

Financial part

05



Interim condensed consolidated financial statements

05

for the six months ended 30 June 2012
prepared in accordance with
International accounting standard 34

Contents

General information	33
Interim consolidated statement of comprehensive income	34
Interim consolidated statement of financial position	35
Interim consolidated statement of changes in shareholders equity	36
Interim consolidated statement of cash flow	37
Accounting policies	38
Notes to the interim condensed consolidated financial statements	40

These condensed consolidated financial statements were not audited.

General information

Telefónica Czech Republic, a.s. Group (the "Group") consists of Telefónica Czech Republic, a.s. (the "Company") and its subsidiaries: Telefónica Slovakia, s.r.o., Telefónica O2 Business Solutions, spol. s r.o., CZECH TELECOM Germany GmbH, CZECH TELECOM Austria GmbH and Internethome, s.r.o.

The Company has a form of a joint stock company and is incorporated and domiciled in the Czech Republic. The address of its registered office is Za Brumlovkou 266/2, Prague 4, 140 22, Czech Republic.

The Group is a member of the Telefónica Group of companies (the "Telefónica Group") with a parent company, Telefónica, S.A. (the "Telefónica").

The Company is the principal supplier of fixed line telecommunication services and is one of the three suppliers of mobile telephone services in the Czech Republic.

The Company's shares are traded on the Prague Stock Exchange.

The Annual General Meeting of the Company held on 19 April 2012 decided to reduce the registered capital. Nominal value of shares in the current nominal value of CZK 100 will be reduced to CZK 87 and the nominal value of existing shares of the nominal value of CZK 1,000 will be reduced to CZK 870. The amount of the reduction shall be paid to shareholders in the appropriate amount.

The Annual General Meeting of the Company held on 19 April 2012 approved the share repurchase programme (see Note 3).

During the first half year 2012, the Company has continued in its effort to deliver efficiencies in all areas of its operation via further transformation of its organisation. Hence it executed additional phase of the restructuring program, focused on establishment of more effective organizational structure by reducing the number of organizational layers across the whole company. In addition the transformation aims at further streamlining and simplification of the processes (see Note 8).

These condensed consolidated financial statements were not audited.

Interim consolidated statement of comprehensive income For the six months ended 30 June 2012

In CZK million	Notes	For the six months ended 30 June 2012	For the six months ended 30 June 2011
Revenues from voice services		8,570	9,200
Monthly charges		6,301	6,472
Data services		5,648	5,707
Other revenues		4,646	4,520
Revenues		25,165	25,899
Other income		358	103
Interconnection and roaming expenses		(4,563)	(4,627)
Cost of goods sold		(1,010)	(1,001)
Other direct cost of sales		(1,784)	(1,511)
Other expenses		(5,338)	(5,225)
Staff costs		(3,129)	(3,358)
Impairment reversal/(loss)		(18)	(5)
Operating income before depreciation and amortization ("OIBDA")		9,681	10,275
Depreciation and amortization		(5,688)	(5,792)
Operating profit	1	3,993	4,483
Finance income		524	272
Finance costs		(631)	(308)
Profit before tax	1	3,886	4,447
Corporate income tax	1, 2	(632)	(836)
Profit for the year	1	3,254	3,611
Other comprehensive income			
Translation differences		(7)	(46)
Other comprehensive income, net of tax		(7)	(46)
Total comprehensive income, net of tax		3,247	3,565
Profit attributable to:			
Equity holders of the Company		3,254	3,611
Total comprehensive income attributable to:			
Equity holders of the Company		3,247	3,565
Earnings per share (CZK) – basic ¹	3	10	11

¹ There is no dilution of earnings as no convertible instruments have been issued by the Company.

