Telefónica O2 Czech Republic

Quarterly Results

January – March 2010

12th May, 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.

Although Telefónica O2 Czech Republic, a.s. makes every effort to provide accurate information, we cannot accept liability for any misprints or other errors.

1Q 2010 Performance Highlights

1Q 2010 performance highlights

- **1Q 2010 performance on track to meet the full year guidance[1)]**
- **Solid commercial activity in focused areas maintained:**
  - **CZ mobile customers up by 4% y-o-y driven by contract customers (+ 10% y-o-y)**
  - **Retail ADSL customer base grew by close to 13% y-o-y**
- **Mobile revenues continued to be impacted by customer optimization due to economic environment & MTR cuts**
- **Slovakia keeping its momentum and good financial performance**
- **Efficiency agenda (OpEx: - 9% y-o-y) compensated for revenues drop, resulting in 0.5 p.p. improvement in comparable OIBDA[2)] margin to 43.2% in 1Q 2010**

[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

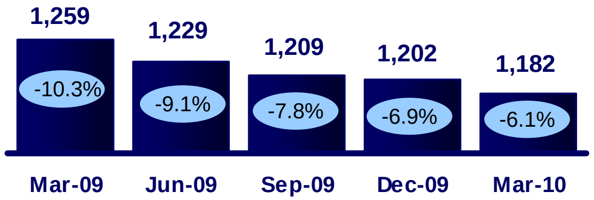
2010 Guidance excludes changes in consolidation and assumes constant FX rates of 2009.

[2)] OIBDA excludes brand fees and non-recurring items (1Q 2009: universal service and gain from real estate sale totaling CZK 429 million, 1Q 2010: universal service and restructuring costs totaling CZK minus 374 million).

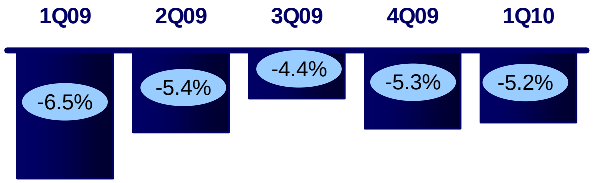
Broadband centric strategy shows first positive trends in household performance and allowed us to outperform fixed BB market growth

Households

Number of connected households ('000)

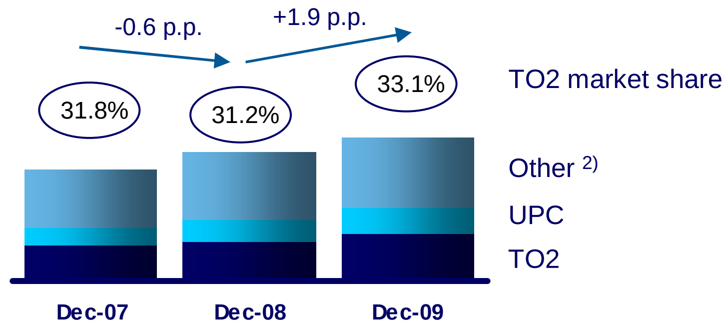


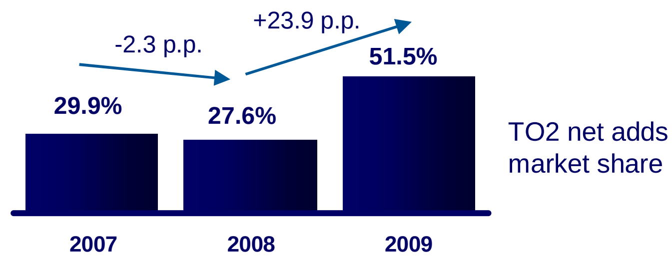
Households revenues 1)



Fixed BB market

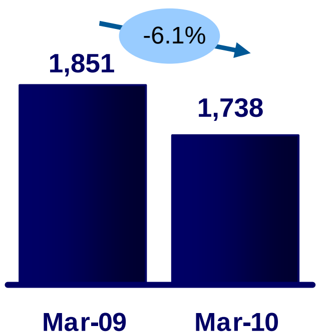
('000)





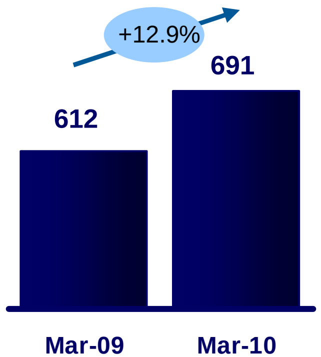
Fixed accesses

('000)



