

**Appendix:**  
**Report of the Board of Directors of Telefónica O2 Czech Republic, a.s.**

On relationships between the controlling and the controlled entity and on relationships between the controlled entity and other entities controlled by the same controlling entity for 2007 (pursuant to provisions of Section 66a of Act No. 513/1991 Coll., the Commercial Code, as amended)

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**Part A – Applicable period**

The report pursuant to Section 66a of Act No. 513/1991 Coll., the Commercial Code, as amended (Commercial Code) on relationships between the controlling and the controlled entity and on relationships between the controlled entity and other entities – interconnected entities controlled by the same controlling entity (Report) is prepared for the last accounting period, i.e. for the period started on 1 January 2007 and ended on 31 December 2007.

## Part B – Entities forming the holding

### Section I. – Identification details of the controlled entity – Telefónica O2 Czech Republic, a.s. (hereinafter referred to as “Company“)

The company is registered in the Commercial Register of the Municipal Court in Prague, Section B, Enclosure 2322.

Registration date: 1 January 1994

Corporate name: Telefónica O2 Czech Republic, a.s.

Registered address: Za Brumlovkou 266/2, 140 22 Prague 4 - Michle

Identification number: 60 19 33 36

Legal form: Joint-stock company

The following changes occurred in the identification details and legal fundamentals in the accounting period 2007:

With effect from 1 August 2007, the registered office of the Company changed from the previous registered address at Prague 3, Olšanská 55/5, post code 130 34 to the new registered address at Prague 4, Michle, Za Brumlovkou 266/2, post code 140 22.

After the termination of the liquidation process of CenTrade, a.s., the Company's Board of Directors – discharging the office of the sole shareholder – approved on 30 November 2007 the liquidator's report on the liquidation process containing a proposal to distribute the liquidation balance. After distribution of the liquidation balance, the liquidator filed a proposal to cancel the registration of the firm in the commercial register.

Based on the resolution of the Company's Board of Directors dated 10 September 2007, the Company concluded Purchase Agreement of 100% shares of DELTAX Systems a.s. The transaction came into effect in December 2007.

Based on the resolution of the Company Board of Directors dated 17 July 2007 adopted by virtue of the exercise of rights of the sole member, Q 4 2007 saw start of the liquidation process of SPT TELECOM (Czech Republic) Finance, B.V. This process continues; the process termination is expected in the course of 2008.

### Section II. – Identification details of the controlling entity

Controlling entity: **Telefónica S.A.**

Registered address: Distrito C, Ronda de la Comunicación s/n, 28050 Madrid, Spain

Identification number: A 28015865

The controlling entity held shares of the controlled entity in the aggregate nominal value of 69.41% of the registered capital of the controlled entity.

The total share in the voting rights of the controlled entity pursuant to Section 183d (1) of the Commercial Code was 69.41%.

Telefónica O2 Czech Republic, a.s. ← 69.41% Telefónica S.A.

↑

Other investors 30.59%

### **Section III. Interconnected entities**

Entities controlled by Telefónica S.A.:

- (a) The list of entities controlled by Telefónica S.A. forms Schedule No. 1 the Report. The list was compiled from inputs from Telefónica S.A., and verified using information from the Commercial Register and other available sources.
- (b) The list of entities further controlled by Telefónica S.A., forms Schedule No. 2 of the Report. The list was compiled from inputs from Telefónica S.A., and verified using information from the Commercial Register and other available sources.

#### **Part C Contracts and agreements between the controlled entity and the controlling entity, and contracts and agreements between the controlled entity and other interconnected entities including details of performance and counter-performance provided thereunder**

In the applicable period, contracts for the provision of services were concluded with the controlling entity and with interconnected entities.

The contracts were concluded with Telefónica S.A., the controlling entity, and with Telefónica de España, S.A.U., Telefónica O2 Services, spol. s r.o., O2 Germany GmbH, CZECH TELECOM Austria GmbH, CZECH TELECOM Germany GmbH, Telefónica International Wholesale Services, S.A., CenTrade, a.s. v likvidaci, Telefónica Investigación y Desarrollo, S.A., all of which are interconnected entities.

Details of contracts concluded are regarded as trade secret by the controlled entity, according to the Commercial Code and other internal governance documents. The controlled entity has not suffered any damage in connection with contracts and agreements concluded in 2007 between the controlled entity and controlling entity and between controlled entity and other interconnected entities, under which performance and counter-performance was given, or in connection with provision of performance and counter-performance in 2007 under contracts and agreements concluded prior to 1 January 2007. Performance provided in 2007 under the above contracts did not entail any advantages or disadvantages for the controlled entity.

#### **Part D – Other legal acts between holding entities in the accounting period 2007**

In accounting period 2007, no legal acts were made by the controlled entity in the interest of or instigated by these controlling or interconnected entities, resulting in a damage or profit, advantage or disadvantage to the controlled entity.

