



Telefónica O2 Czech Republic

Quarterly Results
January – September 2010

10th November, 2010

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.

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9M and 3Q 2010 Performance Highlights

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9M and 3Q 2010 performance highlights



- Full year guidance¹⁾ for OIBDA and CAPEX reiterated
- CZ mobile customers growth in 3Q 2010 driven by contract base (+36.7k)
- ADSL customer base grew by 11.3% y-o-y in 9M 2010, with 20.1k net adds in the quarter, best figure YTD
- CZ mobile revenues performance in 3Q 2010 ex-incoming (MTR) confirms stabilizing spend trends from previous quarter
- As expected, ICT revenues experienced a slowdown in 3Q 2010, due to lower number of projects for public sector
- Slovakia maintaining its trading momentum and improving financial performance – positive OIBDA in 3Q 2010
- Continuous efficiency agenda helped to maintain comparable OIBDA²⁾ at 44.0% in 9M 2010 (+0.1 p.p. y-o-y)
- OIBDA increased by 6.2% y-o-y in 9M 2010 due to one-off impairment reversal booked in 3Q, confirming our positive view of the fixed business

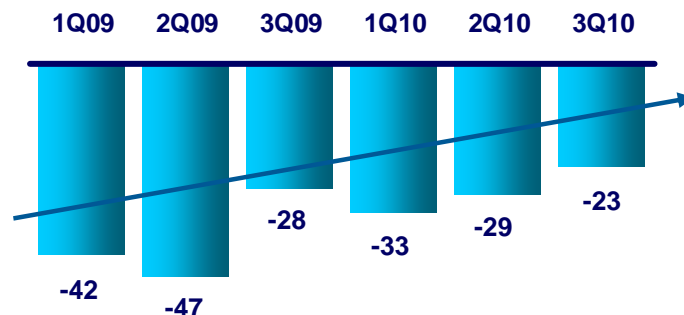
¹⁾ OIBDA: -5% to -9% ; OIBDA excludes brand fees, in addition, 2009 OIBDA base excludes non-recurring items (settlement with T-Mobile, universal service and gain from real estate sale) totaling CZK 1,548 million. CAPEX: ~ CZK 6 billion; 2010 Guidance excludes changes in consolidation and assumes constant FX rates of 2009.

⁴⁾ OIBDA excludes brand fees and non-recurring items (9M 2009: universal service, settlement with T-Mobile and gain from real estate sale totaling CZK 1,536 million, 9M 2010: universal service, restructuring costs and impairment reversal totaling CZK 3,937 million).

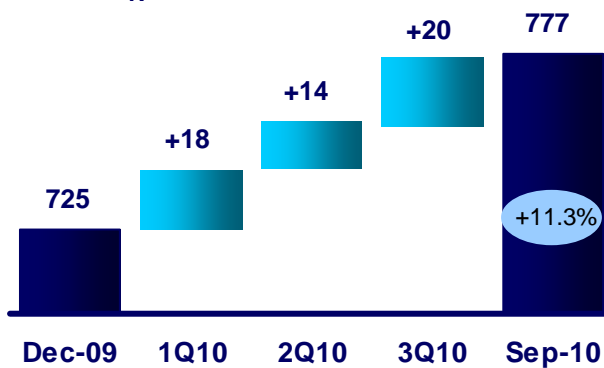
Fixed access' losses keep decelerating, while double-digit ADSL base growth maintained



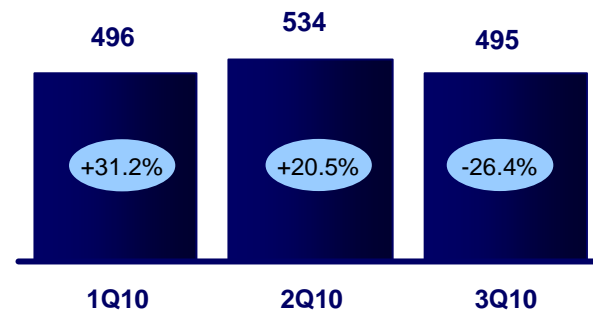
Fixed accesses (net losses)
(‘000)



