

ČESKÝ TELECOM

2003 Results

Analyst Meeting

Prague, March 30, 2004



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.

Presenting Today



Gabriel Berdár
Chairman of the
Board of Directors
and CEO



Juraj Šedivý
First Vice-chairman of
the Board of
Directors and CFO



Robert M. Bowker
CFO
Eurotel

Analyst Meeting 2004

- 1. Introduction**
- 2. Political & macroeconomic environment**
- 3. Czech telecommunications market**
- 4. Fixed-line & Internet business**
- 5. Consolidated financial data**
- 6. Eurotel**
- 7. Strategy/Outlook**
- 8. Q & A**

ČESKÝ TELECOM in 2003

- Leader in fixed-line communications market with 3.6 million customers
- Leader in mobile communications with 4.2 million customers
- Solid financial performance of CESKY TELECOM Group in terms of EBITDA margin, capex/revenue ratio, free cash flow yields and capital strength
- Full ownership of Eurotel has changed financial profile and provides both companies with unparalleled opportunities in the Czech Republic telecommunications market

Key achievements in 2003

Operations

- 21% improvement in lines per ČTc employee ratio (329)
- 8% improvement in customers per Eurotel employee (1,726)
- 6% reduction in OPEX excl. one-off items and interconnect

Financials

- 38% reduction in CAPEX
- 27% growth in FCF
- Successful Eurotel acquisition financing via EUR 850 million credit facility

Key achievements in 2003 – cont'd.

Strategy

- Successful acquisition of 49% stake in Eurotel for USD 1.05 billion
- New corporate governance

Shareholding

- Dividend pay-out of CZK 18.5 billion, i.e. CZK 57.50 per share
- Eurotel's dividend of CZK 10.98 billion (51% for CTc)
- Improved market liquidity: free float increased to 49% from 15.4%
- Share performance 19.5% in 2003

Corporate Governance Changed

New Management Team Appointed

- Changed Management model of ČESKÝ TELECOM and company governance – executive powers of the Board of Directors
- New Board of Directors reduced to 5 members
- New CEO appointment in June 2003
- New senior management team appointed in September 2003
- Ambitious deliverables set by transformation program



Gabriel Berdár
Chairman of BoD
and Chief Executive
Officer

- Chairman of BoD and CEO of ČTc since June 2003
- General Director of DELL COMPUTERS since 1985 (responsible for CR, Slovakia, Poland, Finland, and Greece)
- General Director and a member of the Board of Directors at IDOM
- Worked for Strojimport, IBM, Digital Equipment
- Graduated from the Technical University



Juraj Šedivý
First Vice-Chairman
of BoD and Chief
Financial Officer

- 1st Vice-Chairman of BoD since June 2003
- CFO since September 2001
- Joined ČTc in 1997
- CFO of Globtel between 1996 and 1997
- Johnson&Johnson Consumer Products in Czech/US in 1992 - 1996
- MBA degree from Rochester Institute of Technology
- Certified Management Accountant
- Masters degree in Mechanical Engineering



Petr Slováček
Second Vice-Chairman
of BoD and Chief
Operating Officer

- 2nd Vice-Chairman of BoD since June 2003
- COO since 1998
- Joined ČTc in 1989 (took part in the launch of the Network Digitization Project, manager of the Organization of Network Operation and Maintenance Project)
- MBT degree from the Technical university of Delft in Holland
- Graduate of Technical University



Roman Stupka

**Member of BoD and Chief
Sales Officer**

- BoD member and CTO since September 2003
- Joined ČTc in 2003
- Sales and Marketing Director in Česká pojišťovna – 2000-2003
- General Manager of Bristol-Myers Squibb (CZ) - 1995-1998
- General Manager of Convatec (Division of Bristol Myers-Squibb inc. - 1992-1994
- Graduated from the University of Economics, Prague
- MBA degree from Katz University, CMC/Pittsburg



Michal Heřman

**Member of BoD and Chief
Transformation Officer**

- BoD member and CTO since September 2003
- Joined ČTc in 2003
- FD in Alfa Bank (Russia)
- Executive Vice-President for Finance in Komerční banka
- CFO in Eurotel Praha – 1996-2000
- Financial Director in Eurotel Bratislava – 1993-1996

Current shareholder structure

51.1% National Property Fund of Czech Republic

48.9% Private/Institutional Investors

Changes in ownership in 2003

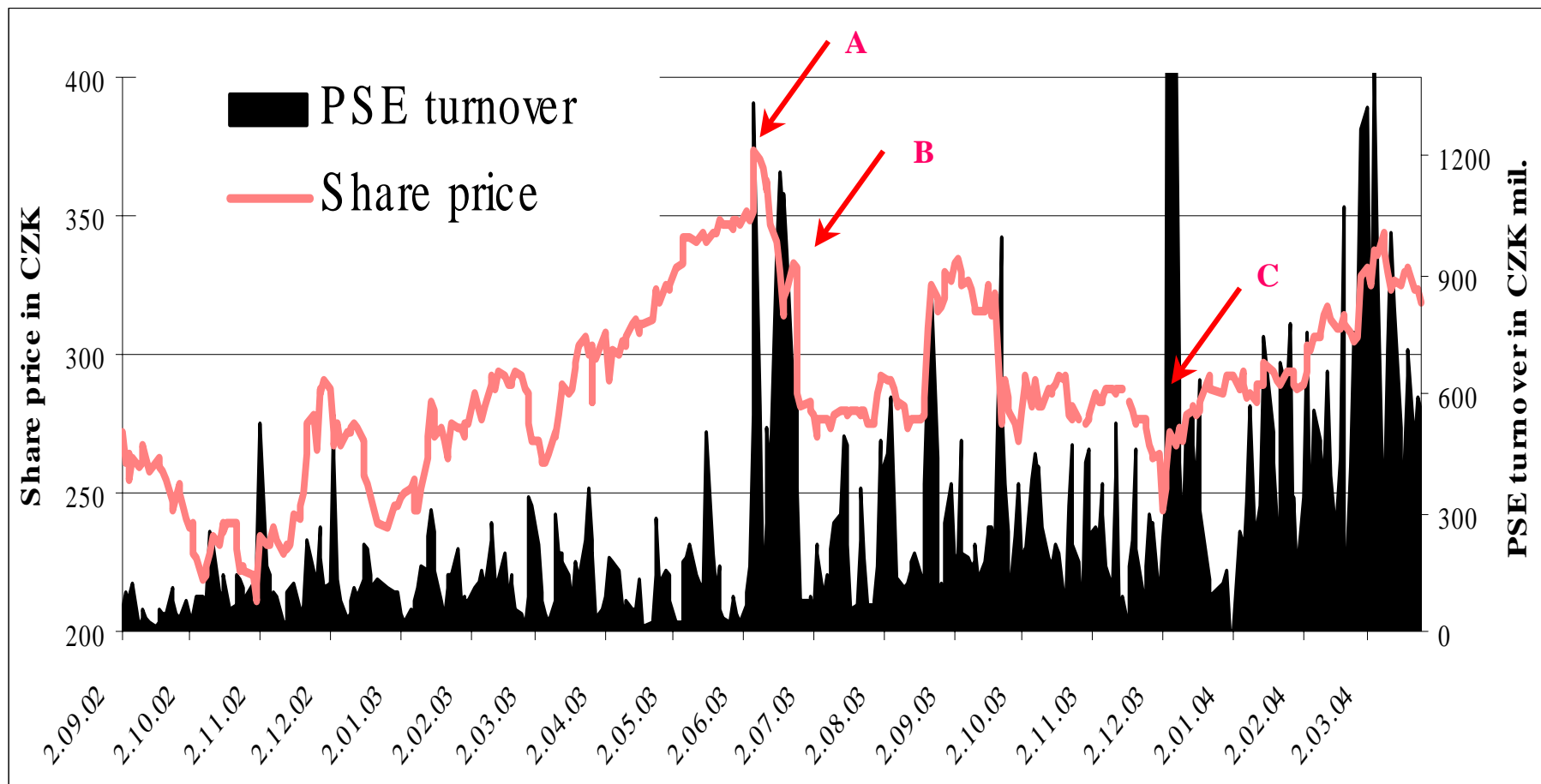
- June 19, 2003 – KPN Telecom sold its 6.48% stake
- December 1, 2003 – The NPF and TelSource ceased to act in concert with respect to ČESKÝ TELECOM
- December 10, 2003 – TelSource N.V. sold its 27% stake

Note: TelSource was a JV of KPN and Swisscom

Privatization

- Tender for privatization advisor under way (11 bids submitted)
- Advisor is expected to be announced by May 2004
- Expected advisor's role is to influence strategy and process of privatization

ČESKÝ TELECOM Share Price Performance



Note: A) June 5, 2003 - Announcement of ET acquisition and proposal of dividend payment
 B) June 27, 2003 - Record day for dividend payment of CZK 57.50 per share
 C) December 2, 2003 – sale of TelSource's 27% stake on market

Source: PSE

Peer Comparison – FY 2003

	CTc	CTc ¹⁾	MATÁV	TPSA	PT	KPN
Revenues	1 617	2 032	2 396	4 165	5 776	12 907
Costs	869	1 073	1 408	2 489	3 508	7 264
EBITDA	748	959	988	1 676	2 267	5 643
EBITDA Margin	46%	47%	41%	40%	39%	44%
Net Gearing ²⁾	45%	45%	52%	98%	109%	132%
Lines per fixed line employee	329	329	350	308	466	302
Fixed penetration	35%	35%	38%	29%	42%	61%
Mobile penetration ³⁾	95%	95%	78%	45%	98%	83%

Note: all financials in EUR mil., average 2003 exchange rate used for ČTc, MATÁV and TPSA

