



Q1 2006 Financial Results
April 27th, 2006



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Business Highlights

Q1 2006 Financial Results

Strategy Guidance



CAUTIONARY STATEMENT

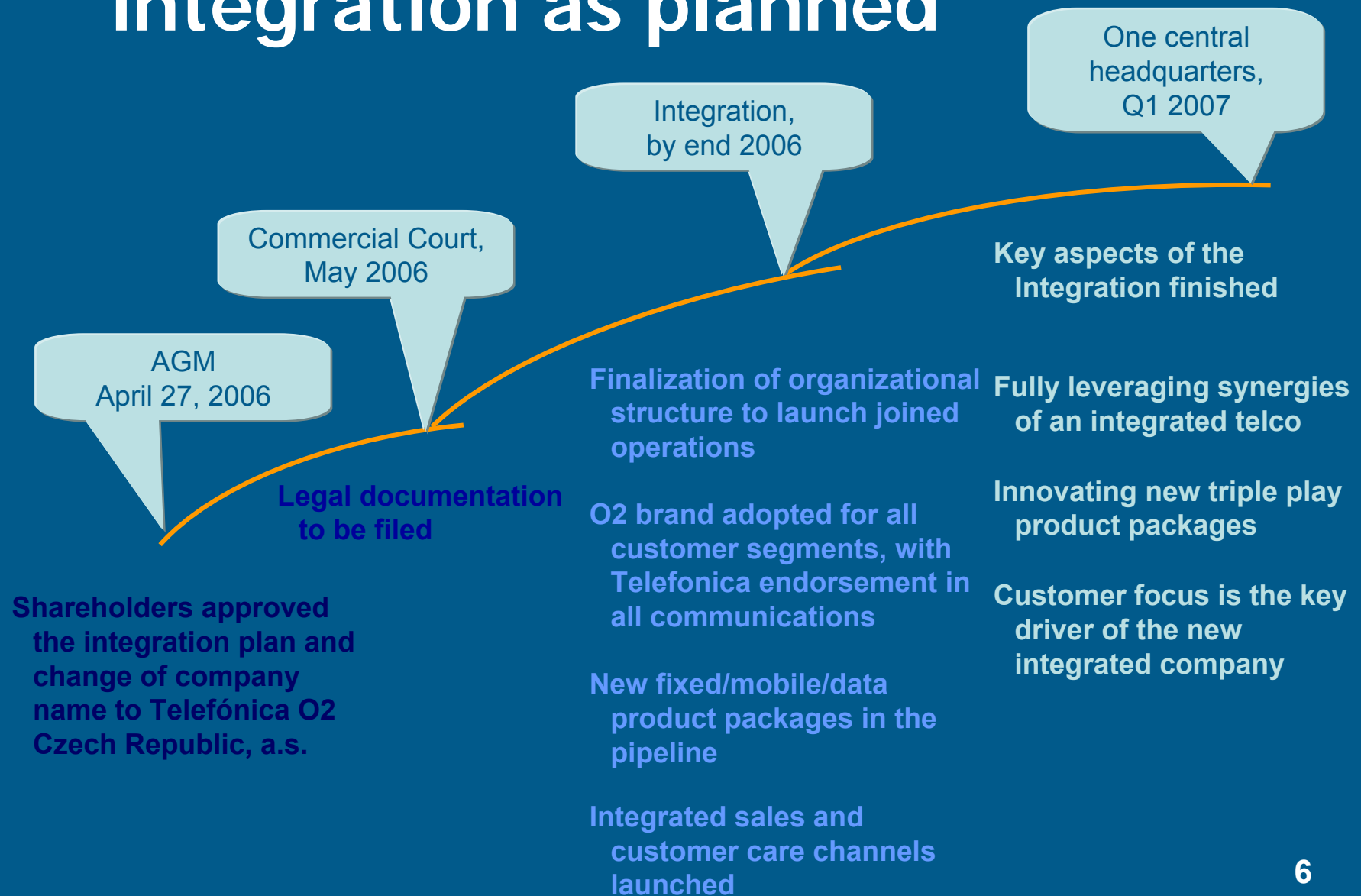
Any forward-looking statements concerning future economic and financial performance of ČESKÝ TELECOM, a.s. contained in this Presentation are based on assumptions and expectations of the future development of factors having material influence on the future economic and financial performance of ČESKÝ 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.