Interim consolidated statement of financial position

As at 30 June 2012

In CZK million	Notes	30 June 2012	31 December 2011
ASSETS			
Property, plant and equipment		48,713	51,525
Intangible assets		19,971	20,658
Investment in associate	12	29	22
Other financial assets		95	149
Deferred tax asset		666	746
Non-current assets		69,474	73,100
Inventories		495	488
Receivables and prepayments		7,612	8,273
Income tax receivable		39	165
Cash and cash equivalents	6	10,886	6,955
Current assets		19,032	15,881
Non-current assets classified as held for sale		–	1
Total assets		88,506	88,982
EQUITY AND LIABILITIES			
Ordinary shares		32,209	32,209
Share premium		24,374	24,374
Retained earnings, funds and reserves		7,077	12,514
Treasury shares		(405)	–
Total equity		63,255	69,097
Deferred taxes		3,321	3,736
Non-current provisions for liabilities and charges		28	26
Non-current other liabilities		74	108
Non-current liabilities		3,423	3,870
Short-term financial debts		3,146	3,061
Trade and other payables		18,517	12,882
Income tax liability		4	5
Provisions for liabilities and charges		161	67
Current liabilities		21,828	16,015
Total liabilities		25,251	19,885
Total equity and liabilities		88,506	88,982

Interim consolidated statement of changes
in shareholders equity
For the six months ended 30 June 2012

In CZK million	Notes	Share capital	Treasury shares	Share premium	Foreign exchange translation reserve	Equity settled share based payments reserve	Funds	Retained earnings	Total
At 1 January 2011		32,209	–	24,374	(162)	38	6,452	10,265	73,176
Currency translation differences – amount arising in period		–	–	–	(46)	–	–	–	(46)
Net profit	1	–	–	–	–	–	–	3,611	3,611
Total comprehensive income		–	–	–	(46)	–	–	3,611	3,565
Capital contribution		–	–	–	–	23	–	–	23
Dividends declared in 2011	3	–	–	–	–	–	–	(12,884)	(12,884)
At 30 June 2011		32,209	–	24,374	(208)	61	6,452	992	63,880
At 1 January 2012		32,209	–	24,374	(52)	56	6,452	6,058	69,097
Currency translation differences – amount arising in period		–	–	–	(7)	–	–	–	(7)
Net profit	1	–	–	–	–	–	–	3,254	3,254
Total comprehensive income		–	–	–	(7)	–	–	3,254	3,247
Capital contribution		–	–	–	–	17	48	(53)	12
Dividends declared in 2012	3	–	–	–	–	–	–	(8,696)	(8,696)
Ordinary share acquisition		–	(405)	–	–	–	–	–	(405)
At 30 June 2012		32,209	(405)	24,374	(59)	73	6,500	563	63,255

Interim consolidated statement of cash flow

For the six months ended 30 June 2012

In CZK million	Notes	For the six months ended 30 June 2012	For the six months ended 30 June 2011
Cash from operating activities			
Cash received from operations		27,122	28,192
Cash paid to suppliers and employees		(18,848)	(17,184)
Dividends received		5	5
Net interest and other financial expenses paid	6	80	(14)
Taxes paid		(848)	(1,599)
Net cash from operating activities		7,511	9,400
Cash flow from investing activities			
Proceeds on disposals of property, plant and equipment and intangible assets		262	42
Payments on investments in property, plant and equipment and intangible assets		(3,378)	(3,443)
Payments on investments in WiFi acquisition		(69)	–
Payments made on financial investments		(18)	–
Net cash used in investing activities		(3,203)	(3,401)
Cash flow from financing activities			
Dividends paid		7	21
Cash payments to owners to acquire the ordinary shares		(405)	–
Net cash used in financing activities		(398)	21
Effect of foreign exchange rate changes on collections and payments		21	2
Net increase / (decrease) in cash and cash equivalents during the period		3,931	6,022
Cash and cash equivalents at the beginning of the period		6,955	4,798
Cash and cash equivalents at the end of the period	6	10,886	10,820
Balance at the beginning of the period		6,955	4,798
Cash on hand and at banks		6,932	4,774
Other cash equivalents		23	24
Balance at the end of the period		10,886	10,820
Cash on hand and at banks		10,863	10,799
Other cash equivalents		23	21

Accounting policies

Content

A. Basis of preparation	39
B. Significant accounting policies	39
C. Change in accounting policy	39
D. Seasonality of operations	39

A. Basis of preparation

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

The consolidated financial statements were prepared in accordance with International Accounting Standard IAS 34 Interim Financial Reporting ("IAS 34").

