

# ČESKÝ TELECOM

## 2005 First Quarter Results

Investor Conference Call



Gabriel Berdár, Chairman of the BoD and CEO  
Juraj Šedivý, 1<sup>st</sup> Vice Chairman of the BoD and CFO  
Michal Heřman, Member of BoD and CEO of Eurotel



April 27, 2005

## 2 CAUTIONARY STATEMENT

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

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

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## Q1 2005 Summary Highlights

- Continuous strong growth of broadband Internet and data revenues
- Total number of broadband (Internet Expres and Eurotel Data Expres) customers grew to 170 thousands
- Internet Expres coverage of 90% of all fixed lines and Eurotel Data Expres coverage of 80% of population
- Introduction of upgraded tariff offers in the fixed line segment
- Introduction of new tariff structure in the mobile segment
- EBITDA margin sustained highly above industry average

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## Q1 2005 Financial Highlights

### Consolidated Earnings – strong on cash & low debt

- Consolidated revenues of CZK 14.7bn, down 2.2% yoy
- Consolidated OPEX of CZK 7.7bn, up by 3.5% yoy
- EBITDA margin of 47%
- Net Income of CZK 1.57bn, up by 12% yoy
- Free Cash Flow of CZK 3.9bn, up by 15% yoy
- CAPEX of CZK 711m or 5% of revenues, down by 34% yoy
- Net Leverage reduced further to 23%

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## Q1 2005 Fixed-line Business Highlights

- Continuous decline in fixed line revenues (by -6.2% yoy or CZK 526m ) and no. of fixed lines lines (-6.1% yoy) down by 214 ths lines
- Continued shift among revenue streams away from traffic (26% of total revenues), towards subscription (36%) and Internet, data & VAS (13%)
- Growth in Internet, data and VAS revenues accelerated to 26% yoy (compared to 16% in Q1 04)
- Increased emphasis on cost discipline
  - OPEX maintained flat (-0.3% yoy),
  - Fixed lines per employee ratio up 17.6% yoy - on the back of 20% headcount reduction
- EBITDA margin in the fixed segment maintained at strong 45%

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## Q1 2005 Mobile Business Highlights

- Sustained growth in number of customers (+ 9% yoy)
- Successful acquisition of post-paid customers – up by 19% yoy
- Total mobile revenues at CZK 7bn, down 1% yoy, amid highly competitive market
- EBITDA margin sustained at strong 47%
- Internet, data & VAS revenues
  - **the fastest growing revenue stream - up by 15% yoy**
  - **15.4% of total mobile revenues**
- 105 thousand data customers, of which 43 broadband customers

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## Leading the Czech Broadband Market



### *Internet Expres* (fixed broadband ADSL technology)

- 126,741 ADSL connections as at March 31, 2005
- weekly orders of new broadband connections - nearly 3,000
- 80% market share on the broadband market
- 82% market share on total new orders
- 90% coverage of all fixed lines with ADSL technology

### *Eurotel Data Expres*

### *Eurotel Data Expres* (mobile broadband CDMA technology)

- The only mobile broadband Internet service on the Czech market  
43,000 customers as at March 31, 2005
- Weekly orders of new broadband connections - nearly 1,500
- 80% of Czech population covered with CDMA technology

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## New Internet & Data Products

### Growing new markets, creating the demand

*Eurotel Data Speed* – First fixed-mobile product bundle on the Czech market

- bundles mobile voice with fixed broadband Internet access
- launched by Eurotel in January 2005

*Internet Expres Hit & Optimal* – new ADSL broadband products

- launched by ČESKÝ TELECOM in March and January 2005
- accounts for 90% of total retail orders of ČESKÝ TELECOM's broadband

*Internet for Everyone* (mobile high-speed Internet access)

- launched by Eurotel in April 2005
- four new products – Internet Mobile, Home, Business and Kombi
- based on CDMA, GPRS and EDGE technologies



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## Regulatory and Shareholders Issues

### Regulatory Environment

- CTO's Chairman confirmed for the next 2 years
- Interconnection charges to mobile networks reduced by 3% to CZK 3.11 as of April 1, 2005
- CTO announced a new pricing decision on voice tariffs, LLU and SUAL (ADSL wholesale) on April 25, 2005 – new tariff structure to be announced on April 28, 2005

### Shareholders' Issues

- Dividend from Eurotel to CTc of CZK 3 bn to be paid by July 15, 2005
- Government's 51.1% stake to be purchased by Telefonica for CZK 82.6bn (CZK 502 per share)
- Acquisition by Telefonica expected to be completed after EC approval