ADSL
(‘000)



ICT revenues
(CZK million)



y-o-y change

- Broadband centric proposition still helping to decelerate fixed accesses' disconnections and maintain double-digit ADSL growth
- 1.7 million fixed accesses at the end of 3Q 2010, -5.8% y-o-y (voice lines: -13.3% y-o-y)
- Improved ADSL performance on the back of refreshed proposition; 20k net adds in 3Q 2010, best quarterly figure year-to-date in competitive environment
- Good customer experience maintained via low abandoned rate in consumer fixed call centers
- 3Q 2010 ICT revenues maintained at previous quarters level
- Year-on-year comparison impacted by cuts in public administration expenditures
- Similar magnitude expected also for 4Q 2010

Mobile spend continues to stabilize, while focusing on mobile BB networks deployment to secure future growth O₂

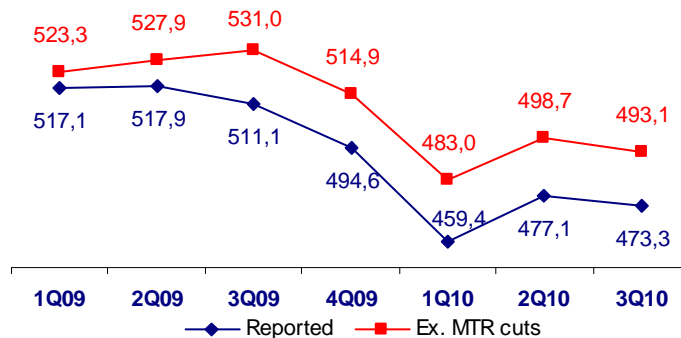
Mobile customers
(‘000)

y-o-y change



- In highly penetrated market we maintained customer growth driven by contract base (+115k¹⁾ in 9M 2010) on the back of success of O₂ NEON tariffs
- Improving customer mix - contract customers represented 58.0% of total base at 30 Sep 2010 (+2.3 p.p. y-o-y)

ARPU
(CZK per month)



- 3Q blended ARPU still impacted by MTR cuts (-7.4% y-o-y, down from -7.9% in 2Q and -11.2% in 1Q) still, while underline spend stabilizing (ex-MTR ARPU: -3.5% y-o-y in 3Q, -3.7% y-o-y in 2Q and -6.6% y-o-y in 1Q)

Mobile BB networks deployment

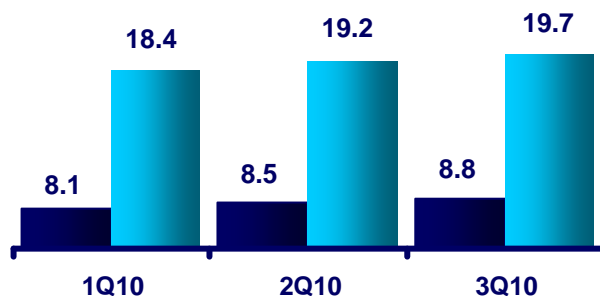
- Substantial expansion of mobile BB networks coverage during 2010:
 - EDGE: 98% in Oct 2010 (+85.5 p.p.)
 - 3G: 40% in Oct 2010 (+13.4 p.p.), well ahead of competition
- Indoor coverage of main cities and their surroundings vs. competitors covering just city centers
- Fastest average speed of mobile BB connection in the Czech Republic²⁾
- 3G network quality maintained at high levels
- Promising uptake of BB customers helping contract base growth

¹⁾ excluding adjustment for 111k inactive contract customers in 2Q 2010
²⁾ based on independent measurement by DSL.cz server

Slovakia – healthy ARPU and financial performance maintained on the back of continued customer growth