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2011.

The amounts shown in these consolidated financial statements are presented in millions of Czech Crowns ("CZK"), unless stated otherwise.

B. Significant accounting policies

Účetní postupy převzaté při přípravě mezitímní zkrácené konsolidované účetní závěrky jsou shodné se všemi postupy použitými pro roční účetní závěrku za rok končící 31. prosince 2011.

C. Change in accounting policy

V roce 2012 a 2011 nebyly aplikovány žádné významné změny v účetních politikách.

D. Seasonality of operations

V segmentu pevných linek i mobilním telekomunikačním segmentu nejsou žádné sezónní výkyvy. Telekomunikační podnikání Skupiny není považováno za sezónní.

Notes to the interim condensed consolidated financial statements

Obsah

1. Segment information	41
2. Income tax	42
3. Dividends proposed and earnings per share	42
4. Property, plant and equipment	43
5. Intangible fixed assets	43
6. Cash and cash equivalents	43
7. Inventories	44
8. Restructuring costs	44
9. Contingencies	44
10. Commitments	45
11. Related party transactions	46
12. Principal subsidiary undertakings and associates	48
13. Events after the statement of financial position date	48

1. Segment information

Business segments recognised by the Group are as follows:

- Fixed – network communications services using a fixed network, WiFi infrastructure and IS/ICT services provided by the Company and other consolidated subsidiaries,
- Mobile – mobile communications services provided by the Company and by Telefónica Slovakia, s.r.o.

For the six months ended 30 June 2012			
In CZK million	Fixed	Mobile¹	Group
Revenues	10,689	14,773	25,462
Inter-segment sales	(151)	(146)	(297)
Total consolidated revenues	10,538	14,627	25,165
Operating profit	462	3,531	3,993
Interest and other financial costs (net)			(107)
Profit before tax			3,886
Tax			(632)
Profit after tax			3,254
Minority interest			0
Net profit			3,254
As at 30 June 2012			
Assets (excluding goodwill)	39,724	35,320	75,044
Goodwill	142	13,320	13,462
Total assets	39,866	48,640	88,506

¹ Standalone Revenues of Telefónica Slovakia, s.r.o. of CZK 2,334 million included.

For the six months ended 30 June 2011			
In CZK million	Fixed	Mobile²	Group
Revenues	11,464	14,780	26,244
Inter-segment sales	(158)	(187)	(345)
Total consolidated revenues	11,306	14,593	25,899
Operating profit	630	3,853	4,483
Interest and other financial costs (net)			(36)
Profit before tax			4,447
Tax			(836)
Profit after tax			3,611
Minority interest			–
Net profit			3,611
As at 31 December 2011			
Assets (excluding goodwill)	52,778	29,004	81,782
Goodwill	136	13,320	13,456
Total assets	52,914	42,324	95,238

² Standalone Revenues of Telefónica Slovakia, s.r.o. of CZK 1,780 million included.

Revenue of the Group is predominantly derived from domestic trading activities and as a result, segment reporting is only shown on the basis of business segments.

The inter-segment pricing rates applied in 2012 and 2011 were determined on the same basis as rates applicable for other mobile operators and are consistent with rates applied for pricing with other mobile operators.