#### **Part E – Measures between holding entities in the accounting period 2007**

In accounting period 2007, no measures were taken by the controlled entity in the interest of or instigated by these controlling or interconnected entities, resulting in a damage or profit, advantage or disadvantage to the controlled entity.

## Part F Conclusion

- (a) The Report was prepared by the Board of Directors of the controlled entity, Telefónica O2 Czech Republic, a.s., and approved at the meeting of the Board of Directors held on 18 March 2008.
- (b) The Report was prepared using data and information obtained from the controlling entity and other interconnected entities, other available documents, and using results of examinations of relationships between the controlled entity on the one hand and the controlling entity and other interconnected entities on the other hand. The Board of Directors of the controlled entity, Telefónica O2 Czech Republic, a.s., declares that it proceeded with due professional diligence of a manager when collecting the data and information.
- (c) With regard to the fact that the controlled entity, Telefónica O2 Czech Republic, a.s., is obliged by law to make an Annual Report pursuant to Act No. 563/1991 Coll., on accounting, as amended, this Report will be attached to the 2007 Annual Report. Shareholders will have the opportunity to read the Report at the same time and under the same conditions as the financial statements.

In Prague, on 18 March 2008

Telefónica O2 Czech Republic, a.s. – controlled entity

Board of Directors

**Schedule No. 1**

**LIST OF COMPANIES CONTROLLED BY  
TELEFÓNICA S.A. WITH A OWNERSHIP INTEREST OF THE  
TELEFÓNICA GROUP OF  
40 - 100 %  
IN THE PERIOD OF 1 JANUARY 2007 UNTIL 31 DECEMBER 2007**

**Telefónica Group**

	Telefónica S.A. v %
Telefónica de España	100
Telefónica Móviles	100
Telefónica Latinoamérica	100
Telefónica de Contenidos	100
Grupo Atento	91.35
Telefónica O2 Europe	100

**Telefónica de España Group**

Telyco	100
Telefónica Telecomunic. Públicas	100
Telefónica Soluciones Sectoriales	100
Telefónica de Informática y Comunicaciones de España	100

**Telefónica O2 Europe**

O2 UK	100
O2 Germany	100
O2 Ireland	100
Manx	100
Be	100
Telefónica O2 Czech Republic	69.41

## Telefónica Latinoamérica Group

Telesp	87.95
Telefónica del Perú	98.18
Telefónica de Argentina	98.03
TLD Puerto Rico	98
Telefónica Chile	44.89
Telefónica Telecom	52.03
Telefónica USA	100
T. Intem. Wholesale Serv. (TIWS)	100
Terra Networks Perú	99.99
Terra Networks México	99.99
Terra Networks USA	100
Terra Networks Guatemala	100
Terra Networks Venezuela	100
Terra Networks Brasil	100
Terra Networks Argentina	99.99
Terra Networks Chile	100
Terra Networks Colombia	99.99
Telefónica Data Argentina	97.92

## Telefónica Móviles Group

Telefónica Móviles España	100
Brasilcel	50
Telefónica Móviles Argentina	100
Telefónica Móviles Perú	98.53
Telefónica Móviles México	100
TM Chile	100
Telefónica Móviles El Salvador	99.08
Telefónica Móviles Guatemala	100
Telcel (Venezuela)	100
Telefónica Móviles Colombia	100
Otecel (Ecuador)	100
Telefónica Móviles Panamá	99.99
Telefónica Móviles Uruguay	100
Telefónía Celular Nicaragua	100
Telefónica Móviles Chile	100
Group 3G	57.20
IPSE 2000	45.59
3G Mobile AG	100
Mobipay Internacional	50
Telefónica Móviles Soluciones y Aplicac. (Chile)	100
Tempos 21	43.69

## Atento Group

Atento Teleservicios España	100
Atento Brasil	100
Atento Argentina	100
Atento de Guatemala	100
Atento Mexicana	100
Woknal (Uruguay)	100
Centro de Contacto Salta	100
Mar de Plata Gest y Contactos	100
Atento Perú	99.46
Atento Chile	77.95
Atento Maroc	100
Atento El Salvador	100

## Telefónica de contenidos Group

Telefê	100
Endemol	99.7
Telefónica Servicios de Música	100
Telefónica Servicios Audiovisuales	100

**Schedule No. 2**

**LIST OF COMPANIES CONTROLLED BY  
TELEFÓNICA O2 CZECH REPUBLIC, A.S. WITH A OWNERSHIP  
INTEREST OF THE TELEFÓNICA GROUP OF  
40 - 100 %  
IN THE PERIOD OF 1 JANUARY 2007 UNTIL 31 DECEMBER 2007**

## Telefónica O2 Czech Republic

Telefónica O2 Services	100
Telefónica O2 Slovakia	100
CenTrade v likvidaci	100
CZECH TELECOM Germany	100
CZECH TELECOM Austria	100
SPT TELECOM (Czech Republic) Finance v likvidaci	100
DELTA Systems	100
GITUS*	
Internet Information Services*	

\* Companies fully controlled through DELTA Systems