Q1 2006 Highlights

- ✓ Strong financial performance in Q1, further improvement in trends
- ✓ Significant acceleration of broadband customer growth yoy
- ✓ Successful mobile customer acquisition continued
- ✓ F/M integration process launched

1. We progress with fixed-mobile integration as planned





2. Fixed line

Broadband
New tariff offer

Broadband



337,946 ADSL connections as at end Q1

- ✓ Marketing campaign '4x Faster Internet' has kicked off our Q1 06 net adds by 150% yoy
- ✓ Average no. of weekly orders grew to 8,000
- ✓ Nearly 70,000 orders over two months

Introduced as at 1st Feb - by end April speed increased for 95% of customers

Broadband Internet in Q1 2006

167% yoy growth of ADSL customers
Q1 net adds as strong as in pre Christmas season



New Product Offer



New pricing for all residential tariffs prepared for implementation

- ✓ Rebalancing – higher monthly fees and lower per minute prices introduced in the course of April and May
- ✓ Traffic stimulation – flat-fee tariff Nonstop, one rate for local and long distance calls, lower rate to mobile networks (up to 28%)
- ✓ More transparent tariff portfolio
- ✓ More competitive pricing vis-a-vis CS, CPS



3. Mobile

Commercial Performance
UMTS / HSDPA



A perfect calling plan for everyone

Commercial Performance – Q1 Success

Customer base growth of 8.5% yoy

- ✓ Net adds of +19ths (Q1 06) vs. -68ths (Q1 05)

MNP launched as of January 15

- ✓ Net gainer in contract segment (successful offer)
- ✓ Minor net loss in prepaid segment but under control (new tariff portfolio)
- ✓ Financial impact negligible

New prepaid tariff portfolio launched April 3

- ✓ In order to replicate our successful strategy in contract segment

UMTS deployment & HSDPA launch



UMTS network roll-out continued as planned

- ✓ Initial coverage concentrating on major cities

HSDPA launch prepared for April 11

- ✓ Among the first 10 operators to launch this technology
 - increases data transmission speed in UMTS network up to 1.0 Mb/s
 - flat-fee tariff Internet Speed (with two-year contract a subsidised HSDPA card) for CZK 699

4. Regulation

Regulatory trend in line with EU based on analyses of relevant markets

- regulation of retail markets to be lessened
- continued regulation of wholesale markets
- ✓ **18 analyses of relevant markets - to be finished by end June of which 7 key ones in near future**
- ✓ **Regulation decision regarding price control expected by end April on**
 - termination and origination charges: small cut in both M&F
 - ULL (shared and full access monthly charges - SUAL, FUAL): moderate decrease

5. Synergies materialization

First wave of synergies resulting from being part of TEF Group already realized in Q1 06 for example in the areas of

- ✓ GSM, ADSL, IT and VAS infrastructure purchases
- ✓ rollout of IPTV and ADSL-based VAS (e-office)
- ✓ Insurance

Resulting mainly in capex and opex savings

6. Financial Highlights

Improved trend in fin. performance continued

Consolidated income shows growth
at all key levels

Group revenues up 0.5% yoy

Group OIBDA up 0.9% yoy

Group OIBDA margin at 49%

Operating income up 25%

Net income up 23% (EPS of CZK 25.5*)



Strategy

Strategy execution

- ✓ **Completion of the fixed and mobile integration according to the communicated schedule**
- ✓ **Delivery of the committed guidance – flat 2006 revenue and OIBDA vs. 2005**

