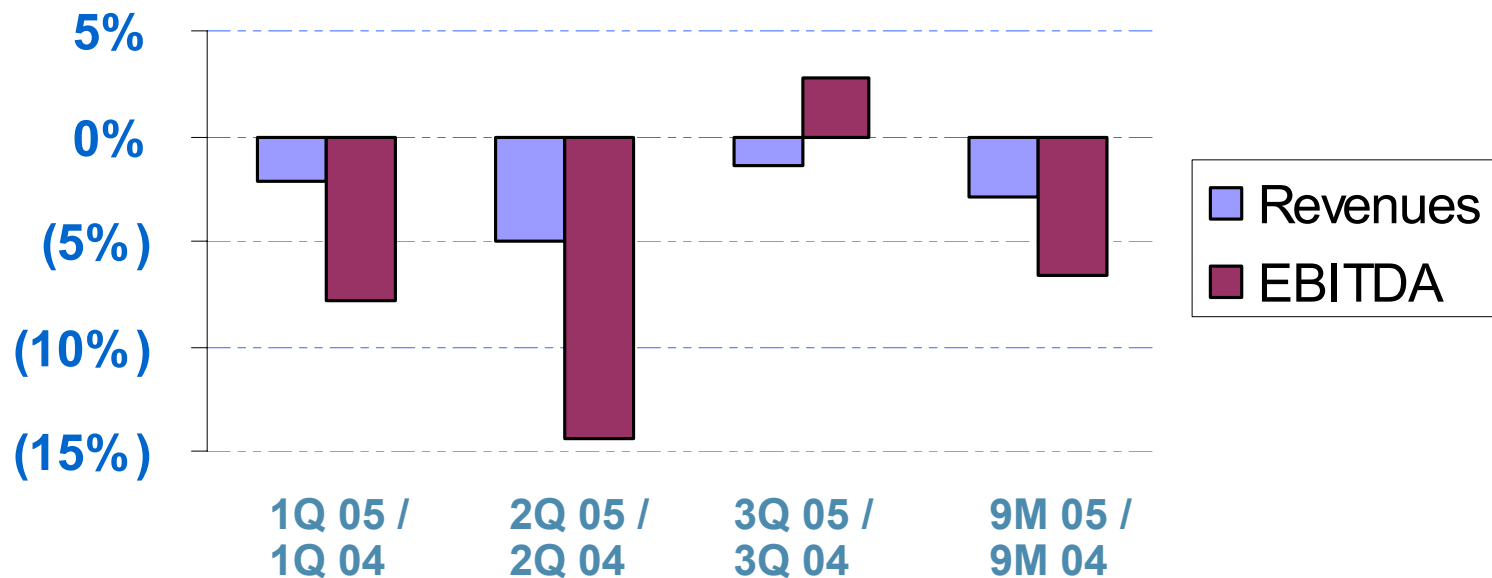
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Q3 2005 Summary Highlights

- Continuing strong growth of fixed broadband customers
- Targeted acquisition and migration to mobile post-paid customer base ahead of mobile portability
- Areas of potential synergies within Telefónica Group and between ČESKÝ TELECOM and Eurotel being defined, several of them already in the execution phase
- Organizational structure changes implemented and new management appointed
- Telefónica controls 69.4% of ČESKÝ TELECOM after the closure of share buy-out
- Decision on external network maintenance outsourcing taken on the basis of thorough business case analysis
- 3G strategic plans introduced on October 25th
Commercial launch planned for December 1st

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Q3 2005 Financial Highlights

Consolidated Revenues & EBITDA -
2005 / 2004 performance

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Fixed Line Business Highlights

Continued strong growth in data driven by broadband

- Data, leased lines, and VAS generating 22% of total revenues, up 12% yoy, growth driven by ADSL
- Growth of data, ADSL and related services mitigating the impact of falling in traditional voice revenues
- Successful marketing campaigns launched in the spring stimulating continuously strong demand for ADSL services

The new fixed line tariffs form the base of more attractive pricing for the customers and closer align pricing and underlying costs

- Partial rebalancing did not result in excessive line cancellations
- While positive financial impact is yet to be confirmed there has been a favorable qoq trend in churn rate and new adds growth

Focus on operational efficiency, process optimization and identification & execution of synergies with TEF and Eurotel