During the first half of 2012, Telefónica Slovakia, s.r.o. further strengthened its position on the Slovak mobile market. Subscriber's market share of Telefónica Slovakia, s.r.o. reached close to 20% at the end of June 2012. In line with its strategy to offer simple and transparent services, it has extended its offer by new tariffs for higher residential segment (O2 Paušál). This helped to increase total subscribers base by 24.7% year-on-year to 1,250 thousand, driven largely by contract base growth. Their number increased by 40% year-on-year to reach 575 thousand, while prepaid base grew by 14.1% reaching 675 thousand at the end of June 2012. Consequently, contract customers represented 46% of total customer base, representing a 5 percentage points increase year-on-year. Subscribers' growth and improving customer mix led to an increase in revenues which reached CZK 2,334 million in the first half of 2012 compared to CZK 1,780 million in the same period of 2011. As at 30 June 2012, net book value of fixed assets deployed in Slovakia amounted to CZK 2,604 million (as at 31 December 2011: CZK 2,692 million).

2. Income tax

In CZK million	For the six months ended 30 June 2012	For the six months ended 30 June 2011
Total income tax expense is made up of:		
— Current income tax charge	973	1,157
— Deferred income tax credit	(341)	(321)
Taxes on income	632	836

Deferred income taxes are calculated using currently enacted tax rates expected to apply when the asset is realized or the liability settled. For 2012 and 2011 19% applied.

3. Dividends proposed and earnings per share

In CZK million	30 June 2012	30 June 2011
Dividends declared (including withholding tax)	8,696	12,884

Dividends include withholding tax on dividends paid by the Company to its shareholders. There has been no interim dividend paid in respect of 2012 and 2011. Approval of the 2011 profit and the decision regarding the amount of any dividend payment for this financial year took place at the Annual General Meeting on 19 April 2012 (2011: 28 April 2011). Pursuant to the decision of the Annual General Meeting the dividend for 2011 profit is expected to be paid out on 10 October 2012 in amount CZK 27 per share.

The Annual General Meeting approved the ordinary share acquisition programme for the next 5 years, up to a maximum of 10% of the total number of 322,089,890 ordinary shares.

Basic earnings per share are calculated by dividing the net profit attributable to shareholders by the weighted average number of ordinary shares in issue during the period.

	30 June 2012	30 June 2011
Weighted number of ordinary shares in issue (thousands)	321,986	322,090
Net profit attributable to shareholders (in CZK million)	3,254	3,611
Basic earnings per share (CZK)	10	11

4. Property, plant and equipment

Acquisitions and disposals

During the six months ended 30 June 2012, the Group acquired assets with a cost of CZK 1,709 million (as at 30 June 2011: CZK 1,919 million), including additions from WiFi acquisitions totalled 9 million CZK (as at 30 June 2011: CZK 0 million). Assets with a net book value of CZK 17 million were disposed of by Group during the six months ended 30 June 2012 (as at 30 June 2011: CZK 26 million).

The Group achieved a total gain from the sale of the above fixed assets (including assets held for sale) amounting to CZK 238 million (as at 30 June 2011: CZK 25 million) and total losses in amount CZK 4 million (as at 30 June 2011: CZK 11 million) during the six months ended 30 June 2012.

5. Intangible fixed assets

Acquisitions and disposals

During the six months ended 30 June 2012, the Group acquired assets with a cost of CZK 518 million (as at 30 June 2011: CZK 635 million).

By purchasing network infrastructure, customer base and related assets and liabilities from local providers of Internet access using WiFi technology a goodwill in the amount of CZK 9 million was recognised during the six month ended 30 June 2012. The goodwill resulted from comparison of the present value of the purchase price in the amount of CZK 40 million and fair value of net assets acquired of CZK 31 million.

6. Cash and cash equivalents

In CZK million	30 June 2012	31 December 2011
Cash at current bank accounts	230	192
Cash at cash-pooling structures (inter-company) (Note 11)	10,656	6,763
Total cash and cash equivalents	10,886	6,955

As at 30 June 2012, the Group had available equivalent of CZK 1,855 million (as at 31 December 2011: CZK 1,884 million) of undrawn committed facilities.

As of 30 June 2012 and 31 December 2011 no cash and cash equivalents were pledged.

