

HALF-YEAR REPORT

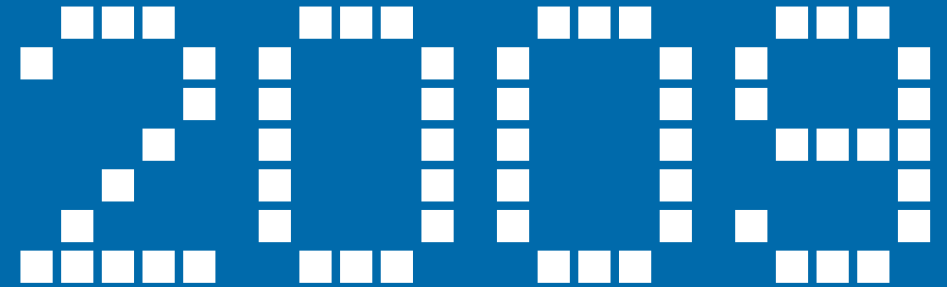
2009



A *Telefónica* company

O₂

HALF-YEAR REPORT



2009

Champions do not become champions at the moment of their victory. They've trained for hours, day, weeks, months and years prior. To be prepared – that is the basis for success. Success will not come to us – we have to go after it to get it. Not be afraid of failure. Think of victory.

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LETTER FROM THE CHAIRMAN OF THE BOARD OF DIRECTORS



SALVADOR ANGLADA GONZALEZ

To Our Shareholders

Let me review the activities and results of the Telefónica O2 Czech Republic Group in the first half of 2009. During this period, and particularly in its second half, the macroeconomic environment in the Czech Republic progressively worsened. This development left a negative mark especially on the behaviour patterns and the reduced consumption of our mobile customers, which triggered a decline in the revenues. Challenging these trends, we still maintained the growth in our customer base which confirms the success of our focus on delivery of services built around what the customers really need. Simple and straightforward offer also helped us to maintain a strong growth momentum in Slovakia.

In the fixed line segment, we continued to successfully hamper the declining trend in the number of fixed lines. During the first half of 2009, the rate of decline of fixed lines fell 32% on the previous year. This improvement we attribute to the ongoing growth in the number of the users of our broadband internet and digital

television. The number of ADSL retail connections increased 17.4% year on year by the end of June, while the number of O₂ TV customers grew 35.5%.

In May we introduced a new concept of services for the residential segment. What makes it different from the products bundles tied to a voice tariff that had been marketed previously is that now the basic services in the combination are O₂ Internet and O₂ TV, and there is no requirement to pay additional fixed access charges. To complement the basic service, the customer can choose bonus services free-of-charge or select one of many other fixed and mobile services at a discount. I am confident that our new service concept will spur the growth of O₂ Internet and O₂ TV customers, which will more than compensate for the decline in the number of voice customers.

In the mobile segment we continued to focus on the migration of our prepaid customers to contracts. The success of our unlimited tariffs O₂ NEON helped us to

achieve a year-on-year growth in the number of contract customers by 12.4%; the share of contract customers in total customers as at the end of the first half of the year was 55.1%. Keeping this share at a high level helps to stimulate traffic.

During the first half of the year, and in particular in the second quarter, we reversed the trend of decline in the number of prepaid customers, chiefly due to the market success of our new tariffs – O₂ NA!PIŠTE and O₂ NA!HLAS. Their users who regularly topped-up their credit could choose one of three benefits which included even cheaper calls and SMS in our networks in evening hours and on weekends. With their first credit top-up, new customers enjoyed the benefit of our promotion 100% kreditu NA!VÍC which gave them a bonus equivalent to 100% of their top-up.

In the area of mobile data services, we began to market our BlackBerry service to all our customers as it had previously been available only to business customers. In the first half year, we also made a significant progress in the rollout of our state-of-the-art UMTS/HSDPA network to more locations in the Czech Republic. By the end of June we added several other large cities: Pilsen, Ostrava, České Budějovice, Olomouc and Ústí nad Labem.

Based on a partnership between Telefónica, S.A., and Deutsche Post World Net for the provision of secure telecommunication services in more than two thousand locations in Europe we will build a new service management centre in Prague from which, over the next five years, will be controlling the operation of communication services for DHL in 28 countries of Europe.

As I already mentioned above, our simple and straightforward tariffs O₂ Fér in Slovakia substantially contributed to the growth in our customer base and to the overall improvement of its quality. During the first six months of the year, the number of customers increased by almost 92 thousand to 417 thousand, which led also to the improvement of revenues and financial performance.

At the beginning of January we concluded an agreement on the sale of our former headquarters in Olšanská street. Together with the last year's sale of three real property portfolios which comprised assets from all of the Czech Republic, this

transaction represents a conclusion in the process of assets which are not essential for our core business of telecommunications.

In my review of our financial results I must again draw attention to the impact of the progressively worsening economic environment on our revenues. Our business revenues in the first half of the year fell 4.6% to CZK 29.7 billion. The mobile segment revenues in the Czech Republic recorded a 5.5% drop to CZK 15.6 billion which is the result of the consumption optimisation sentiment on the part of the customers. The fixed segment revenues fell 6% year on year and closed at CZK 13.3 billion. The growth in ADSL and IPTV revenues did not fully compensate for the declining voice revenues. Revenues in EUR in Slovakia increased 45.7% on the year before. The total operating costs fell 13.9% year on year, mainly due to the improvement in our efficiency which we saw especially in the second quarter, and due to the effects of the conclusion of litigation with T-Mobile. Our OIBDA operating profit reached CZK 13.7 billion in the first half year, which represents a drop of 4.4%. We successfully defended our 46% consolidated group performance, as measured by OIBDA margin, which is the level of the previous half-year. The OIBDA slump which was not fully covered by the progressing reduction in the depreciation and the lower tax liability then reflected negatively on our net profit, taking the form of a 1.4% decrease to CZK 5.7 billion.

In today's context of challenging macroeconomic conditions we will focus our effort in the second half of the year on the improvement of our profitability through implementation of measures leading to an improvement in operating performance and through efficient capital expenditure. The result will take the form of delivering on our OIBDA target where we anticipate a 4%–0% drop, while operating cash flows should increase by 2%–5%.



Salvador Anglada Gonzalez
Chairman of the Board of Directors

CALENDAR OF THE MAIN EVENTS

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JANUARY

Telefónica O2 Czech Republic (Telefónica O2 or the Company) announced that it would open a new European service management centre for DHL. Over the next five years, Telefónica, S.A. will manage the operation of DHL communication services in 28 European countries from the Prague centre.

Telefónica O2 entered into a framework agreement with Pražská správa nemovitostí and Central Group for the sale of its previous headquarters in Olšanská street in Prague.

The project O₂ Místo na střídačce won the best in category Best Sport and Entertainment Sponsorship Campaign in the prestigious international competition Red Ball Awards and was also voted Most Popular in the poll of employees of the Ogilvy Action worldwide network.

FEBRUARY

Telefónica O2 published its audited consolidated financial results prepared under International Financial Reporting Standards (IFRS) for the fiscal year 2008.

Telefónica O2 and the Transport Authority of the town of Pilsen presented the world's first NFC (Near Field Communication) multiplication based on the MIFARE™ technology at the GSMA Mobile World Congress in Barcelona.