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Mobile Business Highlights

Sustained growth on a market with a penetration over 100%

- Number of total customers up 8% yoy
- Revenues up 1.1% yoy

Postpaid customers up 37% yoy (up 10% qoq) and total data customers (GPRS and CDMA) up 75% yoy

- Value generation per customers expected to improve
- No. of minutes and SMS per user up, ARPU improving

Data revenues up 21%, generating 15% of total revenues

- Further solid potential through Eurotel's strong service innovation and technology leadership on the data market

EBITDA margin 47%, among the top industry performers

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Synergy effects resulting from new ownership structure

Areas of synergies within Telefónica group and btw fixed and mobile businesses being identified, several initiatives already in execution phase (e.g. procurement)

Know-how and best practice transfer/sharing in the areas of:

- **product development and marketing (e.g. IPTV, UMTS), CTc group benefiting from strong R&D and product development capacities of Telefónica**
- **further evolution and ongoing optimization of technology platforms at both, CTc and Eurotel, with the aim to enable efficient next generation service offering**
- **redesigning processes and organizational structure to enhance operating performance to meet best industry benchmarks**
- **procurement (e.g. technology, CPE), leading to substantial cost savings**

Management & Shareholders Issues

Share buy-out concluded

- Telefónica increased its share in ČESKÝ TELECOM to 69.4%

Analysis of potential outdoor network maintenance outsourcing concluded

- CTc decided to continue its outdoor network operations in house - based on thorough analysis and identified potential for optimization of the network operation and maintenance within CTc

State Administration contracts

- Increased sales activities and negotiations with individual sectors of State Administration with the aim to broaden service provisioning beyond validity of current frame agreement (2006)

Management & Shareholders Issues

Organizational changes

- Marketing and Sales
 - merged into one organizational (Commercial) unit
 - restructured into customer segment focused units enhancing the customer orientation
- Fernando Astiaso appointed the Chief Commercial Officer heading the new Commercial Unit

Personnel changes in the BoD

- Ramón Ros appointed the new CFO of Eurotel and the member of the Board of Directors of CTC

Corporate Governance changes

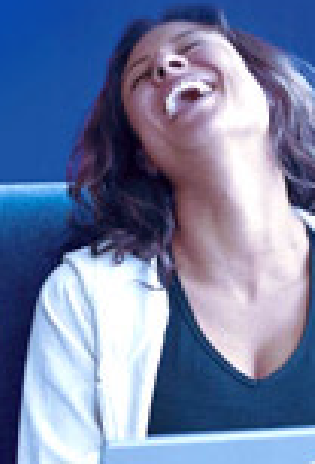
Board of Directors currently elaborating the documents on:

- **Proposed corporate governance changes - including enlargement of the number of Board of Directors members to 7 in order to strengthen commercial orientation of the Board**
- **Assessment of expected financial position of the company as of year 2005, and alternative uses of funds including potential distribution of profit to shareholders**

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Internet Broadband & UMTS

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Fixed Broadband Internet



Strengthening the position as the market leader on the fixed broadband market

- 221 thousand ADSL broadband customers as of the end Q3 (up by 160 thousand yoy)
- CTc ADSL market share grew to a stable 80% over Q3
- New weekly orders at strong 5,000, of which 85% are retail
- Growing demand for higher access speed
- Internet increasingly used by the customer for entertainment, education, shopping, transactional services, etc., becoming “dependent” on broadband
- Installation time cut by half over past year to 6 days

3G strategic plans introduced on October 25th

- the first full scale voice and data 3G services launched on the Czech market
- Commercial launch on December 1st, 2005
 - High-speed Internet access
 - Real-time video calling between mobile phones and PCs
 - High-quality video streaming and downloading
 - Music downloads to mobile phones
 - WAP infotainment - improved version of ET WAP portal
 - International connectivity in nearly 40 countries
- End-2005 full UMTS coverage of the cities of Prague and Brno
 - Increased to 50% of the Czech population over the next two years
- Q1 2006 first truly mobile high-speed data on the Czech market with a maximum transmission speed of up to 1.8 Mbit/s (HSDPA technology)

