

## **Resolutions of the Regular General Meeting of Telefónica Czech Republic, a.s., which will be held on April 19, 2012**

(Proposal of the Board of Directors)

### **Resolution on item 2) of the agenda**

Approval of Rules of Procedure of the General Meeting, election of the chairman of the General Meeting, the minutes clerk, minutes verifiers and persons to count the votes

#### **Resolution No. 2.1**

**The General Meeting approves the Rules of Procedure of the General Meeting, as proposed by the Board of Directors of the Company.**

#### **Resolution No. 2.2**

**The General Meeting elects Mr. Jan Zelený as Chairman of the General Meeting, Ms. Marcela Ulrichová as Minutes Clerk, Ms. Eva Stočková and Ms. Pavla Štursová as Minutes Verifiers, and Messrs. Václav Novotný and Antonín Králík as persons to count the votes (scrutineers).**

### **Resolution on item 3) of the agenda**

Report by the Board of Directors on business activities of the Company and situation of its assets as a part of the annual report of the Company for the year 2011, a summary explanatory report concerning certain matters set out in the Company's 2011 Annual Report

**No Resolution to be adopted on this item of the agenda of the General Meeting.**

### **Resolution on item 4) of the agenda**

Information on the results of inspection activities of the Company's Supervisory Board including information on review of the report on relations among interconnected entities.

**No Resolution to be adopted on this item of the agenda of the General Meeting.**

### **Resolution on item 5) of the agenda**

Approval of the Company's financial statements for 2011

#### **Resolution No. 5.1**

**The General Meeting approves the Annual Financial Statements of Telefónica Czech Republic, a.s. for 2011, as audited, and submitted by the Company's Board of Directors.**

#### **Resolution No. 5.2**

**The General Meeting approves the Consolidated Financial Statements of Telefónica Czech Republic, a.s. for 2011, as audited, and submitted by the Company's Board of Directors.**

## **Resolution on item 6) of the agenda**

Resolution on distribution of the Company's profit for 2011 and retained Company's profit from previous years and, as the case may be, other available funds of the Company, and determination of royalties for 2011

### **Resolution No. 6**

**The General Meeting approves to distribute the unconsolidated profit of Telefónica Czech Republic, a.s. (hereinafter "Company") for 2011 in the amount of CZK 7,648,074,030.17 after tax as follows:**

<b>1) contribution to the reserve fund</b>	<b>0.00 CZK</b>
<b>2) contribution to the social fund</b>	<b>15,000,000.00 CZK</b>
<b>3) royalties</b>	<b>0.00 CZK</b>
<b>4) dividends</b>	<b>7,633,074,030.17 CZK</b>

**The General Meeting approves to use the unconsolidated retained profit from previous years (in the current total amount of CZK 1,658,196,793.33) in the amount of CZK 1,063,353,269.83 as follows:**

<b>1) contribution to the reserve fund</b>	<b>0.00 CZK</b>
<b>2) contribution to the social fund</b>	<b>0.00 CZK</b>
<b>3) royalties</b>	<b>0.00 CZK</b>
<b>4) dividends</b>	<b>1,063,353,269.83 CZK</b>

The General Meeting approves that the unconsolidated retained profit of previous years in the total amount of CZK 594,843,523.50 shall remain undistributed.

A dividend of CZK 27 before tax shall thus be paid to each share with the nominal value of CZK 100, and a dividend of CZK 270 before tax shall be paid to each share with the nominal value of CZK 1,000. Under the conditions arising from the Czech legal regulations, the relevant tax shall be deducted (subtracted) by the Company before effecting the payment.

Those persons will have the title to dividend who will be the shareholders of the Company as at the conclusive day to claim the title to dividend (hereinafter "the conclusive day for dividend"), or their heirs or legal successors, provided that they prove the existence of their title. The respective shareholders shall be identified according to the state as of the conclusive day in the excerpt from the statutory register, which excerpt is to be ensured by the Company (unless it is proven that the record in the register fails to comply with reality).

