

Notification of registration of the registered capital reduction in the Commercial Register and of payment to shareholders

October 19, 2012

The Board of Directors of Telefonica Czech Republic, a.s. (hereinafter the "**Company**"), in accordance with the rules approved in the General Meeting resolution from 19 April 2012 on reduction of the Company's registered capital (hereinafter the "**General Meeting Resolution**"), notifies that on **17 October 2012**, a resolution of the Municipal Court in Prague took legal effect on the basis of which the reduction of the Company's registered capital pursuant to the General Meeting Resolution shall be registered in the Commercial Register on **14 November 2012** (see also below).

In accordance with the General Meeting Resolution, the date decisive for determining persons entitled to payment of the amount corresponding to the reduction of nominal values of Company's shares shall be **14 November 2012**.

In accordance with the General Meeting Resolution, the Company's Board of Directors also notifies the following details for the purposes of payment of the aforementioned amount:

- a) The amount to be paid: CZK 13 per share (before tax) per share with the nominal value of CZK 100 and CZK 130 per share (before tax) to each share with the nominal value of CZK 1,000.
- b) The respective amount will be paid to persons who will be identified as Company's shareholders according to the state in the excerpt from the statutory register as of the date of registration of the reduction of the Company's registered capital in the Commercial Register (i.e. as of **14 November 2012**), which excerpt is to be ensured by the Company (unless it is proven that the record in the register fails to comply with reality).
- c) The payments shall commence starting on **14 December 2012**.
- d) The payment (including the calculation of the tax securement to be deducted in case of certain Czech tax non-resident shareholders) will be effected by Česká spořitelna, a.s., Company Registration No. 45244782, based at Olbrachtova 1929/62, 140 00 Praha 4 (hereinafter "**Česká spořitelna**"), as follows:
 1. Shareholders – natural persons with permanent residence in the Czech Republic, or their representatives:

- 1.1. by bank transfer to a bank account, upon a written request delivered to Česká spořitelna, containing the necessary billing data and birth No.;
- 1.2. the payment can also be made in cash – from 14 December 2012 till 13 December 2017 – at any branch office of Česká spořitelna in the Czech Republic, upon presentation of an identity document; a representative of a shareholder will be paid the respective amount upon presentation of an identity document and power of attorney signed by the shareholder;
- 1.3. for total payment exceeding CZK 3,000, the shareholder's signature on written request or power of attorney has to be legalized.

2. Shareholders – legal entities, administrators and shareholders – natural persons with permanent residence outside the Czech Republic, not represented by administrators:

by bank transfer to a bank account, upon a written request of the shareholder, with legalized signature, delivered to Česká spořitelna, containing the bank account number and bank identification data, and after presentation of further required documents listed in the letter directed to the shareholder.

- e) The required documents / requests for bank transfers are to be delivered to the address below: Česká spořitelna, a.s., centrála v Praze, odbor 8430, Evropská 2690/17, Prague 6, 160 00
- f) Additional information can be obtained from Česká spořitelna at +420 224 995 433 or at nsmidova@csas.cz for legal entities, or at +420 224 995 478 or at mpačlikova@csas.cz for natural persons.
- g) The payment will be ensured by the Company's Board of Directors in compliance with the Czech legal regulations, the Company's Articles of Association and the General Meeting Resolution, at the costs of the Company.

Contacts

Investor Relations
Telefónica Czech Republic, a.s.
investor.relations@o2.com

t +420 271462076

About Telefónica Czech Republic

Telefónica Czech Republic is a major integrated operator in the Czech Republic. It is now operating almost seven million lines, both fixed and mobile, making it one of the world's leading providers of fully converged services. The organization offers the most comprehensive portfolio of voice and data services in this country. It is paying special attention to the exploitation of the growth potential, particularly in the data and Internet sector. Telefónica Czech Republic operates the largest fixed and mobile network including a 3rd generation network, CDMA (for data), and UMTS, enabling voice, data and video transmission. Telefónica Czech Republic is also a notable provider of ICT services.

About Telefónica

Telefónica is one of the world's largest telecommunications operators by market capitalisation. Its activities are centred mainly on the fixed and mobile telephony businesses, while its broadband business is the key growth driver underpinning both. It operates in 25 countries and has a global customer base of over 300 million. Telefónica's growth strategy is focused on the markets in which it has a strong foothold: Europe and Latin America. Telefónica is a 100% private sector company with its shares listed in Madrid and other stock exchanges and more than 1.5 million individual shareholders.