¹⁾ pro-forma full consolidation

²⁾ (interest bearing debt – cash and cash equivalents)/equity

³⁾ country's mobile penetration

Source: Company reports

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Political & Macroeconomic Environment

- Government coalition led by Social Democrats, elections due in June 2006
- EU accession in May 2004
- Public finance reform - record 2004 budget deficit of CZK 115 bn.
 - changes in taxation
- GDP growth: 2.9% (2003), estimate for 2004: 2.8%
- Unemployment 10.3% at end of 2003, growing
- Consumer price index growth: 0.1% (12/2003 vs. 12/2002)
- Czech Koruna weakened against EUR (32.4 at end of 2003)
 - strengthened against USD (25.7 at end of 2003)
- Telecom Revenues estimated at 4% of GDP (Fixed 1.4%, Mobile 2.6%)

Source: Czech Statistical Office

Public finance reform - Tax Changes

- VAT: Telecommunication services moved from 5% to 22% bracket effective from January 2004
- VAT decrease from 22% to 19% expected from May 2004
- Corporate Tax reduced to 28% in 2004, to 26% in 2005 and to 24% in 2006

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Regulation

- Market liberalization: all EU's New Regulatory Framework instruments implemented (CS, CPS, NP, RIO, RAO), mobile number portability not implemented
- Regulatory decisions are not always aligned with standards of fair and transparent regulation. In many cases, decisions are subject to disputes.
- Inconsistencies between Czech Telecommunications Office and Anti-monopoly office

Regulation – cont'd

Main areas of concern:

- Interconnection charges (to fixed networks, to mobile networks)
- Access deficit
- Internet interconnection prices
- CS / CPS / NP prices
- Universal service

LLU became part of the Telco Act amendment in Aug 2003
(2 contracts signed so far)

Regulatory changes in 2004

- Interconnection charges (fix-to-fix termination) reduced by 20% (effective from January 8, 2004)
Being disputed as illegal, do not reflect the basic legal requirements
- Interconnection charges (fix-to-mobile termination) reduced by 13% (effective from April 1, 2004)
Objected as inconsistent with other decisions
- Expected CTO's decisions on interconnection charges for dial-up internet (1st half), prices of the universal service (1st half) and LLU prices (1st half)
- New Act on electronic communications expected to be in line with EU's New regulatory framework – a promise of more transparent and fair regulatory environment

Czech Telco Market Dynamics

Fixed line market – continued shift to data

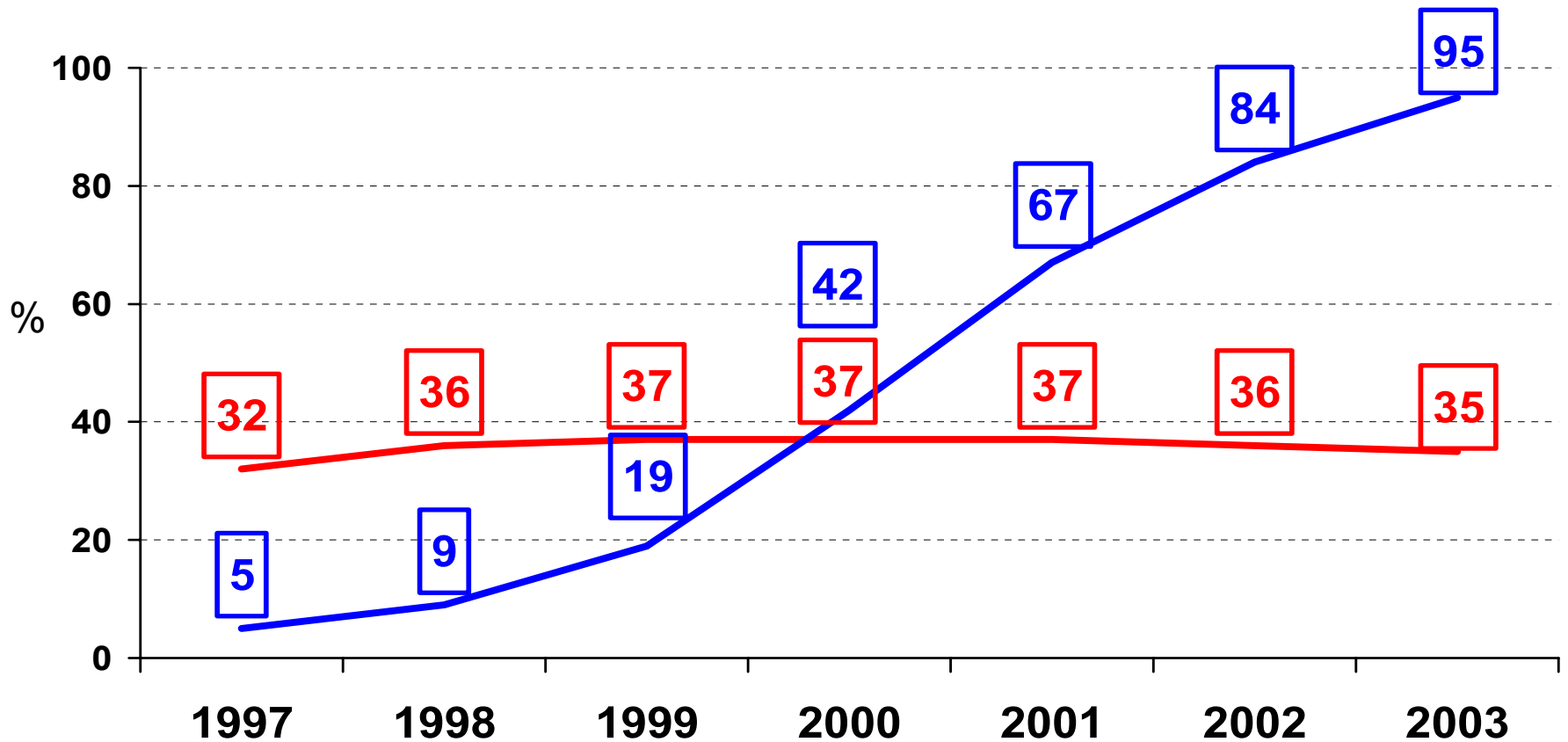
- Fixed-line penetration - stable for 5-6 years (approx. 36%)
- Competition focused predominantly on business segment
- Continuing voice migration to mobile
- Competition intensified with introduction of CS and CPS
- Increase in both PC (42%) and Internet (25%) penetrations
- Data & Internet – most dynamic segments
- ADSL wholesale & retail offer – since March 2003

Mobile market – three player market

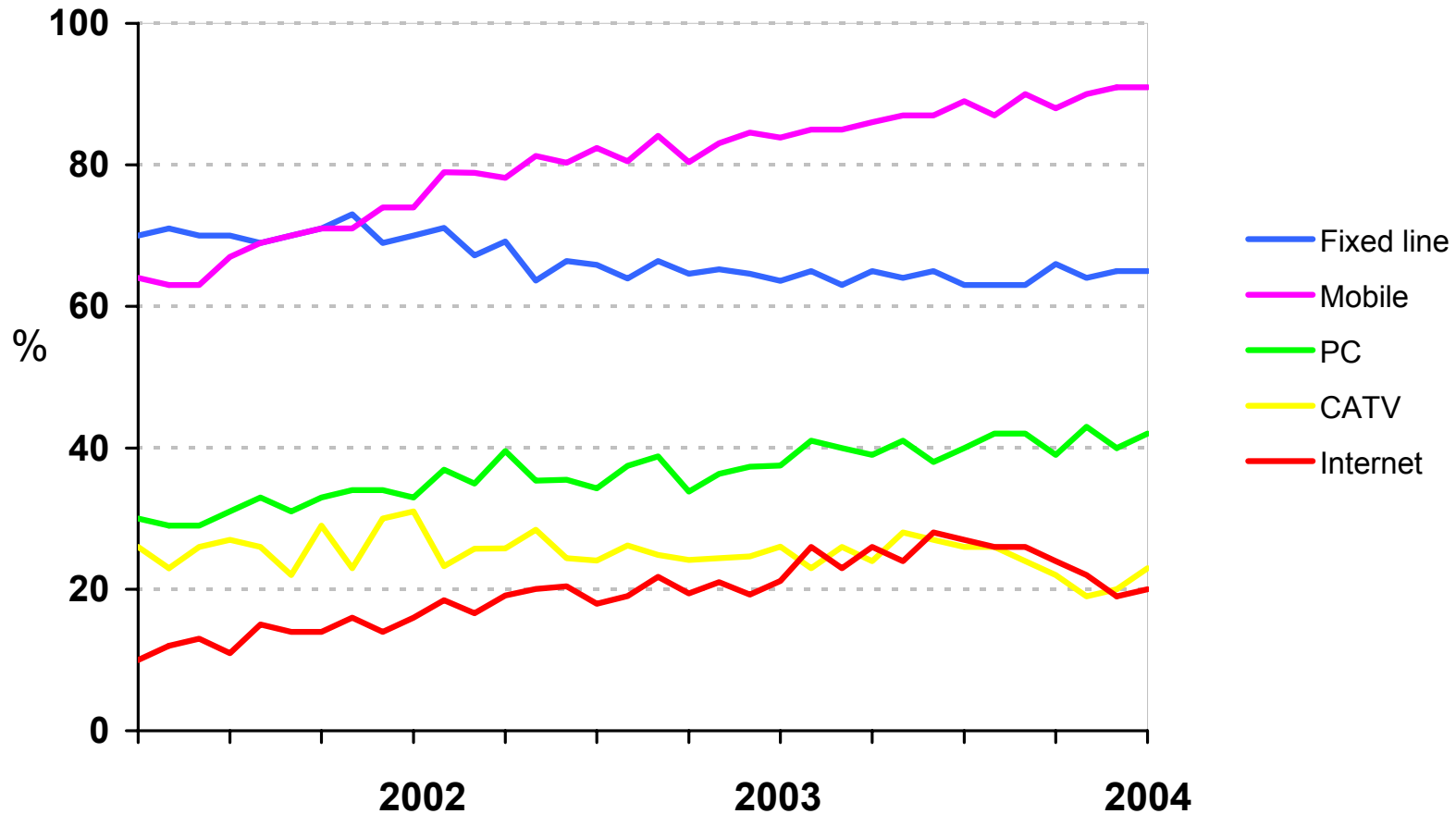
- Mobile penetration 95% at the end of 2003
- Outperforms EMEA peers
- Czech mobile market is becoming saturated
- Mobile market focuses on new services and customer retention

