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Other information for
shareholders and investors



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Basic information:

Corporate name:	Telefónica O2 Czech Republic, a.s. (Telefónica O2, the Company)
Registered address:	Praha 4, Za Brumlovkou 266/2, postal code 140 22
Company identification number:	60193336
Taxpayer registration number:	CZ60193336
Date of incorporation:	16 December 1993
Legally existing from:	1 January 1994
Duration of the company:	the company was founded for an indefinite period of time
Legal form:	joint-stock company
Statute of law under which the issuer was incorporated:	provisions of Section 171(1) and Section 172 (2) and (3) of the Commercial Code
Commercial court:	Prague Municipal Court
Commercial court record number:	Section B, File 2322

Trading in Telefónica O2 shares in 2010

	2010	2009
Number of shares (in millions)	322.1	322.1
Net profit/(loss) per share (in CZK) ¹	39.4	38.5
Highest share price (in CZK) ²	452.5	500.0
Lowest share price (in CZK) ²	369.0	359.8
Share price at the end of period (in CZK) ²	381.5	418.0
Market capitalization (in CZK billions) ²	122.9	134.6

¹ Unconsolidated net profit under IFRS

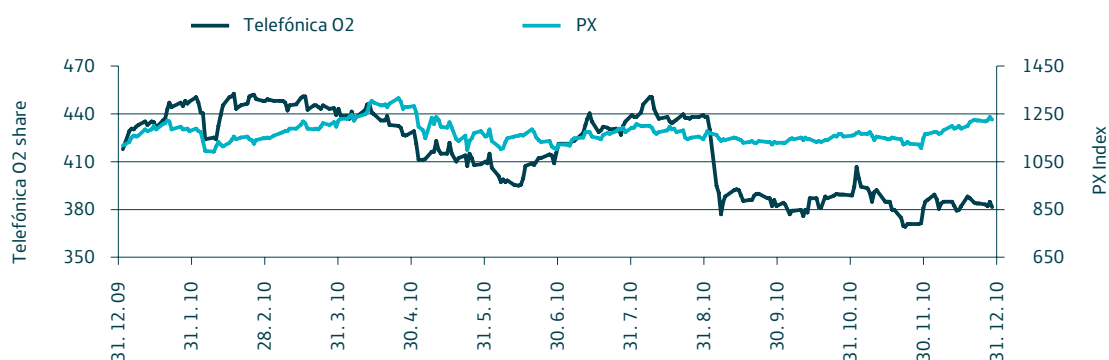
² Source: Prague Stock Exchange

In 2010, Telefónica O2 once again ranked among the most important companies on the Czech capital markets according to market capitalization and trading volumes. The total volume of trades in company shares on the main stock market of the Prague Stock Exchange (PSE) in 2010 was CZK 43.0 billion compared to CZK 65.7 billion in 2009. Trading in Telefónica O2 Czech Republic shares, measured by the total volume of shares traded, made up 11% of all trades on the PSE stock market. Telefónica O2 shares were the fourth most traded issue on the PSE in 2010. The average daily volume of trades in company shares in 2010 was CZK 166.7 compared to CZK 258 million in 2009.

As at 30 December 2010 (the last trading day on the PSE in 2010), the market capitalization reached CZK 122.9 billion, ranking Telefónica O2 fifth on the PSE stock market. The share price of Telefónica O2 on the last PSE trading day in 2010 reached CZK 381.5 resulting in a decline of 8.73% when compared with the previous year. The share price reached its maximum of CZK 452.5 on 17 February 2010, and its minimum of CZK 369 on 24 November 2010. The average share price in 2010 was CZK 416.2, compared to CZK 430.6 in 2009.

The above-average dividend yield, aided by the high free cash flow generation and a low level of debt, shares of Telefónica O2 still make a very attractive investment opportunity.

Trading in Telefónica O2 shares against the PX Index in 2010



Dividends

At the Annual General Meeting of 21 April 2008 held in Prague, the shareholders approved a dividend payment from the 2007 net profit and part of the reserve fund that can be applied by the Company at its sole discretion, in the total amount of CZK 16.104 billion, i.e. CZK 50 per share of nominal value of CZK 100 and CZK 500 per share of nominal value CZK 1,000, before tax. The record day for the payment of dividends was 17 September 2008 and the disbursement date 8 October 2008.

At the Annual General Meeting of 3 April 2009 in Prague, the shareholders approved a dividend payment from a part of the 2008 net profit and a part of the retained earnings from previous years in the total amount of CZK 16.104 billion, i.e. CZK 50 per share of nominal value of CZK 100 and CZK 500 per share of nominal value of CZK 1,000, before tax. The record day for the payment of dividends was 9 September 2009 and the disbursement date 7 October 2009.

At the Annual General Meeting of 7 May 2010 in Prague, the shareholders approved a dividend payment from a part of the 2009 net profit and a part of the retained earnings from previous years in the total amount of CZK 12.884 billion, i.e. CZK 40 per share of nominal value of CZK 100 and CZK 400 per share of nominal value of CZK 1,000, before tax. The record day for the payment of dividends was 8 September 2010 and the disbursement date 6 October 2010.

Dividend policy

The Company does not have an official long-term dividend policy at present. The Company has indicated several times that it did not intend to retain surplus cash. In the following periods, the Board of Directors will make annual proposals for the payment of dividend, based on a diligent analysis of the current and future performance of the Company, including the projected future cash flows and investments, business development costs and acquisition costs. This approach is in line with the investment strategy of directing

investment into pro-growth areas, such as fixed and mobile broadband internet, IPTV, mobile services, business and ICT solutions for the government and the corporate segment and the development of the mobile operation in Slovakia.