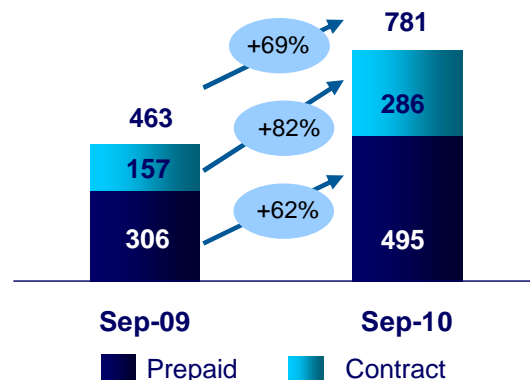


ARPU
(EUR per months)



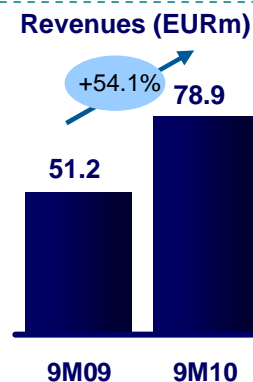
- New customer proposition for SME (“O₂ Moje Firma”) launched in 3Q to target higher value customers
- ARPU enhancement on the back of improved customer mix and non-SMS data uptake

Mobile customers¹⁾
(‘000)



- Continuous healthy customer growth maintained also in 3Q 2010 with 73k net adds (+57.4% y-o-y)
- Contract representing 36.7% of total customer base at 9M 2010 (+2.7 p.p. y-o-y)
- Improving customer loyalty: 3Q churn at 2.5% (-0.5 p.p. y-o-y)

Financials



- 54% y-o-y revenue growth in 9M 2010 driven by customer base increase, usage and improving customer mix
- Positive OIBDA in 3Q 2010, in line with communicated target

y-o-y change

¹⁾ Including resale partners



January – September 2010 Earnings Results

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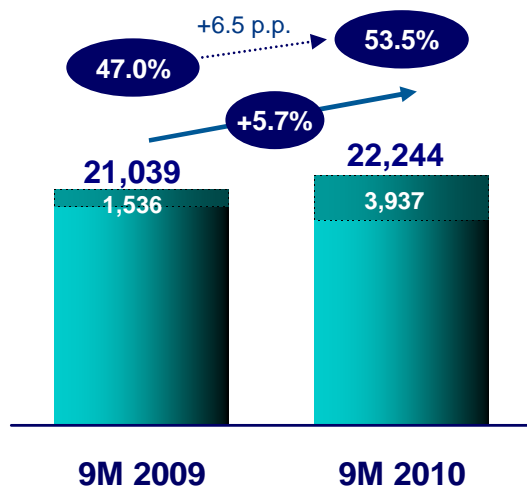


Key Highlights of Group Financial Performance

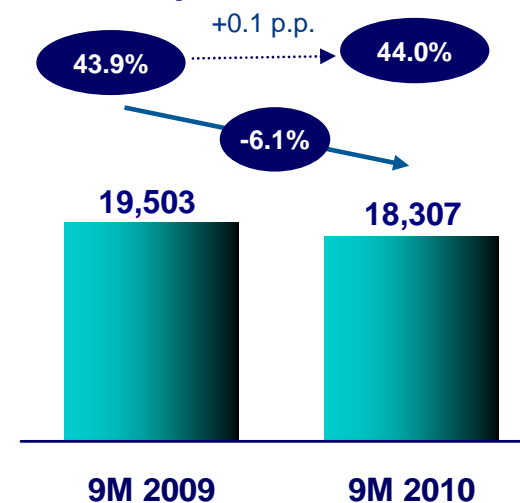


| CZK millions | Jan – Sep 2010 | Change 9M10/9M09 | Comparable change ¹⁾ 9M10/9M09 |
|---------------------------------------|----------------|---------------------|--|
| Business revenues | 41,597 | (7.0%) | (6.4%) |
| CZ Fixed | 18,255 | (8.9%) | (7.5%) |
| CZ Mobile | 21,444 | (8.4%) | |
| OIBDA before brand fees | 22,244 | +5.7% | (6.1%) |
| OIBDA margin before brand fees | 53.5% | +6.5 p.p. | 0.1 p.p. |
| OIBDA | 21,610 | +5.6% | (9.4%) |
| OIBDA margin | 52.0% | +6.2 p.p. | (1.4 p.p.) |
| Net Income | 10,366 | +16.5% | |
| EPS | 32.2 | +16.5% | |