Source: Company data, NFO AISA

Development of F/M penetration



Household equipment in the Czech republic



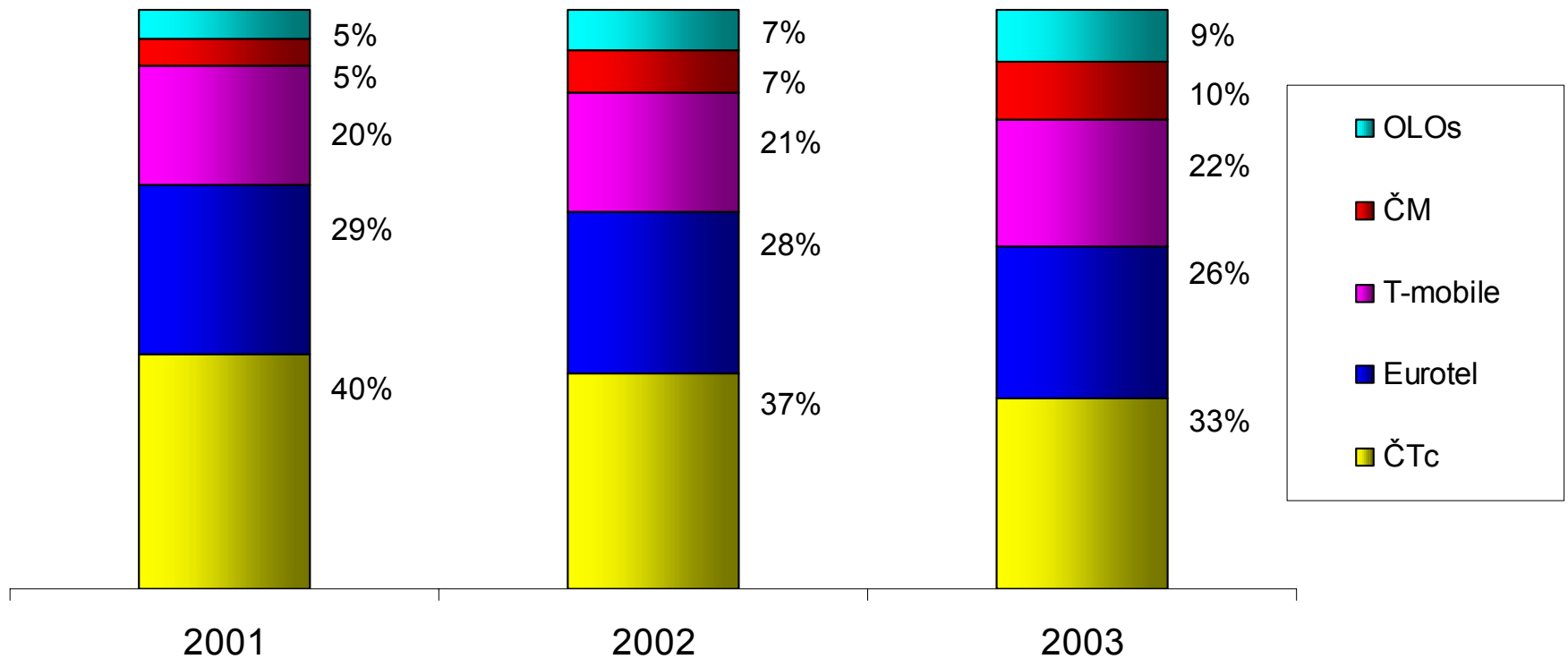
Source: Omnibus, NFO AISA, 2001 - 2004

Fixed telephony key players

- The Czech telco market has attracted a number of alternative operators
- Competition focused primarily on business segment
- Pricing or niche offering are main competitive tools
- Competition increased as a result of CS (July 02) and carrier pre-selection and number portability (Jan 03)



Revenues market share development



Source: Company data, ČTc estimates

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Fixed-line Operational Overview

	2002	2003	Chg.
Number of lines (in thous.)	3,661	3,586	(2%)
of which ISDN channels (in thous.)	389	477	23%
ADSL connections (in thous.)	-	15	-
Internet users (in thous.) ¹⁾	702	865	23%
Avg. Monthly MOU per customer ²⁾	290	289	(0%)
Avg. Monthly Dial-up MOU per customer ³⁾	127	136	7%
Employees	13,717	10,901	(21%)
Lines per employees	267	329	23%

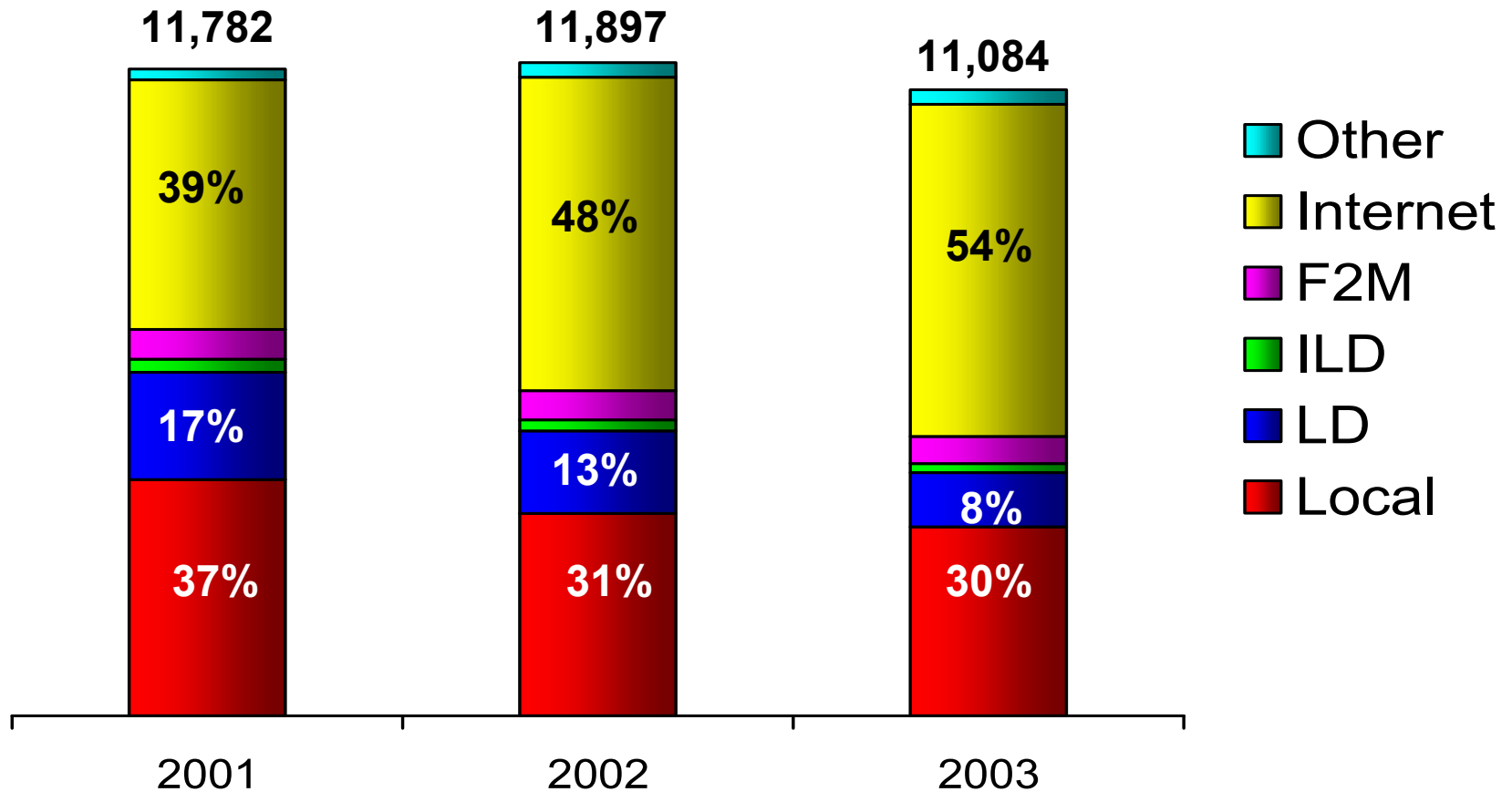
¹⁾ Paid (IOL) and free (Quick.cz) internet access, including ADSL customers