Enrique Used Aznar was co-opted member of the Supervisory Board of Telefónica O2. Jose Perdomo was elected a member of the Board of Directors.

MARCH

The new generation mobile network of Telefónica O2 expanded to cover the town of Pilsen.

Prepaid cards O₂ NA!PIŠTE and O₂ NA!HLAS which offer calls or SMS for CZK 0.50 were introduced.

APRIL

An Ordinary General Meeting of Telefónica O2 was held. The shareholders approved, amongst other things, the dividends payment of CZK 50 per share from 2008 profit and part of the retained earnings, amounting to CZK 16,104,495 thousand.

Telefónica O2 published its unaudited consolidated financial results for the first quarter of 2009 prepared under International Financial Reporting Standards (IFRS).

A brand new concept of residential services was launched. It lets the every customer pick and choose services they really find they can use. Additional services are offered at discounted rates.

Unlimited tariffs O₂ NEON and O₂ [:kûl:] were subscribed already by half a million customers.

MAY

Telefónica O2 and the Transport Authority of the town of Pilsen jointly presented a unique solution of poly-functional Pilsen Card, integrated in the mobile telephone. The Pilsen Card can be used to pay for public transport or for goods/ services in a network of partners, pay for tickets to cultural events, etc.

Telefónica O2 launched its new generation mobile network in Ostrava.

JUNE

Telefónica O2 became the first in the Czech Republic to have launched a tariff with no monthly fees and no contractual commitment: O₂ ZERO. In addition to a single rate on service to all networks, O₂ ZERO gives the customer control over their costs.

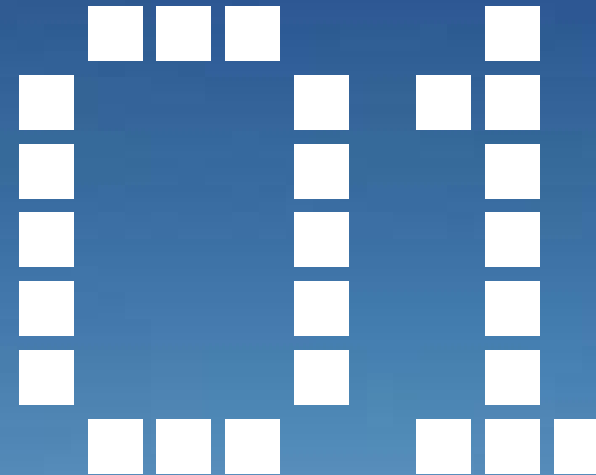
Customers of Telefónica O2 prepaid services could start to contact their close family and friends even without sufficient credit. O₂ Ozvi se forwards an SMS

with a request for callback, and O₂ Dobij mi despatches an SMS with a request for a credit top-up.

Telefónica O2 covered the town of Ústí nad Labem with its new generation mobile network.



BOARD OF DIRECTOR'S REPORT ON BUSINESS ACTIVITY



Only our own limits and the boundaries of our dedication determine how far we will go in our achievement. This is what helps us get over obstacles that get in our way.

BOARD OF DIRECTOR'S REPORT ON BUSINESS ACTIVITY

THE CZECH TELECOMMUNICATIONS MARKET IN THE FIRST HALF OF 2009

In the first half of 2009, the Czech economy slowed down under the influence of the global economic crisis. Despite the fact that the telecommunications market was not among the hardest hit by the crisis, we saw a significant downturn in net customer additions and a downturn in revenues already in the first half of the year.

The most significant development in the fixed access market in the past half year was the introduction of a brand new concept of retail services targeting residential customers of Telefónica O2. The offer included high-speed internet connectivity already with access included (the so-called naked ADSL). The new offer let the customer pick and combine those services that they really want to use. The basic services O₂ Internet, O₂ TV and O₂ Volání could be combined with additional services at discounted rates. There was no similar offer in the Czech market.

In the mobile segment, the operators continued to pursue the migration of customers from the prepaid service to contracts. They were offering the so-called unlimited tariffs which stimulate voice traffic and let the customer call and send SMS at discounted rates within a defined user group, for instance (e.g. Telefónica O2 – O₂ Moje firma, T-Mobile – Přátelé v síti, Vodafone – Rodina). Since the beginning of the year, Vodafone has been running its massive Internet v mobilu campaign, offering the customer, among other things, six months of free mobile internet. In the first half of the year, all mobile operators came out with comprehensive mobile internet solutions combining access with netbooks and notebooks.

The first half of the year also saw the continuation of the trend in mobile network modernisation. Telefónica O2, as the only mobile operator with a new generation network capable of carrying high-speed data and the fastest mobile internet, expanded the UMTS/HSDPA network coverage to several additional regional capitals. As at the end of the first half of 2009, the network covered Prague, Brno, Pilsen, Ostrava, České Budějovice, Olomouc and Ústí nad Labem.

At the end of the first half of the year, the prices of voice services and SMS from abroad were reduced as a result of European Union regulation coming into effect.

During the first half of the year, mobile operators launched their offers of free SMS and other benefits in exchange for consumed advertising messages.

In the first six months of 2009, the trend of fixed-to-mobile substitution steadily continued, which caused the numbers of fixed accesses again go down even further, albeit at a slower rate.

In March, GTS Novera announced that, following the acquisition of a number of competitors and the consolidation of the group which it had undertaken in the previous period, it intended to focus exclusively on the corporate segment from 2009. Its residential and small business customers were taken over by T-Mobile. UPC, too, launched new offers designed exclusively for the business segment.

During the half year, the number of satellite TV and IPTV users continued to grow. Spray TV, a digital cable channel, went live in March, so far covering Prague, Brno,

Ostrava, Pilsen, Jihlava, Hodonín and Olomouc. Spray TV is a project of Self servis of South Moravia, which operates the Moravia cable TV service and is involved in the project of Nej TV which is owned by BKS Capital Partners.

REGULATION

The regulatory environment in the electronic communications market in the Czech Republic saw the implementation, in the first half of 2009, of several legislative changes, changes to the relevant markets analysis and product regulation methodologies, and changes to the principles of the Universal Service provision.

The most important legislative changes in the laws governing electronic communications included the commencement of implementation of the European Parliament and Council (EC) directive on audiovisual media services (by way of an amendment to the Radio and Television Broadcasting Act and the adoption of the Audiovisual Media Act), and the adoption of the European Commission and Council (EC) Regulation no. 544/2009, amending the Regulation (EC) no. 717/2007 on roaming on public mobile telephone networks within the Community, and the Directive no. 2002/21/EC on common regulatory framework for electronic communications networks and services.

RELEVANT MARKETS ANALYSIS AND PRODUCT REGULATION

Telefónica O2 continued to meet its obligations which were imposed based on the relevant markets analysis by the Czech Telecommunications Office (CTO) during 2006 and 2008.

During 2008 and the first half of 2009, the CTO analysed the markets which the European Commission excluded from the list of the so-called relevant markets. The analysis has led to a gradual elimination of regulatory duties, in particular with respect to the retail voice market.

In January 2009 the CTO published new regulated prices for the termination of calls in mobile networks. The per-minute price has declined from CZK 2.99 as at 1 February 2009 to CZK 2.65 at the present.