Retail ADSL

('000)



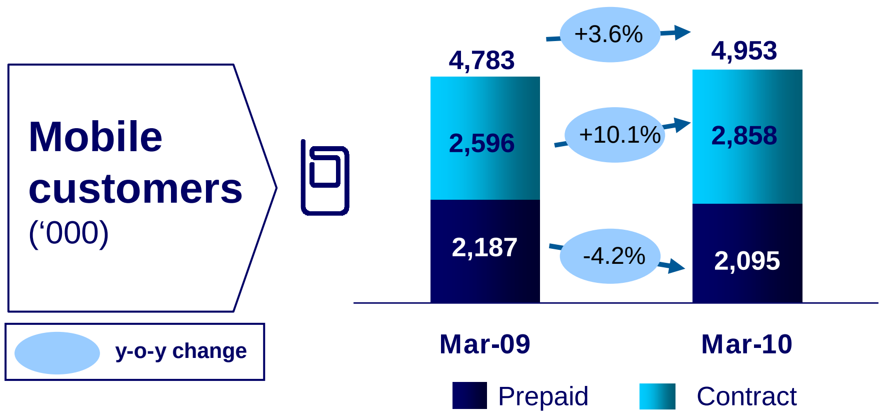
y-o-y change

1) ADSL, IPTV, voice monthly charges

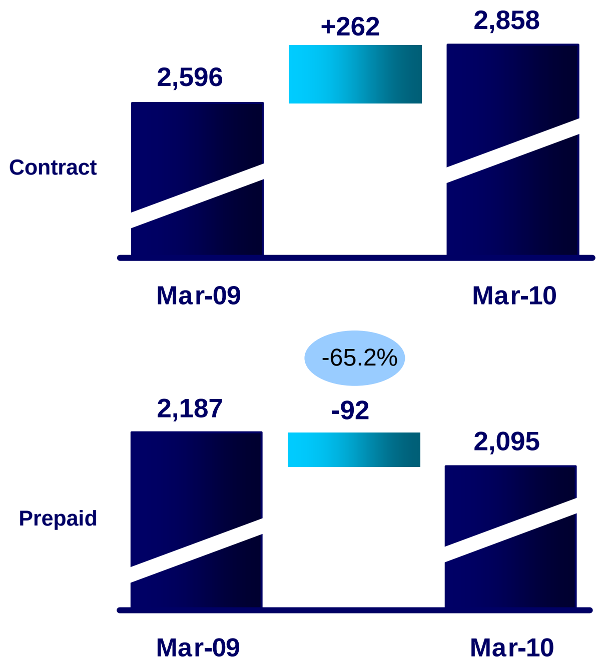
2) ADSL LLU, ADSL Wholesale, Other Cable, WiFi

Solid commercial momentum leading to continuous customers' growth, lower churn and improvement in customer mix

Mobile customers ('000)



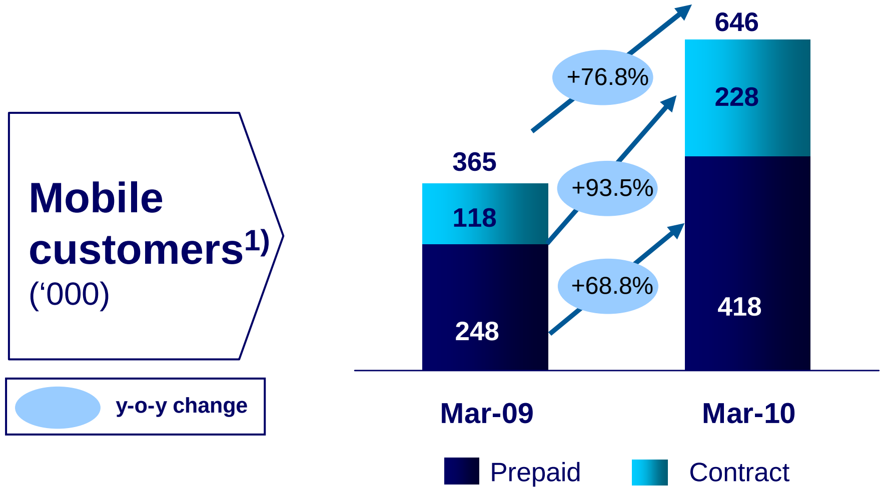
Net additions ('000)