²⁾ Outgoing and ingoing minutes

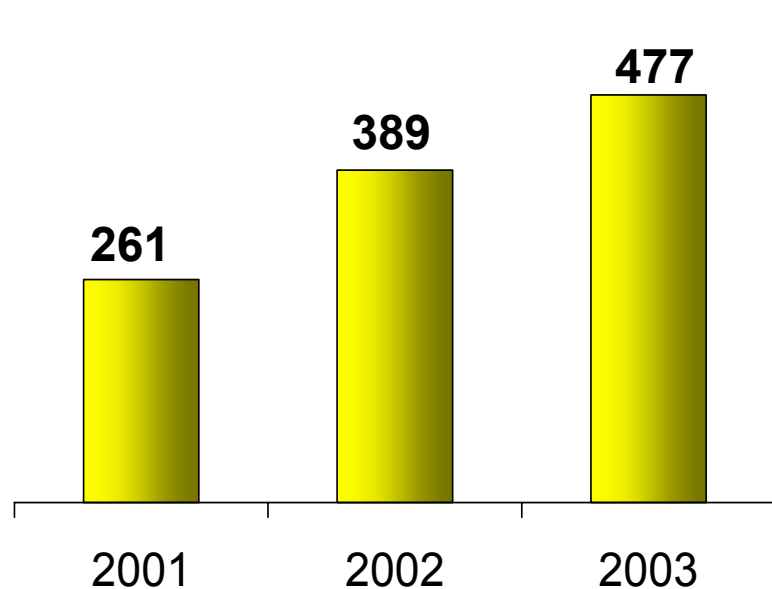
³⁾ Dial-up outgoing minutes

Fixed Line Traffic Development

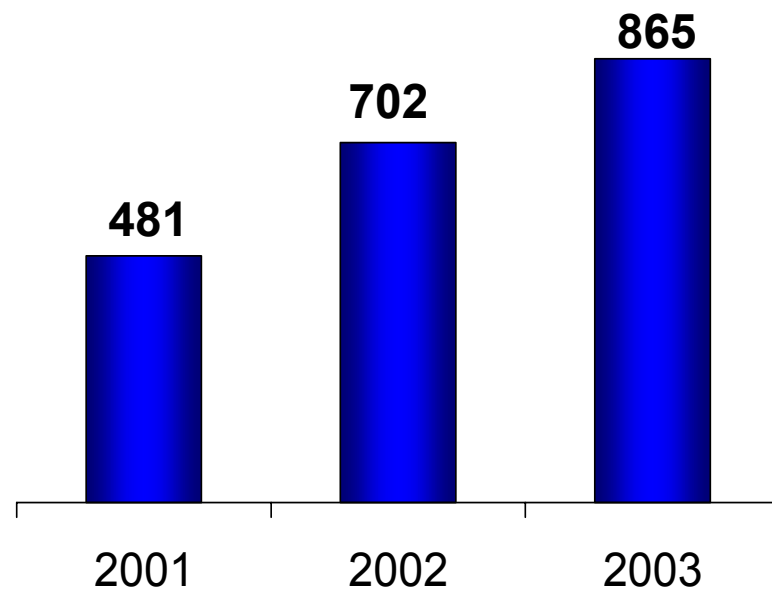
(in mil. minutes, originated on CTC's network)



ISDN and Internet – support fixed line usage



ISDN channels (in '000s)

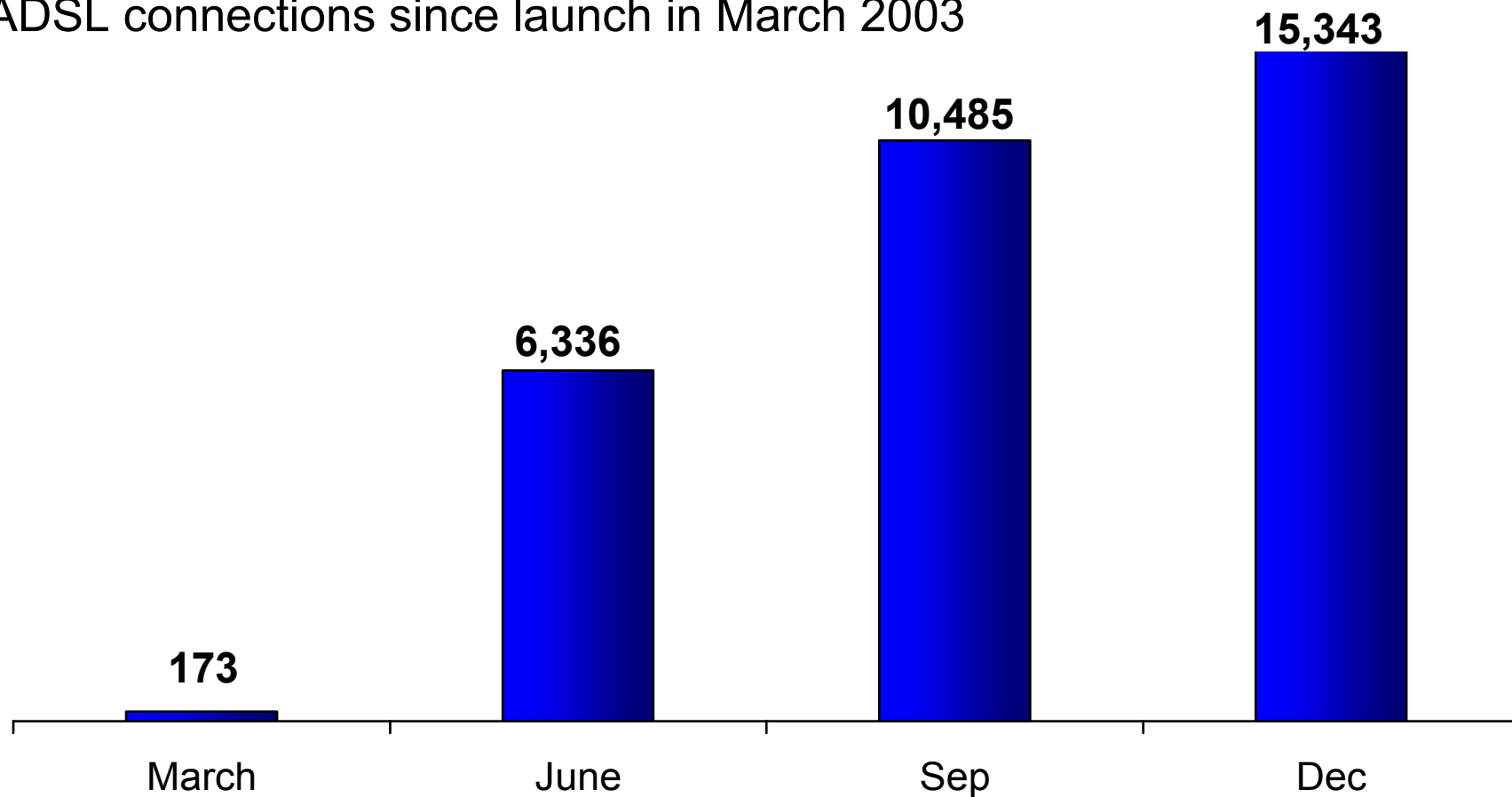


Internet users ¹⁾ (in '000s)

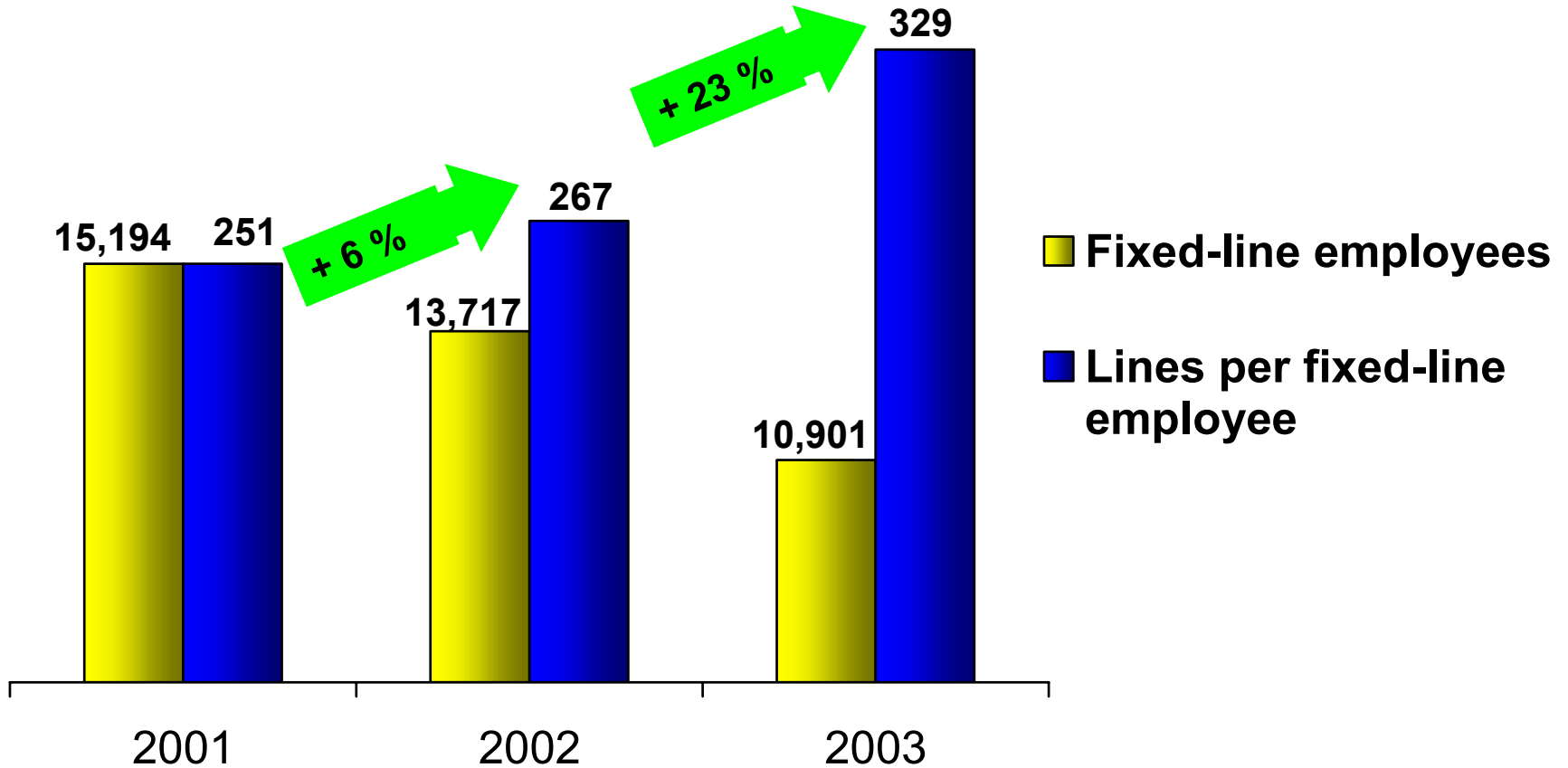
¹⁾ Paid (IOL) and free (QUICK) internet access