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## Consolidated Income Statement

<i>(CZK mil.)</i>	Q1 2004	Q1 2005	YoY
<b>Revenues</b>	<b>15,030</b>	<b>14,700</b>	<b>(2.2%)</b>
OPEX	(7,456)	(7,719)	3.5%
<b>EBITDA</b>	<b>7,574</b>	<b>6,981</b>	<b>(7.8%)</b>
<b><i>EBITDA margin</i></b>	<b>50%</b>	<b>47%</b>	
Depreciation & Amortisation	(5,216)	(4,698)	(9.9%)
<b>EBIT</b>	<b>2,358</b>	<b>2,283</b>	<b>(3.2%)</b>
EBT	1,598	2,159	35.1%
<b>Net Income</b>	<b>1,399</b>	<b>1,568</b>	<b>12.1%</b>

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

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## Consolidated Balance Sheet

<i>(CZK mil.)</i>	<b>Q1 2004</b>	<b>Q1 2005</b>	<b>YoY</b>
Fixed assets	135,283	119,973	(11.3%)
Current assets	15,356	11,351	(26.1%)
- Cash & cash eq.	4,595	1,459	(68.2%)
<b>Total assets</b>	<b>150,639</b>	<b>131,324</b>	<b>(12.8%)</b>
<b>Total Equity</b>	<b>91,516</b>	<b>91,783</b>	<b>0.3%</b>
- Share capital	32,209	32,209	0.0%
- Reserves	59,300	59,569	0.5%
<b>Liabilities</b>	<b>59,123</b>	<b>39,541</b>	<b>(33.1%)</b>
- Loans & overdrafts	41,621	22,199	(46.7%)
<b>Gross gearing</b>	<b>45%</b>	<b>24%</b>	
<b>Net gearing</b>	<b>40%</b>	<b>23%</b>	

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

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## Consolidated Cash Flow Statement

<i>(CZK mil.)</i>	Q1 2004	Q1 2005	Yoy
Interest paid	(30)	(47)	56.7%
Income tax paid	(728)	(634)	(12.9%)
<b>Net cash from operating activities</b>	<b>5,295</b>	<b>5,455</b>	<b>3.0%</b>
<b>Net cash from investing activities</b>	<b>(1,937)</b>	<b>(1,466)</b>	<b>(24,3%)</b>
- purchase/disposal of PPE	(1,941)	(1,286)	(-33.7)
- purchase of intangible assets	(12)	(322)	n.m.
- purchase of financial investments	0	0	0%
- marketable securities	0	125	n.m.
- interest received	16	17	6.3%
Free cash flow I <sup>1)</sup>	3,358	3,864	15.1%
Free cash flow II <sup>2)</sup>	3,372	3,894	15.5%
<b>Net cash from financing activities</b>	<b>(3,922)</b>	<b>(3,093)</b>	<b>(21.1%)</b>

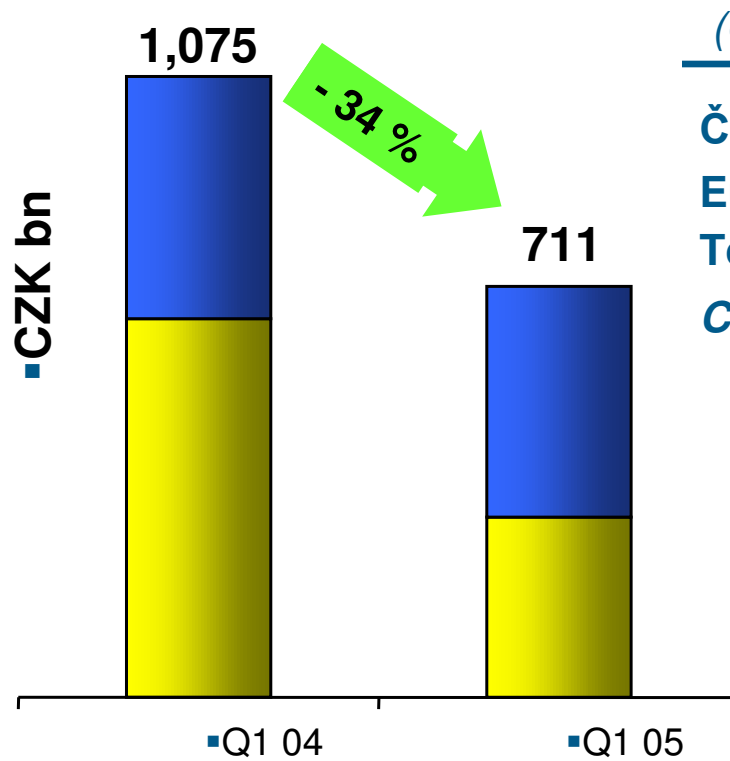
*Note: Data are fully consolidated with 100% of Eurotel and according to IFRS.*