New voice, data and VAS services

New services introduced on October 24th

- CTc along with Microsoft introduce a **Digital Entertainment Centre** – a package of multimedia computer, Internet connection and multimedia services
- **First interactive services through digital TV** on the Czech market – in cooperation with TV Ocko music station, viewers' interaction through SMS messages, telephone calls and Internet votes
- **IP telephony services for businesses – ePhone Internet** enables to use MS Outlook 2003 for emails as well as telephone calls
- **Electronic post services for businesses** – hosted email, higher level of security, full inclusive mail server administration for a flat fee
- **Complete Office** – interconnects company branches to one common data network with fixed broadband Internet, mobile and IP telephony
- **Dohled 24** – property protection 24 hours a day, 7 days a week via fixed line, Internet or mobile, surveillance centre managed by CTc



9M 2005

Earnings

Results

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Consolidated Income Statement

| <i>(CZK mil.)</i> | 9M 2004 | 9M 2005 | <i>yoy</i> |
|-----------------------------|----------------|----------------|---------------|
| Revenues | 46,528 | 45,178 | (2.9%) |
| OPEX ¹⁾ | (24,037) | (24,170) | 0.6% |
| EBITDA | 22,491 | 21,008 | (6.6%) |
| <i>EBITDA margin</i> | 48% | 47% | |
| Depreciation & Amortisation | (15,556) | (13,430) | (13.7%) |
| Impairment charge | - | (180) | <i>n.m.</i> |
| EBIT | 6,935 | 7,398 | 6.7% |
| EBT | 6,414 | 6,895 | 7.5% |
| Net Income | 4,509 | 4,801 | 6.5% |

Note: Data are fully consolidated with 100% of Eurotel. Data are unaudited and according to IFRS.

1) Includes one-off and extraordinary items

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Consolidated Balance Sheet

| <i>(CZK mil.)</i> | 30/9/2004 | 30/9/2005 | yoy |
|---------------------------------|------------------|------------------|----------------|
| Fixed assets | 126,871 | 113,388 | (10.6%) |
| Current assets | 12,693 | 10,477 | (17.5%) |
| - Cash & cash eq. ¹⁾ | 2,809 | 799 | (71.6%) |
| Total assets | 139,564 | 123,865 | (11.2%) |
| Total Equity | 89,186 | 95,033 | 6.6% |
| - Share capital | 32,209 | 32,209 | 0.0% |
| - Reserves | 56,971 | 62,824 | 10.3% |
| Liabilities | 50,378 | 28,832 | (42.8%) |
| - Loans & overdrafts | 28,446 | 11,664 | (59.0%) |
| Gross gearing | 32% | 12% | |
| Net gearing | 29% | 11% | |

Note: Data are fully consolidated with 100% of Eurotel. Data are unaudited and according to IFRS.

1) Including short term available-for-sale and held-to-maturity investments

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Consolidated Cash Flow Statement

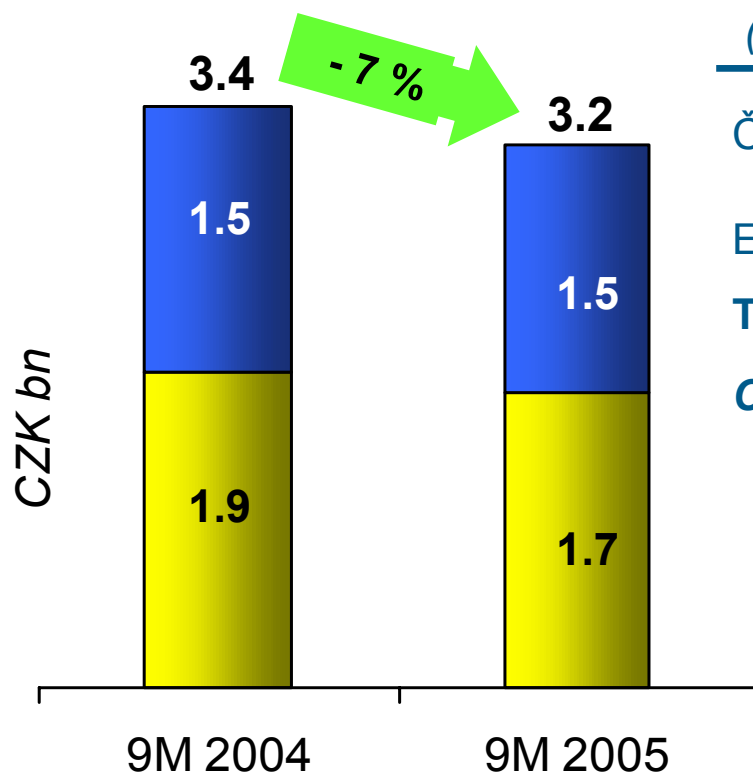
| (CZK mil.) | 9M 2004 | 9M 2005 | yoy |
|---|-----------------|-----------------|----------------|
| Interest paid | (1,077) | (843) | (21.7%) |
| Interest received | 69 | 38 | (44.9%) |
| Income tax paid | (2,006) | (2,758) | 37.5% |
| Net cash from operating activities | 18,390 | 17,203 | (6.5%) |
| Net cash from investing activities | (3,606) | (3,333) | (7.6%) |
| - purchase/disposal of PPE | (3,610) | (2,650) | (26.6%) |
| - purchase of intangible assets | (261) | (867) | n.m. |
| - purchase of financial investments | - | - | n.m. |
| - marketable securities | 265 | 184 | (30.6%) |
| Free cash flow I ¹⁾ | 14,519 | 13,686 | (5.7%) |
| Free cash flow II ²⁾ | 15,527 | 14,491 | (6.7%) |
| Net cash from financing activities | (16,850) | (13,580) | (19.4%) |