The CTO also commenced the second round of analyses of the selected wholesale markets and the retail fixed-point telephone access. The analyses will continue also in the second half of 2009.

INTERNATIONAL ROAMING REGULATION

The European Parliament and the Council adopted a new regulation applicable to the prices of roaming services in the European Union. Retail prices for incoming calls were cut to EUR 0.19 per minute with effect from 1 July 2009; the outgoing call prices were brought down to EUR 0.43; the price of 1 SMS sent within the Community went down to EUR 0.11.

A CTO decision dated 28 January 2009 introduced a new ADSL internet access service, which no longer requires that the user subscribes also to the service of fixed-point access to the public telephone network (naked ADSL).

IMPOSITION OF DUTIES IN CONNECTION WITH THE UNIVERSAL SERVICE PROVISION

As part of its Universal Service obligations imposed by the CTO, in the first half of 2009 Telefónica O2 provided the following ancillary services:

- a) public payphone service;
- b) access to the public telephone service for persons with disability, equal to that granted to other end users, specifically through special terminal equipment;
- c) special price plans for persons with disability, which differ from price plans provided under standard terms and conditions of service;
- d) ancillary services to the service of fixed-point access to the public telephone network, and the service of fixed-point access to the public telephone network:
 - option to pay in installments for the installation of a residential access to the public telephone network;
 - free-of-charge selective call barring service;
 - free-of-charge itemised bill for residential customers.

Based on a CTO decision, the services under (d) were delisted from the Universal Service arrangement with effect from 30 July 2009. These services were generally provided under commercial terms and conditions, outside the scope of the Universal Service.

The services under (a) were changed by an amendment to a previous decision by the CTO; the change implies a significant reduction in the number of public payphones included in the scope of Universal Service, to commence in the second half of 2009 and continue beyond.

TELEFÓNICA O2 CZECH REPUBLIC GROUP IN THE FIRST HALF OF 2009

In the climate of the slowing performance of the economy, which manifested itself in the Czech Republic in the form of rising unemployment and falling retail revenues, for instance, the Telefónica O2 Group continued its focus improvement of services for households. In May, the Company introduced a new offer of retail services; the new offer builds on internet access, complemented with other fixed and mobile services as per the customer's own choice. This step represented a complete redesign of the approach of Telefónica O2 – all its propositions of earlier were based on voice, in combination with additional services. The company also continued in the development of ICT and comprehensive business solutions, targeting the government and large corporate segments, but never letting its focus off the small and medium business sector either.

In the mobile segment, the Company promoted its O₂ NEON tariffs for contract customers, and it launched new prepaid tariffs. In addition, it launched a unique O₂ ZERO tariff with no monthly fee and no commitment. Mobile data tariffs were innovated, by which the company successfully pursued its strategy of migration of customers from the prepaid service to contracts. As regards mobile data networks, the company made a major step in expanding the coverage of its new generation mobile network (3G) by adding five major cities to the map.

In Slovakia, the group continued in the successful marketing of its O₂ Fér tariffs, achieving a growth and improvement in the quality of the customer base, which in turn contributed positively to the revenues and overall performance.

All the above activities reflected very positively on the operating results which were driven by customer adds, despite the slowing dynamics of the telecommunications market. The number of ADSL retail customers increased during the first half of 2009 by 55 thousand to the total of 634 thousand, while the number of O2TV customers reached 133 thousand as at the end of June, which translates into a 35.5% year-on-year increase. As at the same date, the number of fixed accesses operated by Telefónica O2 broke the mark of 1.8 million, while during the first six months of 2009 there was a decline of 89 thousand, which is 32% less than in the same period of 2008. The number of mobile customers grew 2.1% year on year even in the saturated market environment and reached 4.8 million, largely due to the increase in the number of contract customers, of which we added 143 thousand (14.4% year on year) in the first half of the year, ending with 2.7 million. The number of prepaid customers reached 2.2 million at the end of the first half year. The number of mobile customers in Slovakia grew during the first half year by 92 thousand and reached 417 thousand.

On 19 January 2009, Telefónica O2 entered into a framework agreement with the facility management company Pražská správa nemovitostí and CENTRAL GROUP to sell its former headquarters in Olšanská street in Prague. The property comprised a plot of land of 12.5 thousand m² in Olšanská street, zoned for building, and two office buildings – the former headquarters – at the address Olšanská street 3 and 5. The transaction showed in the business results of the first quarter of 2009 as a one-off income of CZK 342 million from the sale of real property, and in the form of incremental cash.

At the beginning of May, Telefónica O2 concluded an agreement with T-Mobile Czech Republic a.s. which concerned the settlement of a mutual dispute over the prices of interconnection of telecommunications networks in the period 1 January 2001 – 31 December 2001. Based on this agreement, T-Mobile Czech Republic a.s. returned to Telefónica O2 a lump-sum amount of approximately CZK 1 billion. At the same time, all litigation connected with this matter was ceased by both parties. The transaction showed in the business results of the first quarter of 2009 in the form of lower operating costs and in the form of incremental cash.

Telefónica O2 also agreed on a settlement with Tele2 EUROPE S.A. and terminated its dispute in the Czech Republic; Tele2 withdrew the legal action. As a result of this settlement, there is no longer any risk for Telefónica O2 with respect to the amount of CZK 2,141,603,909 originally claimed by Tele2 in 2005.

TELEFÓNICA O2 SLOVAKIA

In the first half of 2009, Telefónica O2 Slovakia continued in its successful marketing of O₂ Fér tariffs, achieving a growth in its customer base. O₂ Fér is a tariff which combines the benefits of prepaid and contract services and it was designed around the needs of Slovak customers specifically. It became very popular with the customers, and the number of customers who decided to port their number from another operator to Telefónica O2 Slovakia increased substantially as a result.

O₂ Data Neobmedzene, a product bundle launched in April 2009, was the most notable innovation in the area of data services. It is a unique service among the offers of Slovak mobile operators. The data bundle let the customer access the internet and send data in the Telefónica O2 Slovakia network without any restrictions or limits. It could be subscribed without a contractual commitment by any customer, regardless of their voice service plan. With truly unlimited use of data, customers of O₂ Data Neobmedzene paid only EUR 6 per month inclusive of VAT. The product became very popular with the customers of Telefónica O2 Slovakia.

At the end of the first half of 2009, Telefónica O2 Slovakia covered 91.33% of the population with its own network, which made it possible to carry 85% of calls in the proprietary network, leaving only 15% for national roaming.

On 15 May 2009, Telefónica O2 Slovakia entered into partnership with Nay, the largest Slovak electronics chain. Telefónica O2 Slovakia let Nay sell Nay-branded mobile prepaid cards primarily to its customers. The goal of the partnership was to reach a broader customer base and to expand the distribution network.

As at 30 June 2009, the number of active users (according to the methodology which defines an active user as one who had generated revenue in the course of three previous months) in Slovakia reached 417 thousand, which is a 52% increase year on year. The net customer adds in the first half of the year stood at 92 thousand. The trend was driven namely by the 41% year-on-year increase in the number of contract customers, which reached 281 thousand, while the number of prepaid customers grew 81% year on year and reached 136 thousand.

