

# **INVITATION TO GENERAL MEETING**

The Board of Directors of Telefónica Czech Republic, a.s.  
with its registered seat at Prague 4, Za Brumlovkou 266/2, Postal Code 140 22, Company ID 60193336, registered in  
the Commercial Register maintained by the Municipal Court in Prague under Section B, File 2322, hereby convenes  
the

## **ANNUAL GENERAL MEETING** to be held on 25 June 2014 at 1:00 p.m. at the TOP HOTEL Praha, Blažimská 1781/4, 149 00 Praha 4 – Chodov

### **Agenda of the Annual General Meeting**

- 1. Opening**
- 2. Approval of Rules of Procedure of the General Meeting, election of the chairman of the General Meeting, the minutes clerk, the minutes verifier and person or persons to count the votes**
- 3. The Board of Directors' Report on Company Performance and the status of its assets as a part of the company's 2013 Annual Report, the summarizing explanatory report on various issues dealt with in the company's 2013 Annual Report, conclusions of the 2013 Report on Relations**
- 4. Presentation of the Supervisory Board's surveillance activities, incl. information on the Report on Relations review**
- 5. Approval of the company's 2013 Financial Statements**
- 6. Resolution on the distribution of company's profit for 2013**
- 7. Appointment of an auditor to carry out the mandatory audit of the company in 2014**
- 8. Conclusion**

#### **Decisive Date:**

**18 June 2014** shall constitute the decisive date for attendance at the General Meeting. The meaning of the decisive date for attendance at the General Meeting lies in the fact that a person listed, as of the decisive date, in the extract from the register (where company shares are registered), which extract shall be procured by the company (unless it proves that the entry in the registration does not correspond to the actual situation) or a proxy of such person shall have the right to attend the regular General Meeting and exercise shareholder's rights, including voting.

#### **Participation in the General Meeting:**

##### **a) Registration and representation at the General Meeting**

Registration in the attendance list (hereinafter referred to as the "Registration") will take place on the date of the regular General Meeting from 12 noon at the venue of the regular General Meeting. Shareholder-individuals shall identify themselves by an identity card during the Registration. Unless set out otherwise hereinbelow, a proxy of a shareholder-individual, in addition to the above, shall present a power of attorney signed by such shareholder. The statutory body of a shareholder-legal entity shall identify themselves by an identity card and shall present an original or an officially verified copy of a document demonstrating the existence of the legal entity and the manner of acting of the statutory body thereof on its behalf. Unless set out otherwise hereunder, the proxy of a shareholder-legal entity shall, in addition to the above, present a power of attorney signed by the statutory body. The signature of the principal (whether of a legal entity or an individual) affixed to the written power of attorney must be officially verified.

Unless specified otherwise hereunder, the power of attorney granted for representation of the shareholder at the General Meeting shall be made in writing and it must indicate whether it was granted by the shareholder to the attorney for representation at one or more than one General Meeting of the company.

To grant a written power of attorney, shareholders may also use a form to be made available by the company from **26 May 2014** until the date of the General Meeting. The form shall be available to everybody at the company's registered office in a written form, its electronic form shall be available in the same manner as the company publishes other supporting documents relating to the General Meeting in question; everybody has the right to request that the form will be sent to him/her at his/her own costs and risk in a written form or electronically (for more information on the above mentioned see the part "Note").

An apostille or another clause or verification required by Czech bodies for similar foreign documents must be affixed to the documents mentioned above, should they be issued by foreign bodies or institutions or provided with their apostilles. Should such documents or apostilles be made in a foreign language, an official translation in Czech language must be affixed thereto.

At the electronic address valnahromada@o2.com, shareholders may notify the company in an electronic form of a granted power of attorney for representation at the General Meeting, as well as withdrawal thereof by the principal. Where such notification does not enable the company to check whether statutory requirements of the power of attorney have been met or to unambiguously identify the signed person (in particular where a guaranteed electronic signature based on a qualified certificate issued by an accredited certification services provider is not attached to the notification), the company shall be entitled but not obliged to request additional information to verify the attorney's empowerment. The shareholders may send the notifications pursuant to first sentence also to the company's databox, the address (ID) of which is d79ch2h. Such notification must also enable to check whether statutory requirements of the power of attorney have been met and, for the sake of trouble-free processing thereof, it is required that the respective message duly identifies the matter (dmAnnotation) with the text "Plna moc na VH". Where representation of the shareholder is demonstrated in some of the above mentioned manners, the company shall not request presentation of the written power of attorney during the Registration.