In CZK million	For the six months ended 30 June 2012	For the six months ended 30 June 2011
Interest paid	(17)	(18)
Interest received	56	45
Bank commissions	(12)	(14)
Other financial income/expenses	53	(27)
Total paid net interest and other financial income/expenses	80	(14)

7. Inventories

As at 30 June 2012 the inventories are stated net of an allowance of CZK 51 million (as at 31 December 2011: CZK 43 million), reducing the value of the inventories to their net realisable value.

8. Restructuring costs

During the six months period ended 30 June 2012 restructuring costs of CZK 223 million (as at 30 June 2011: CZK 158 million) have been recognised. The amount includes CZK 208 million for the severance payments (as at 30 June 2011: CZK 158 million) and consultancy costs of CZK 15 million (as at 30 June 2011: CZK 0 million).

9. Contingencies

The Company is involved in a number of legal disputes arising from standard course of the business. Below is described involvement in court cases which occurred during first half of the year of 2012 in comparison with annual report from 2011.

I. MEDIATEL, spol. s r.o. – dispute on CZK 359 million

MEDIATEL, spol. s r.o., which was cooperating with the Company on the publishing of the phone directory distributed to all telecommunications subscribers since 1992 (known under brand name “Zlaté stránky”), filed a legal action against the Company for the compensation of an alleged damage exceeding CZK 359 million in December 2009. Municipal court in Prague fully dismissed the legal action as groundless in January 2012. Decision came into the legal force and the dispute is successfully closed.

II. CNS a.s. – dispute on CZK 137 million

In 2009, the employees of CNS a.s., dealing with the development and updates of IT applications and the employees of Telefónica O2 Business Solutions, spol. s r.o. were having negotiations over the potential collaboration relating to the operation of data boxes. However, no agreement was signed between the parties and, due to commercial reasons, the project was never materialised. CNS a.s. filed in August 2010 a legal action against the Company for the compensation of damage and lost profit worth CZK 137.2 million for not signing any contract. The Company regards this claim as fabricated and the amount evidently exaggerated which can be demonstrated by the fact that according to the 2009 financial statements, CNS a.s. generated annual profit of less than CZK 5.5 million. On first oral hearing which took place the court ordered to CNS a.s. to prove its statements by concrete evidence. Next hearing is planned for October 2012.

III. VOLNÝ, a.s. – dispute on CZK 4 billion

On 28 March 2011, VOLNÝ, a.s. filed a legal action with the Municipal Court in Prague against the Company for an amount exceeding CZK 4 billion for an alleged abuse of a dominant position on the market of Internet broadband connection provided to households via ADSL. The amount is meant to represent the lost profit for years 2004 to 2010. VOLNÝ, a.s. claims to have had 30% share on the dial-up Internet market in 2003 and thus implies in its legal action that it should automatically have the same result on the broadband market, which it does not. Allegedly, it is due to the margin squeeze applied by the Company on the fix broadband market. The lawsuit has not been heard yet and the Court interrupted the proceedings in April 2012 with intention to wait for decision of the Antimonopoly Office in the margin squeeze investigation. The Company filed an appeal against such interruption while it could cause delays in the court proceedings in years.

IV. BELL TRADE s.r.o. – dispute on CZK 3.2 billion

Legal action of BELL TRADE s.r.o. company for CZK 3.2 billion. Legal action was filed at County court in Malacky and was grounded on statement that the Company signed up the contract with RVI, a.s. company in 2002 on several IT projects. BELL TRADE s.r.o. with registered seat in Bratislava allegedly through the chain of intermediates bought the claims for contractual fees for provided services. The Company filed its statement that any contract has not been signed neither the Company received any services for which the price nor fees should be paid. Moreover the lack of Slovakian courts jurisdiction was emphasised because the dispute does not have any connection to the Slovakian territory. The Company received a decision in June 2012 by which the proceedings were terminated due to lack of jurisdiction of the Slovakian courts.

The Company is involved in other legal disputes. The aggregate value of all disputes with subject-matter over CZK 5 million not closed with a verdict in 2012 totals to nearly CZK 12 million. The annual profit and loss statement takes into account also some minor disputes, however, with risks of less importance.