The revenues of Telefónica O2 Slovakia in the local currency (EUR) grew 47.5% in the first half of 2009 on the previous year. The overall growth in the revenues comes as a result of the expanded customer base fuelled by the success of the O₂ Fér market proposition. The average revenue per user of the prepaid service and per contract customer reached EUR 8 and EUR 25, respectively, in the period under review.

Telefónica O2 Slovakia became fully stabilised in the Slovak market. In June 2009, the Board of Directors of the parent company Telefónica O2 Czech Republic approved an increase of the share capital of Telefónica O2 Slovakia by EUR 150 million, with effect from 1 July 2009. This decision only confirmed the long-term commitment of the Telefónica Group in the Slovak market. Also in the future, Telefónica O2 Slovakia plans to closely monitor the needs of Slovak customers, and respond to them by innovative and effective solutions.

NEW PRODUCTS AND SERVICES

The basic service in new concept of services for households launched in mid May was the broadband internet service O₂ Internet, starting at CZK 750 per month (O₂ Internet 8 Mb/s). Other basic services were the service of digital television O₂ TV (from CZK 650 per month for the starter package O₂ TV Komfort), and voice services O₂ Volání (from CZK 520 for O₂ Volání 300). With O₂ Internet, the customer could subscribe to a bonus service free-of-charge, as part of the monthly basic service fee. The bonus was O₂ TV Start with 11 television channels and access to the Video Library and TV Archive, and O₂ Navzájem, which is a service offering free calls between two O₂ mobile numbers. The new concept of services also came with a choice of additional fixed and mobile services that the customer could subscribe

at discounted prices. With O₂ Internet, for instance, the customer could order O₂ Mobilní internet for CZK 150 per month (regular list price is CZK 750), or O₂ TV Komfort for CZK 400 (regular list price is CZK 650), or the voice tariff O₂ Volání (starting from CZK 120). Those customers who were simultaneously users of the unlimited mobile tariff from the family of O₂ NEON were eligible for a CZK 100 monthly discount on O₂ Internet or O₂ TV.

Telefónica O2 prepared a similar concept also for its business and corporate segment customers. Businesses and corporations could subscribe to O₂ Internet for the price of CZK 750 per month, and complement it with additional services – those that they could really use. In addition to O₂ Mobilní internet, they could get a fixed IP address, increase their e-mail box or expand their web space at a discount.

O₂ Internet is a convenient tool for upgrading company calls in combination with the new converged voice service O₂ Neomezené Volání, which was launched in February 2009. It was the first service in the Czech Republic to offer unlimited mobile and fixed line calls for a flat monthly fee. The modern Voice-over-IP platform was used for calling from the fixed point.

On 1 February, Telefónica O2 introduced its professional anti-virus solution F-Secure Profi Antivir. The service was designed for both new and existing customers of all speed variants of O₂ Internet. It was also suitable for mobile customers. Telefónica O2 provided its customers with virus protection for free, for the whole duration of their subscription.

In the first half of the year, Telefónica O2 also re-launched its BlackBerry service, now available to all customers. The service was previously marketed only to the business segment. Customers of BlackBerry Internet Service now only needed to own a BlackBerry device and activate the BlackBerry Email tariff for CZK 299 as part of the monthly fee; it came with unlimited data – both for sending and receiving emails and for accessing the web. The service could also be used on roaming provided the customer had activated the BlackBerry Email Roaming tariff and data roaming.

Telefónica O2 progressed in roll out of its state-of-the-art UMTS/HSDPA network also in the first half of 2009, covering with signal a number of new locations in the Czech Republic. By the end of June, the original covered locations Prague and Brno were joined by other cities: Pilsen, Ostrava, České Budějovice, Olomouc and Ústí nad Labem. Residents of these cities could, for the first time, try the next generation network capable of carrying high-speed data with the fastest mobile internet.

In conjunction with the expanded coverage of the new generation mobile network, Telefónica O2 came out with a new data modem in the form of a USB memory stick. It works in all O₂ networks (GPRS, EDGE, UMTS, HSDPA) and, like Combo modem, it is capable of detecting the fastest locally available technology and connects via it to the internet. The modem is also very small and easy to install.

On 1 April 2009, customers of prepaid mobile services of Telefónica O2 were offered new tariffs O₂ NA!PIŠTE and O₂ NA!HLAS. The new tariffs let the customer call or send SMS for only CZK 0.50. All customers who purchased any card from the range of O₂ NA!PIŠTE or O₂ NA!HLAS and topped up credit for CZK 300 at any one given time could choose from three benefits: weekend calls in the O₂ mobile network for CZK 0.50 per minute, evening calls in the O₂ mobile network for CZK 0.50 per minute, or SMS in the O₂ mobile network for CZK 0.50 per 1 SMS. Any additional top-up of credit for a minimum of CZK 300 automatically extended the chosen benefit or gave the customer the option to change it to another.

Both new and existing contract customers could, starting from February, activate O₂ Neomezené zprávy with their subscription to O₂ NEON or O₂ NEON Basic. For a monthly fee of CZK 190, the customer could send unlimited SMS and MMS to all mobile and fixed numbers in O₂ networks in the Czech Republic.

Starting from March, the company gave the option to hold teleconferences also to those who did not own the necessary equipment and did not want to rent it. All they needed was to activate O₂ Konference, have a mobile telephone of any type and send an activation SMS. The provider arranged for the mutual connection of all conference parties. The service was charged at a regular call rate and it could be used in Czech and in English.

Under an agreement between Telefónica S.A. and Deutsche Post World Net, Telefónica will be providing secured telecommunications services to more than 125 thousand of its partner's employees in 2,400 locations in Europe. Telefónica will also redesign IP protocol network services used by Deutsche Post World Net. As part of this project Telefónica O2 commenced construction of a new centre in Prague. The Service Management Centre, together with the DHL IT Central Service Desk in Prague, will, for the next five years, manage the operation of communication services in 28 countries of Europe.

COMMENTED FINANCIAL RESULTS

In this section we present and comment on the consolidated financial results of the Telefónica O2 Group including the results of Telefónica O2 Slovakia and DELTAX Systems, Telefónica O2 Business Solutions and other smaller operating companies. The results were prepared according to International Financial Reporting Standards (IFRS).

CONSOLIDATED FINANCIAL STATEMENTS

The financial performance of Telefónica O2 Czech Republic group in the first half of 2009 was negatively impacted by the challenging environment and MTR cuts. The consolidated business revenues went down 4.6% yoy to CZK 29,737 million in 1H 2009 (–7.5% yoy to CZK 14,631 million in 2Q alone). At the same time the fixed business revenues in the Czech Republic declined by 6% yoy to CZK 13,270 million in 1H 2009 (–9.8% yoy to CZK 6,465 million in 2Q), mobile revenues in the Czech Republic declined by 5.5% to 15,640 million in 1H 2009 (–7.9% yoy to CZK 7,726 million in 2Q). On the other hand, revenues in local currency in Slovakia went up 47.5% yoy in 1H 2009. The consolidated operating costs decreased 5.5% yoy to CZK 16,823 million in 1H 2009 (–13.9% yoy to CZK 7,765 million in 2Q) largely due to the lower interconnection costs (MTR cuts) and efficiencies in marketing and sales expenses, on top of a positive impact owing to the settlement agreement with T-Mobile (> CZK 900 million) in 2Q. Group Operating income before depreciation and amortization (OIBDA) went down 4.4% yoy to CZK 13,692 million in 1H 2009 (–6.9% yoy to CZK 7,078 million in 2Q alone). The settlement agreement with T-Mobile in 2Q 2009 compensated the gain from the sale of real estate in 2Q 2008.