Q1 2006 Financial Results



Consolidated Income Statement

<i>(CZK mil.)</i>	Q1 2005	Q1 2006	Y/Y Chg.
Revenues	14,756	14,825	0.5%
Internal expenses capitalized in FA	118	190	61.0%
OPEX	(7,715)	(7,777)	0.8%
Other operating expenses	(45)	(44)	<i>n.m.</i>
Gain on sale of fixed assets	13	15	15.4%
Impairment charge	-	(15)	<i>n.m.</i>
OIBDA	7,127	7,194	0.9%
<i>OIBDA margin</i> ¹⁾	48,5%	48,9%	0.4 p.p.
Depreciation & Amortisation	(4,706)	(4,173)	(11.3%)
Operating Income	2,421	3,021	24.8%
Income before taxes	2,297	2,935	27.8%
Net income	1,668	2,053	23.1%

Consolidated Balance Sheet

<i>(CZK mil.)</i>	31/03/05	31/03/06	Y/Y Chg.
Non-current assets	120,786	108,239	(10.4%)
Current assets	10,981	15,966	45.4%
- Cash & cash. Equiv.	1,396	3,590	157.2%
- Short term fin.investments	65	3,293	<i>n.m.</i>
Total assets	131,767	124,451	(5.6%)
Equity	90,460	97,032	7.3%
Non-current liabilities	23,844	17,721	(25.7%)
- Long-term financial debt	14,344	9,278	(35.3%)
Current liabilities	17,463	9,698	(44.5%)
- Short-term financial debt	8,501	326	(96.2%)
Gross gearing	25.3%	9.9%	
Net gearing	23.6%	2.8%	

Consolidated Cash Flow Statement

<i>(CZK mil.)</i>	Q1 2005	Q1 2006	Y/Y Chg.
Interest paid	(47)	-	<i>n.m.</i>
Interest received	17	21	23.5%
Income tax paid	(634)	(769)	21.3%
Net cash from operating activities	5,472	5,478	0.1%
Net cash from investing activities	(1,483)	(5,440)	266.8%
- purchase/disposal of PPE and intangibles	(1,608)	(2,143)	33.3%
- marketable securities	125	-	<i>n.m.</i>
- grant of loan	-	(3,297)	<i>n.m.</i>
Free cash flow I ¹⁾	3,864	3,335	(13.7%)
Free cash flow II ²⁾	3,894	3,314	(14.9%)
Net cash from financing activities	(3,093)	-	<i>n.m.</i>