The Company considers disclosing other information regarding the said litigations not advisable, as it could endanger the strategy of the Company in these cases.

The Company is convinced that all risks relating to the litigations have been duly reflected in the financial statements.

10. Commitments

Operating leases – lessee

The aggregate future minimum lease payments under operating leases are as follows:

In CZK million	30 June 2012	31 December 2011
No later than 1 year	1,406	1,386
Later than 1 year and not later than 5 years	4,516	4,617
Later than 5 years	4,060	3,981
Total	9,982	9,984

Capital and other commitments

In CZK million	30 June 2012	31 December 2011
Capital and other expenditure contracted but not provided for in the financial statements	3,712	1,881

The majority of contracted amounts relate to the telecommunications network and service contracts.

11. Related party transactions

The Group provides services to all related parties under normal commercial terms. Sales and purchase transactions with related parties are based on contractual agreements negotiated on normal commercial terms and conditions and at market prices. Outstanding balances of assets and liabilities are unsecured, interest free (excl. financial assets and liabilities used for financing) and the settlement occurs either in cash or by offsetting. The financial assets balances are tested for the impairment at the balance sheet date, and no allowance or write off was incurred.

The following transactions were carried out with related parties:

I. Parent company:

Balance sheet In CZK million	30 June 2012	31 December 2011
a) Receivables	–	6
b) Payables (excl. dividend payable)	368	800

Comprehensive income In CZK million	For the six months ended 30 June 2012	For the six months ended 30 June 2011
a) Sales of services and goods	–	–
b) Purchases of services and goods (excl. royalty fees)	18	22

There was no dividend paid as at 30 June 2012 to Telefónica, S.A. The dividend payable to Telefónica, S.A. is in the amount of CZK 6,036 million (31 December 2011: CZK 0).

For the six months ended 30 June 2012 the royalty fees to Telefónica, S.A. amounted to CZK 365 million (for the six months ended 30 June 2011: CZK 382 million).

II. Other related parties – Telefónica Group:

Balance sheet In CZK million	30 June 2012	31 December 2011
a) Receivables	357	344
b) Payables (excl. dividend payable) ¹	1,551	2,202
c) Short-term receivables (interest)	7	5
d) Cash equivalents (see Note 6)	10,656	6,763

¹ As at 31 December 2011 payables to TELEFÓNICA FACTORING E.F.C., S.A. of CZK 908 million were included (2010: CZK 1,486 million).

Comprehensive income In CZK million	For the six months ended 30 June 2012	For the six months ended 30 June 2011
a) Sales of services and goods	366	361
b) Purchases of services and goods	794	563
c) Interest income	39	36

There was no capital purchases for the six months ended 30 June 2012 and 30 June 2011 carried out with related parties.

The list of the Telefónica companies with which the Group had any transaction in 2012 and 2011 includes the following entities: Telefónica S.A., Telefónica de España, S.A.U., Telefónica Germany GmbH& CO.OHG, Telefónica UK Ltd., Telefónica Ireland Ltd., Telefónica Móviles España, S.A.U., Telefónica Móviles Argentina, S.A., O2 Holdings Ltd., Telefónica Insurance, S.A., Telefónica Móviles Guatemala, S.A., Telefónica Móviles El Salvador, S.A. de C.V., Telefónica Móviles Panamá, S.A., Telefónica Móviles Chile, S.A., Otecel, S.A., Telefónica Móviles Nicaragua, S.A., Telefónica Móviles Columbia, S.A., Telefónica Investigación y Desarrollo, S.A., Telecom Italia S.p.A., Telfisa Global BV, Telfisa, Telefónica International Wholesale Services, Telefónica International Wholesale Services II, S.L., S.A., Atento Chequia, Telefónica Compras Electrónica, S.L., Telefónica Móviles Mexico, S.A., Telefónica Móviles del Uruguay, S.A., Telefónica Móviles Peru, S.A., Telefónica Venezuela, S.A., China Unicom (Hong Kong) Limited, Telefónica Global Roaming GmbH, Vivo, S.A., Telefónica Europe People Services Limited, Jajah Ltd., Telefónica USA, G. T. North America, Telefonica Global Technology Chequia, Telefónica Global Technology, Telefónica Global Technology CZ, Telefónica Global Services GmbH, MOPET CZ a.s., Telefónica factoring E.F.C., S.A.