The consolidated net income amounted to CZK 5,722 million, down by 1.4% yoy in 1H 2009 (–8.6% to CZK 3,077 million in 2Q) due to the decline in OIBDA which was not fully offset by the lower depreciation charge and lower income tax.

The consolidated CAPEX reached CZK 2,905 million in 1H 2009, 19.9% up yoy due to accelerated investment in 3G network expansion. In 1H 2009, the coverage of a new generation mobile network has been expanded to other five main cities (Pilsen, Ostrava, České Budějovice, Olomouc, and Ústí nad Labem). Group free cash flows increased 26.7% yoy to CZK 6,679 million in 1H 2009, positively contributed by the settlement of litigation with T-Mobile.

The consolidated financial debt amounted to CZK 3,163 million while cash and cash equivalents and short term financial investments reached CZK 13,836 million at the end of 1H 2009, up from CZK 7,153 million at the end of 2008. The Company continued accumulating cash for a dividend payment (CZK 16,104 million) which will be made on 7 October.

CZ MOBILE SEGMENT OVERVIEW¹

The mobile segment reported a solid commercial performance leveraging on successful customer proposition. The financial performance was negatively impacted by worsening economic environment and MTR cuts.

The total mobile customer base in the Czech Republic reached 4,835 thousand at the end of June 2009 (+2.1% yoy). Number of contract customers went up 12.4% yoy, reaching 2,663 thousand at the end of 2Q 2009 with 66.4 thousand net adds in the quarter (+4.4% yoy). This positive performance was a result of our continuous prepay to contract migration and the success of O₂ NEON flat rate tariffs among the customers. At the end of 2Q 2009, number of prepaid active customers reached 2,172 thousand, (–8.2% yoy). It is worth highlighting the significantly lower net losses of prepaid active customers in 2Q 2009 (–14.2 thousand) compared to 1Q 2009 (–96.1 thousand), and also compared to the same period in 2008 (–85.0 thousand), due to successful launch of a new customer proposition O₂ NA!VÍC, which is based on rewarding regular top ups. At 30 June 2009, contract customers represented 55.1% of the base (50.0% at the end of June 2008).

¹ Figures are shown net of inter-segment charges between the fixed and mobile segment

The total number of customers of flat rate data tariffs reached 226 thousand at the end of June 2009 (+6.8% yoy).

The blended monthly average churn rate reached 1.9% in 1H 2009, down from 2.1% in 1H 2008, while it reached 1.7% in 2Q 2009, down by 0.2 p.p. and by 0.4 p.p. compared to 2Q 2008 and 1Q 2009 respectively, mainly due to the strong performance of the customer base.

In terms of usage, mobile traffic¹ carried in the Czech Republic in 1H 2009 grew by 10.1% yoy to 3,987 million minutes (+11.3% yoy in 2Q alone) due to the higher base of contract customers and the success of the flat rate tariff proposition (O₂ NEON).

In 1H 2009, the blended ARPU² reached CZK 526, down 5.9% yoy largely due to customers optimizing their behavior and the MTR cuts. The contract ARPU reached CZK 784 in 1H 2009, down by 11.8% yoy from CZK 889 in 1H 2008 (CZK 758 in 2Q 2009 compared to CZK 894 in 2Q 2008). The main reason for the lower contract ARPU is the dilution coming from the customer migration from the prepaid to the contract tariffs. The prepaid ARPU decreased by 10.5% yoy to CZK 223 in 1H 2009, and by 10.7% yoy to CZK 228 in 2Q 2009 impacted by customers optimizing their behavior in the current environment and by the migration of high value prepaid customers to contracts, but an improvement has been seen between 1Q and 2Q 2009 (+3.9%) due to the good reception of the new proposition.

The total business revenues in the mobile segment in the Czech Republic declined by 5.5% to CZK 15,640 million in 1H 2009 and by 7.9% in 2Q alone, while mobile service revenues went down 4.8% yoy and 7.6% yoy, respectively. By items:

- Monthly fees increased by 9.9% yoy to CZK 4,135 million in 1H 2009 (+9.0% yoy in 2Q alone) driven by the growth in the contract customer base.
- Traffic revenues declined by 14.3% yoy to CZK 4,712 million in 1H 2009 (–14.5% yoy in 2Q alone) due to increasing number of flat rate customers and decreasing roaming revenues.

- Interconnection revenues went down by 7.1% yoy to CZK 2,426 million in 1H 2009 (–8.5% yoy in 2Q alone) due to the MTR cuts and lower roaming.
- Other revenues (including revenues from value added services, internet & data and other revenues) decreased 4.2% yoy to CZK 3,893 million (–13.0% yoy in 2Q alone). This is mainly a result of customers optimizing their consumption behavior (SMS, MMS, content and mobile solutions) and also customers optimization abroad (roaming data and SMS).

CZ FIXED SEGMENT OVERVIEW¹

The fixed line segment continued to report a solid operational performance with lower year-on-year losses of fixed telephony accesses and strong additions in broadband customers. In May 2009, the Company launched a new concept of services for households, changing the proposition from voice centric to broadband centric, allowing the customer full flexibility to combine fixed and mobile services, essentially meeting all his particular needs.

The total number of fixed telephony accesses reached 1,804 thousand in 2Q 2009, –6.9% yoy which represents 47.1 thousand net losses in 2Q 2009 (–18.7% yoy compared to 2Q 2008), confirming the year-on-year deceleration from previous quarters.

Voice traffic generated in the fixed network went down 13.2% in 1H 2009 to 1,063 million minutes as the result of the continued fixed lines losses and fixed to mobile substitution.

Retail ADSL accesses reached 634 thousand at the end of June 2009, with 21.7 thousand net additions in 2Q 2009 (1.7 times higher compared to the same period in 2008) due to the continuous strong commercial activities built around fixed broadband. The number of wholesale ADSL accesses decreased 16.9% yoy to 48 thousand, total number of ADSL accesses thus reached 682 thousand at the end of June 2009. The total number of O2 TV customers reached 133 thousand at the end of June 2009, up 35% yoy.

¹ Inbound and outbound, excluding inbound roaming and roaming abroad

² Including inter-segment revenues

¹ Figures are shown net of inter-segment charges between the fixed and mobile segment

The total business revenues in the fixed segment went down 6.0% to CZK 13,270 million in 1H 2009 with a 9.8% decline to CZK 6,465 million in 2Q alone. By items:

- Traditional access revenues fell 12.8% yoy down to 3,917 million in 1H 2009 due to the continuous fixed lines losses.
- Traditional voice services revenues (voice traffic and interconnection) declined in total by 6.9% yoy in 1H 2009 (–11.8% yoy in 2Q alone).
- Traffic revenues dropped by 18.2% yoy to CZK 1,593 million in 1H 2009 (–20.9% yoy in 2Q alone), as a result of the lower volume of voice traffic generated by the customers.
 - Interconnection revenues went up 1.5% yoy to CZK 2,306 million in 1H, while they declined 5.6% yoy in 2Q alone due to the lower transit traffic.
 - Internet & broadband revenues increased in total by 7.0% yoy to CZK 2,201 million in 1H 2009.
 - IT services and business solutions revenues decreased 5.6% yoy to CZK 821 million in 1H (–9.1% yoy in 2Q alone).
 - Data services revenues went down 6.7% yoy to CZK 1,816 million in 1H 2009 (–8.6% in 2Q alone).