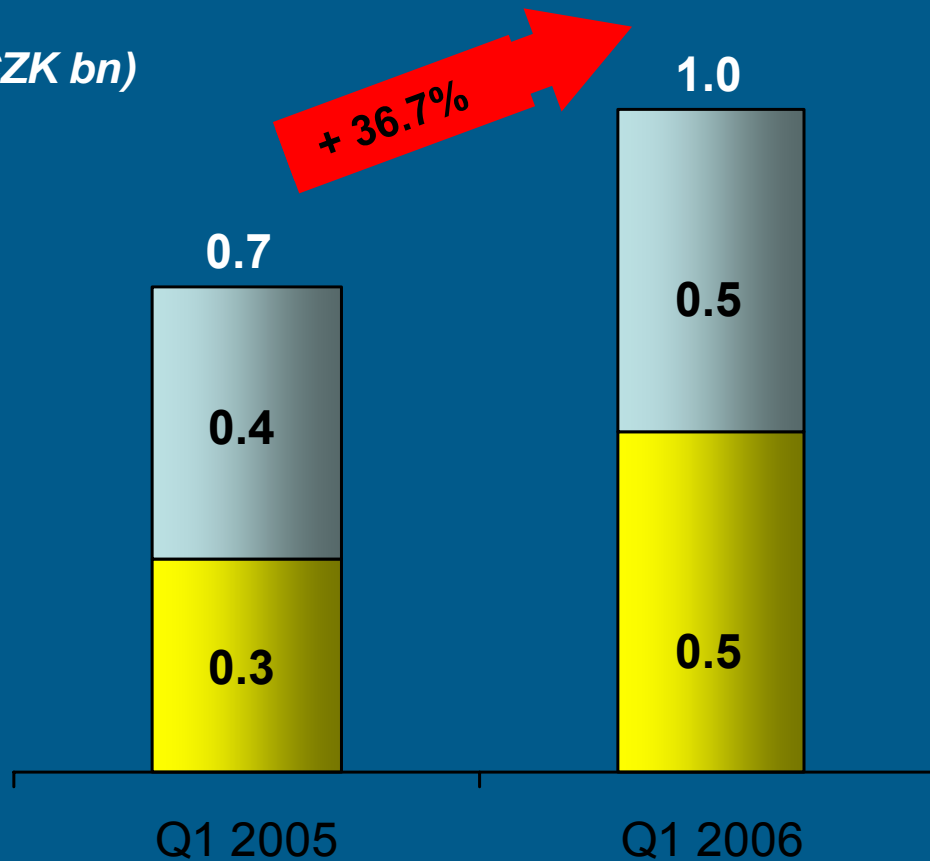
Note: Unaudited, according to IFRS

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

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

Consolidated CAPEX

(CZK bn)



Bulk of the investments in the growth areas

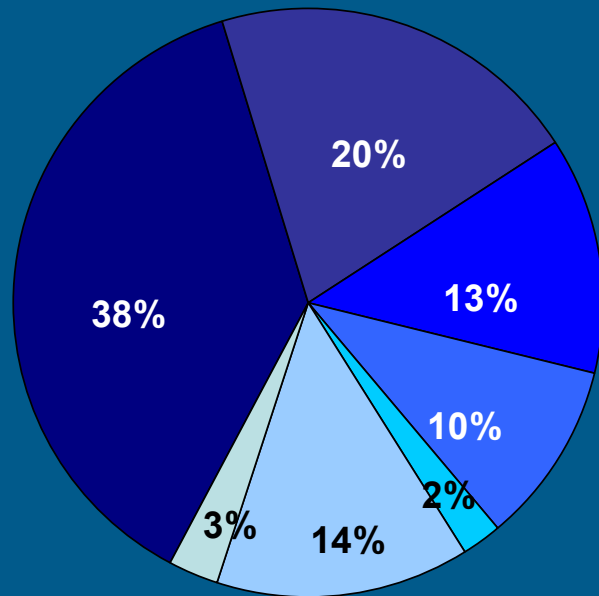
- ADSL advancement
- UMTS network

Fixed Line Business Financial Performance

<i>(CZK mil.)</i>	Q1 2005	Q1 2006	Y/Y Chg.
Revenues	8,052	7,653	(5.0%)
Internal expenses capitalized in FA	62	134	<i>n.m.</i>
OPEX	(4,263)	(4,151)	(2.6%)
Other operating expenses	(96)	(95)	<i>n.m.</i>
Gain on sale of fixed assets	13	14	7.7%
Impairment charge	-	(15)	<i>n.m.</i>
OIBDA	3,768	3,540	(6.1%)
<i>OIBDA margin</i> ¹⁾	47.2%	46.9%	

Fixed Line Business Business Revenues Breakdown

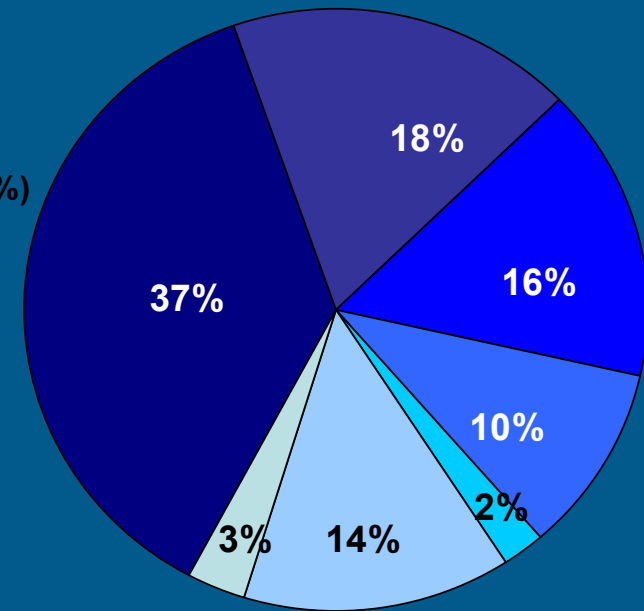
CZK 8.0 bn



Q1 2005

- Traditional Access (- 7%)
- Communication Traffic (- 16%)
- Interconnection (+ 13%)
- Internet & Broadband (- 1%)
- Equipment (- 11%)
- Data Services (- 5%)
- Other (- 5%) 1)