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

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

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# Consolidated CAPEX



(CZK mil)	Q1 04	Q1 05	YoY
ČESKÝ TELECOM	421	400	(5%)
Eurotel	654	311	(52%)
<b>Total CAPEX</b>	<b>1,075</b>	<b>711</b>	<b>(34%)</b>
<i>CAPEX/Revenues</i>	<i>7%</i>	<i>5%</i>	

■ ČESKÝ TELECOM

■ Eurotel

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

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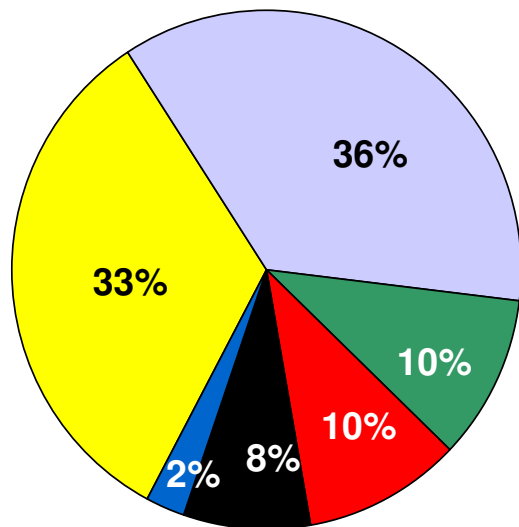
# Fixed Business Financial Performance

<i>(CZK mil)</i>	Q1 2004	Q1 2005	YoY
Revenues	8,516	7,990	(6.2%)
OPEX	(4,373)	(4,362)	(0.3%)
EBITDA	4,143	3,628	(12.4%)
<i>EBITDA margin</i>	49%	45%	

*Note: Data are for Cesky 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

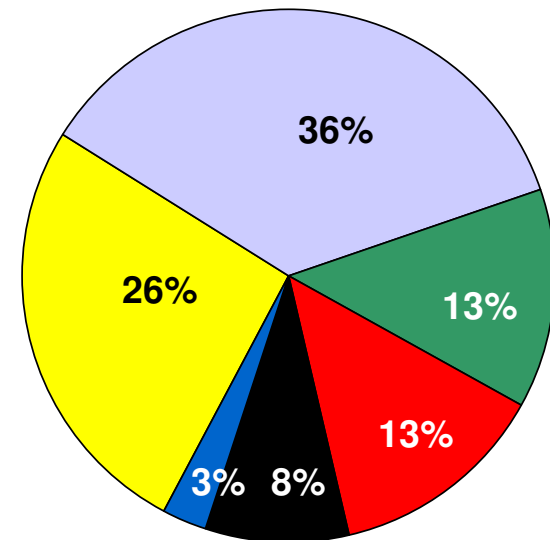
CZK 8.52 bn



Q1 2004

- Communications traffic revenues (-26%)
- Subscription and connection charges (-6%)
- Rev. from operators (+20%)
- Internet, data, VAS and other serv. (+26%)
- Leased circuits (-3%)
- Other (+11%)