ADSL service

ADSL connections since launch in March 2003



Employee Efficiency



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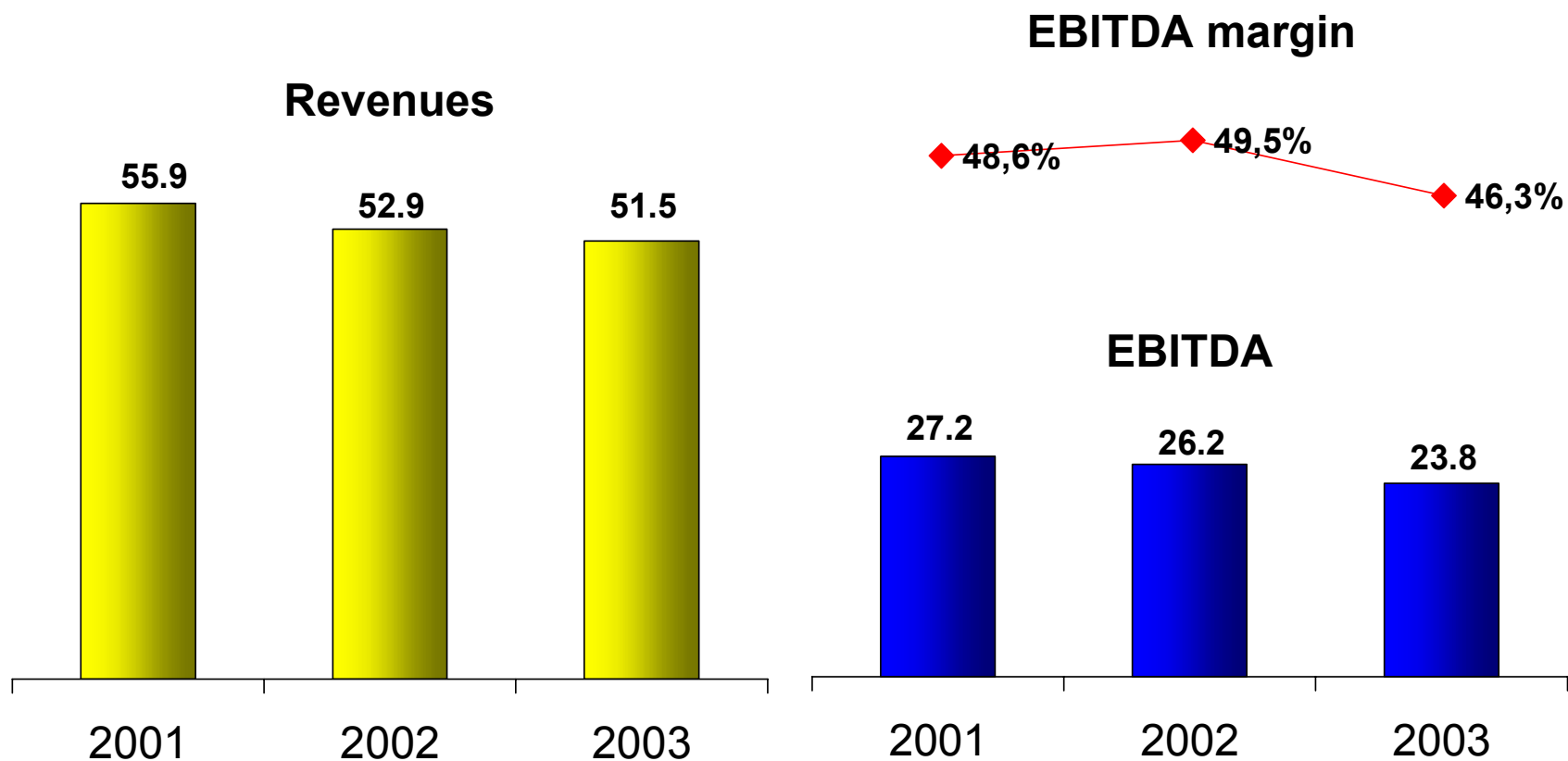
Consolidated Income Statement

(in CZK bn.)	2002	2003	Chg. in %
Revenues	52.9	51.5	(3%)
Operating costs excl. D&A	(26.7)	(27.7)	4%
EBITDA	26.2	23.8	(9%)
<i>EBITDA margin</i>	49%	46%	
Depreciation & Amortization	(19.0)	(19.4)	2%
Impairment charge	(0.1)	(9.9)	<i>n.m.</i>
EBIT	7.1	(5.5)	<i>n.m.</i>
Net fin. Charges	(1.0)	(1.1)	10%
EBT	6.1	(6.7)	<i>n.m.</i>
Net income/(loss)	4.2	(1.8)	<i>n.m.</i>

Note: consolidated, audited under IFRS

Revenues, EBITDA, EBITDA margin

(in. CZK bn.)



1) Other fixed line revenues: Connection charges, Equipment and material sales, Other revenues

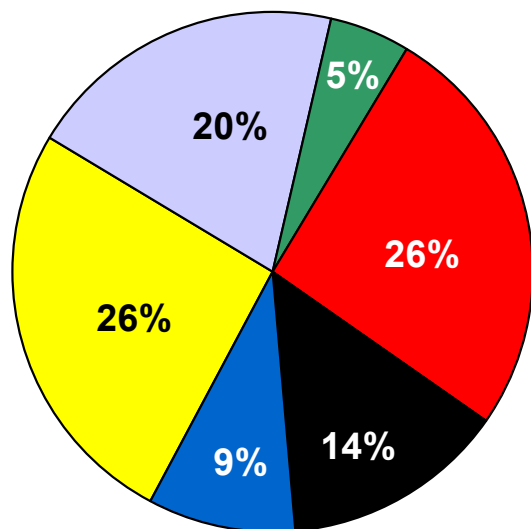
Note: audited under IFRS

Consolidated Revenues Breakdown

CZK 52.9 bn.

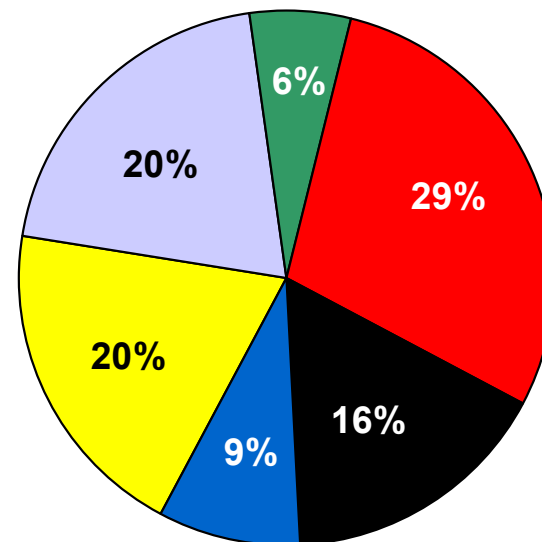


CZK 51.5 bn.



2002

- PSTN Call revenues (-26%)
- Subscript. charges (-1%)
- Rev. from operators (+21%)
- Eurotel consolidation (+8%)
- Data, Internet, ISDN, ADSL & VAS (+14%)
- Other (-8%)



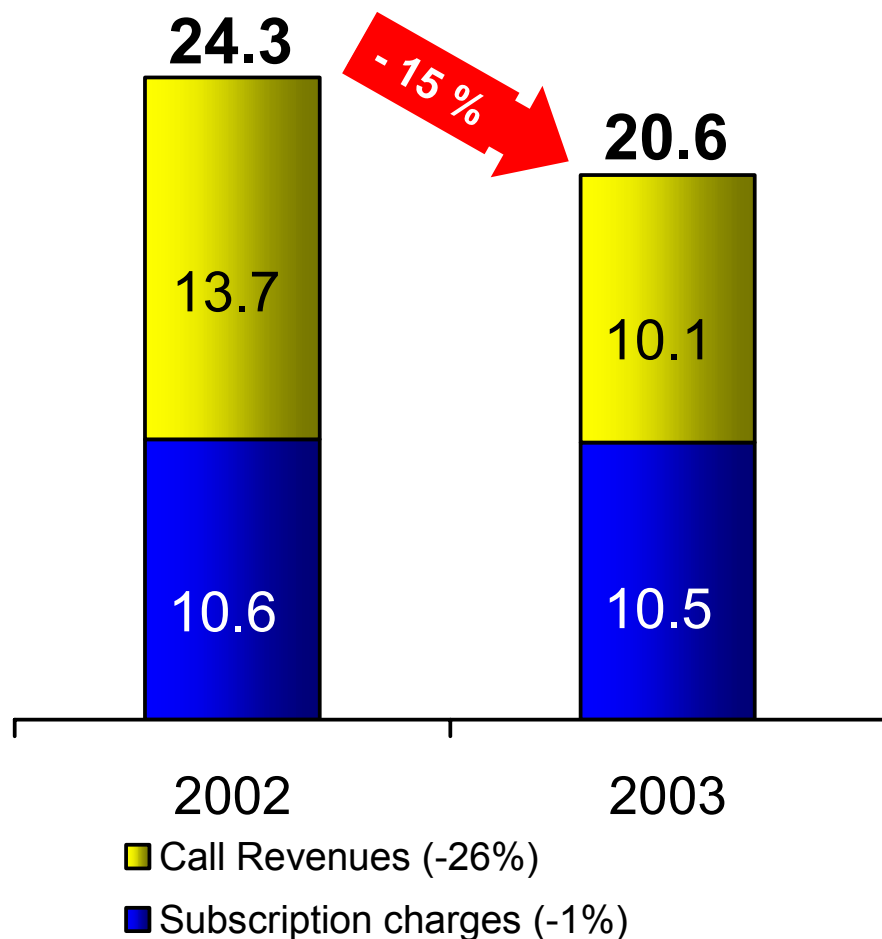
2003

Note: audited under IFRS

Other includes: Connection charges, Equipment and material sales, Leased circuits and Other revenues

PSTN Subscriptions and Call Revenues

(in. CZK bn.)