OIBDA before brand fees



Comparable OIBDA²⁾

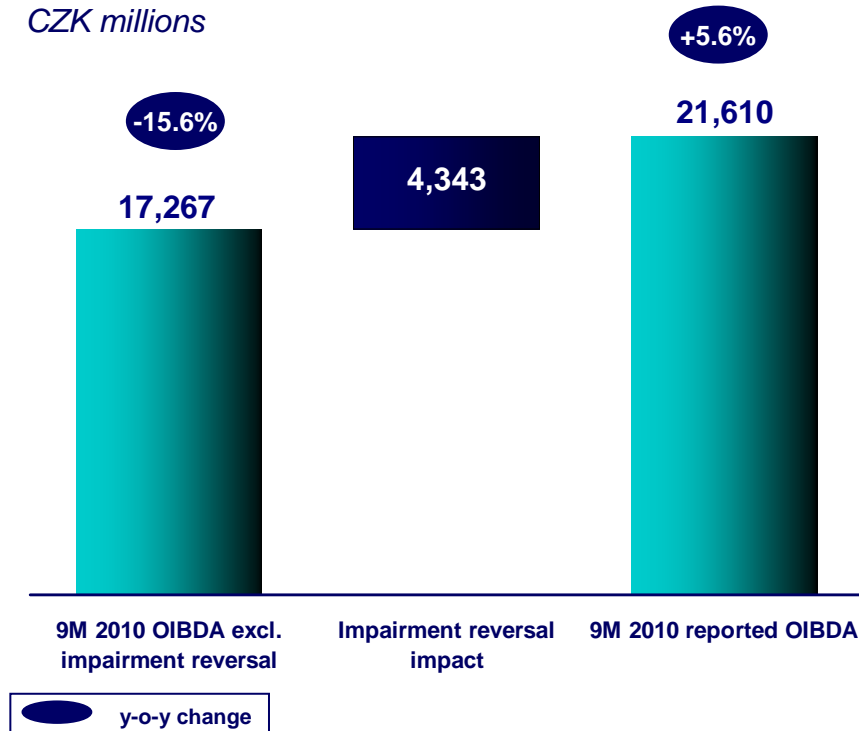


¹⁾ Revenues do not include universal service; OIBDA does not include non-recurring items (9M 2009: real estate sale, Universal Service and settlement agreement with T-Mobile totaling CZK 1,536 mil.; 9M 2010: Universal Service, restructuring costs and impairment reversal totaling CZK 3,937 mil.),

²⁾ OIBDA before brand fees, excluding non-recurring items and restructuring costs

Impairment reversal booked in 3Q confirms our positive **O₂** view of the fixed business

CZK millions



| | 9M 2010 reported | 9M 2010 excl. impairment reversal | Impairment reversal impact |
|-------------------|------------------|-----------------------------------|----------------------------|
| OIBDA | 21,610 | 17,267 | 4,343 |
| D&A | (8,610) | (8,468) | (142) |
| EBIT | 13,000 | 8,799 | 4,201 |
| Income tax | (2,478) | (1,680) | (798) |
| Net income | 10,366 | 6,964 | 3,402 |
| EPS | 32.2 | 21.6 | 10.6 |

2003

- CZK 9.9 billion impairment relating to fixed line operations (unfavorable market and regulatory environment)