The shareholder may also be represented at the General Meeting or in exercising other rights attached to shares by a person entered in the investment tools register or in the book-entry securities register as an administrator or a person authorized to exercise the rights attached to the share. Authorization of the administrator or such person shall be demonstrated by the extract from that register, which extract shall be procured by the company. Where the shareholder's representation is proven in the above-mentioned manner, the company shall not request presentation of the written power of attorney. Should the shareholder, pursuant to the first sentence of this paragraph, be interested in being present at the General Meeting (within the meaning of Art. b.1.) otherwise than through the administrator or another designated person authorized to exercise the rights attached to the share on behalf of the shareholder, they must submit an extract from the statutory register (where the company's shares are registered) at the registration to demonstrate that they were the company's shareholder on the decisive date.

## b) Shareholders' rights and exercise thereof

### b.1. Shareholders' rights pertaining to the participation in the General Meeting – general summary

The shareholder shall exercise his/her/its rights at the General Meeting in person, through a person authorized to act on behalf of him/her/it or in representation, unless the law stipulates otherwise; such participating shareholder shall be deemed present at the General Meeting.

The shareholder shall thus be entitled in compliance with the legal regulations to participate in the General Meeting, to vote at the General Meeting, to request and obtain at or before the General Meeting an explanation of matters concerning the company or persons controlled by the company if such explanation is necessary to assess an item on the agenda of the General Meeting, and to raise proposals and counterproposals. Requirements for an explanation shall be made at the General Meeting in suitable form. Shareholders may be requested to make them in writing; such requirement, however, cannot be binding for the shareholder.

### b.2. Number of shares and voting rights

The registered capital of the company amounts to CZK 27,461,384,874 (in words: twenty-seven billion four hundred and sixty one million three hundred and eighty four thousand eight hundred and seventy four Czech crowns) and is divided in 315 648 092 registered common shares with the nominal value of CZK 87 per share and one registered common share with the nominal value of CZK 870. Each CZK 87 of the nominal value of the shares represents one vote; the total number of votes pertaining to company shares equals to 315 648 102.

### b.3. Participation in and voting at the General Meeting

The present shareholder (in the sense of point b.1.) shall register upon arrival at the General Meeting (see point a) above). Upon the Registration, the shareholder shall receive materials regarding the individual items of the General Meeting agenda and voting ballots for voting at the General Meeting. The General Meeting shall be deemed as having a quorum if shareholders who have shares with an aggregate nominal value exceeding a half of the share capital of the company are present (in accordance with rules for shareholders' participation at the General Meeting – see above).

The individual items of the agenda of the General Meeting shall be discussed in the order of the agenda.

Prior to the voting, the chairperson of the General Meeting shall be obliged to ensure that the shareholders are acquainted with all proposals and counterproposals presented by the convening party or by shareholders in respect of the relevant item of the General Meeting agenda. He/she shall also be obliged to ensure that, in compliance with law, the shareholders receive answers at the General Meeting to their requirements concerning the explanation of matters regarding the company or entities controlled by the company necessary for the assessment of the relevant item of the General Meeting's agenda, unless such explanation was provided to the shareholders prior to the General Meeting or will be provided subsequently in compliance with law.

The General Meeting shall decide by the simple majority of the votes of the present shareholders, unless legal regulation or a provision of the company's Articles of Association sets forth otherwise.

The voting shall take place in compliance with the company's Articles of Association and the Rules of Procedure of the General Meeting, which specify the voting rules stipulated in the Articles of Association and which are approved by the General Meeting (concerning the draft of Rules of Procedure, being one of the documents concerning the agenda of the General Meeting, see the sections "Draft resolutions regarding the General Meeting items and their justification" and "Note" as well).

The voting shall take place by ballots to be signed by the present shareholders. Where a present shareholder is not able to write, the person to count votes shall sign such shareholder's ballot on behalf of him/her. At first, the voting shall take place on the proposal by the convening party and, where such proposal was not approved, votes shall be cast on further proposals and counterproposals regarding the discussed item in the order in which such proposals and counterproposals were presented. When the presented proposal was approved, no votes shall be cast on any other proposals and counterproposals conflicting with the approved proposal.