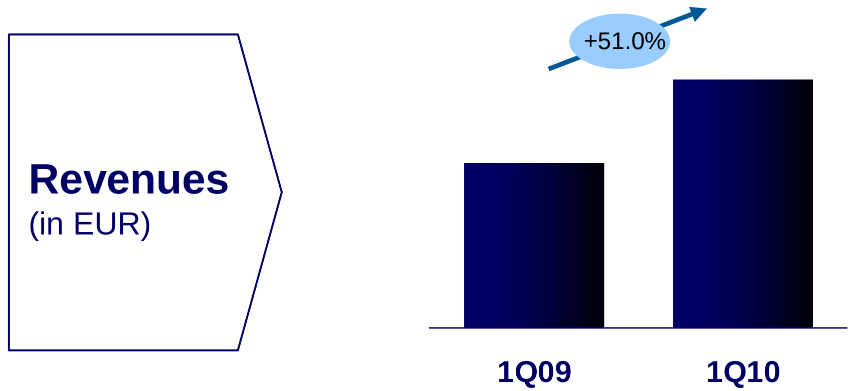
- Mobile customer base grew by 3.6% y-o-y in highly penetrated market
- Driven by contract customer growth (+43.5k in 1Q 2010) on the back of continuous success of O_2 NEON and O_2 ZERO tariffs;
- Improving customer mix - contract customers represented 57.7% of total base at 1Q 2010 (+3.4 p.p. y-o-y)
- Continuous improvement in prepaid customer base churn - 35.4k net losses in 1Q 2010 (-63.2% y-o-y)
- Churn rate improved by 0.2 p.p. in 1Q 2010 compared to 4Q 2009 largely driven by lower prepaid churn

A Telefónica company

Slovakia – good commercial momentum and financial performance maintained



- Keeping sound customer growth in 1Q 2010, leveraging on successful marketing proposition based on value, simplicity and customer experience (O_2 Fair)
- 92.8k net adds in 1Q 2010
- Contract representing 35.3% of total customer base at 1Q 2010 (+3.0 p.p. y-o-y)



•51.0% y-o-y revenue growth in 1Q 2010 driven by customer base increase and improving customer mix

•1Q 2010 ARPU: contract: EUR 18.4, prepay: EUR 8.1

A Telefónica company

[1)] Including resale partners

2010 restructuring program

Organizational structure

More leaner and efficient organizational structure

Processes enhancement

Continuous effort to improve processes via further integration of fixed and mobile platforms and systems

Network transformation

Special focus on Network transformation, including outsourcing of some activities

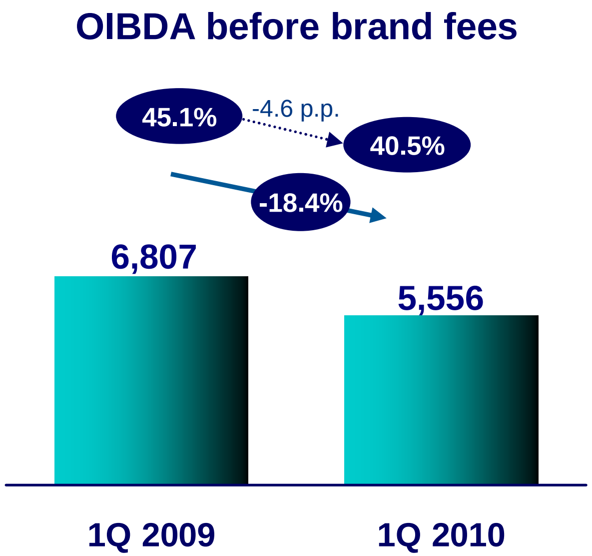
1Q 2010 financial impact

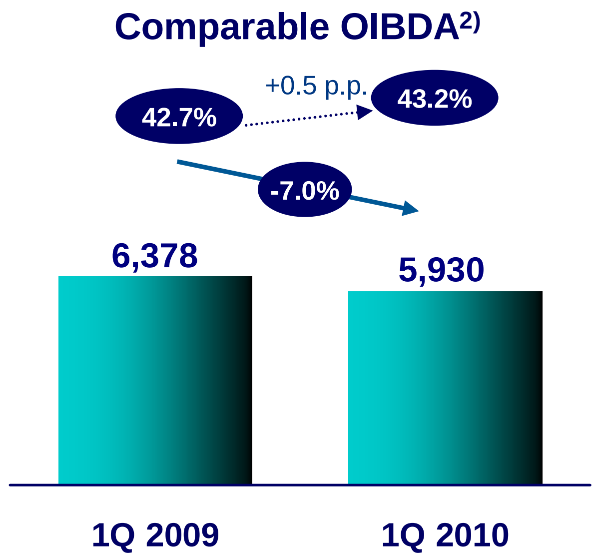
Relevant restructuring costs (CZK 381m) booked in 1Q 2010


