

Telefónica Czech Republic

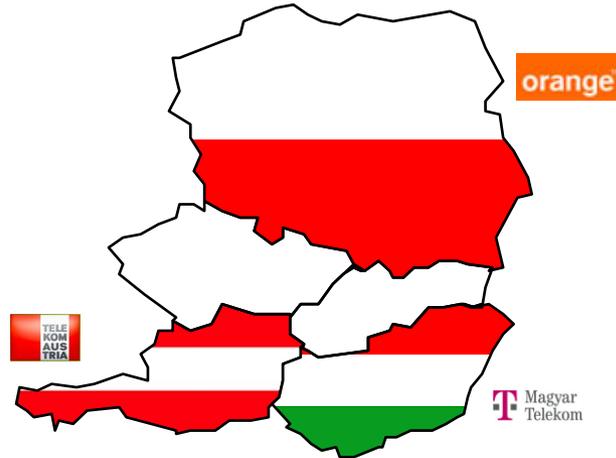
Patria Investment Day

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Telefónica

Surrounding countries coming with disappointing news... ...having negative impact also on Telefónica CR



- Profit warnings
- Worsening Operating Cash Flow trends
- Weak 2013 outlook
- Repetitive significant dividend cuts
- Special telco taxation

Business Opportunity

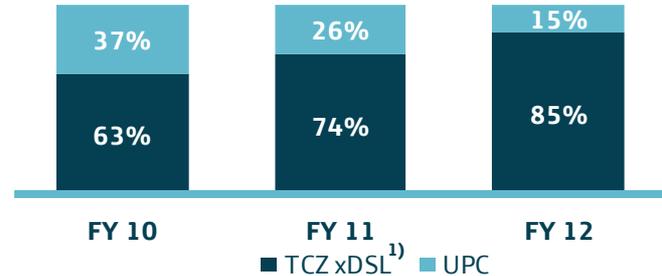
- 1 Stable economy 
- 2 **Growth opportunities in telecom industry**
- 3 TCZ - best positioned in the market
- 4 **TSK - relevant market player** 
- 5 **Efficiency agenda with track record & mid-term plan in place**
- 6 **TCZ delivers on its commitments**

Strengthening market position in fixed broadband via VDSL proposition smartphone penetration growth driving mobile data revenues uptake (~19%)³⁾

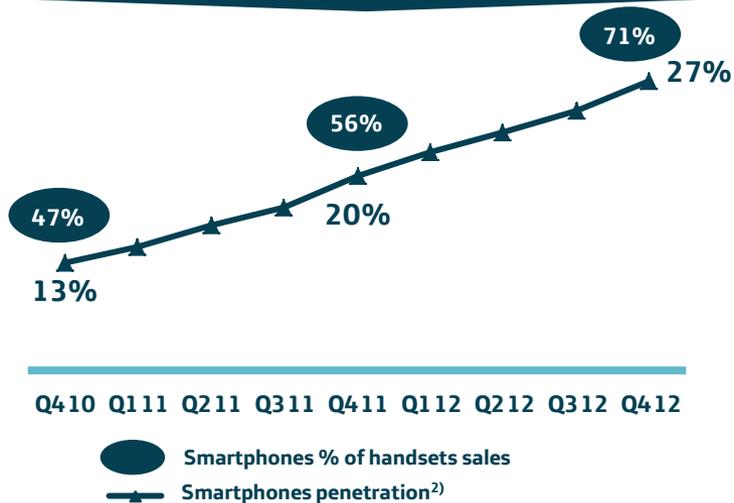
xDSL¹⁾ ('000)



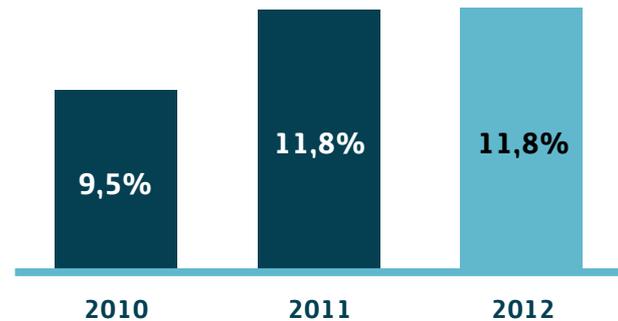
Fixed BB net adds (market shares)