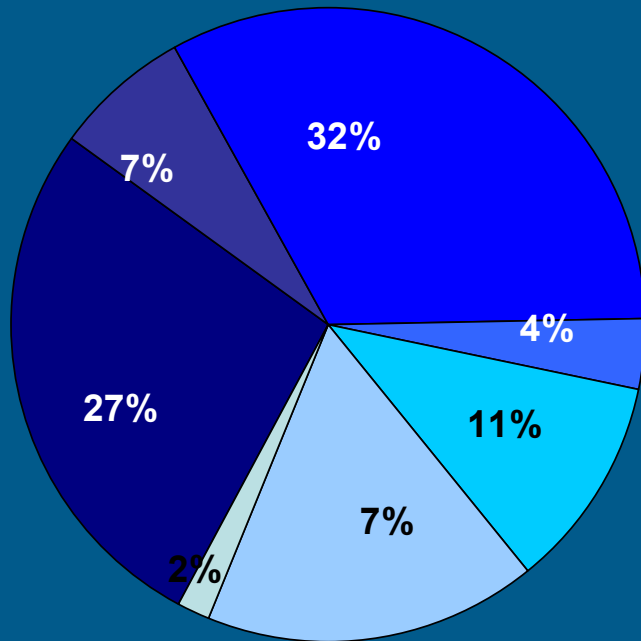
CZK 7.5 bn



Q1 2006

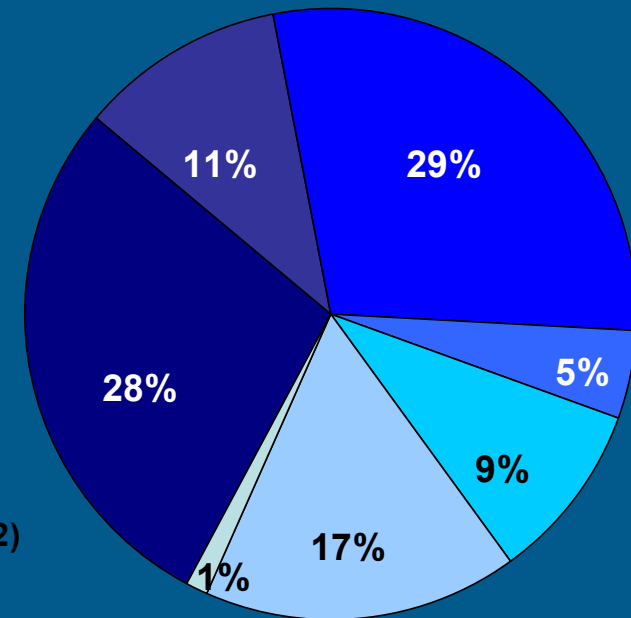
Fixed Line Business Operating Costs Breakdown

CZK 4.4 bn



Q1 2005

CZK 4.2 bn



Q1 2006

- Interconnection (+ 4%)
- Other Supplies (+ 54%) 1)
- Personnel Expenses (- 12%)
- Marketing and Sales (+ 32%)
- Network & IT repairs and maintenance (- 13%)
- Other subcontracts (- 32%) 2)
- Taxes (- 29%) 3)



Other Supplies = Cost of Goods Sold and Other Supplies
 Other Subcontracts = Rentals, Buildings and Vehicles, Utilities Supplies and Other Subcontracts
 Other than income tax; Including Provisions