SLOVAKIA

Telefónica O2 Slovakia continued to perform well also in the 2Q 2009 leveraging on its successful customer proposition based on value and simplicity strategy (O2 Fair). The total number of active customers reached 417 thousand at the end of 1H 2009, up 51.7% yoy. In 2Q 2009, net additions reached 51.8 thousand, the best quarterly net additions in history. Number of contract customers went up by 81.4% to 136 thousand, while prepaid active customers reached 281 thousand, +40.5% yoy, with 34 thousand net additions in the quarter.

Total revenues of Telefónica O2 Slovakia in local currency increased 47.5% yoy in 1H 2009 (+55.1% yoy in 2Q). The revenue growth comes as a result of a strong customer base performance leveraging on the successful customer proposition. ARPU reached EUR 25.4 for contract customers and EUR 7.9 for prepaid customers in 1H 2009.

OUTLOOK FOR THE SECOND HALF OF 2009

With regard to the current challenging macroeconomic conditions, Telefónica O2 Group confirms its full year guidance¹ for OIBDA and Operating Cash Flow, while it believes it will continue to outperform the market.

¹ The revenue (business revenues) decline of –3% to 0%, OIBDA decline of –4% to 0%, Operating Cash Flow growth of +2% to +5%, in constant FX rate. In terms of 2009 guidance calculation, OIBDA excludes brand fees and impairment charge. For the purpose of comparison, the equivalent items registered in 2008 are also deducted from the reported figures (base reported 2008 numbers exclude CZK 86 million of impairment charge and CZK 626 million of brand fees). Operating Cash Flow = OIBDA less CAPEX.



CORPORATE GOVERNANCE



Our course is not determined as much by coincidence as by our own volition. It does not matter as much what the journey brings but how we deal with it. A dynamic decision at the right time is key.

CORPORATE GOVERNANCE

The already proven corporate governance model which Telefónica O2 has been continually developing since 2006 (it is described in greater detail in the annual reports of the company), was complemented in April 2009 by decision of the General Meeting which approved an amendment to the company's Articles of Association, with a new independent body – the Audit Committee. Telefónica O2 stays firm on its objectives: to continue in the scrupulous implementation of the principles of good corporate governance, while not compromising on efficiency and effectiveness of governance functions, processes and activities in the corporate governance system.

In the first half of 2009, the Board of Directors met fifteen times, the Supervisory Board met three times and the Audit Committee (being a standalone governing body) met once. As for the Supervisory Board Committees, the Nomination and Remuneration Committee and the Ethics and Corporate Social Responsibility Committee met once, the Audit and Control Committee held two meetings prior to being replaced by the new body, the Audit Committee.

An Annual General Meeting of Telefónica O2 was held on 3 April 2009. The supreme governing body of Telefónica O2 Czech Republic approved the financial statements of the company and the group consolidated financial statements for 2008, both prepared in accordance with International Financial Reporting Standards (IFRS) and audited by the audit firm Ernst & Young Audit, s.r.o., which gave both sets of financial statements its “without reservation” statement. The General Meeting approved a proposal by the Board of Directors for the payment of a dividend of CZK 50 per share (before tax), which in aggregate represented the amount of CZK 13,069,929 thousand, from the company's profit for 2008, and the amount of CZK 3,034,566 thousand from the retained earnings of previous years, i.e. CZK 16,104,495 thousand. The proposal was based on a rigorous analysis of the company's performance in the past period, the current balance sheet situation and the projected future earnings of the company, including a cash flow generation estimate.

The General Meeting approved a proposal by the Board of Directors to amend the company's Articles of Association, which, in particular, inaugurated the new Audit Committee (and at the same time dissolved the Audit and Control Committee which has been a mandatory committee of the Supervisory Board), and effected the related changes to the other articles of the Articles of Association, which include, for instance, giving greater powers to the General Meeting, especially as concerns the staffing of the Audit Committee and the granting of remuneration and other perquisites to the members of this body. The General Meeting has newly been granted the power to adopt decisions confirming the statutory auditor for the company. Telefónica O2 thus became the first company in the Czech Republic to have responded to the transposition of the European Union Directive no. 2006/43/EC, on statutory audits of annual accounts and consolidated accounts, in the Czech code of law (by way of the Auditor Act), and already before the conclusion of the legislative process, it adjusted its corporate governance model to that effect.

Audit Committee is a standalone governing body with enhanced powers in matters relating to statutory audit, compilation and audit of financial statements and assessment of the effectiveness of the internal control system of the company. The Audit Committee has six members who are elected and recalled by the General Meeting; members may be Supervisory Board members or third parties. The tenure of Audit Committee members is five years. The Audit Committee meets as required,

usually once in a year quarter, but it must meet at least four times in the course of a calendar year. Basic information about the Audit Committee and its powers can be found in Articles 26a–26f of the Articles of Association.

Changes in the personnel composition of the governing bodies of the company in the period January – March 2009 are described in the 2008 Annual Report (section Corporate Governance). During the 2nd quarter of 2009, no personnel changes were effected in the Board of Directors; in the Supervisory Board, only the membership of co-opted members was confirmed by election at the General Meeting. These members were: Eduardo Andres Julio Zaplana Hernández-Soro, Anselmo Enriquez Linares and Enrique Used Aznar. The General Meeting also elected the members of the newly inaugurated Audit Committee: Alfonso Alonso Durán, Ángel Vilá Boix, Jaime Smith Bastera, Pavel Herštík, Maria Pilar López Álvarez and Enrique Used Aznar, all Supervisory Board members. Their résumés can be found in the 2008 Annual Report of the company and on the company's website (section About Us).

The General Meeting approved the conclusion of a contract for the performance of office of a member of the Supervisory Board between the company and all new Supervisory Board members, and the conclusion of a contract for the performance of office of a member of the Audit Committee between the company and the newly elected committee members. The contract for the performance of office of an Audit Committee member is based, as for the content, on the contract for the performance of office of a Supervisory Board member (for more information please refer to the 2008 Annual Report, section Corporate Governance); it equally contains a non-competition covenant, as well as other important provisions.

The General Meeting approved an amendment to the rules of remuneration to members of the Supervisory Board, and for the granting of discretionary benefits to Supervisory Board members. In the former case, the amendment was only a technical change in response to the abolishment of the Audit and Control Committee, taking the form of a deletion of the provision which concerned the remuneration for the work in the committee, while the remaining provisions stayed as were (the remuneration principles for the Supervisory Board is described in the 2008 Annual Report, section Corporate Governance). In the latter case, obsolete rules for the granting of discretionary benefits to Supervisory Board members that had been in force

since 2003 were substituted with an updated version, which has newly joined items relating to communication and computing technology into one, while significantly reducing the applicable limit, and deleted the “endowment life insurance” item.