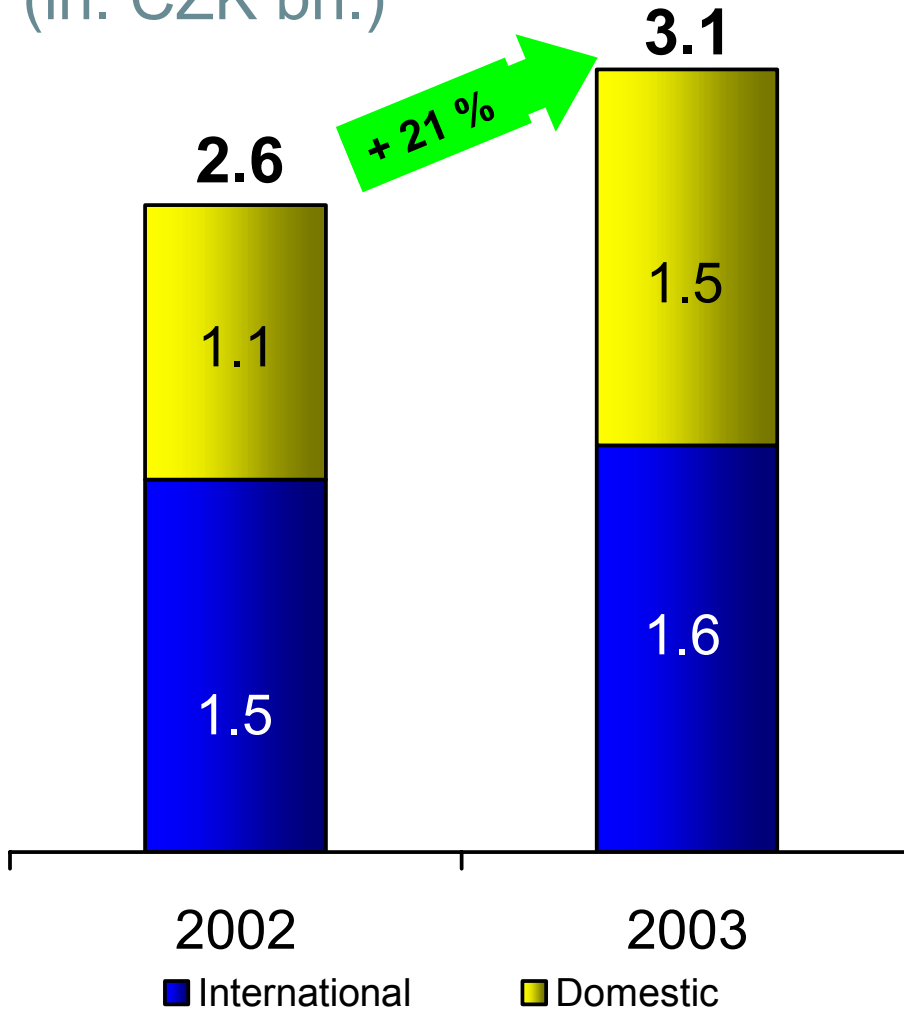


Note: audited under IFRS

- No. of lines down by 2% while ISDN channels up by 23 % to 477 thous. as of 2003
- Continuing increase in internet dial-up traffic share from 48% to 54% of total outgoing traffic in 2002
- Increased Internet traffic on newly migrated ISDN lines
- Cannibalization of internet dial-up traffic with launch of ADSL started

Revenues from other network operators

(in. CZK bn.)



Note: audited under IFRS

Domestic

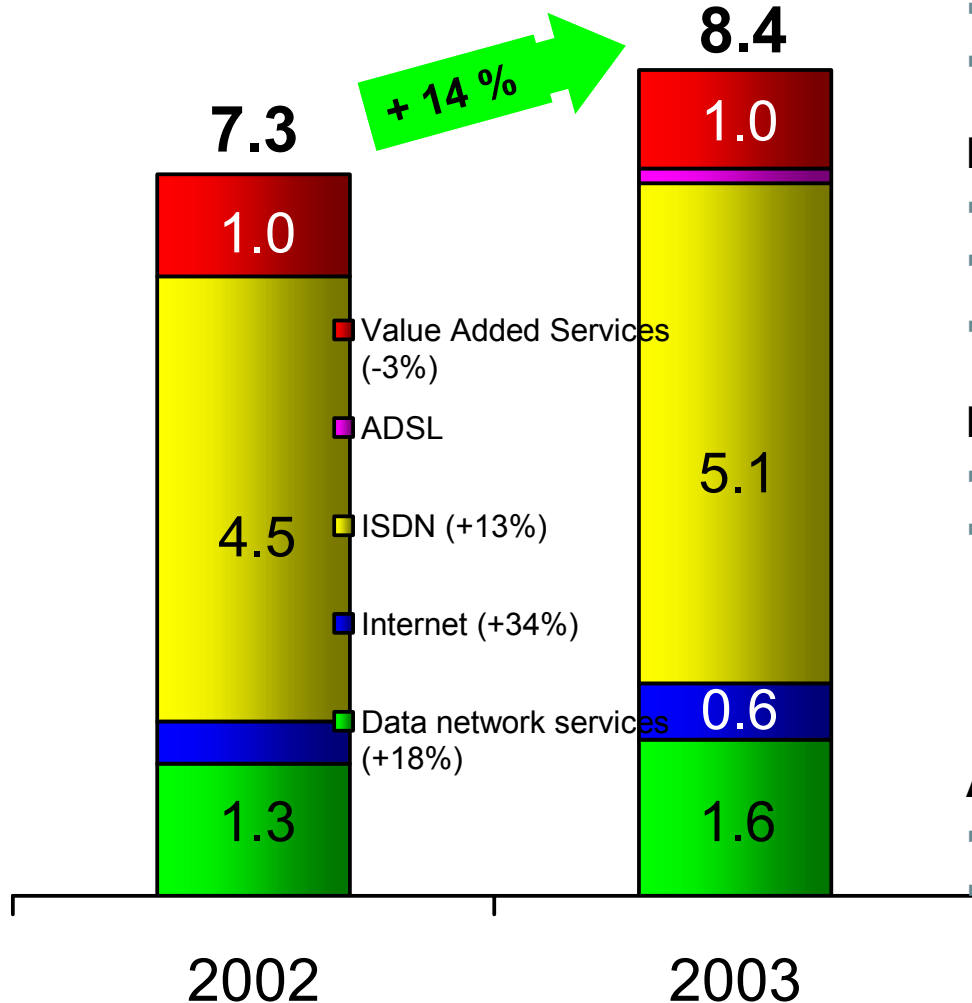
- Increase in traffic from other network operators via CPS and CS
- Increased transit traffic

International

- Increased transit traffic

Data Transmission and Other Telephony

(in. CZK bn.)



- Value Added Services (-3%)
- ADSL
- ISDN (+13%)
- Internet (+34%)
- Data network services (+18%)

Note: audited under IFRS

Internet

- IOL/Quick users up by 23 % to 865 thous.
- Revenues up by 34 % to CZK 573 mil.

Data network services

- Revenues up by 18 % to CZK 1,582 mil.
- Competitive mkt. in retail, declining prices
- Dynamic growth in transferred data

ISDN

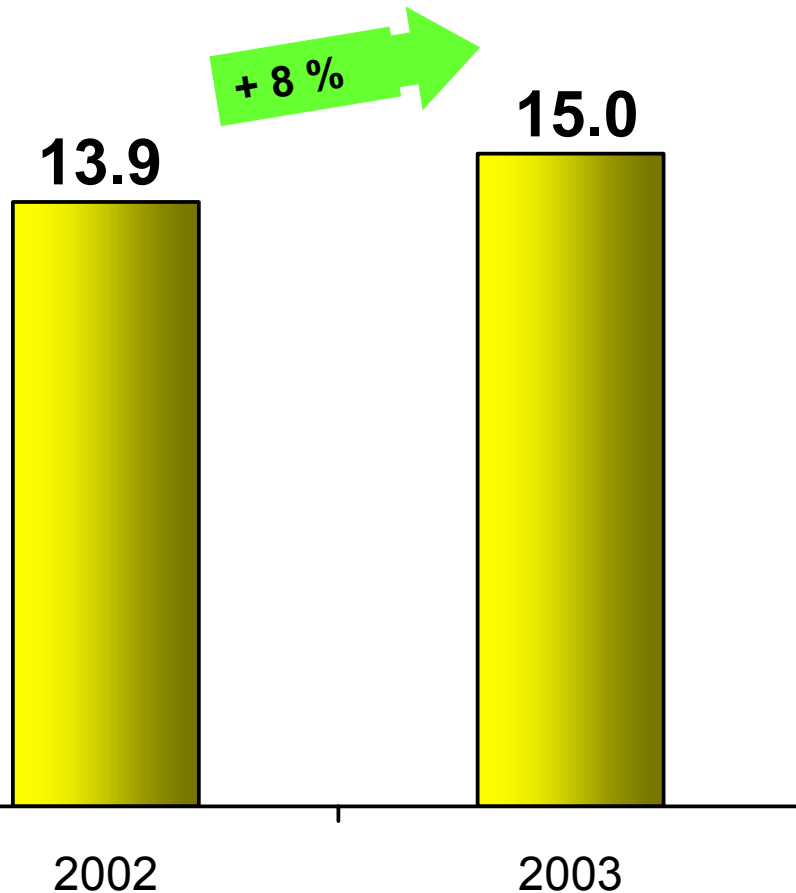
- Channels up 23% to 477,000
- Revenues up 13% to CZK 5.1 bn of which CZK 3.3 bn was communications, CZK 1.7 bn subscriptions, and CZK 91 mil. connection charges

ADSL

- Launched in March 2003
- More than 15 thous. connections installed by end of 2003

Eurotel consolidation

(in. CZK bn.)