Smartphone sales & penetration



Commercial costs as % of mobile revenues



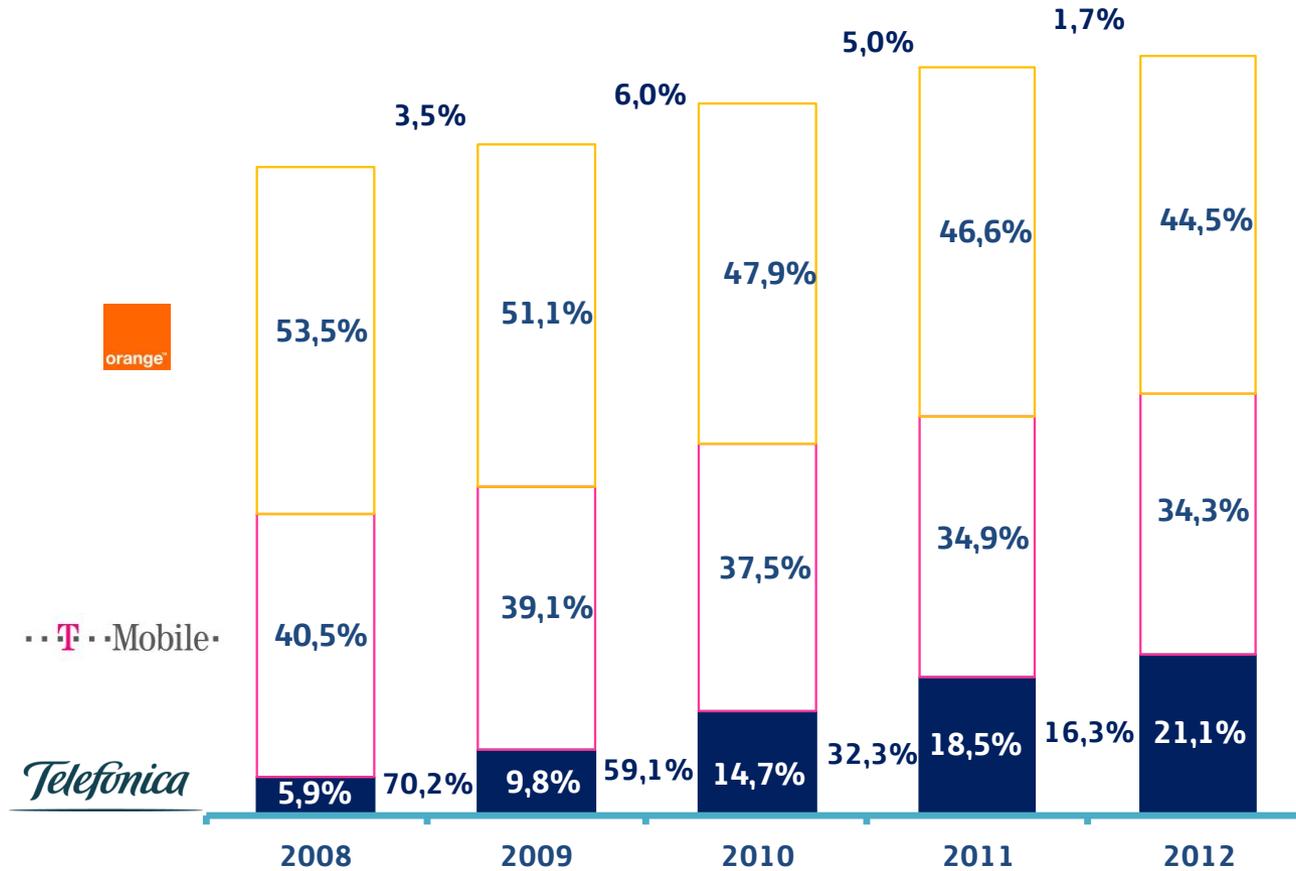
¹⁾ retail & wholesale

²⁾ Smartphones as % of total handsets base in TCZ

³⁾ Big screens, small screens, Time/Usage based, Data Roaming, M2M, Push Email . Other Data (FY 2012 year-on-year change)