In relation to the amendment of the Articles of Association described above, the General Meeting approved rules of remuneration and rules for granting discretionary benefits to Audit Committee members. The rules of remuneration to members of this committee are methodologically based on the rules of remuneration to Supervisory Board members, however the remuneration principle (per committee meeting), and the applicable amounts for the performance of the office of Chairman and Vice-Chairman remain the same as were in the case of the abolished Audit and Control Committee. The rules for granting of discretionary benefits to Audit Committee members represent a modified version of the updated rules for granting of discretionary benefits to Supervisory Board members (they equally contain the benefit of voice and data services and products provided by the company for in-service and private use, communication and computing equipment, liability insurance for damage caused in connection with the performance of office, health care; additionally, the Chairman and Vice-Chairman of the committee also have the benefit of a payment card for in-service use). The rules for granting discretionary benefits to Audit Committee members also contain the principle according to which the member who is also a Supervisory Board member cannot claim the same benefit (form) twice, only once.

The organigram of executive macrostructure of Telefónica O2 did not sustain any changes compared to the situation as at 15 March 2009, which was published in the 2008 Annual Report (section Corporate Governance). The personnel composition of the executive management of the company changed, against the situation as referred to in the above section of the Annual Report, in the form of the person of Andrés Romero Dexeus who, based on a recommendation of the Audit and Control Committee supported by a positive standpoint of the Supervisory Board, was appointed Director, Internal Audit and Risk Management, with effect from 1 April 2009. In August 2009, the vacancy of Executive Director, Human Resources will be definitively filled with the arrival of Mr. Michal Urválek (previously Chief Personnel Officer of RWE Group in the Czech Republic, he also held other offices in member companies of the group).



All principal information and documents about the corporate governance of Telefónica O2 are available to shareholders and other stakeholders on the company's website (www.cz.o2.com).

The situation in subsidiary and affiliated companies did not incur any changes during the first half of 2009 against the situation described in the 2008 Annual Report of Telefónica O2 CR. Following the decision made by Telefónica O2, the registered capital of subsidiary Telefónica O2 Slovakia, s.r.o. was increased by a monetary investment to total amount of EUR 200,000,000 with effect from 1 July 2009. It is expected that the merger process between Telefónica O2 Business Solutions, spol. s r.o. (the successor company) and DELTAX Systems a.s. (the defunct company) will have been concluded by 1 August 2009, by which date the merger should be recorded in the Commercial Register. This will legally conclude the process of integration of ICT services in the group of Telefónica O2 Czech Republic.

PERSONNEL COMPOSITION OF THE SUPERVISORY BOARD OF TELEFÓNICA O2 CZECH REPUBLIC

As at 1 July 2009

Jaime Smith Basterra	Chairman of the Supervisory Board
Alfonso Alonso Durán	1st Vice-Chairman of the Supervisory Board
Lubomír Vinduška	2nd Vice-Chairman of the Supervisory Board
Ángel Vilá Boix	member of the Supervisory Board
Luis Lada Díaz	member of the Supervisory Board
María Pilar López Álvarez	member of the Supervisory Board
Anselmo Enriquez Linares	member of the Supervisory Board
Enrique Used Aznar	member of the Supervisory Board
Eduardo Andres Julio Zaplana Hernández-Soro	member of the Supervisory Board
Antonio Botas Bañuelos	member of the Supervisory Board
Guillermo José Fernández Vidal	member of the Supervisory Board
Pavel Heršík	member of the Supervisory Board
Tomáš Fírbach	member of the Supervisory Board
Petr Gazda	member of the Supervisory Board
Dušan Stareček	member of the Supervisory Board

PERSONNEL COMPOSITION OF THE BOARD OF DIRECTORS OF TELEFÓNICA O2 CZECH REPUBLIC

As at 1 July 2009

Salvador Anglada Gonzalez	Chairman of the Board of Directors
Juraj Šedivý	1st Vice-Chairman of the Board of Directors
Petr Slováček	2nd Vice-Chairman of the Board of Directors
Jesús Pérez de Uriguen	member of the Board of Directors
Jose Severino Perdomo Lorenzo	member of the Board of Directors
Martin Bek	member of the Board of Directors
Jakub Chytil	member of the Board of Directors

EXECUTIVE MANAGEMENT OF TELEFÓNICA O2 CZECH REPUBLIC

As at 1 July 2009

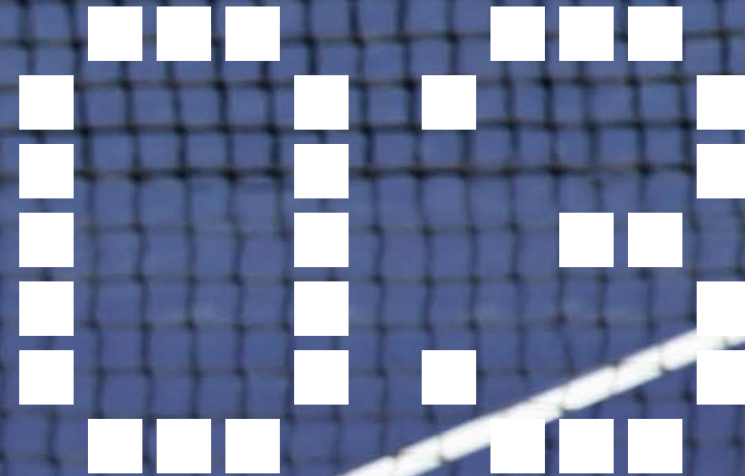
Chief Executive Officer (Salvador Anglada Gonzalez)
Vice-President, Finance Division (Jesús Pérez de Uriguen)
Vice-President, Operations Division (Petr Slováček)
Vice-President, Consumer Division (Jose Severino Perdomo Lorenzo)
Vice-President, Corporate and SME Division (František Schneider)
Vice-President, Public Administration Division (David Šita)
General Counsel and Company Secretary (Jakub Chytil)
Executive Director, Wholesale (Pavel Jiroušek)
Executive Director, Strategy and Product Development (Stanislav Kůra)
Executive Director, Support Services (Martin Bek)
Executive Director, Human Resources (Clare Ronald Clarke, acting – to be replaced by Michal Urválek on 1 August 2009)
Director, Internal Audit and Risk Management (Andrés Romero Dexeus)
Director, Public Affairs and Regulation (Jiří Šuchman)

ANDRÉS ROMERO DEXEUS (*1975)

Graduated from Universidad Autónoma de Madrid, majoring in Economics and International Business Management. He is Certified Internal Auditor (CIA). He joined Internal Audit at Telefónica de España in 1999 and participated in audits both in the parent company and in its subsidiaries. In 2001 he transferred to Telefónica, S.A., as Internal Audit Specialist; the work took him to various companies in the group (in Europe and in Latin America), where he helped to develop products in various aspects of financial and economic processes. He participated in the takeover of Pegaso PCS in Mexico (3 months). In 2003 he was appointed Deputy Director for Corporate Internal Audit in Central America. He was responsible for the establishment and development of the Internal Audit Unit in Mexico, which served all Telefónica companies in the region of Mexico, Central America (Guatemala, El Salvador, Nicaragua and Panama) and the Caribbean (Puerto Rico and USA) in their various businesses: mobile operation, fixed network operation, internet service, call centre operation and sub oceanic cable. He prepared and implemented Sarbanes Oxley-related projects during the SOX certification programme in 2004–2006. In June 2006 he returned to Telefónica, S.A. (of Spain) as manager of corporate level business process audits; he coordinated internal audit projects in various member companies of the group (effectiveness and efficiency – revenue generation/cross-section projects). He participated in the development of methodologies for various audit units and in the drafting of Control and Audit Committee Reports in Telefónica, S.A. He was appointed Director, Internal Audit and Risk Management in Telefónica O2 Czech Republic on 1 April 2009.