2004 – 2009

- Regular impairment tests performed annually

2010

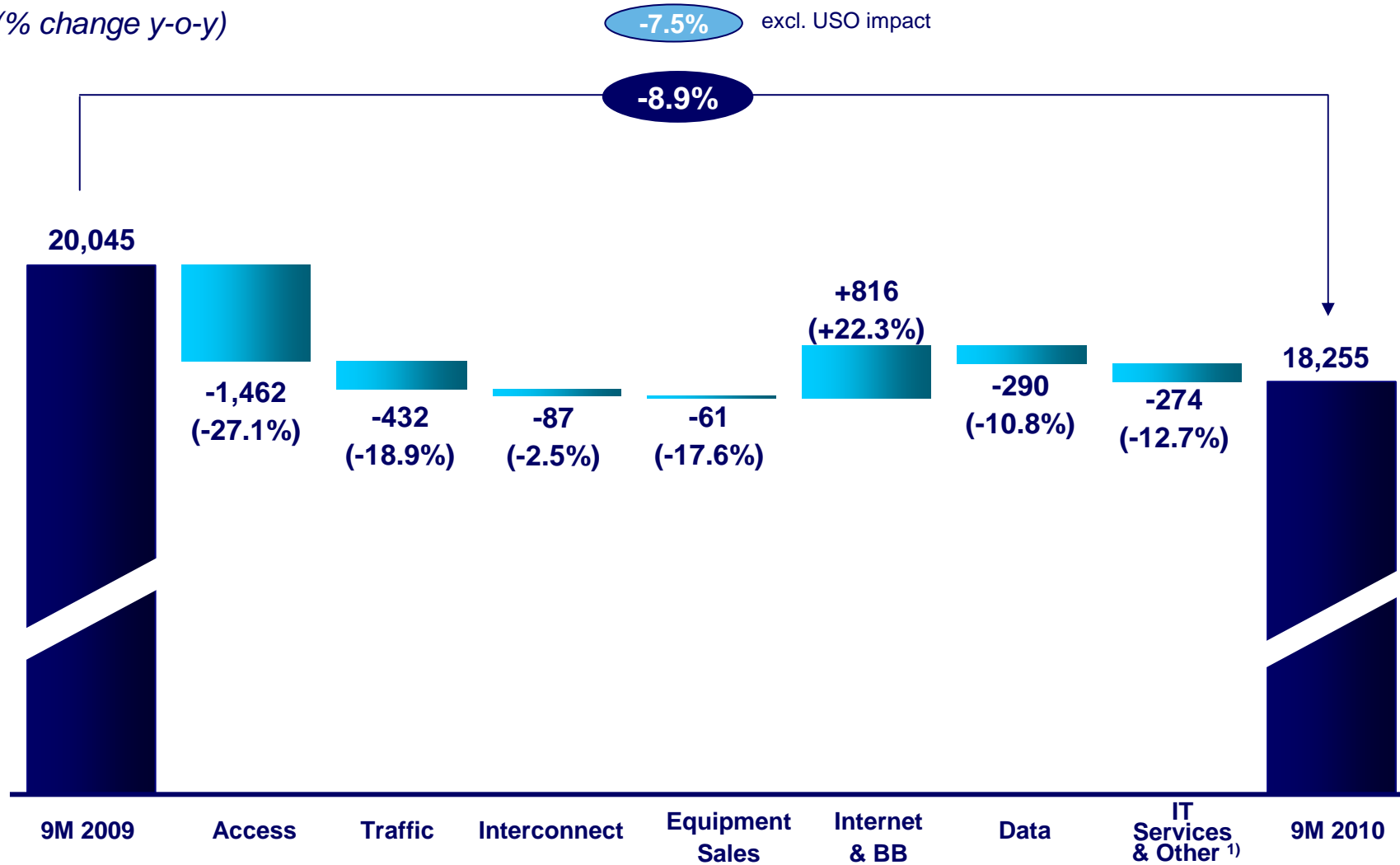
- Recent impairment test considered:
 - fixed business changes in last 6 years (BB and data focused, enhanced fixed network performance)
 - continuous fixed/mobile integration
 - positive business forecast
- Resulting into impairment reversal

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CZ Fixed Business Revenues – sources of variation



CZK millions
(% change y-o-y)