Fixed Line Business Operational Performance

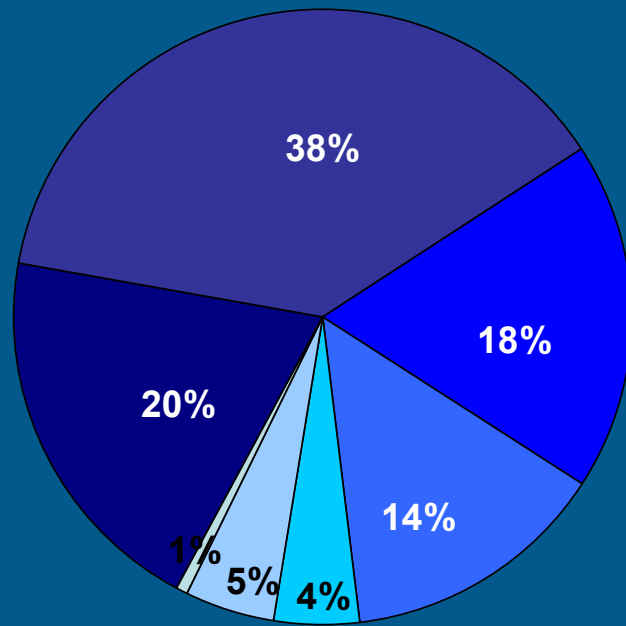
	31/03/05	31/03/06	Y/Y Chg.
Fixed Lines (x '000)	3,307	3,073	(7.1%)
ADSL customers	127	338	166.6%
of which wholesale	29	55	89.7%
Traffic (outbound minutes, mil.)	1,952	1,372	(29.7%)
of which voice	975	916	(6.0%)
of which dial-up	977	455	(53.4%)
Internet customers (x '000) ¹⁾	1,075	1,320	22.8%
ČESKÝ TELECOM's employees	8,624	7,572	(12.2%)
Lines / fixed line employee	383	406	5.8%

Mobile Business Financial Performance

<i>(CZK mil.)</i>	Q1 2005	Q1 2006	Y/Y Chg.
Revenues	7,013	7,470	6.5%
Internal expenses capitalized in FA	56	56	0.0%
OPEX	(3,767)	(3,950)	4.9%
Other operating expenses	(3)	(3)	0.0%
Gain on sale of fixed assets	-	1	<i>n.m.</i>
Impairment charge	-	-	0.0%
OIBDA	3,299	3,574	8.3%
<i>OIBDA margin</i> ¹⁾	47.1%	47.9%	

Mobile Business Business Revenues Breakdown

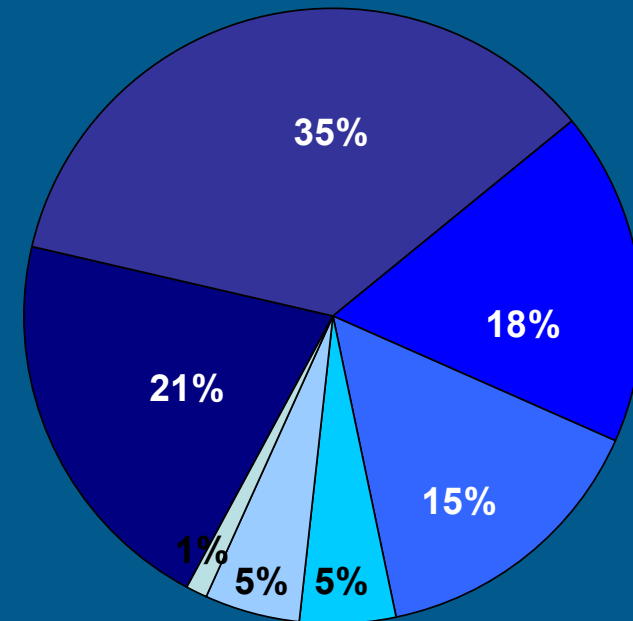
CZK 7.0 bn



Q1 2005

- Monthly fees (+ 12%)
- Traffic (- 1%)
- Interconnection (+ 2%)
- VAS (+ 15%)
- Internet & Data (+ 24%)
- Equipment Sales (+ 13%)
- Other (+ 85%) 1)