CONSOLIDATED FINANCIAL RESULTS



Nowadays the score is decided in split seconds.
A momentary lapse – and you are out
of the game. Unfaltering concentration –
and the match can be yours.



CONSOLIDATED FINANCIAL RESULTS

prepared in accordance with International Financial Reporting Standards

CONSOLIDATED FINANCIAL RESULTS

These consolidated financial results have been prepared in accordance with International Financial Reporting Standards (IFRS). These results are unaudited. All amounts are in CZK millions.

CONSOLIDATED INCOME STATEMENT

	Period ended	
	30 June 2009	30 June 2008
Revenue	29,803	31,301
Gain from sale of non-current assets	356	764
Internal expenses capitalized in fixed assets	391	199
Operating expenses	(16,837)	(17,852)
Impairment loss	(20)	(87)
Depreciation and amortisation	(6,234)	(6,570)
Operating profit	7 459	7,755
Interest income	108	253
Interest expense	(141)	(241)
Other financial income (net)	(99)	(15)
Profit before income tax	7,327	7,752
Taxes on income	(1,605)	(1,951)
Profit for the year	5,722	5,801
Attributable to:		
Equity holders of the company	5,722	5,801
Minority interest	–	–
Earnings per share (CZK) – basic*	18	18

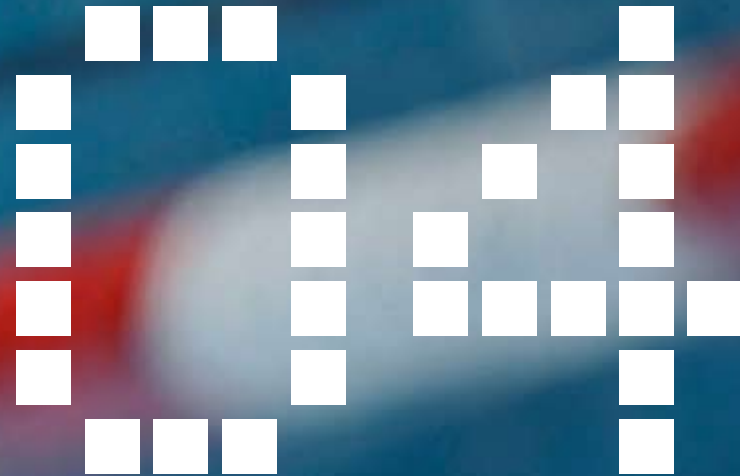
* There is no dilution of earnings as no convertible instruments have been issued by the company.

CONSOLIDATED BALANCE SHEET

	30 June 2009	31 December 2008
ASSETS		
Property, plant and equipment	59,922	63,429
Intangible assets	22,302	22,348
Investments in associates	9	11
Available-for-sale and Held-to-maturity investments	–	–
Other financial assets	372	378
Non-current assets	82,605	86,166
Inventories	763	779
Receivables and prepayments	8,767	9,226
Income tax receivable	617	226
Available-for-sale and Held-to-maturity investments	–	–
Other short-term financial assets	14	14
Cash and cash equivalents	13,822	7,116
Current assets	23,983	17,361
Non current assets assigned to be sold	57	96
Total assets	106,645	103,623

	30 June 2009	31 December 2008
EQUITY AND LIABILITIES		
Ordinary shares	32,209	32,209
Share premium	24,374	24,374
Retained earnings and reserves	11,315	21,585
Total equity	67,898	78,168
Long-term financial debts	2,978	3,098
Deferred taxes	3,200	3,300
Non-current provisions for liabilities and charges	197	403
Non-current other liabilities	112	176
Non-current liabilities	6,487	6,977
Short-term financial debts	185	98
Trade and other payables	12,826	15,003
Income tax liability	–	9
Provisions for liabilities and charges	667	685
Other current liabilities	18,582	2,683
Current liabilities	32,260	18,478
Total liabilities	38,747	25,455
Total equity and liabilities	106,645	103,623





A degree of predatory behaviour is found in those who will not settle for being mere followers. In combination with a clear vision of where we want to be, our impetuosity propels us forward, always a step ahead of the competition.

INFORMATION FOR SHAREHOLDERS

INFORMATION FOR SHAREHOLDERS

The main shareholders of Telefónica O2 as at 30 June 2009:

Telefónica, S.A.	69.41%
Investment funds and individual shareholders	30.59%

TRADING IN THE SHARES OF TELEFÓNICA O2

The volume of trading in Telefónica O2 shares on the stock market of the Prague Stock Exchange (PSE) in the first half of 2009 reached CZK 32.3 billion, compared to CZK 44 billion in the first half of 2008. This indicator ranked the company's shares among the top three blue chip stock and accounted for approximately 14% of all trades. The average volume of trades in the first half of 2009 fell from CZK 340.4 million in the same period last year to CZK 256.5 million. As at 30 June 2009, the market capitalisation of the company reached CZK. 135.9 billion. Measured by this indicator, Telefónica O2 ranked third among the companies listed on the PSE stock market and accounts for 21.4% of the total market capitalisation of the PSE stock market.

From the beginning of the year until 30 June 2009, the share price of Telefónica O2 fell 0.5% to CZK 422. The performance of the PSE stock market as measured by the PX index increased 4.7% over the same period and reached 898.2 points. The share price of Telefónica O2 reached its maximum CZK 453.3 in the first half of 2009 on 6 January 2009.

GENERAL MEETING

An Ordinary General Meeting of the company was held in Prague on 3 April 2009. The main conclusions of the General Meeting are recapitulated in the Section Corporate Governance of this Half-year Report.

DIVIDENDS

At the Ordinary General Meeting, the shareholders approved a dividend payment from the 2008 net profit and from the retained earnings, in the total amount of CZK 16,104.5 million, 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 will be 9 September 2009 and the disbursement date 7 October 2009. The dividends will be paid out by Česká spořitelna. After the record date, Česká spořitelna will inform all recorded shareholders in writing of the method of disbursement.

INSTITUTIONAL RELATIONS AND SHAREHOLDERS MAY CONTACT

Investor Relations

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E-mail: investor.relations@o2.com,

or visit www.cz.o2.com/home/cz/aboutUs/investorRelations/index.html

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Half-year Report 2009

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CAUTIONARY STATEMENT: Any forward-looking statements concerning the future economic and financial performance of Telefónica O2 Czech Republic, a.s. contained in this Half-year Report are based on assumptions and expectations of the future development of factors having material influence on the future economic and financial performance of Telefónica O2 Czech Republic, a.s. These factors include, but are not limited to, public regulation in the telecommunications sector, the future macroeconomic situation, and the development of market competition and related demand for telecommunications and other services. The actual development of these factors, however, may be different. Consequently, the actual future results of the economic and financial performance of Telefónica O2 Czech Republic, a.s. could materially differ from those expressed in the forward-looking statements contained in this Half-year Report.