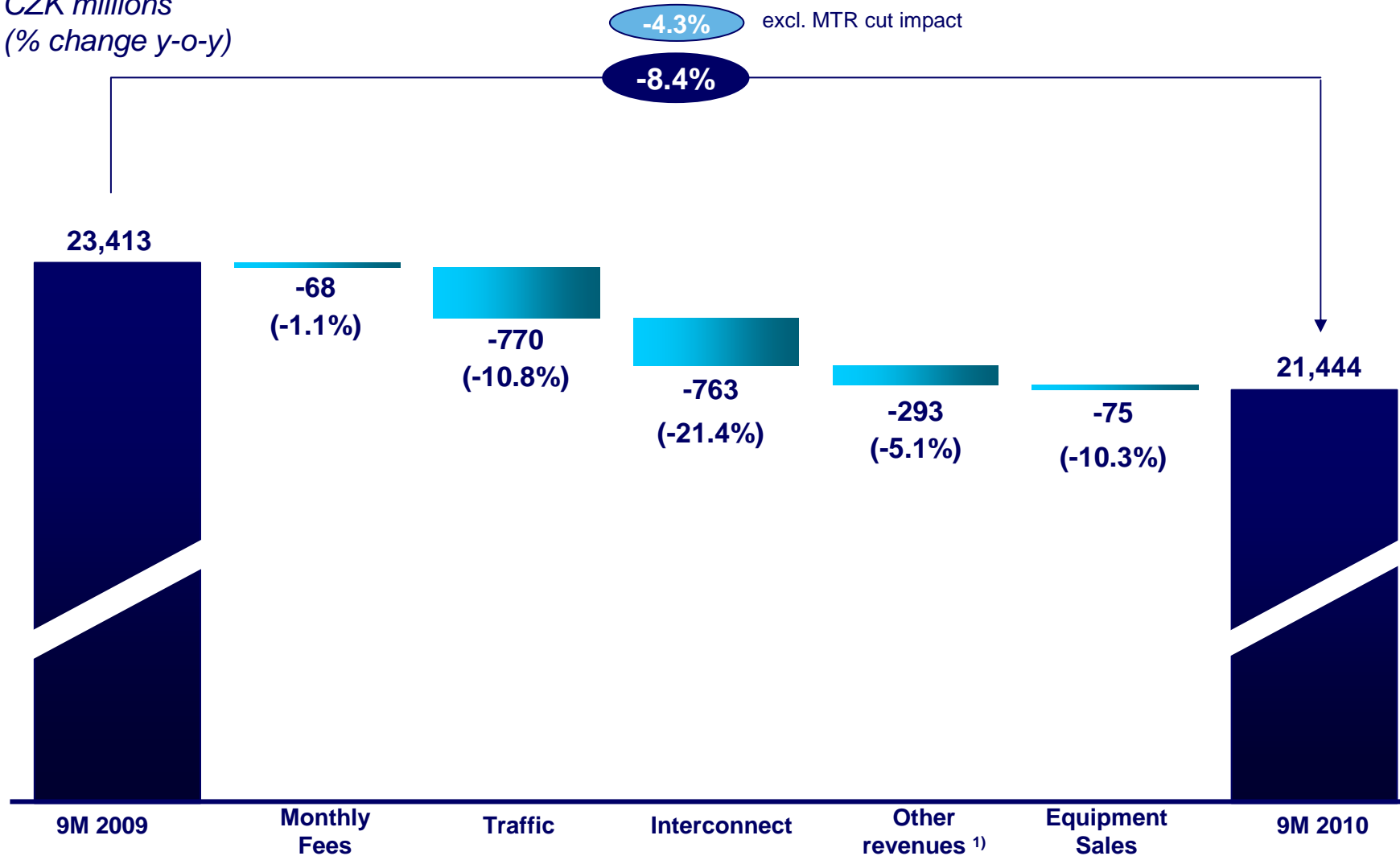


¹⁾ IT services and Other – incl. ICT, universal service and other revenues
Figures excluding inter-segment charges between fixed and mobile businesses

CZ Mobile Business Revenues – sources of variation



CZK millions
(% change y-o-y)