Note: Data are fully consolidated with 100% of Eurotel. Data are unaudited and according to IFRS.

¹⁾ Net cash from operating activities less Net cash from investing activities excl. marketable securities and purchase of fin. investments

²⁾ Net operating cash less Net investing cash excl. marketable securities, purchase of financial investments and interest

Consolidated CAPEX



| (CZK mil) | 9M 04 | 9M 05 | yoy |
|-----------------------------|--------------|--------------|-------------|
| ČESKÝ TELECOM ¹⁾ | 1,565 | 1,460 | (7%) |
| Eurotel | 1,866 | 1,745 | (6%) |
| Total CAPEX | 3,431 | 3,205 | (7%) |
| CAPEX/Revenues | 7.4% | 7.1% | |

■ ČESKÝ TELECOM
■ Eurotel

Note: Data are fully consolidated with 100% of Eurotel. Data are unaudited and according to IFRS.

1) CAPEX for ČESKÝ TELECOM including minor subsidiaries

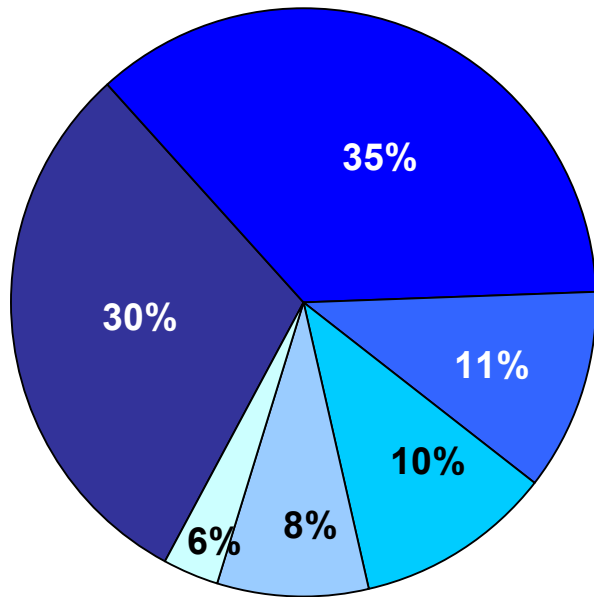
Fixed Business Financial Performance

| <i>(CZK mil)</i> | 9M 2004 | 9M 2005 | yoy |
|-----------------------------|-----------------|-----------------|----------------|
| Revenues | 25,968 | 23,961 | <i>(7.7%)</i> |
| OPEX | (14,130) | (13,578) | <i>(3.9%)</i> |
| EBITDA | 11,838 | 10,383 | <i>(12.3%)</i> |
| <i>EBITDA margin</i> | 45.6% | 43.3% | |

Note: Data are for ČESKÝ TELECOM and minor subsidiaries without Eurotel, i.e. data are before consolidation and shareholding adjustments between fixed and mobile segments. All data are according to IFRS.