### b.4. Right to present proposals and counterproposals

Where the shareholder wishes to present at the General Meeting counterproposals to the items on the General Meeting's agenda, the shareholder shall be obliged according to the Articles of Association to deliver a written wording of the proposal or counterproposal to the company at least five working days prior to the date of the General Meeting, unless the proposal deals with a recall or election of corporate bodies members.

The Board of Directors shall announce to the shareholders in a manner specified for the convening of the General Meeting the counterproposal of a shareholder with its opinion in accordance with law and the Articles of Association. This shall not apply if the proposal is delivered less than two days prior to the General Meeting should the disclosure cost unreasonably exceed the purpose and content of the counterproposal, or in case the counterproposal contains more than 100 words. Should the counterproposal contain more than 100 words, the Board of Directors shall present the essence of the proposal to shareholders along with their standpoint, and they shall publish the counterproposal at the web sites [www.ico60193336.cz](http://www.ico60193336.cz) (hereinafter referred to as the "company's web sites"). The Board of Directors shall be obliged to publish at least the shareholder's proposals or counterproposals at the company's web sites [www.ico60193336.cz](http://www.ico60193336.cz), provided that they are submitted prior to the General Meeting.

### b.5. Right to request inclusion of a certain matter to the agenda of the General Meeting

Shareholder(s) holding registered shares the nominal value of which amounts to at least one per cent of the company's registered capital, may ask the Board of Directors to convene a General Meeting to discuss proposed matters. Each of the proposed matters must be supplemented by a justification or draft resolution. The shareholder(s) shall substantiate such request with a current extract from the statutory register, where the company's shares are registered; should the shareholder(s) fail(s) to do so, the company shall be entitled to obtain the necessary extract on its own at the costs of such shareholder(s).

The cited shareholder(s) shall also have the right that the matter proposed by them be included in the General Meeting agenda on condition that a justification or draft resolution is attached to each proposal. Provided that the request was delivered after the publication and distribution of the invitation to the General Meeting, the Board of Directors shall amend the agenda of the General Meeting 5 days before the General Meeting decisive date at the latest in a manner set out by law and the regulations for General Meeting convocation.

## b.6. Other rules for exercise of shareholders' rights

The shareholder is obliged to abide by law, be fair, comply with the company's internal rules, incl. the Articles of Association, and to exercise their rights towards the company in a way that prevents interventions in rights and rightful interests of the company and other shareholders, which are known or can and shall be known to the shareholders.

### **Draft resolutions regarding the General Meeting items and their justification:**

**Regarding Item 2 of the agenda** (Approval of the Rules of Procedure of the General Meeting, election of the chairman of the General Meeting, the minutes clerk, the minutes verifier and persons to count the votes):

#### Draft Resolution:

The General Meeting approves the Rules of Procedure of the General Meeting as submitted by the Board of Directors.

#### Justification:

The Rules of Procedure are an instrument anticipated by the company's Articles of Association and they have been used as a standard at all General Meetings so far. The submitted version is based on the company's best practice.

The draft Rules of Procedure of the General Meeting form a part hereto as Annex.

#### Draft resolution:

The General Meeting elects Petr Kasík as chairman of the General Meeting, Zuzana Dušková as minutes clerk, Josef Pivoňka as minutes verifier and Messrs Milan Vácha and Petr Brant as scrutineers.

#### Justification:

The nominations to the General Meeting bodies are implied by mandatory requirements and the Articles of Association and follow the company's practices. The Board of Directors considers the nominees suitable candidates in the respective offices, given their experience and expertise.