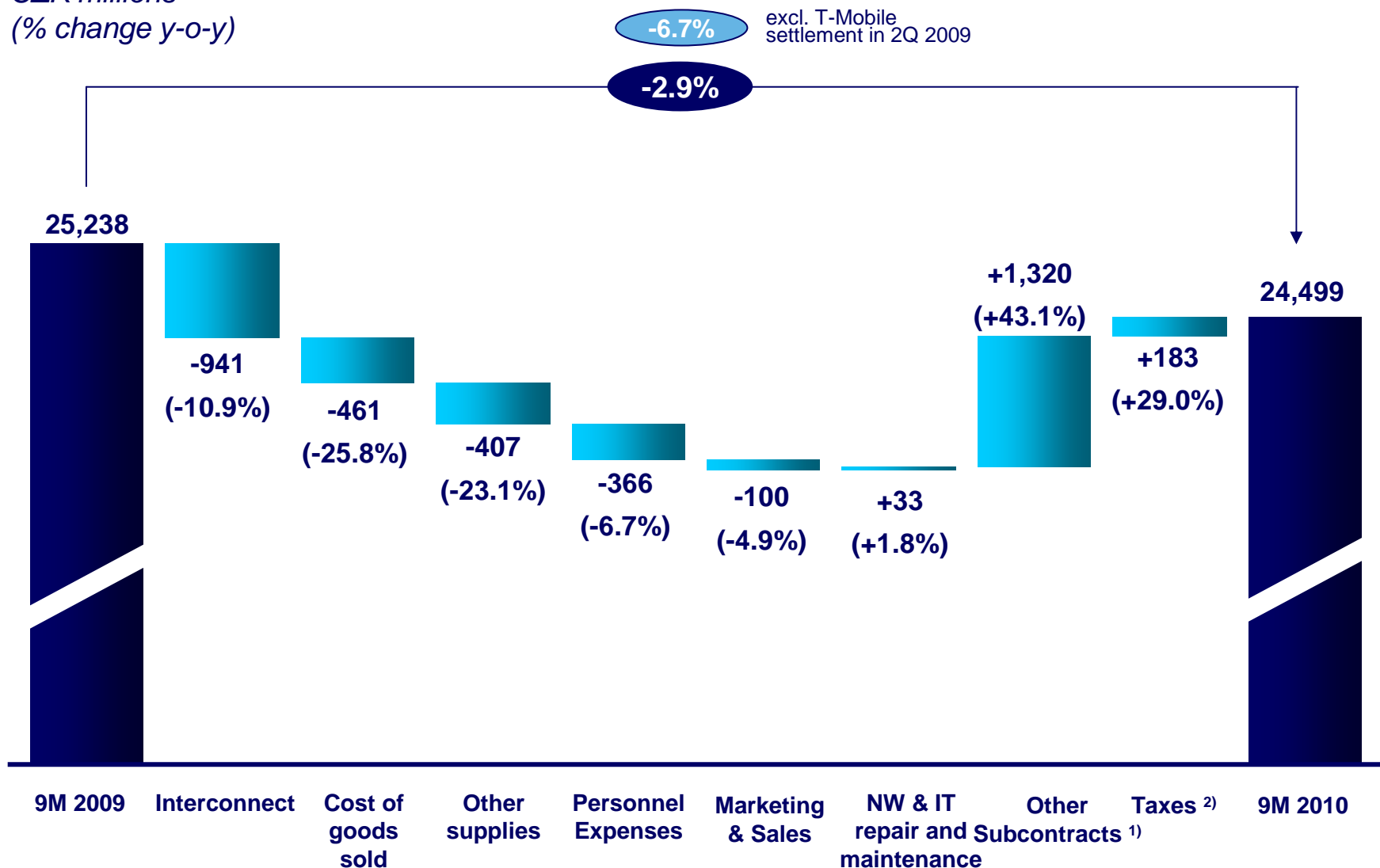
¹⁾ Other – incl. VAS, Internet & Data and Other revenues

Figures do not include inter-segment charges between fixed and mobile businesses

Group OPEX – sources of variation



CZK millions
(% change y-o-y)



