

# 04

Corporate  
governance



## Corporate governance

During the first half of 2011, the Board of Directors met twelve times, the Supervisory Board held two meetings and the Audit Committee (an independent governing body of the Company) met three times.

The Ordinary General Meeting of Telefónica CR was held on 28 April 2011. The supreme governing body of Telefónica CR approved the annual financial statements and the consolidated financial statements of the Company prepared under International Financial Reporting Standards (IFRS) for the year 2010. Both sets of financial statements were recommended by the Board of Directors to the General Meeting for approval and they had been verified by the auditors Ernst & Young who gave an unqualified opinion. The General Meeting approved the Board of Director's proposal for the distribution of profit and the payment of dividend. The proposal was based in a prudent analysis of the Company's results in the previous period, the current situation of the balance sheet and with regard to the Company's future outlook made by the Board of Directors, its investment plans and cash flow projections. The shareholders approved the payment of dividends from the profit made in the year 2010 of CZK 12,680,745,921.87 and a part of the retained earnings from the previous period of CZK 202,850,078.13, which is CZK 12,883,596,000 in total and a dividend of CZK 40 per share before tax.

The General Meeting also approved the proposal of the Board of Directors to amend the Company's Articles of Association. The corporate name of the Company was changed to Telefónica Czech Republic, a. s., which better reflects the Company's membership in the Telefónica Group (the change became effective as of 16 May 2011); the Company's website address also changed; the website is used, among other things, to publish announcements and disclosures to shareholders. The registered business of the Company was expanded to include the provision of low-value payments service pursuant to the Act No. 284/2009 Coll., on the payment system. Last but not least, the position and the remit of the Board of Directors were amended, and the number of members of the Audit Committee was reduced from six to five.

Changes in the personnel composition of the Company's governing bodies in the period from January until March 2011 are described in the Company's 2010 Annual Report (section Corporate Governance). No changes occurred in the personnel composition of the Board of Directors during the second quarter of the year. With respect to the Supervisory Board, the previously co-opted members were confirmed in their respective posts by a vote of the General Meeting. The members are Anselmo Enriquez Linares and Vladimír Dlouhý; their résumés are available on the Company's website, section About. The General Meeting also approved the execution of a contract for the performance of the office of a Supervisory Board member between the Company and Anselmo Enriquez Linares and Vladimír Dlouhý.

The General Meeting also voted into office Vladimír Dlouhý as substitute member of the Audit Committee.

Several changes occurred in the executive macrostructure of Telefónica CR compared to the situation published in the Company's 2010 Annual Report: as of 1 April 2011, the Strategy and Business Development Division was disbanded, while its units Customer Experience, Strategy and Market Intelligence and Wholesale have been transferred directly into the reporting line of the Chief Executive Officer. Another change occurred on 15 May 2011, when, following the departure of Jiří Šuchman, Director, External Affairs, the agenda of public affairs was spun off from the External Relations unit and subordinated to the Legal and Regulatory Affairs Division. The External Affairs unit at the same time changed its name to Corporate Communication, to better reflect its current agenda. Dana Dvořáková (her résumé is available at the Company's website, section About Us) was appointed Director of Corporate Communications.

All material information and documents relating to the corporate governance of Telefónica CR are available to shareholders and stakeholders on the Company's website ([www.telefonica.cz](http://www.telefonica.cz)).

The changes from the situation described in the 2010 Annual Report of Telefónica CR in respect of the subsidiary and affiliate companies, which occurred during the first half of 2011, concerned Telefónica Slovakia, s. r. o., and Telefónica O2 Business Solutions, spol. s r. o. The corporate name of Telefónica Slovakia, s. r. o., changed following the renaming of its parent company, with effect from 10 May 2011. As regards the subsidiary Telefónica O2 Business Solutions, spol. s r. o., in June 2011 the Board of Directors approved the plan to transform the company by spin-off into a newly incorporated subsidiary Internethome, s. r. o., which will provide electronic communications services. The spun-off company Telefónica O2 Business Solutions, spol. s r. o., will not be wound up and the transformation will become legally effective on the day of the record of the change in the Commercial Register.

## Personnel composition of the Supervisory Board of Telefónica CR (as at 1 August 2011)

Name	Function
Alfonso Alonso Durán	Chairman of the Supervisory Board
María Eva Castillo Sanz	1st Vice-chairman of the Supervisory Board
Lubomír Vinduška	2nd Vice-chairman of the Supervisory Board
Eduardo Andres Julio Zaplana Hernández-Soro	Member of the Supervisory Board
Antonio Botas Bañuelos	Member of the Supervisory Board
Vladimír Dlouhý	Member of the Supervisory Board
Anselmo Enriquez Linares	Member of the Supervisory Board
Tomáš Fírbach	Member of the Supervisory Board
Petr Gazda	Member of the Supervisory Board
Pavel Herštlík	Member of the Supervisory Board
Guillermo José Fernández Vidal	Member of the Supervisory Board
Luis Lada Díaz	Member of the Supervisory Board
Maria Pilar López Álvarez	Member of the Supervisory Board
Dušan Stareček	Member of the Supervisory Board
Ángel Vilá Boix	Member of the Supervisory Board

## Personnel composition of the Audit Committee of Telefónica CR (as at 1 August 2011)

Name	Function
María Eva Castillo Sanz	Chairman of the Audit Committee
Alfonso Alonso Durán	Vice-chairman of the Audit Committee
Pavel Heršтік	Member of the Audit Committee
María Pilar López Álvarez	Member of the Audit Committee
Jaime Smith Basterra	Member of the Audit Committee
Vladimír Dlouhý	Substitute member of the Audit Committee

## Personnel composition of the Board of Directors of Telefónica CR (as at 1 August 2011)

Name	Function
Luis Antonio Malvido	Chairman of the Board of Directors
Jesús Pérez de Uriguen	1st Vice-chairman of the Board of Directors
Petr Slováček	2nd Vice-chairman of the Board of Directors
Martin Bek	Member of the Board of Directors
John Gerald McGuigan	Member of the Board of Directors
Jakub Chytil	Member of the Board of Directors
František Schneider	Member of the Board of Directors

## Executive management of Telefónica CR (as at 1 August 2011)

Name	Function
Luis Antonio Malvido	Chief Executive Officer
Martin Bek	Director, Support Services Division
Jiří Dvorjančanský	Director, Marketing Division
Dana Dvořáková	Director, Corporate Communication Division
Tony Hanway	Director, Consumer Division
Jakub Chytil	Director, Legal, Regulatory and Public Affairs Division Company Secretary
Ctirad Lolek	Director, Human Resources Division
Jesús Pérez de Uriguen	Director, Finance Division
František Schneider	Director, Business Division
Petr Slováček	Director, Operations Division