

**On item No. 9) of the agenda of the regular General Meeting
of Telefónica Czech Republic, a.s.
to be held on 22 April 2013**

Resolution on reduction of the registered capital

Resolution No. 9.1

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

- The reason of the registered capital reduction:

On 9 May 2012, the Board of Directors approved and announced its intention to submit a proposal to the General Meeting to cancel the acquired shares of the Company after the completion of the acquisition of shares, together with the proposal to reduce the registered capital by the amount of the nominal value of the acquired shares.

The acquired shares shall be cancelled with respect to the capital structure optimization.
- The manner and the scope of the registered capital reduction:

The Company's registered capital shall be reduced by cancellation of its own shares.

The Company's registered capital shall be reduced by CZK 560,436,426 (in words: five hundred sixty million four hundred thirty-six thousand four hundred twenty-six Czech crowns) in total, i.e. from CZK 28,021,821,300 (in words: twenty-eight billion twenty-one million eight hundred twenty-one thousand three hundred Czech crowns) to CZK 27,461,384,874 (in words: twenty-seven billion four hundred sixty-one million and three hundred eighty-four thousand eight hundred seventy-four Czech crowns).

After the registered capital reduction, the amount of 6,441,798 (in words: six million four hundred and forty-one thousand and seven hundred and ninety-eight ordinary shares) own shares with the nominal value of CZK 87 (in words: eighty-seven Czech crowns) (hereinafter "Cancelled Shares") shall be cancelled by their deletion from the statutory register, where Company's shares are registered and which replaces the list of shareholders. The total amount of the nominal value of the Cancelled Shares is equal to the amount of the registered capital reduction, i.e. CZK 560,436,426 (in words: five hundred sixty million four hundred thirty-six thousand four hundred twenty-six Czech crowns).
- Utilisation of the sum corresponding to the amount of the registered capital reduction:

Given the Cancelled Shares are the own shares of the Company, the respective sum corresponding to the total amount of the registered capital reduction, i.e. CZK 560,436,426 (in words: five hundred sixty million four hundred thirty-six thousand four hundred twenty-six Czech crowns) can neither be paid out to the Company's shareholders nor transferred into any other equity account, but shall reduce the balance of the registered capital. Thus, the sum corresponding to the amount of the registered capital reduction shall be captured in terms of accounting only.

The total amount of purchase price, for which the Company acquired the Cancelled Shares in 2012, amounts to CZK 2,482,507,930.65 (in words: two billion four hundred eighty-two million five hundred seven thousand nine hundred thirty Czech crowns and sixty-five hellers). The share premium shall be reduced by the difference between the purchase price and the nominal value of the Cancelled Shares, i.e. by the amount of CZK 1,922,071,504.65 (in words: one billion nine hundred twenty-two million seventy-one thousand five hundred four Czech crowns and sixty-five hellers). For the sake of completeness, this amount cannot be paid out to the shareholders.
- Special provisions – basic rules of the registered capital reduction procedure:

In the course of the registered capital reduction, including capturing the amount corresponding to the registered capital reduction and related accounting transactions, the Board of Directors is

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to comply with law and applicable international accounting standards (“IFRS”), the Company is obliged to comply with, including the Section 33 of the international accounting standard IAS 32.

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

- (a) the date on which the resolution of the General Meeting regarding reduction of the Company’s registered capital was registered in the Commercial Register and the date as at which it took effect towards third parties 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 published for the first time;
- (c) the date on which the notification to creditors within the meaning of Sec. 215 (2) of the Commercial Code was published for the second time;

at the Company’s web site (www.telefonica.cz under the link “Investors Relations”).

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 in 2 weeks advance.

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 Cancelled Shares, i.e. 6,441,798 (in words: six million four hundred forty-one thousand seven hundred and ninety-eight ordinary shares) own shares with the nominal value of CZK 87 (in words: eighty-seven Czech crowns) shall be deleted in the statutory register, where the Company’s shares are registered and which replaces the list of shareholders.

The registered capital reduction and cancellation of the Cancelled Shares shall have no impact on the ratio of shareholders’ share in the Company. The reduction of the registered capital shall have no direct impact on shareholders’ rights.

Resolution No. 9.2

The General Meeting shall assign 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 28,021,821,300 (in words: twenty-eight billion twenty-one million eight hundred twenty-one thousand three hundred Czech crowns)” shall be altered to “CZK 27,461,384,874 (in words: twenty-seven billion four hundred sixty-one million three hundred eighty-four thousand eight hundred seventy-four Czech crowns)”;
- (b) Art. 4 (2) (a) – the text “322,089,890” shall be altered to “315,648,092”.