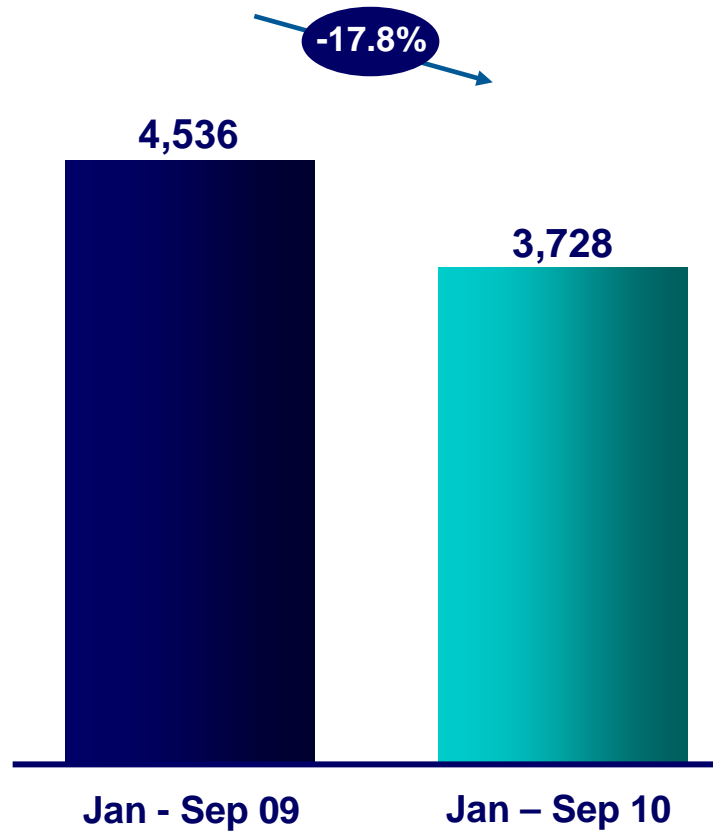
¹⁾ Other Subcontracts – incl. Rentals, Buildings, Vehicles, Consumables, Consultancy & Brand fees

²⁾ Taxes = taxes other than income taxes, provisions and fees

Group CAPEX – Focus on selective investments into core areas



CZK millions



- Continuous focus on selective and efficient investments to core areas
- Expansion of mobile broadband networks (EDGE and UMTS), fixed broadband network (ADSL and IPTV)
- Development of IT systems to improve processes, operational efficiency and consequently customer experience
- CAPEX to Revenues at 8.9% in 9M 2010, down by 1.2 p.p. y-o-y

Group Balance Sheet & Cash Flow Statement



| <i>CZK millions</i> | 31 Dec 2009 | 30 Sep 2010 | Change Sep10/Dec09 |
|--|---------------------------|---------------------------|-----------------------------|
| Non-current assets | 80,316 | 79,576 | (0.9%) |
| Current assets | 12,357 | 22,565 | 82.6% |
| - of which Cash & cash. Equiv. | 1,269 | 12,878 | n.a. |
| Total assets | 92,768 | 102,176 | 10.1% |
| Equity | 73,879 | 71,226 | (3.6%) |
| Non-current liabilities | 6,422 | 6,761 | 5.3% |
| - Long-term financial debt | 3,044 | 2,831 | (7.0%) |
| Current liabilities | 12,466 | 24,190 | 94.0% |
| - Short-term financial debt | 87 | 145 | 66.9% |
| | Jan – Sep 2009 | Jan – Sep 2010 | Change 9M10/9M09 |
| Cash flow from operations | 18,079 | 17,481 | (3.3%) |
| Dividends received | 5 | 3 | (25.0%) |
| Net interest and other financial expenses paid | (137) | (223) | 63.0% |
| Payment for income tax | (2,736) | (1,460) | (46.7%) |
| Net cash from operating activities | 15,210 | 15,802 | 3.9% |
| Proceeds on disposals of PPE and intangibles | 865 | 71 | (91.8%) |
| Payments on investments in PPE and intangibles | (7,233) | (4,254) | (41.2%) |
| Net cash used in investing activities | (6,368) | (4,183) | (34.3%) |
| Free cash flow | 8,842 | 11,619 | 31.4% |