CZK 7.99 bn

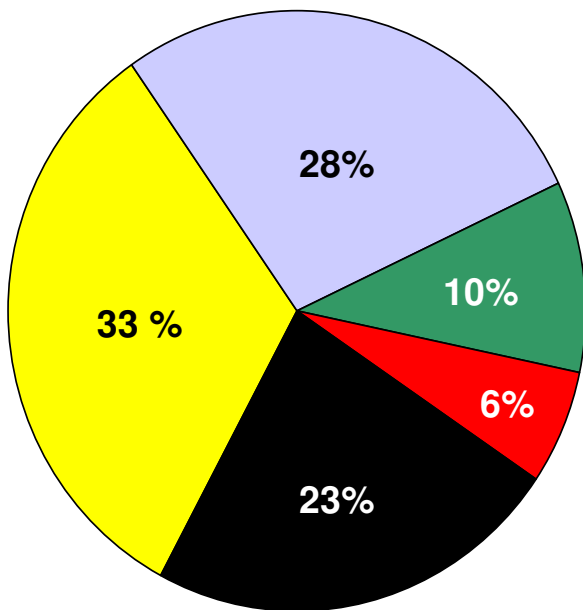


Q1 2005

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

# Fixed Business Operating Costs Breakdown

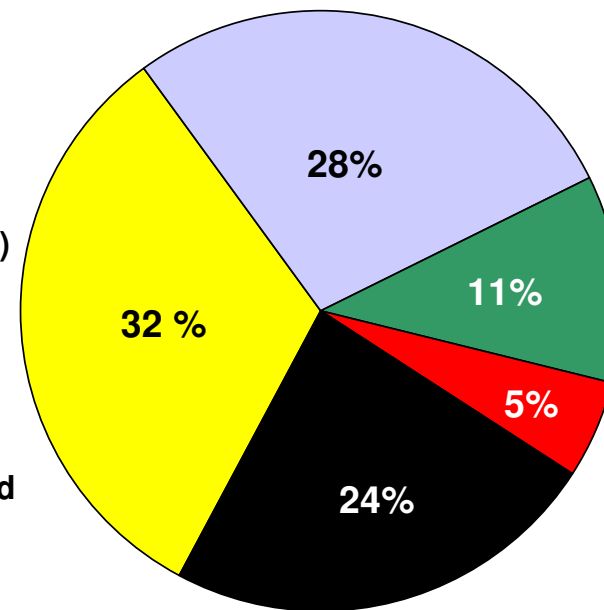
CZK 4.37 bn



Q1 2004

- Staff costs (-2%)
- Payments to operators (+0.2%)
- Repairs and maintenance (+9%)
- Material and energy consumed (-13%)
- Other (+0.5%)

CZK 4.36 bn



Q1 2005

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



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# Fixed Business Operational Performance

	Q1 2004	Q1 2005	YoY
Fixed Lines (x '000)	3,521	3,307	(6%)
Total data customers (x '000) <sup>1)</sup>	509	608	19%
of which ADSL connections	20	127	533%
Internet customers (x '000) <sup>2)</sup>	883	1,075	22%
Fixed line employees	10,799	8,624	(20%)
Lines / fixed line employee	326	383	18%

Note: 1) ISDN channels plus ADSL connections

2) Paid access (IOL), free access (Quick.cz) and Internet Express (Český Telecom)

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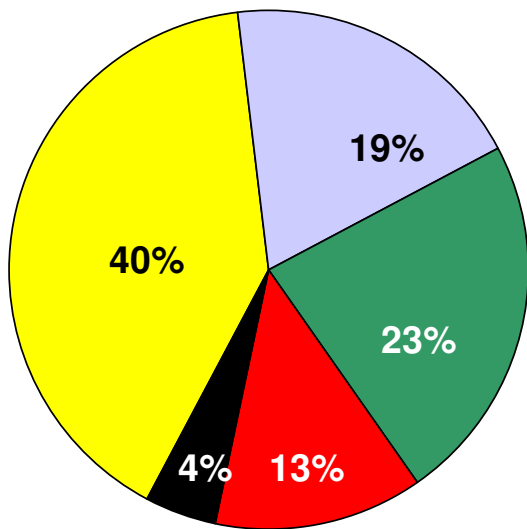
# Mobile Business Financial Performance

<i>(CZK mil)</i>	Q1 2004	Q1 2005	YoY
Revenues	7,086	7,014	(1.0%)
OPEX	(3,525)	(3,715)	5.4%
EBITDA	3,561	3,299	(7.4%)
<i>EBITDA margin</i>	50%	47%	

*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

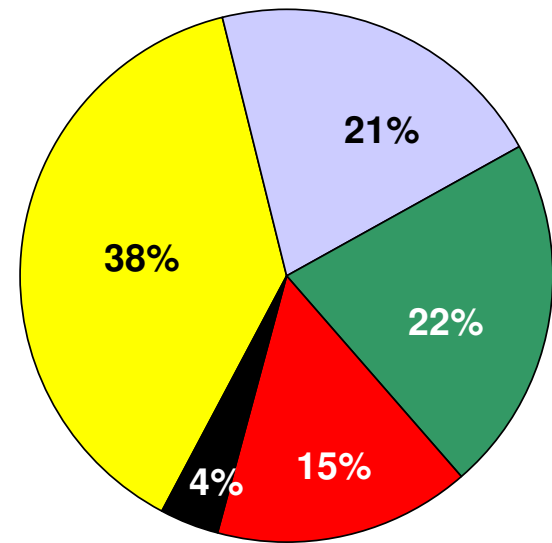
CZK 7.09 bn



Q1 2004

- Communications traffic revenues (-6%)
- Subscription and connection charges (+7%)
- Rev. from operators (-7%)
- SMS, MMS, Internet, data and VAS (+15%)
- Other (-15%)