January – March 2010 Earnings Results
2
A Telefónica company

Key Highlights of Group Financial Performance

CZK millions	Jan – Mar 2010	*Change 1Q10/1Q09*	*Comparable change[1)] 1Q10/1Q09*
Business revenues	**13,727**	***(9.1%)***	***(8.1%)***
CZ Fixed	**6,152**	***(9.6%)***	***(7.3%)***
CZ Mobile	**7,028**	***(11.2%)***	
OIBDA before brand fees	**5,556**	***(18.4%)***	***(7.0%)***
OIBDA margin before brand fees	***40.5%***	***(4.6 p.p.)***	***0.5 p.p.***
OIBDA	**5,346**	***(19.2%)***	***(7.5%)***
OIBDA margin	***38.9%***	***(4.8 p.p.)***	***0.3 p.p.***
Net income	**2,012**	***(23.9%)***	

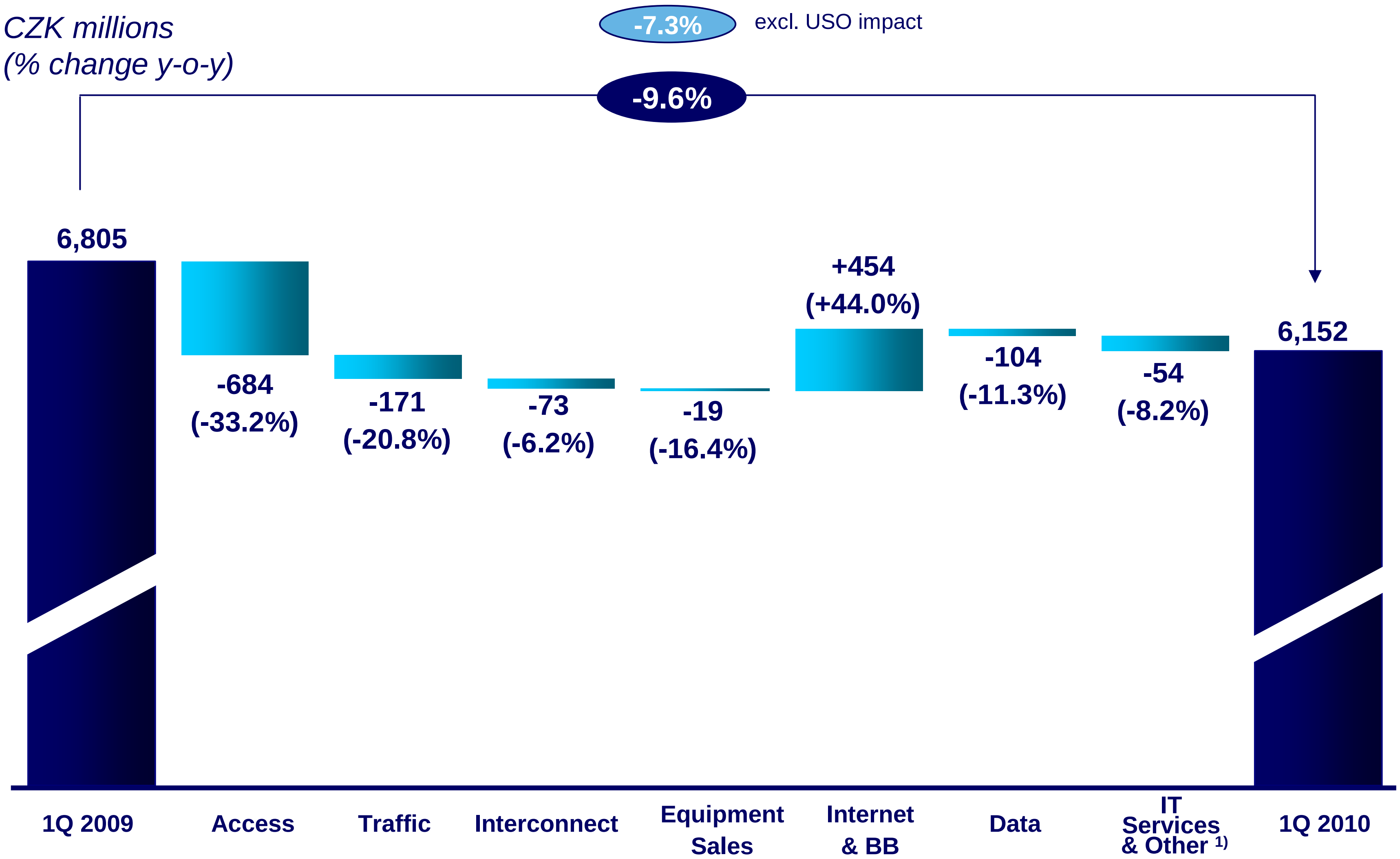




[1)] Revenues do not include universal service; OIBDA does not include non-recurring items (1Q 2009: real estate sale and Universal Service totaling CZK 429 mil.; 1Q 2010: Universal Service and restructuring costs totaling CZK -374 mil.),
[2)] OIBDA before brand fees, excluding non-recurring items and restructuring costs

A Telefónica company

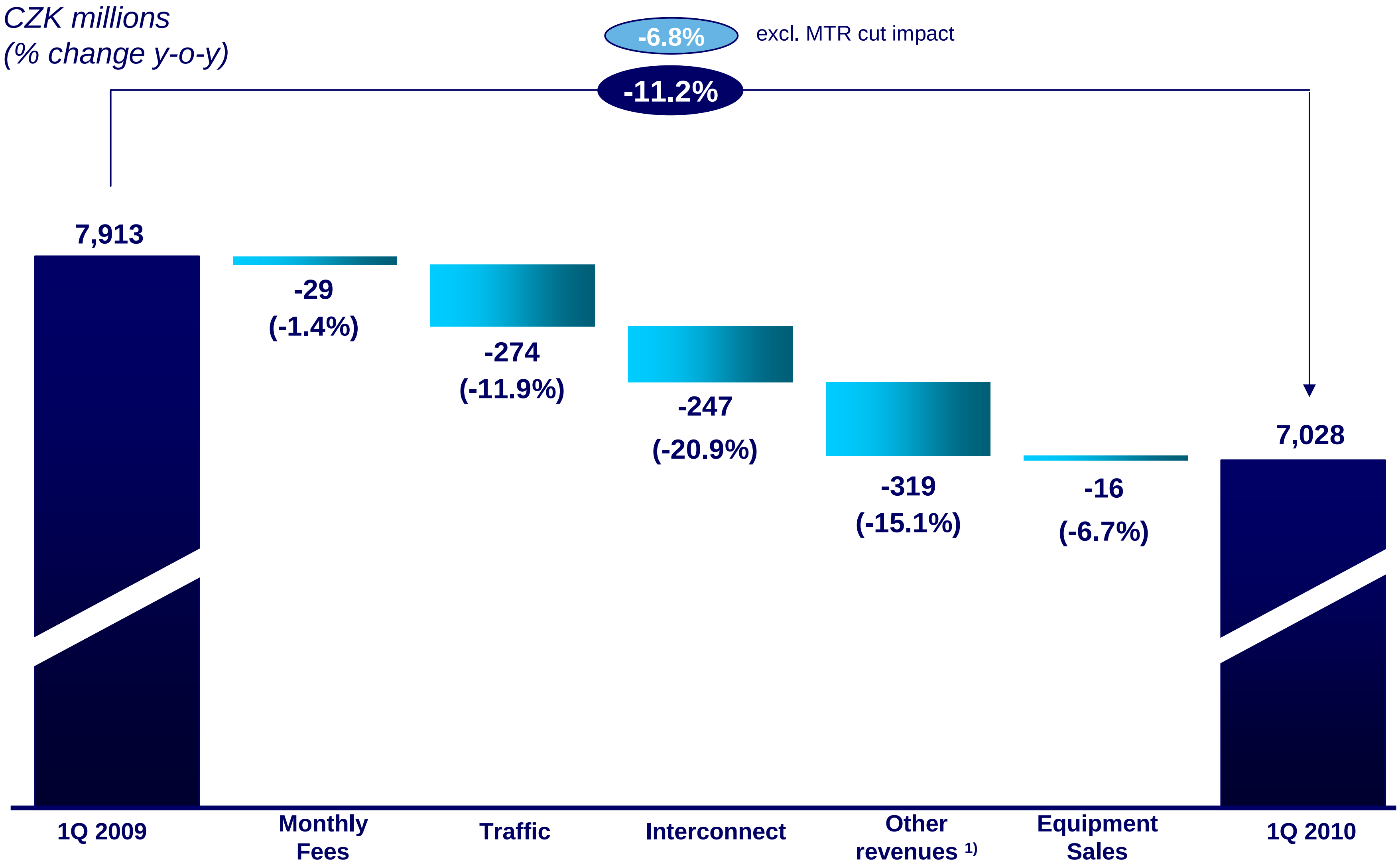
CZ Fixed Business Revenues – sources of variation