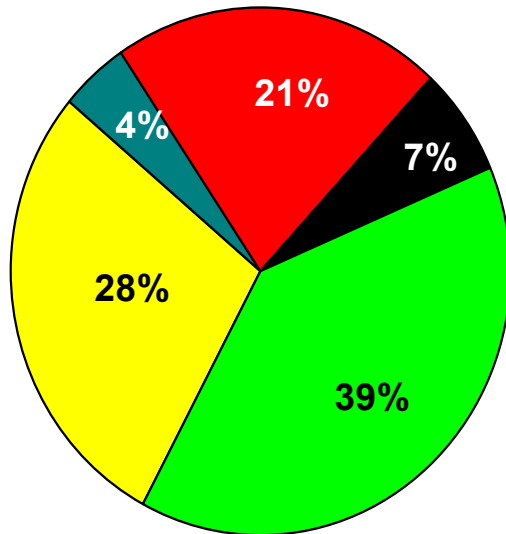
Note: audited under IFRS

- **100% consolidation from December 1, 2003**
- **Consistently No. 1 mobile operator**
- **Recurring revenues up 3% to 27.6 bn**
- **Total number of customers up 8% to 4,215 thous.**
- **Total MOU up 3% to 4,319 mil.**
- **Increasing M2M traffic**
- **Focus on Internet and data services**

Consolidated Operating Costs Breakdown

(in CZK bn.)

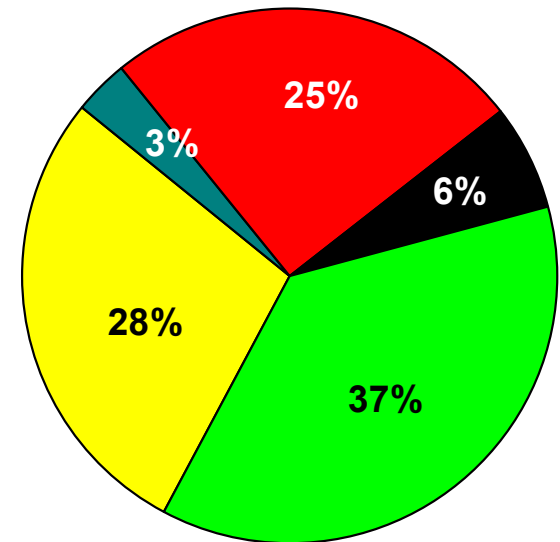
CZK 26.7 bn.



2002



CZK 27.7 bn.



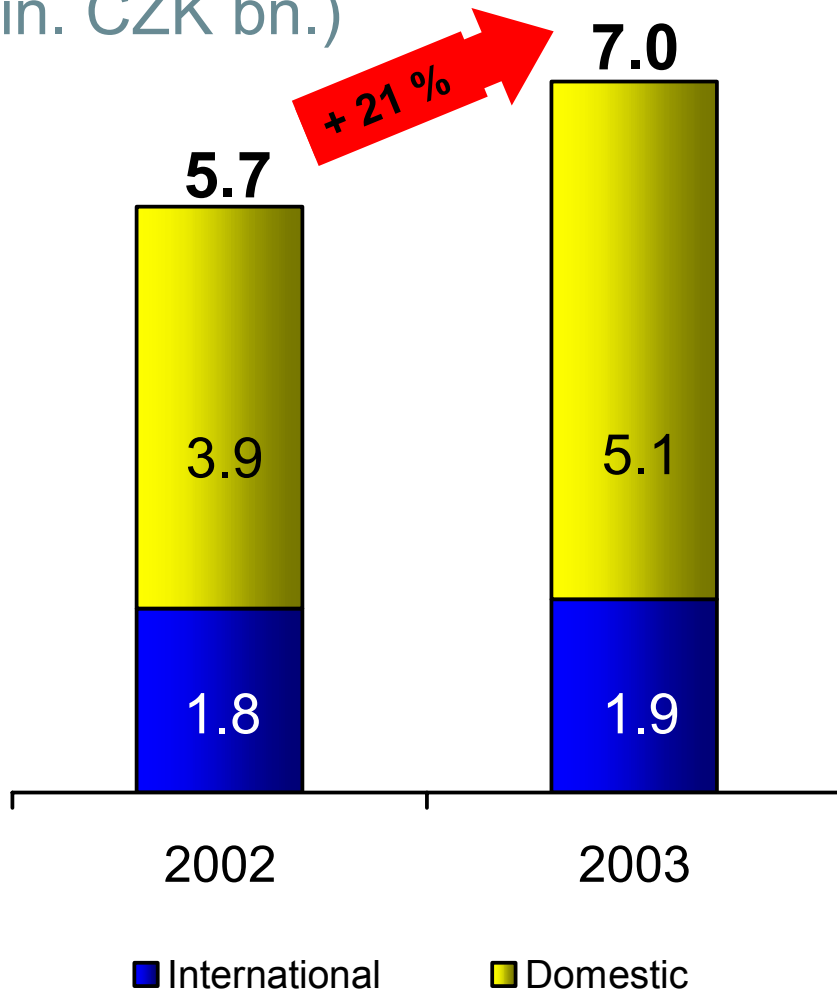
2003

- Staff costs (+3%)
- Material consumed (-17%)
- Payments to other oper. (+21%)
- Equip. & mat. cost of sales (+0%)
- Other (-5%)

Other includes: real estate/building expenses, consultancy, other costs
Note: consolidated and audited under IFRS

Payments to other network operators

(in. CZK bn.)



Domestic

- Economically unjustified rates for Internet connection to other ISP driven by regulator
- Increasing M2M traffic

International

- Increased transit traffic

Note: Consolidated, audited under IFRS

Consolidated Balance Sheet

(CZK bn.) 31.12.02 31.12.03 Chg. in %

Fixed assets	131.2	139.6	6%
Current assets	25.1	15.1	(40%)
- Cash & cash eq.	15.3	4.9	(68%)
Total assets	156.4	154.7	(1%)
Equity	111.3	90.2	(19%)
- Share capital	32.2	32.2	0%
- Reserves	79.1	58.0	(27%)
Liabilities	45.0	64.5	43%
- Debt	22.0	45.1	105%
- Creditors	11.4	11.7	3%
- Provisions	11.6	7.7	(34%)
Gross gearing	20%	50%	
Net gearing	6%	45%	

Changes in 2003

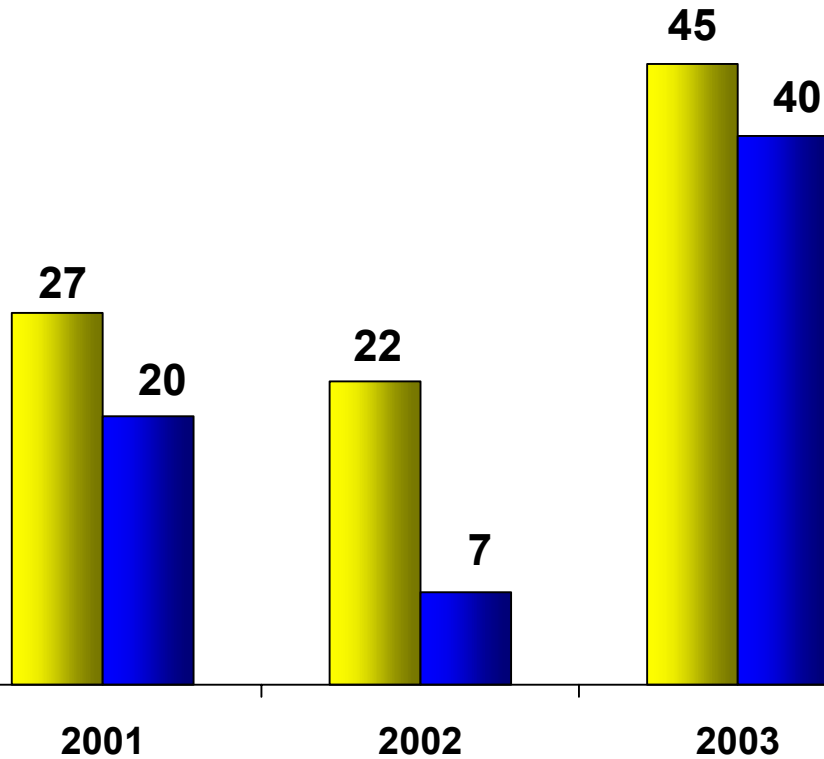
- Repayment of CZK 12.5 bn equivalent of eurobonds
- Raised CZK 1 bn @ 4.55%, maturity in 2005
- Raised CZK 6 bn @ 3.50%, maturity in 2008
- ET dividend (CZK 10.98 bn)
- CTc dividend (CZK 18.5 bn)
- EUR 850 mil. Eurotel acquisition financing

Note: audited under IFRS

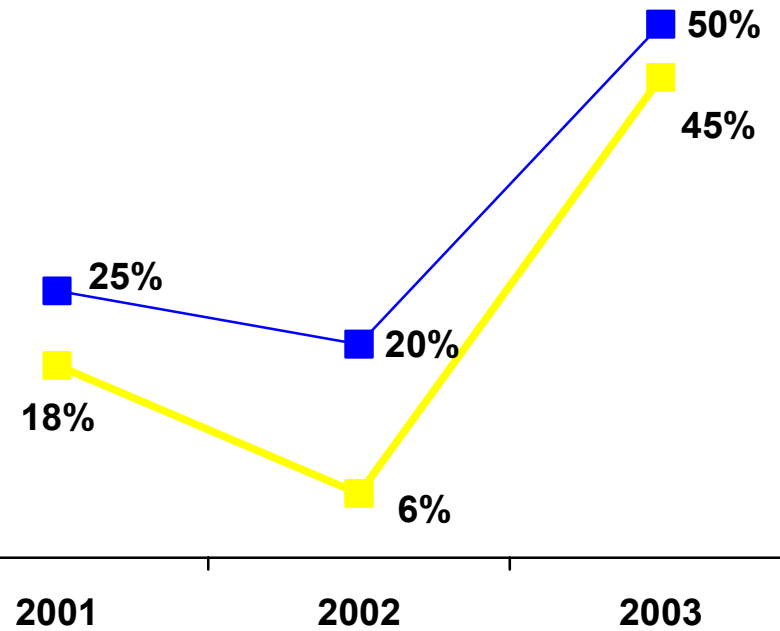
Debt and gearing

(CZK bn.)

