

**On item No. 9) of the agenda of the Regular General Meeting  
of Telefónica Czech Republic, a.s., which is  
to be held on April 19, 2012**

**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 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

## Documents for shareholders

- 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:
- 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;
  - the date on which the notification to creditors within the meaning of Sec. 215 (2) of the Commercial Code was first published;
  - 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.

- 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)";
- Art. 4 (2) (a) – the text "CZK 100" shall be altered to "CZK 87";
- Art. 4 (2) (b) – the text "CZK 1,000" shall be altered to "CZK 870";
- 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".