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

A Telefónica company

CZ Mobile Business Revenues – sources of variation

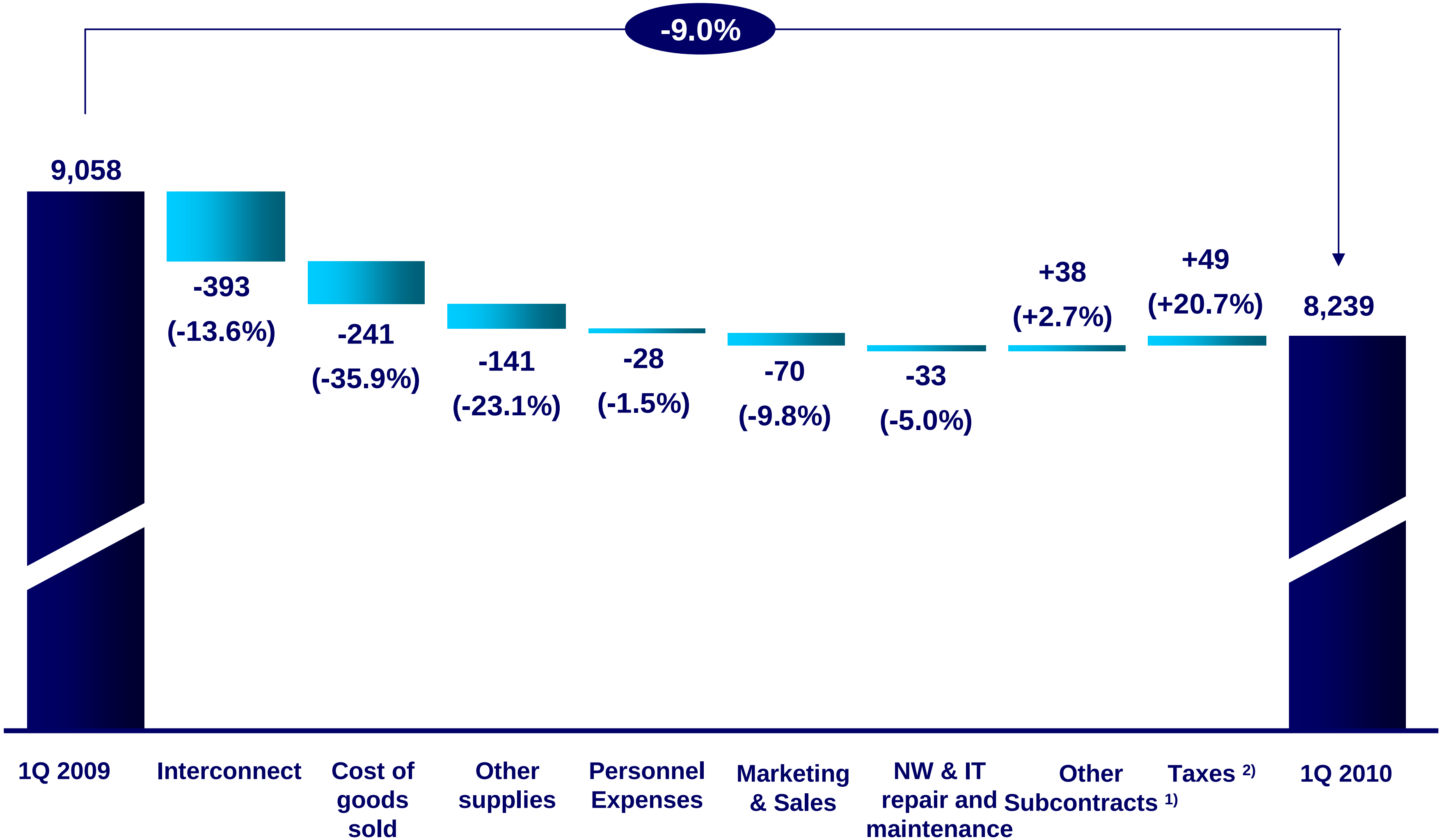


[1] Other – incl. VAS, Internet & Data and Other revenues
Figures do not include inter-segment charges between fixed and mobile businesses