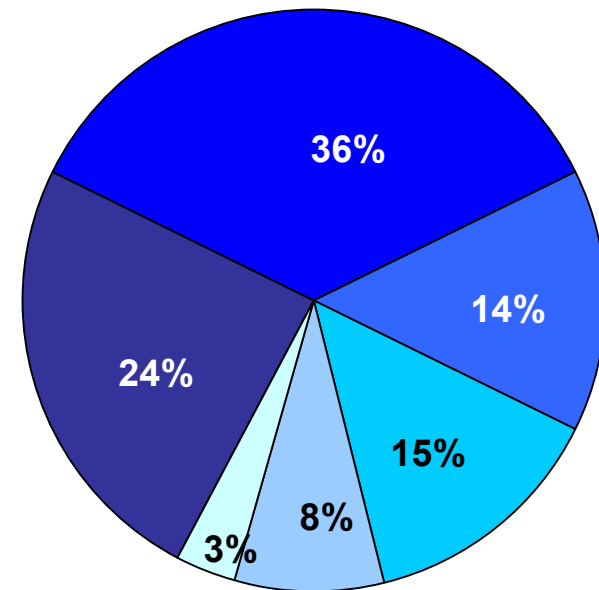
Fixed Business Revenues Breakdown

CZK 25.97 bn



9M 2004

CZK 23.96 bn



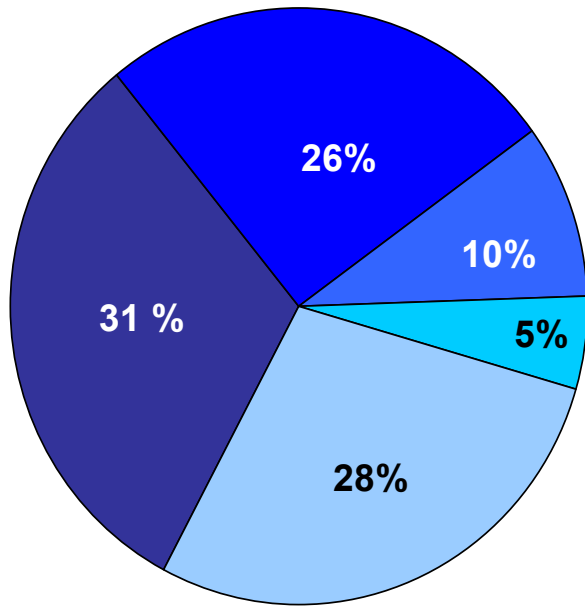
9M 2005

- Communications traffic revenues (-24%)
- Subscription and connection charges (-6%)
- Rev. from operators (+24%)
- Internet, data, VAS and other serv. (+23%)
- Leased circuits (-4%)
- Other (-51%)

Note: Other include equipment sales and sales of material and other revenues

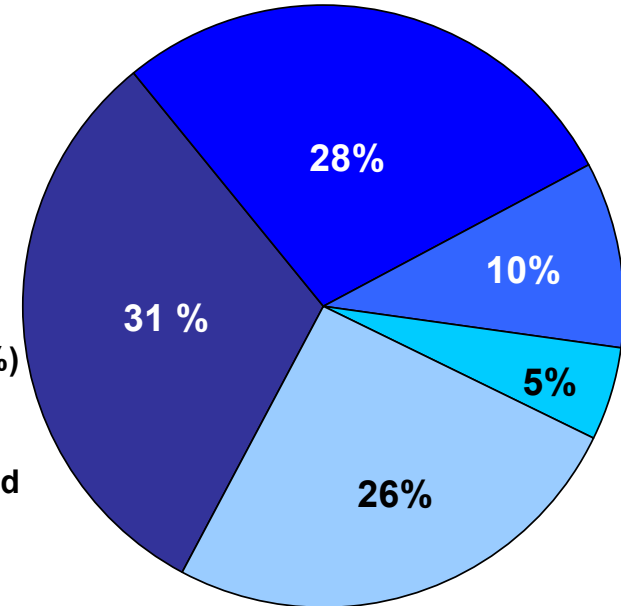
Fixed Business Operating Costs Breakdown

CZK 14.13 bn



9M 2004

CZK 13.58 bn



9M 2005

- Staff costs (-4%)
- Payments to operators (+5%)
- Repairs and maintenance (-1%)
- Material and energy consumed (-2%)
- Other (-13%)