CZK 7.01 bn

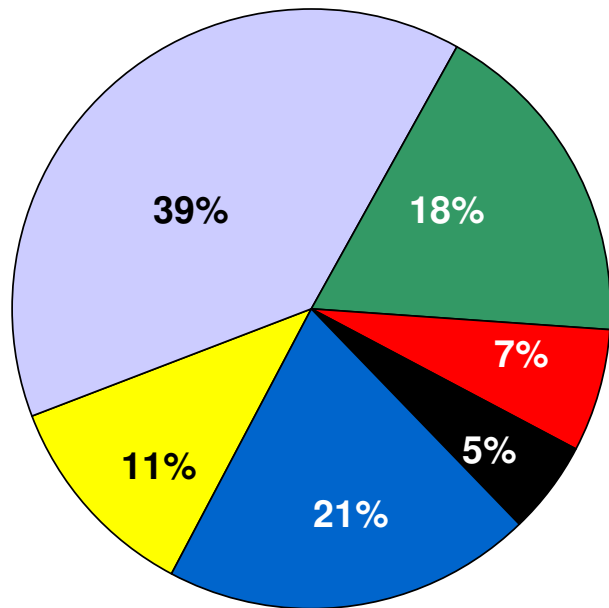


Q1 2005

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

# Mobile Business Operating Costs Breakdown

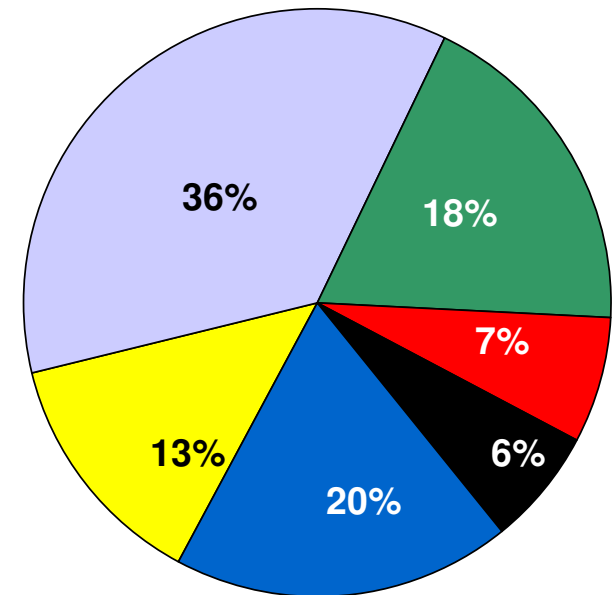
CZK 3.53 bn



Q1 2004

- Staff costs (+25%)
- Payments to operators (-3%)
- Equipment and material cost of sales (+9%)
- Marketing and sales (+11%)
- Repairs and maintenance (+32%)
- Other (-1%)

CZK 3.72 bn



Q1 2005

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

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# Mobile Business Operational Performance

	Q1 04	Q1 05	YoY
No of registered customers (x '000)	4,283	4,664	9%
Total flat fee data customers (x '000) <sup>1)</sup>	50	105	110%
of which CDMA customers (x '000)	0	43	<i>n.m.</i>
Total minutes (out & inbound)	1,050	1087	4%
Total no of SMS (x '000 000)	574	598	4%
Mobile business employees	2,448	2,496	2%
Customers / employee	1,750	1,869	7%

Note: 1) Total flat fee GPRS/EDGE and CDMA customers

- **Maintaining its market positions as a leading broadband provider**
- **Revenue retention initiatives in the fixed line segment as a result of new tariff structure**
- **Continuous focus on key revenue areas, EBITDA margin and strong free cash flow**
- **Preparation for IPTV commercial launch, IP platform roll-out and pilot launch of UMTS network**
- **Network outsourcing pilot project in progress**
- **Completion of privatization process**

## May 5 – 6, 2005

- Investor Conference, London

## June 23, 2005

- Annual General Meeting

## July 27, 2005

- Q2 2005 Earnings Announcement

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