■ Debt ■ Net debt



■ Net gearing ■ Gross gearing



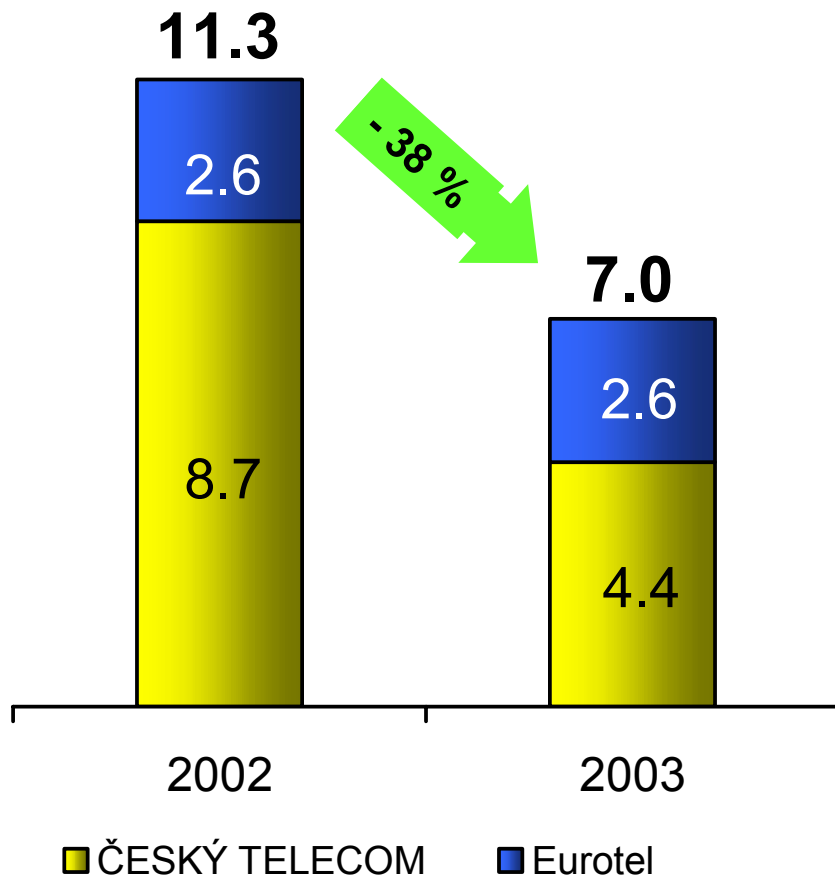
Note: Gross gearing = Interest bearing debt / Equity

Net gearing = (Interest bearing debt – Cash and cash equivalents) / Equity

Consolidated under IFRS

CAPEX

(in. CZK bn.)



ČESKÝ TELECOM

- Expanded functionality of existing core network and maintenance

Eurotel

- Maintenance driven

Note: audited under IFRS

Consolidated Cash flow

(in CZK bn.)	2002	2003	Chg.
Interest paid	(2.9)	(2.2)	(25%)
Income tax paid	(1.7)	(2.2)	27%
Net cash from operating activities	21.4	19.8	(7%)
Net cash from investing activities	(13.6)	(27.4)	101%
- purchase/disposal of PPE	(8.7)	(5.1)	(41%)
- purchase of intangible assets	(2.0)	(0.9)	(55%)
- purchase of financial investments	-	(29.2)	<i>n.m.</i>
- marketable securities	(4.0)	7.1	<i>n.m.</i>
- interest received	1.1	1.1	(1%)
Free cash flow I ¹⁾	11.7	14.9	27%
Free cash flow II ²⁾	13.5	16.0	18%
Net cash from financing activities	(4.6)	2.3	<i>n.m.</i>

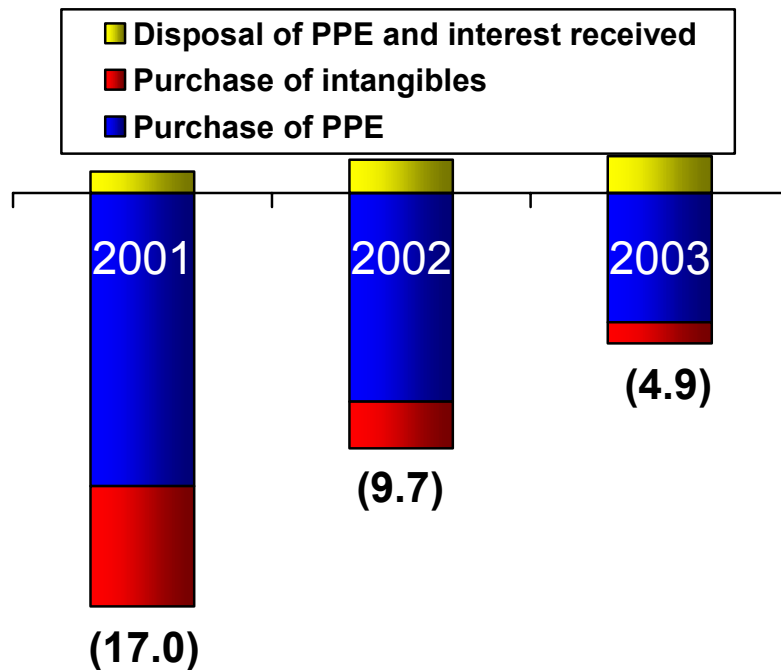
Note: consolidated under IFRS

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

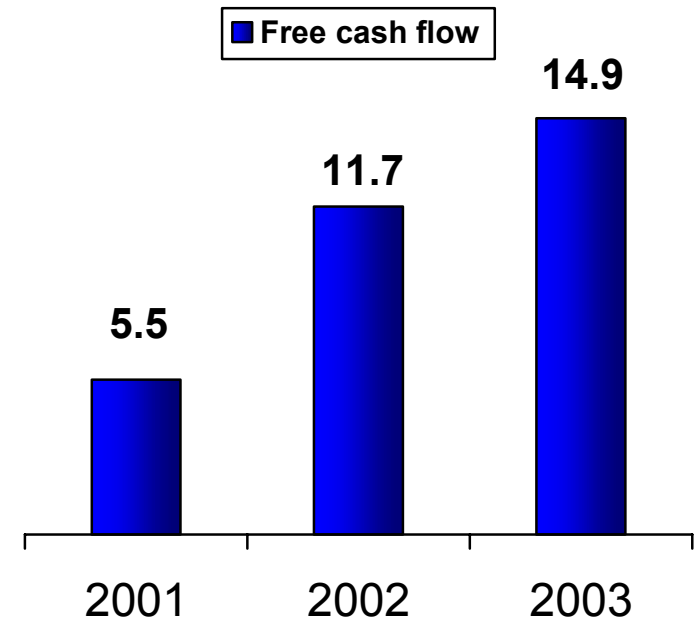
²⁾ Net operating cash less Net investing cash excl. marketable securities, purchase of financial investments and interest

Free Cash Flow (in CZK bn.)

Net cash from investing activities ¹⁾



Free cash flow ²⁾



1) Excluding marketable securities and purchase of financial investments

2) Net cash from operating activities – Net cash from investing activities excl. marketable securities and purchase of financial investments

Note: audited under IFRS

Pro Forma Income Statement

(100% Consolidation)

(in CZK bn.)	2002	2003	Chg. in %
Revenues	65.7	64.7	(1%)
Operating costs excl. D&A	(33.1)	(34.2)	3%
EBITDA	32.6	30.5	(6%)
<i>EBITDA margin</i>	<i>50%</i>	<i>47%</i>	

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Strategy

- Target – to become leading telecommunication operator amongst EU accessing countries in terms of operational and financial performance
- Customer oriented (value-added services, comprehensive solutions to satisfy individual needs, solution systems and processes, corporate culture)
- Exploit opportunities in data, internet – broadband and wideband access, and integrated services due to continuing pressure on traditional voice segment
- Exploit synergy opportunities with full ownership of Eurotel
- Ongoing emphasis on operating performance (operating and investment costs, productivity, processes)

Business Outlook for 2004

- Focus on revenue protection
- EBITDA margin to remain above the industry comparables
- Focus on operating efficiencies improvement
- CAPEX to remain below 12% of revenues
- Fixed line staff reductions
- Relative decline of Depreciation & Amortization
- Increased uncertainty in the regulatory environment may result in negative impact on expected margins
- Further streamlining of internal processes to support significant staff reductions (billing, customer care)

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