**The conclusive day for dividend shall be September 12, 2012.**

**The dividend shall be payable on October 10, 2012.** The responsibility for the dividend payout rests with the Company's Board of Directors and it shall be carried out at the Company's costs through Česká spořitelna, a.s. and where not regulated by this provision, the payment shall be carried out in compliance with legal regulations and the Company's Articles of Association.

Without any undue delay after the regular General Meeting, the Board of Directors shall send written information on the resulting resolution of the General Meeting regarding the dividend payout, including the information on the dividend payout schedule, the dividend conclusive day, the dividend payout day and the financial institution designated to pay the dividend out, to the shareholders at the addresses of their registered office or their place of residence listed in the securities register administered in accordance with Act No. 256/2004 Coll., the Capital Market Trading Act.

## **Resolution on item 7) of the agenda**

Resolution on an amendment to Company's Articles of Association

### **Resolution No. 7**

**The General Meeting resolves on an amendment to the Company's Articles of Association whereby the current text (containing Basic Provisions and Articles 1 through 41) shall be replaced with amended text (containing Basic Provisions and Articles 1 through 41). The amendment to the Company's Articles of Association shall take effect from 20 April 2012.**

## **Resolution on item 8) of the agenda**

Determination of an auditor to carry out mandatory audits of the Company's Financial Statements for the year 2012

### **Resolution No. 8**

**The General Meeting, based on recommendation of Audit Committee, appoints the auditing company Ernst & Young Audit, s.r.o., with its registered office at Karlovo náměstí 10, Prague 2, postal code 120 00, to carry out mandatory audit of Telefónica Czech Republic, a.s. for the year 2012.**

## **Resolution on item 9) of the agenda**

Resolution on reduction of the registered capital

### **Resolution No. 9.1**

**The General Meeting adopts the following resolution on reducing the registered capital:**

#### **1. The reason of the registered capital reduction**

1.1 The Company's management has repeatedly indicated that it does not intend to hold excess cash. Current dividend capacity is constrained by retained earnings (from current and previous years) and is lower than the expected cash surplus, after investment and operating needs. Therefore, the Board of Directors proposes, in addition to a regular dividend payment, to reduce the registered capital. The Board of Directors is confident that that the dividend payment plus registered capital reduction, via a decrease in each share's nominal value, represents an adequate return for the shareholders. In addition, the Board of Directors believes this decision will not have a negative impact on the future performance of the Company.

#### **2. The manner and the scope of the registered capital reduction**

2.1. The Company's registered capital shall be reduced by proportional decrease of the nominal value of all Company's shares.

2.2. The Company's registered capital shall be reduced by CZK 4,187,168,700 (in words: four billion and one-hundred and eighty seven million and one-hundred and sixty-eight thousand and seven hundred Czech crowns) in total, i.e. from CZK 32,208,990,000 (in words: thirty-two billion and two-hundred and eight million and nine-hundred and ninety thousand Czech crowns) to CZK 28,021,821,300 (in words: twenty-eight billion and twenty-one million and eight-hundred and twenty-one thousand and three hundred Czech crowns).

2.3. After the registered capital reduction, the nominal value of each of 322,089,890 (in words: three-hundred and twenty-two million and eighty-nine thousand and eight hundred and ninety) shares with the to-date nominal value of CZK 100 (in words: one hundred Czech crowns) shall decrease by CZK 13 (in words: thirteen Czech crowns), i.e. to CZK 87 (in words: eighty seven Czech crowns) and the nominal value of the share with the to-date nominal value of CZK 1,000 (in words: one thousand Czech

crowns) shall decrease by CZK 130 (in words: one hundred and thirty Czech crowns), i.e. to CZK 870 (in words: eight hundred and seventy Czech crowns).

### **3. Utilisation of the sum corresponding to the amount of the registered capital reduction**

3.1. The respective sum corresponding to the total amount of the registered capital reduction, i.e. CZK 4,187,168,700 (in words: four billion and one-hundred and eighty seven million and one-hundred and sixty-eight thousand and seven hundred Czech crowns) shall be paid to the Company' shareholders.