Note: Other include equipment and material COS, commissions and subcontractors, marketing and sales, operating leasing, consultancy and other costs

Fixed Business Operational Performance

| | 30/9/2004 | 30/9/2005 | yoy |
|--|--------------|--------------|--------------|
| Fixed Lines (x '000) | 3,410 | 3,189 | (7%) |
| Total data customers (x '000) ¹⁾ | 554 | 678 | 22% |
| of which ADSL connections | 61 | 221 | 262% |
| Internet customers (x '000) ²⁾ | 978 | 1,171 | 20% |
| Fixed-line employees ³⁾ | 9,228 | 7,780 | (16%) |
| Lines / fixed line employee | 371 | 412 | 11% |

Note: 1) ISDN channels plus ADSL connections

2) Paid access (IOL), free access (Quick.cz) and Internet Express (ČESKÝ TELECOM)

3) Number of employees for ČESKÝ TELECOM only, i.e. without minor subsidiaries and without Eurotel

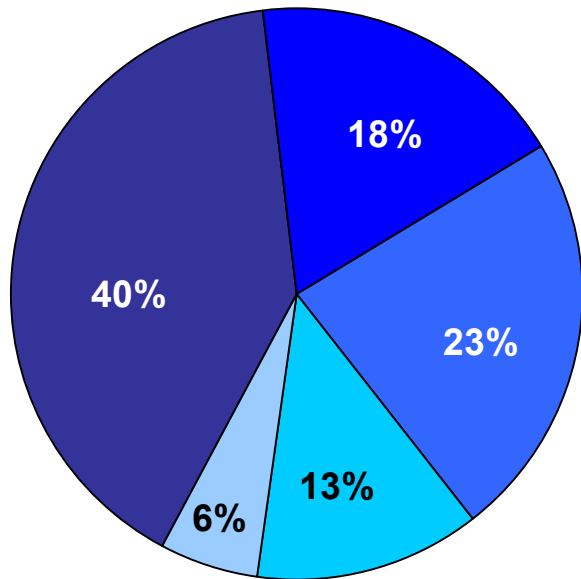
Mobile Business Financial Performance

| <i>(CZK mil)</i> | 9M 2004 | 9M 2005 | yoy |
|----------------------|--------------|--------------|--------|
| Revenues | 21,938 | 22,183 | 1.1% |
| OPEX | (11,345) | (11,782) | 3.9% |
| EBITDA | 10,593 | 10,401 | (1.8%) |
| <i>EBITDA margin</i> | <i>48.3%</i> | <i>46.9%</i> | |

Note: Data are for Eurotel, i.e. before consolidation and shareholding adjustments between fixed and mobile segments. All data are according to IFRS.

Mobile Business Revenues Breakdown

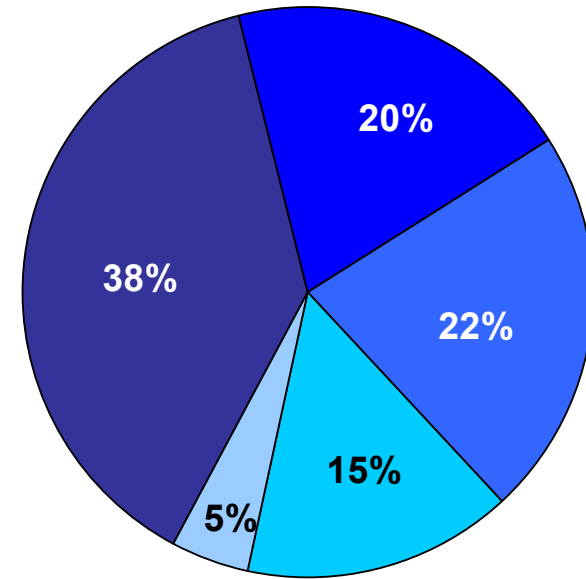
CZK 21.94 bn



9M 2004

- Communications traffic revenues (-4%)
- Subscription and connection charges (+9%)
- Rev. from operators (-3%)
- SMS, MMS, Internet, data and VAS (+21%)
- Other (-20%)