Liabilities to TELEFÓNICA FACTORING E.F.C., S.A. represent due balances arising from the assigned receivables by the suppliers using Group factoring and are considered as a due amount to the associate company.

III. Other related parties

a) Key management compensation

Members of the Board of Directors and of the Supervisory Board of the Telefónica Czech Republic, a.s. were provided with benefits as follows:

In CZK million	For the six months ended 30 June 2012	For the six months ended 30 June 2011
Salaries and other short-term benefits	56	55
Personal indemnification insurance	2	3
Total	58	58

b) Loans to related parties

There were no loans provided to members of Board of Directors and Supervisory Board in 2012 and 2011.

There were no loans provided to related parties by the Group.

12. Principal subsidiary undertakings and associates

As at 30 June 2012

Subsidiaries	Group's interest	Cost of investment in CZK million	Country of incorporation	Activity	Method of consolidation
1. Telefónica O2 Business Solutions, spol. s r.o.	100 %	237	Czech Republic	Network and consultancy services in telecommunications, IT/ICT services	Full consolidation
2. CZECH TELECOM Germany GmbH	100 %	10	Germany	Data transmission services	Full consolidation
3. CZECH TELECOM Austria GmbH	100 %	6	Austria	Data transmission services	Full consolidation
4. Telefónica Slovakia, s.r.o.	100 %	6,116	Slovakia	Mobile telephony, internet and data transmission services	Full consolidation
5. Internethome, s.r.o.	100 %	55	Czech Republic	Providing of internet access on WiFi technology	Full consolidation
Associates					
6. První certifikační autorita, a.s.	23 %	9	Czech Republic	Rendering of certification services	Not consolidated
7. AUGUSTUS, spol. s r.o.	40 %	–	Czech Republic	Sales by auctions and advisory services	Not consolidated
8. MOPET CZ a.s.	13 %	20	Czech Republic	Real time payment services via mobile phones	Not consolidated
9. Informační linky, a.s.	20 %	3	Czech Republic	Information and directory services	Not consolidated

13. Events after the statement of financial position date

On 26 June 2012 the Company signed an agreement on transfer of shares and became the sole owner of the company Bonerix Czech Republic s.r.o., with registered capital of CZK 200 thousand. The Company was incorporated as the sole owner of the company Bonerix Czech Republic s.r.o. in Commercial Register on 4 July 2012.

On 1 July 2012 there was a merger of the Company, as successor company, with Telefónica O2 Business Solutions, spol. s r.o., as the company being acquired. The assets of Telefónica O2 Business Solutions, spol. s r.o. were transferred to the Company. The merger was incorporated in Commercial Register on 1 July 2012.

On 30 July 2012 the Company repaid the foreign currency loan of EUR 115 million.

From 1 August 2012 current CFO of the Company Mr Jesús Pérez de Uriguen left for the position of Director of Finance and Controlling at the Telefónica Europe Group. New CFO is Mr David Melcon Sanchez-Friera. The Supervisory Board of the Company elected David Melcon, effectively from 1 August 2012, as a new member of the Board of Directors. Mr Melcon takes over following the resignation of Mr Jesús Pérez de Uriguen.

On 3 August 2012 the Company raised share capital as non-cash contribution in the company Internethome, s.r.o., now amounting 67,765 thousand CZK. The increase in share capital of Internethome, s.r.o. was incorporated in Commercial Register on 3 August 2012.

As at the date of approval of this interim consolidated financial statements the Company acquired approximately 1% of own shares. The own shares buy-back started on 18 May 2012 according to the ordinary share acquisition programme approved by the Annual General Meeting held on 9 April 2012 and following the Company's Board of Directors approval from 18 May 2012.