3.2. The amount corresponding to the decrease of the nominal value of shares shall be paid in favour of each share, i.e. the amount of CZK 13 (in words: thirteen Czech crowns) shall be paid in favour of each one of 322,089,890 (in words: three-hundred and twenty-two million and eighty-nine thousand and eight hundred and ninety) shares in the nominal value of CZK 100 (in words: one hundred Czech crowns), and the amount of CZK 130 (in words: one hundred and thirty Czech crowns) shall be paid in favour of the share in the nominal value of CZK 1,000 (in words: one thousand Czech crowns). Basic rules of the payment process are described in the provisions below.

### **4. Special provision – basic rules of the registered capital reduction procedure**

4.1. When reducing the registered capital, the Board of Directors is to comply with law and make sure that shareholders are paid the amount corresponding to the decrease of the nominal value of shares after the registered capital reduction is entered in the Commercial Register.

4.2. Without any undue delay the Board of Directors shall notify of:

- (a) the date on which the resolution was registered in the Commercial Register and the date as at which it took effect towards third entities within the meaning of Sec. 215 (1) of the Commercial Code;
- (b) the date on which the notification to creditors within the meaning of Sec. 215 (2) of the Commercial Code was first published;
- (c) the date on which the notification to creditors within the meaning of Sec. 215 (2) of the Commercial Code was published for a second time;

at the Company's web site ([www.telefonica.cz](http://www.telefonica.cz) under the link "Investors Relations").

4.3. Furthermore, the Board of Directors shall inform (in the manner specified in the previous provision) of the date on which the registered capital reduction is going to be registered in the Commercial Register 2 weeks in advance. In the notification, the Board of Directors shall inform shareholders in detail about the procedure of payment of the amount corresponding to the decrease of the nominal value of shares. The payments shall commence starting the 22<sup>nd</sup> day from the date the registered capital reduction is entered in the Commercial Register.

4.4. The payment of the amount corresponding to the decrease of the nominal value of shares shall be made through Česká spořitelna, a.s. in a form of bank transfer to the account indicated by a shareholder; detailed instructions referred to in the previous article may determine in what cases shareholders will be entitled to opt for cash payment at Česká spořitelna's branch offices instead of the bank transfer.

4.5. On the day the registered capital reduction is entered in the Commercial Register or without any undue delay, the Board of Directors is to make sure that the entry on the nominal value of the Company share be altered in the statutory register, where Company's shares are registered and which replaces the list of shareholders. Furthermore, an extract from the said register will be required on the day the registered capital reduction is entered in the Commercial Register, based on which the amount corresponding to the decrease of the nominal value of shares will be paid to shareholders as of the due date. The payment decisive date shall be the date when the registered capital reduction is entered in the Commercial Register.

4.6. The registered capital reduction shall have no impact on the ratio of shareholders' share in the Company. Save for the right to the amount corresponding to the decrease of the nominal value of shares, the resolution on reducing the registered capital shall have no impact on shareholders' rights.

### **Resolution No. 9.2**

The General Meeting assigns the Board of Directors to prepare an unabridged version of the Articles of Association taking effect on the day the registered capital reduction is entered into the Commercial Register, and publish it in the manner and time required by law. The unabridged version shall reflect the following amendments implied by the Company's registered capital reduction.

- (a) Art. 4 (1) of the Articles of Association – the text “CZK 32,208,990,000 (in words: thirty-two billion and two-hundred and eight million and nine-hundred and ninety thousand Czech crowns)” shall be altered to “CZK 28,021,821,300 (in words: twenty-eight billion and twenty-one million and eight-hundred and twenty-one thousand and three hundred Czech crowns)”;
- (b) Art. 4 (2) (a) – the text “CZK 100” shall be altered to “CZK 87”;
- (c) Art. 4 (2) (b) – the text “CZK 1,000” shall be altered to “CZK 870”;
- (d) Art. 10 (4) – the text “CZK 100” shall be altered to “CZK 87” and the text “CZK 1,000” shall be altered to “CZK 870”.