Details of patents or licenses, industrial, commercial or financial contracts which have a significant bearing on the business

1) Patents and licences

Telefónica O2 has licence agreements for the following software products: application middleware (BEA), database environment (Oracle), operating systems (Hewlett-Packard, SUN and Microsoft), workstation software (Microsoft), CRM using Siebel SW (Oracle), customer care and billing software (Amdocs and LHS) and enterprise resource planning software ERP (SAP).

2) Industrial and commercial contracts

Telefónica O2 maintained a diverse portfolio of technology suppliers in 2010. The main objective of the Company with respect to the contracted suppliers was to have competition on the supply side. All principal technology supply contracts are awarded by tender.

In 2010, the main suppliers of technology and related services to the Company were IBM Česká republika, Alcatel Czech, AutoCont CZ, Vegacom, Siemens, Accenture Central Europe B.V., Indra, DNS, NextiraOne Czech, Amdocs Development Limited, LHS, Hewlett-Packard and Huawei Technologies Co.

3) Financing agreements

Financial obligations as at 31 December 2010 divided into short-term and long-term (in CZK million):

Short-term (maturing within a year)	141
Long-term	2,883
Total	3,024

Loans, bonds issued and other financial obligations:

	Currency	Total loan in the currency	Outstanding in CZK thousand as at 31 December 2010	Redemption
Private Placement – debt instrument	EUR	115,040,673	2,882,919	2012
Other financial obligations			140,669	

EUR/CZK exchange used in the table for conversion purposes (as at 31 December 2010) is CZK 25.060/EUR.

The above loan and the other financial obligations were repaid in accordance with the relevant loan agreements or the Terms and Conditions of Issue. As at 31 December 2010, Telefónica O2 had no overdue loan obligations.

Bonds issued by Telefónica O2

Bond programme:	
Maximum volume of unredeemed bonds:	CZK 20,000,000,000
Programme duration:	2002 – 2012
Maturity of issues in the programme:	maximum of 15 years

As at 31 December 2010, no bond issue was made under the bond programme.

Investments

Main investments made by Telefónica O2 in the last two accounting periods (in CZK million):

	2010	2009
Network & Operations	3,011	2,976
Business Solutions	569	707
IT & Products	931	1,206
Property & Logistics	169	219
Brand stores	19	17
Subsidiary companies and other investments*	661	527
Projects of the Telefónica Group	–	187
Investments related to Telefónica O2 Slovakia made in the Czech Republic	49	39
Telefónica O2 Slovakia	254	611
Total	5,663	6,489

* Including additional internal work – capitalized

In 2010, the Company continued to implement an adequate investment policy, which clearly favours the development and support of customer-oriented technologies with a growth potential for the future, and investments leading to a greater operating efficiency. As in the previous year, Telefónica O2 invested into projects aimed at internal integration of mobile and fixed line services.

The structure of investment expenditure reflected the existing customer demands for new trends in telecommunications services with a high standard and quality of execution, and the efforts to complete the integration processes for the delivery of convergent services, aimed at the strengthening of our market position of the converged operator.

The mobile segment was dominated by investments in the development of the Mobile Broadband in line with the Company's strategy (3G + EDGE); at the end of 2010, the 3G and EDGE coverage extended to 42.5% and 98%, respectively. The expansion of the 3G network was accompanied by related investments into the existing 2G network. In the fixed line segment, investments were directed mainly at boosting the speed, availability and quality of ADSL, IPTV, Voice over IP and value added services.

As far as business solutions are concerned, the volume of investment copied the projects executed for customers; data connectivity and ICT projects continued to dominate this segment. The flagship business and government solutions projects in 2010 included the ongoing implementation of the data box information system for the public sector and investments in the expansion of the capacities in the hosting centre in Hradec Králové.

Investments in information systems, where the pursuit of an enhanced customer experience and the foundations for new products and services (e.g. investments in the CRM systems and the new online portal through which customers can keep track of all their services and which allows for more targeted and effective marketing of new offers) were the common denominator, tallied with the strategy of convergent process integration. Customer experience improved also with the implementation of a project to reduce the number of complaints and claims from customers.

In Slovakia, the construction of a proprietary network continued, and investments went also into quality improvements of the existing CRM system, electronic applications and a new business segment proposition. Investments in the GSM network were carried out as per the licence and system development requirements. By the end of 2010 Telefónica O2 Slovakia had 965 BTS in operation, of which 48 were commissioned during 2010. The network of Telefónica O2 Slovakia covered almost 95% of the population

Key investments in the future

In the period 2011-2012, the Company will continue to implement the standard investment policy for the telecommunications sector, which favours performance increases and the implementation of progressive technologies and customer approaches, aimed at achieving the Company's overall general strategy and increasing the market share in the Slovak telecommunications market.

A key project in the Czech Republic is the country-wide deployment of the Mobile Broadband technology, which will considerably improve the quality, effectiveness and availability of telecommunication and data services. In the fixed data segment, the Company plans to focus on the development of xDSL technology.

Fees paid to auditors in the accounting period

The cost of external audit activities performed by Ernst & Young for Telefónica O2 in 2010:

Type of service	Fee in CZK thousand
Audit	26,570
Other audit-related consultancy	0
Other services	0
Total	26,570

Financial calendar

Date of release of the running financial results

For the first quarter of 2011	12 May 2011 *
For the first half of 2011	27 July 2011 *
For three quarters of 2011	9 November 2011 *
For the year 2011	No later than 28 February 2012

* subject to change

Institutional investors and shareholders please contact

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