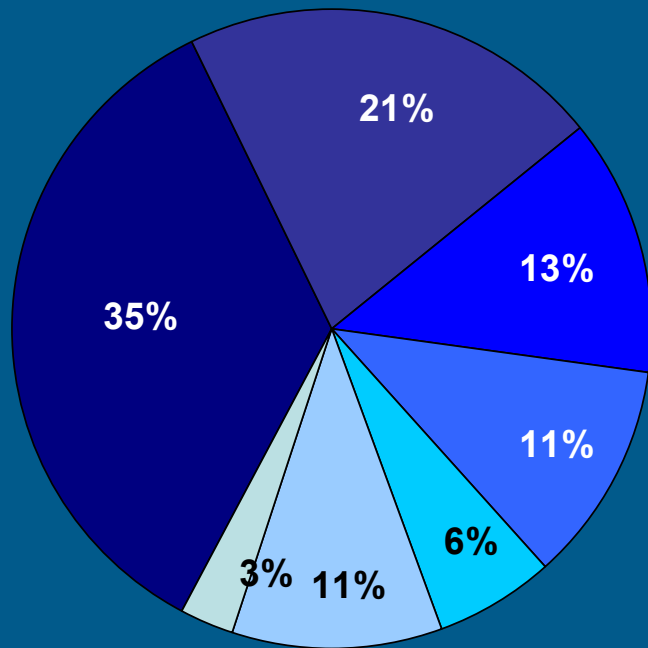
CZK 7.5 bn



Q1 2006

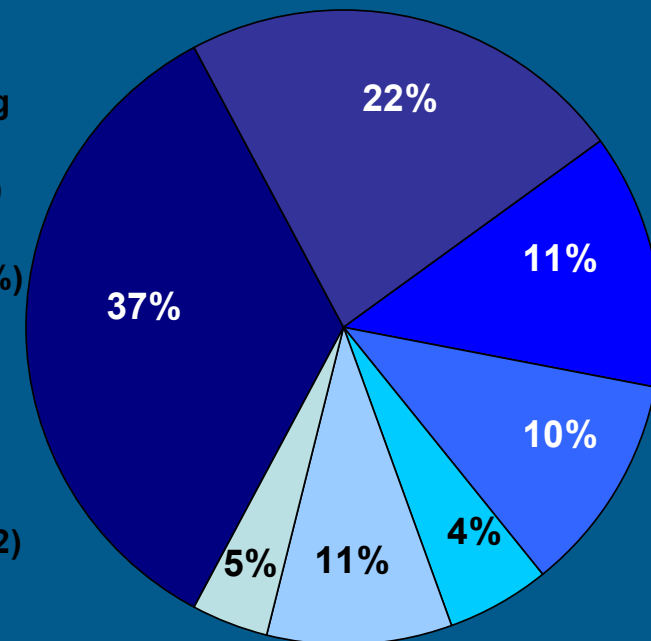
Mobile Business Operating Costs Breakdown

CZK 3.8 bn



Q1 2005

CZK 4.0 bn



Q1 2006

- Interconnection & Roaming (+ 12%)
- Other Supplies (+ 10%) 1)
- Personnel Expenses (- 11%)
- Marketing and Sales (- 2%)
- Network & IT repairs and maintenance (- 25%)
- Other subcontracts (- 2%) 2)
- Taxes (+ 65%) 3)



- 1) Other Supplies = Cost of Goods Sold and Other Supplies
- 2) Other Subcontracts = Rentals, Buildings and Vehicles, Utilities Supplies and Other Subcontracts
- 3) Including Provisions

Mobile Business Operational Performance

	31/03/05	31/03/06	Y/Y Chg.
No. of registered customers (x '000) ¹⁾	4,326	4,695	8.5%
of which contract (x '000) ²⁾	1,145	1,643	43.5%
No. of CDMA customers (x '000) ³⁾	43	79	83.7%
ARPU blended (CZK) ¹⁾	484	490	1.2%
contract ARPU (CZK)	1,237	996	(19.5%)
prepaid ARPU (CZK)	233	226	(3.0%)
data ARPU blended (CZK)	96	106	10.4%
non-SMS data ARPU as % of data ARPU	36	39	2.6 p.p.
Average MOU blended (in&outbound) ¹⁾	83	96	15.7%
Total no. of SMS (x '000 000)	598	690	15.4%
Eurotel's employees	2,496	2,483	(0.5%)

Event Calendar

25th – 26th May 2006

Telefónica's Investor Conference

By end of July 2006

6M 2006 Financial Results

25 September 2006

Dividend Record Date

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