**Regarding Item 3 of the agenda** (The Board of Directors' Report on company Performance and the status of its assets as a part of the company's 2013 Annual Report, the summarizing explanatory report on various issues dealt with in the company's 2013 Annual Report, conclusions of the 2013 Report on Relations):

#### The Board of Directors' Comment:

The Board of Directors presents the Report on Company Performance and the status of its assets to shareholders on the grounds of Sec. 436 (2) of The Business Corporations Act and the Articles of Association. This report has been included in the 2013 Annual Report as Chapter 4. In addition, pursuant to Sec. 118 (8) of the Act to regulate trading on capital markets, the Board of Directors submits a summarizing explanatory report. The information, which the Board of Directors' summarizing explanatory report dealing with issues according to Sec 118 (5)(a)–(k) of the Act to regulate trading on the capital market consists of, can be found in the 2013 Annual Report, Chapter 7.9. The 2013 Annual Report (Annex) also includes the Report on Relations elaborated according to Sec. 82 et seq of the Business Corporations Act. The Annual report with all its annexes is available in the company's registered office or at the company's web sites for inspection, and it will be also presented to shareholders at the General Meeting. No voting is anticipated for this item.

**Regarding Item 4 of the agenda** (Presentation of the Supervisory Board's surveillance activities, incl. information on the Report on Relations review)

#### The Board of Directors' comment:

This item deals with the results of the Supervisory Board's surveillance activities and the information on the results of the 2013 Report on Relations review, which shall be presented by an authorised member of the Supervisory Board according to Sec. 83 (1) and Sec. 447 (3) and Sec. 449 (1) of the Business Corporations Act. The Board of Directors declares that the Supervisory Board has not raised any objections to the annual financial statements for 2013, the proposal for distribution of profit generated in 2013, the consolidated financial statements for 2013 and the Board of Directors' Report on Relations for 2013. The Supervisory Board's Report is available for inspection in the company's registered office and at the company's web sites, in addition, it will be available for shareholders at the General Meeting. No voting is anticipated for this item.

**Regarding Item 5 of the agenda** (Approval of the company's 2013 Financial Statements)

#### Draft resolution:

The General Meeting approves the annual financial statements of the company for 2013 verified by an auditor, which was submitted by the Board of Directors of the Company.

#### Justification:

With respect to the applicable legislation, the company is obliged to set up annual financial statements and pursuant to the Business Corporations Act, the Board of Directors submits them to the General Meeting of the company for approval. The annual financial statements are available to shareholders for inspection in the company's registered office or at the company's web sites. The financial statements provide a true and honest picture of the state and flow of the company's property and other assets, commitments and other liabilities, expenditures, incomes and performance of the company. They were approved by the auditor with an unqualified opinion and reviewed by the Supervisory Board, which found no discrepancies, and thus recommended the financial statements to the General Meeting for approval (see the Supervisory Board's Report regarding Item 4 of the General Meeting agenda).

Draft resolution:

The General Meeting approves the consolidated financial statements of the company for 2013 verified by an auditor, which was submitted by the Board of Directors of the Company.

Justification:

With respect to the applicable legislation, the company is also obliged to set up consolidated financial statements and pursuant to the Business Corporations Act, the Board of Directors submits them to the General Meeting of the company for approval. The consolidated financial statements are available to shareholders for inspection in the company's registered office or at the company's web sites. The consolidated financial statements provide a true and honest picture of the state and flow of the group's property and other assets, commitments and other liabilities, expenditures, incomes and performance of the group. They were approved by the auditor with an unqualified opinion and reviewed by the Supervisory Board, which found no discrepancies, and thus recommended the consolidated financial statements to the General Meeting for approval (see the Supervisory Board's Report regarding Item 4 of the General Meeting agenda).

**Regarding Item 6 of the agenda** (Resolution on the distribution of company's profit for 2013):

Draft resolution:

The General Meeting approves the distribution of unconsolidated profit of the company for 2013 in the amount of CZK 5,743,131,321.64 after tax as follows:

1) contribution to the reserve fund	0.00 CZK
2) contribution to the social fund	14,000,000.00 CZK
3) royalties	0.00 CZK
4) amount dedicated to dividends	5,681,665,836.00 CZK
5) retained profits from previous years	47,465,485.64 CZK

The Company currently owns its ordinary shares. Pursuant to Sec. 309 (2) of the Business Corporations Act, the Company's entitlement to the dividend attributable to the acquired shares ceases to exist as of its due date. The profit attributable to the Company's own shares shall be transferred to the account of retained profits from previous years.

A dividend of CZK 18 before tax shall be paid to each share, with the nominal value of CZK 87, and a dividend of CZK 180 before tax shall be paid to the share with the nominal value of CZK 870. Under the conditions arising from the Czech legal regulations, the relevant tax shall be deducted (subtracted) by the company before executing the payment.

