

Taxation of dividend payment for the year 2012 of of Telefónica Czech Republic, a.s.

Dear shareholders,

As of November 11th, 2013, a dividend payment for the year 2012 in the amount of CZK 20 per each share before tax will be made by Česká spořitelna, a.s. Shareholders are entitled to receive dividends if they hold the stock of Telefonica Czech Republic, a.s. ("the Company") ISIN CZ0009093209 on the decisive date, i.e. October 14th, 2013.

The Company will withhold the tax due on such dividend and pay it to the tax administration authority in accordance with applicable legal regulations and based on the declared tax residency of beneficial ownership.

If the beneficial ownership is a **Czech tax resident**, the following tax rate shall apply in case of delivery of the below mentioned documents:

- i) Physical person: 15 per cent
 - Filled-in application for payment enclosed to the information letter, or signature of the form if paid at Ceska sporitelna's branches, or declaration of Czech tax residency
- ii) Company: 15 per cent
 - Filled-in application for payment enclosed to the information letter, or declaration of Czech tax residency

If the beneficial ownership is a **tax resident of another state**, the following tax rate shall apply in case of delivery of the below mentioned documents:

- a) Shareholder is a resident of the state with which the Czech Republic has concluded Double Tax Treaty: reduced rate of 0-15 per cent in accordance with relevant treaty
 - Tax residence confirmation and beneficial ownership's declaration, OR
 - Tax residence confirmation and filled-in application for payment enclosed to the information letter
- b) Shareholder is a tax resident of the state with which the Czech Republic has concluded Double Tax Treaty: 15%
 - Filled-in application for payment enclosed to the information letter, OR
 - Affidavit on tax residence and beneficial ownership's declaration
- c) Shareholder is a resident of the state with which the Czech Republic has concluded a Tax Information Exchange Agreement for the income tax area or another international agreement: 15%
 - Filled-in application for payment enclosed to the information letter, OR
 - Affidavit on tax residence and beneficial ownership's declaration
- d) Shareholder is a pension fund: 0%
 - Confirmation of pension fund on tax residency, beneficial ownership's declaration, tax residence confirmation
- e) Shareholder is a tax resident of non-contractual state: application of 35 per cent tax rate if the shareholder will not prove that he is a tax resident of the contractual state under the points a) to d)

For the application of the reduced tax rate under the points a) to d), all required documents has to be delivered by November 25th, 2013, otherwise a basic rate of 35 per cent shall apply.

For the subsequent reduction of the applied tax rate after the November 25th, 2013, shareholder shall provide also with the list of all custodians or other entities who forward a dividend payment from CS up to them and provide CS with the declarations of such entities confirming the reception and pay-out of dividend.

For detailed information related to required documents and taxation, please see enclosed table. We also enclose templates of the above mentioned declarations. The above mentioned information is stated in the information letter you receive soon.

Taxation of the payment associated with distribution of the share premium to the shareholders of Telefonica Czech Republic, a.s.

Dear shareholders,

Below is the information related to the taxation of the payment associated with distribution of the share premium in the amount of CZK 10 per share. Shareholders are entitled to receive the payment of share premium if they hold the stock of Telefonica Czech Republic, a.s. ISIN CZ0009093209 on October 14th, 2013. The taxation shall be different for shareholders – Czech tax resident and tax residents of other state in accordance with the valid legal regulations.

- **Czech tax resident** – the share premium payment will be made in the gross amount. We recommend the verification of your tax liabilities, namely an obligation to file a tax return in the Czech Republic, with your tax advisor.
- **Tax resident of another state** – the share premium payment will be made in the gross amount if the payment is not attributable to the permanent establishment in the Czech Republic. If the payment is based on the declaration of a foreign company attributable to the permanent establishment and this is a permanent establishment of a foreign company that is not tax resident of the EU or ECC state, please contact us for further steps.