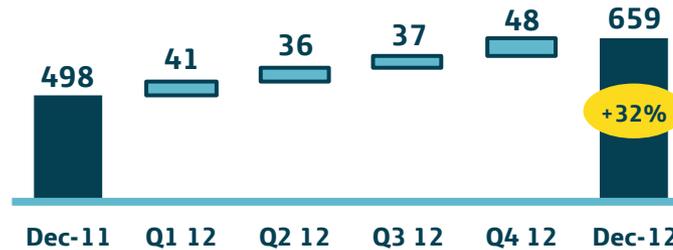
We continue strengthening our position in Slovakia... ...capturing close to 100% market growth

SK mobile subscribers ['000 active]



Slovakia - strong customers' growth and value focused proposition driving very solid financial performance

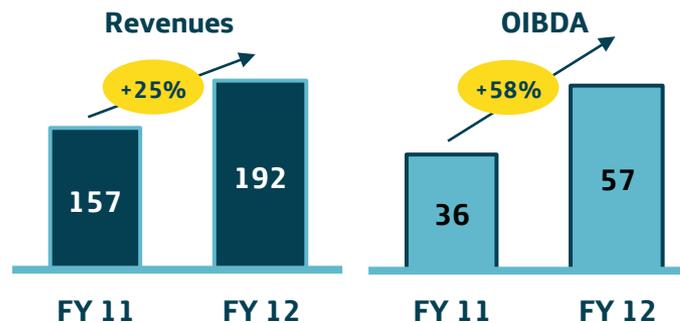
Contract mobile customers ('000)



Growing customer value (ex-MTR ARPU)



Strong financials (EURm)



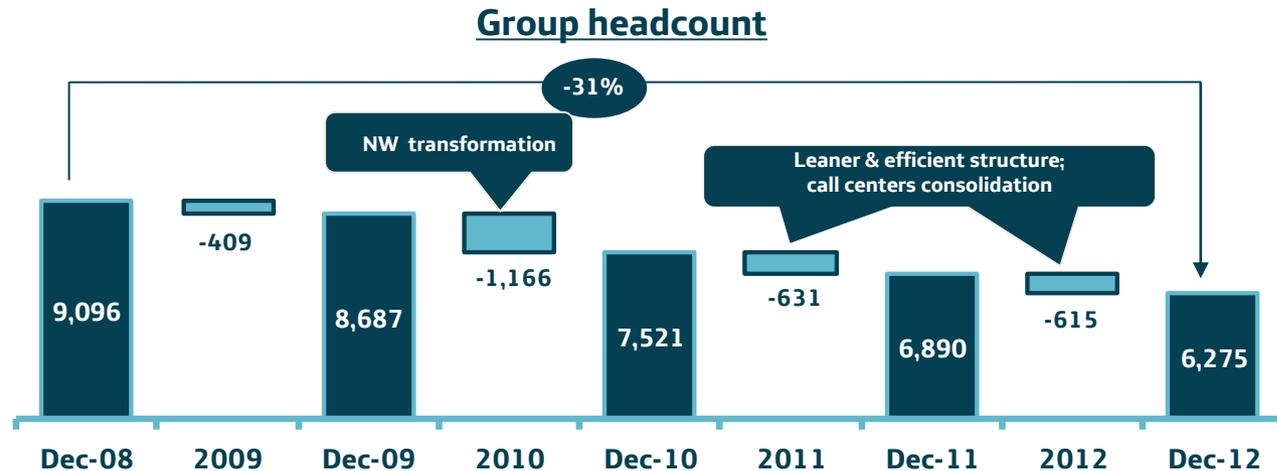
Efficiency agenda with a proven track record... ...changing the way we run our business

■ Operational efficiencies

- Service contracts optimization/renegotiations
- Outsourcing of IT and NW functions
- Leaner organisational structure
- Call centres consolidation & efficiency

■ Simplifying business model

- Product portfolio simplification (Free)
- Customer care migration to On-line
- Reduction & simplification of applications and systems



Dividend proposal offers ~10%¹⁾ yield to be paid in 2013 ...
 ... in addition, next 2% tranche of share buy-back to be executed