A Telefónica company

Group OPEX – sources of variation

CZK millions
(% change y-o-y)

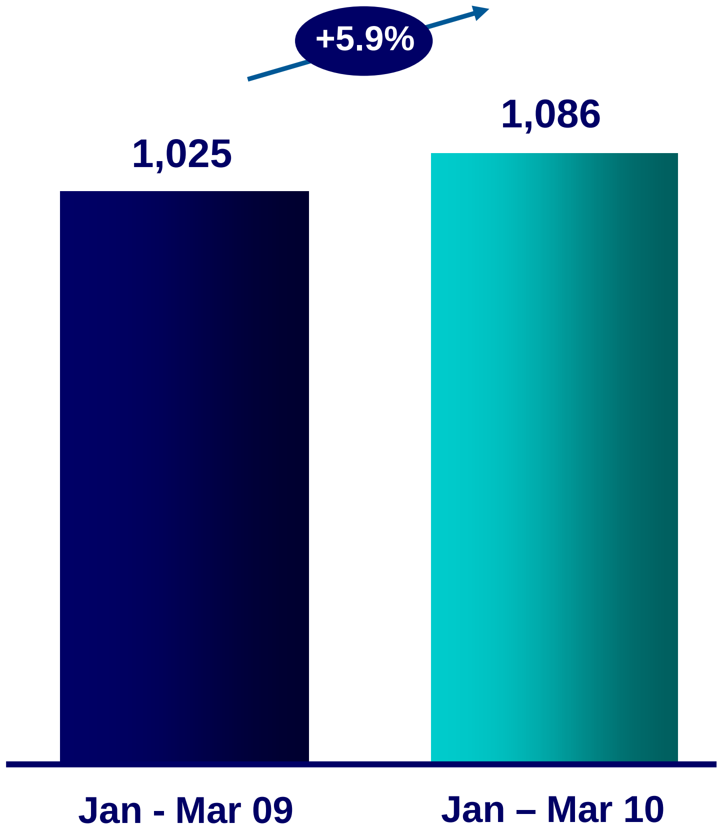


1] Other Subcontracts – incl. Rentals, Buildings, Vehicles, Consumables, Consultancy & Brand fees
2) Taxes = taxes other than income taxes, provisions and fees

A Telefónica company

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
- CAPEX to Revenues at 7.8% in 1Q 2010, up by 1.1 p.p. y-o-y

A Telefónica company

Group Balance Sheet & Cash Flow Statement

CZK millions	31 Dec 2009	31 March 2010	*Change Mar10/Dec09*
Non-current assets	**80,316**	**78,538**	***(2.2%)***
Current assets	**12,357**	**14,863**	***20.3%***
- of which Cash & cash. Equiv.	1,269	4,141	*226.3%)*
Total assets	**92,768**	**93,538**	***0.8%***
Equity	**73,879**	**75,822**	***2.6%***
Non-current liabilities	**6,422**	**6,196**	***(3.5%)***
- Long-term financial debt	3,044	2,927	*(3.8%)*
Current liabilities	**12,466**	**11,521**	***(7.6%)***
- Short-term financial debt	87	142	*63.5%)*

	Jan - March 2009	Jan – March 2010	*Change 1Q10/1Q09*
Cash flow from operations	**5,579**	**5,199**	***(6.8%)***
Dividends received	-	-	*n.m.*
Net interest and other financial expenses paid	66	(27)	*n.m.*
Payment for income tax	(1,047)	(921)	*(12,0%)*
Net cash from operating activities	**4,598**	**4,251**	***(7.5%)***
Proceeds on disposals of PPE and intangibles	810	19	*(97.6%)*
Payments on investments in PPE and intangibles	(2,267)	(1,396)	*(38.4%)*
Net cash used in investing activities	**(1,457)**	**(1,377)**	***(5.5%)***
Free cash flow	**3,141**	**2,874**	***(8.5%)***
Net cash from financing activities	**509**	**-**	***n.m.***

A Telefónica company