CZK 22.18 bn

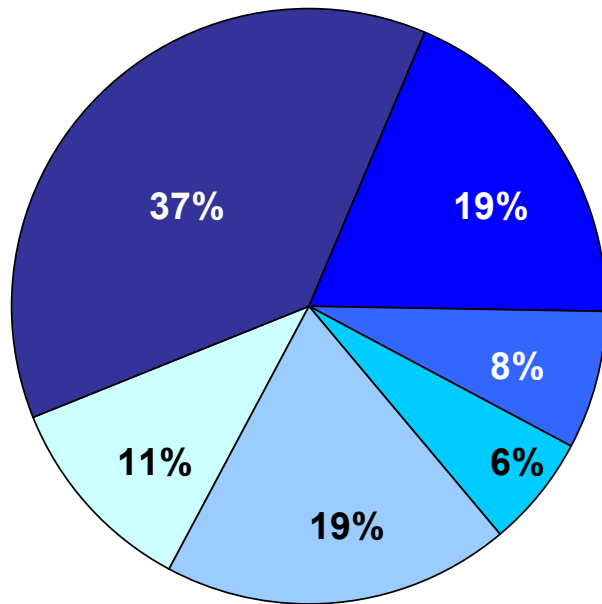


9M 2005

Note: Other include equipment sales and sales of material and other revenues

Mobile Business Operating Costs Breakdown

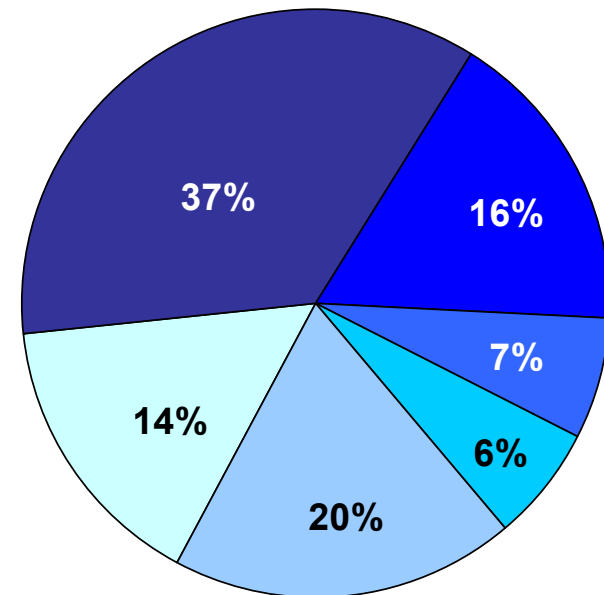
CZK 11.35 bn



9M 2004

- Staff costs (+33%)
- Payments to operators (+3%)
- Equipment and material cost of sales (-10%)
- Marketing and sales (-12%)
- Repairs and maintenance (+3%)
- Other (+9%)

CZK 11.78 bn



9M 2005

Note: Other include commissions and subcontractors, material and energy consumed, operating leasing, consultancy and other costs

Mobile Business Operational Performance

| | 30/9/04 | 30/9/05 | yoy |
|--|---------|---------|-------------|
| No of registered customers (x '000) ¹⁾ | 4,162 | 4,489 | 8% |
| of which postpaid (x '000) | 957 | 1,311 | 37% |
| Total flat fee data customers (x '000) ²⁾ | 69 | 121 | 75% |
| of which CDMA customers (x '000) | 12 | 54 | <i>n.m.</i> |
| ARPU blended (CZK) ¹⁾ | 527 | 508 | (4%) |
| Average MOU blended (in&outbound) ¹⁾ | 89 | 90 | 1% |
| Total no. of SMS (x '000 000) | 1,682 | 1,832 | 9% |

Note: 1) Based on new methodology of pre-paid customers counts

2) Total flat fee GPRS/EDGE and CDMA customers



Strategic Outlook

- **Interaction of ČESKÝ TELECOM with Telefónica Group to enhance all aspects of commercial and operational performance**
- **Service convergence and process and structure optimization with Eurotel as part of fixed/mobile convergence strategy**
- **Maintaining its market positions as a leading provider of full range of voice, data & broadband services on the Czech market**
- **Maintaining strong EBITDA margin and FCF generation**
- **Strong emphasis on innovation leadership**
 - Commercial launch of full scale UMTS network
 - IPTV to be launched in 2006
 - Potential participation in E-toll project
 - Voice over IP platform gradual roll-out to commence in 2006
 - Further enhancement of broad range of IP based services
 - Systems integration comprising telco/IT services

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