Those persons who will be the shareholders of the company as at the conclusive day shall have the right for a 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 dividend shall be payable on 26 November 2014. 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.

In accordance with the Articles of Association, the dividend conclusive date shall be 27 October 2014.

Without any undue delay after the General Meeting, the Board of Directors shall disclose at the company's web sites and mail the resulting resolution of the General Meeting on 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, as amended.

Justification:

In accordance with the Business Corporations Act and the Articles of Association of the Company, it is the responsibility of the General Meeting to resolve on the distribution of the company's profit. The dividend is determined on the grounds of the annual financial statements. The Board of Directors suggests distributing the company's profit for 2013 in the amount corresponding to the requirements of the Business Corporations Act and the Articles of Association of the Company. The amount of the profit for distribution is specified in the proposed resolution. The resolution specifies the dividend per share as well as other information decisive for dividend payout, i.e. dividend conclusive date, dividend due date and the manner of dividend payout.

In the Board of Directors' opinion, the proposed dividend corresponds to the company's financial position and needs, namely that exercising shareholders' right to dividend in the proposed amount shall not put the existing or future business of the company in risk. The Supervisory Board reviewed the Board of Directors' proposal and recommended it to the General Meeting for approval.

In accordance with the requirements of the Capital Market Trading Act, shareholders shall be informed about the dividend payout via the company's web sites and a letter mailed to their address registered in the securities registered.

**Regarding Item 7 of the agenda** (Appointment of an auditor to carry out the mandatory audit of the company in 2014):

Draft resolution:

Upon the recommendation by the Audit Committee, the General Meeting hereby appoints KPMG Česká republika Audit, s.r.o., Company ID 496 19 187, registered office in Praha 8, Pobřežní 648/1a, postcode 186 00, to carry out the mandatory audit of the company for 2014.

Justification:

In accordance with Act. 93/2009 Coll. To regulate auditors, as amended, and the Articles of Association of the Company, the General Meeting is responsible for the appointment of the company's auditor. Based on the recommendation of the Audit Committee, the Board of Directors nominates the external auditor KPMG Česká republika Audit, s.r.o. as the company's external auditor. The auditor is a renowned company, which is capable of auditing the company from both the capacity and expertise perspective.

**Note:**

In connection with the items on the agenda of the General Meeting, shareholders or other persons identified by law shall have the following rights as of **26 May 2014** until the date of the General Meeting (incl.):

- the right to receive, on business days from 9:00 a.m. to 4:00 p.m. in the company's registered seat, a written copy of the form of power of attorney mentioned above in point a) in the section "Participation in the General Meeting" (and, as the case may be, to request at their own cost and risk that the form be sent to them);
- the right to obtain at the company's web site [www.ico60193336.cz](http://www.ico60193336.cz) the form of the power of attorney mentioned above in point a) in the section "Participation in the General Meeting" (or to ask at the electronic address [valnahromada@o2.com](mailto:valnahromada@o2.com) for sending such form in its electronic version);
- the right to obtain at the company's web site the annual financial statements and the consolidated financial statements for 2013 and the Annual Report containing, inter alia, the Board of Directors' Report on company performance and that state of its assets and the Report on Relations; in addition, the documents will be available for inspection on business days from 9 a.m. until 4 p.m. in the company's registered office;
- the right to obtain at the company's web sites every other document concerning the agenda of the General Meeting, unless the law stipulates otherwise; in addition, such documents are available for inspection on business days from 9:00 a.m. to 4:00 p.m. in the company's registered seat;
- the right to obtain at the company's web sites [www.ico60193336.cz](http://www.ico60193336.cz) draft resolutions of the General Meeting, including the shareholders' relevant proposals or counterproposals, and a standpoint of the company's Board of Directors to the individual items of the General Meeting's agenda; in addition, such information and documents are available for inspection on business days from 9:00 a.m. to 4:00 p.m. in the company's registered seat;
- the right to get acquainted with the total number of company's shares and related votes at the company's web sites;
- the right to get acquainted with the text of this invitation to the General Meeting at the company's web sites; in addition to that the invitation may be published in other information sources.

**Annex:**

The draft Rules of Procedure of the General Meeting form a part hereof.

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