### **Resolution on item 10) of the agenda**

Resolution on purchase of the Company's own shares

#### **Resolution No. 10**

**The General Meeting approves the ordinary share acquisition program with the following parameters:**

- **The highest number of shares that may be acquired by the Company: 10 per cent of the total number of 322,089,890 of ordinary shares with a nominal value 100 CZK (before reduction), i.e. a maximum of 32,208,989 ordinary shares;**
- **Allowed acquisition period: 5 years;**
- **Minimum share price: 150 CZK and maximum share price: 600 CZK;**
- **the Company may acquire the shares unless it infringes regulations set out by Sec. 161a (1)(b)(c) and (d) of the Commercial Code, as amended.**

### **Resolution on item 11) of the agenda**

An approval of the transfer of a part of business in the subsidiary Internethome, s.r.o.

#### **Resolution No. 11**

**In accordance with the provision of Sec. 67a and Sec. 187 Par.1 letter k) of Act No. 513/1991 Coll., the Commercial Code, as amended, the General Meeting provides hereby its consent with entering into a contract for contribution of the part of the enterprise to be concluded by and between Telefónica Czech Republic, a.s., as a contributor, and Internethome, s.r.o., having its registered office at Prague 4 - Michle, Za Brumlovkou 266/2, Postcode 140 00, Identification Number 241 61 357, as a receiver of the contribution. The subject-matter of the contract will be the contribution of the part of the enterprise of Telefónica Czech Republic, a.s., represented by the autonomous organisational unit - Project Wifi, in the registered share capital of the company Internethome, s.r.o.**

### **Resolution on item 12) of the agenda**

Recall of members of the Supervisory Board except for those elected by the Company employees in accordance with Section 200 of the Commercial Code

**No Resolution proposed by the Board of Directors regarding this item.**

## **Resolution on item 13) of the agenda**

Election of the Company's Supervisory Board members

### **Resolution No. 13.1**

The General Meeting elects a member of the Company's Supervisory Board Mr. José María Álvarez-Pallete López, born on December 12, 1963, resident at Calle del Camino Alto 16, 28109 Alcobendas (Madrid), Kingdom of Spain with immediate effect.

### **Resolution No. 13.2**

The General Meeting elects a member of the Company's Supervisory Board Mr. Enrique Medina Malo, born on April 4, 1972, resident at C. Olimpo 46, 28043 Madrid, Kingdom of Spain with immediate effect.

### **Resolution No. 13.3**

The General Meeting elects a member of the Company's Supervisory Board Ms. Patricia Cobian Gonzalez, born on February 27, 1975, resident at 55 Coleherne Court, The Little Boltons, London, SW5 0DN, The United Kingdom of the Great Britain and the Northern Ireland with immediate effect.

### **Resolution No. 13.4**

The General Meeting elects a member of the Company's Supervisory Board Mr. Javier Santiso Guimaras, born on 1 March 1969, resident at c/Dalia N°263, Soto de la Moraleja, 28109 Alcobendas, Kingdom of Spain with immediate effect.

## **Resolution on item 14) of the agenda**

Approval of agreements on performance of the office of the Company's Supervisory Board members

### **Resolution No. 14**

The General Meeting approves conclusion of the agreement on performance of the office of a member of the Supervisory Board between the Company and Mr. José María Álvarez-Pallete López, Mr. Enrique Medina Malo, Ms. Patricia Cobian Gonzalez and Mr. Javier Santiso Guimaras.

## **Resolution on item 15) of the agenda**

Recall of members of the Audit Committee

**No Resolution proposed by the Board of Directors regarding this item.**

## **Resolution on item 16) of the agenda**

Election of members and substitute members of the Audit Committee

### **Resolution No. 16**

The General Meeting confirms Mr. Vladimír Dlouhý in his office of a member of the Audit Committee and resolves that he shall continue to be a member of the Audit Committee.

## **Resolution on item 17) of the agenda**

Approval of agreements on performance of the office of the Audit Committee members

**Resolution No. 17**

**The General Meeting approves conclusion of the agreement on performance of the office of a member of the Audit Committee between the Company and Mr. Vladimír Dlouhý.**

**The Board of Directors of Telefónica Czech Republic, a.s**