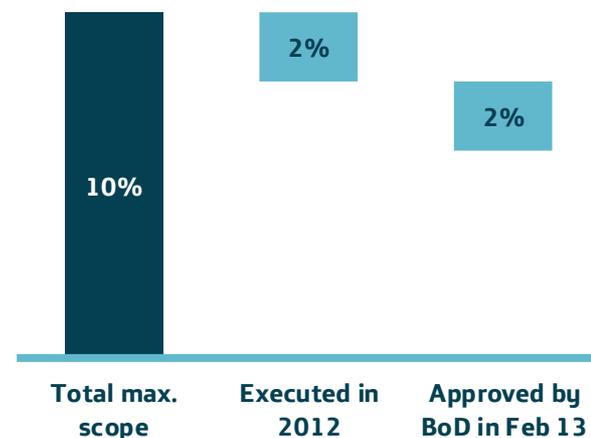
Shareholder Remuneration proposal

(CZK per share, declared for the year)

- **Total shareholder remuneration of CZK 9,663 million²⁾, equal to CZK 30 cash per share, composed of:**
 - **Dividend of CZK 6,442m, equal to CZK 20 per share**
 - **Share premium reduction of CZK 3,221m, equal to CZK 10 per share**

Share buy-back

- **SBB program on top of shareholder remuneration**
- **Next 2% tranche approved** by the Board of Directors in addition to 2% already executed in 2012. Aimed at completing by 2013 year-end depending on actual market conditions
- **Flexible execution, considering business opportunity vs. SBB alternative**



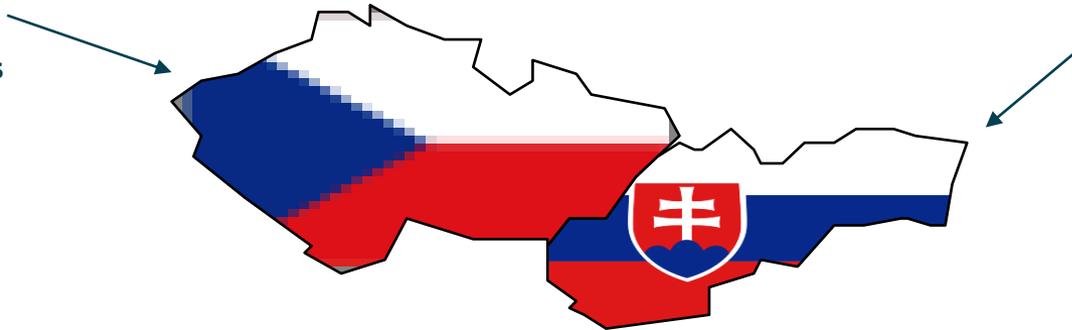
¹⁾ Considering dividend and share premium reduction of total CZK 30 per share (excluding SBB), based current share price
²⁾ This total amount for the distribution (CZK 9,663m) could be lower depending on future number of own shares held by the Company. The Company will not be entitled to distribute the shareholder remuneration to the acquired shares. .

Backup

Telefónica CR is integrated leader in the Czech Republic... ...and the fastest growing operator in Slovakia

Czech Republic

- 1,500k fixed lines
- 915k xDSL¹⁾
- 141k IPTV
- 5,083k Mobile



Slovakia

- 1,354k Mobile

- **Leading fixed/mobile operator**
- **No. 1 mobile: ~ 38% market share** (subscribers & revenues)
- **No. 1 fixed: ~ 50% market share** (revenues)
- **Fastest growing fixed BB provider: ~35% market share** (subscribers)
- **Among Top ICT providers**
- **Improving Customer Satisfaction** (relative to peers)

- **No. 3 mobile (21% m.s.), the fastest growing**
- **No. 1 in Customer Satisfaction**
- **Voted “The Operator of the Year”** for the 5th consecutive year by customers
- **Revenues: +25% y-o-y,**
- **OIBDA: +58% y-o-y,**
- **OIBDA margin: 30%**

The New FREE Tariffs responding to market situation... ... with focus on simplification

- Improving CSI, but behind in value for money, pricing transparency...
- ... so we decided to be the first and write the rules...
- ... bringing more value to the customers

Simple proposition enables us to simplify also our business model:

- Pull demand drives sales channels utilization
- Resources needed for customer retention and care
- Changing handsets subsidy model

