

Company Overview

March 2017



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INTRODUCTION TO CETIN AND SPIN OFF

- **BUSINESS STRATEGY AND COMMITMENT FROM THE SHAREHOLDER**
- **FINANCIAL PERFORMANCE**
- **CETIN VS. TELECOM AND INFRASTRUCTURE PLAYERS**
- **SUMMARY: KEY CREDIT HIGHLIGHTS**

CETIN IS THE LARGEST CZECH WHOLESALE PROVIDER OF MOBILE AND FIXED TELECOMMUNICATIONS SERVICES



CETIN AT GLANCE




- **Domestic market champion** with unparalleled fixed, mobile and transit infrastructure networks
- **Key partner - O2 Czech Republic**, the Czech incumbent operator, and **T-Mobile Czech Republic**
- **Unique resilient business model** as a telecom **infrastructure-only operator** underpinned by solid commercial agreements
- **Stable profitability, robust balance sheet and strong free cash flows with efficient cost base and stable capex**
- More than **half of EBITDA** secured by long-term **take-or-pay contracts** for mobile, fixed and data centres services
- **100% owned by PPF Group** (one of the largest well diversified investment Group in CEE with strong focus on telecom)

COMPANY HISTORY

From state telecom to a modern independent operator

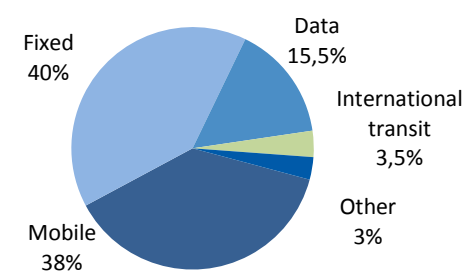
- 1989** SPT Telecom established from former state telco company, operating fixed networks
- 1991** EuroTel, the first Czech mobile operator has been established as a JV between SPT Telecom and Atlantic West
- 2000** SPT Telecom becomes ČESKÝ TELECOM
- 2004** ČESKÝ TELECOM bought EuroTel out
- 2005** Telefónica acquires a majority stake in ČESKÝ TELECOM from the Czech state
- 2006** Rebranded to Telefónica O2 Czech Republic, EuroTel merged with ČESKÝ TELECOM
- 2014** PPF acquired 65.9% of Telefónica O2 Czech Republic and increases its shareholding to 84.1%
- 2015** **A first ever voluntary separation** – spin off from O2
- 2016** PPF became the sole shareholder





KEY FIGURES

Fixed Broadband	<ul style="list-style-type: none"> ▪ 4.1m households (85% of all Czech households) ▪ 20m km metallic cables ▪ 38,000 km fibre optic cables 
Mobile	<ul style="list-style-type: none"> ▪ More than 6,000 sites ▪ 99.6% population coverage (2G) ▪ 98% population coverage (4G/LTE) ▪ 98.2% country coverage 
Data	<ul style="list-style-type: none"> ▪ Biggest data service provider in Czech Republic 

	FY 2016	FY 2015
Revenue	CZK 20,378m	CZK 19,097m
EBITDA	CZK 7,785m	CZK 7,941m
EBITDA margin	38%	42%
Cash conversion rate	50%	51%

GROSS MARGIN BREAKDOWN BY SEGMENTS as of FY 2015



- International points of presence: in    
- Growing revenue source, independent of Czech market

Note: (1) Cash conversion rate = Free Cash Flow / EBITDA; EBITDA refers to income before income taxes and other income (expenses) plus depreciation and amortisation, plus impairment of property, plant and equipment and intangible assets including goodwill.

CETIN & O2: STRUCTURALLY SEPARATED BUSINESS MODELS COOPERATING FOR THE BEST POSSIBLE RESULTS



Separation rationale



1 Streamlining the business

- Two different businesses combined in an integrated operator
- Different management approach and objectives
- Different investment policy and horizons



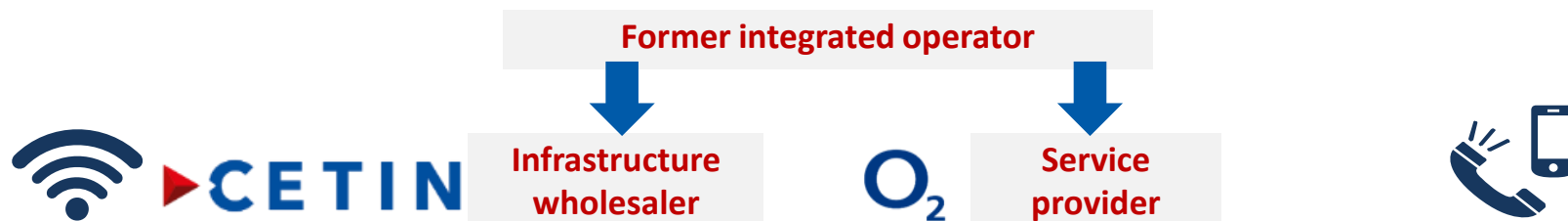
2 Rationalisation of regulation

- Unregulated O2 gets maximum flexibility for its retail business
- Remedies voluntarily delivered by CETIN, no adverse impacts of regulation



3 Opening the network

- Success of the infrastructure operator lies in utilization of its network
- Non-discriminatory network access, fair conditions to all service providers

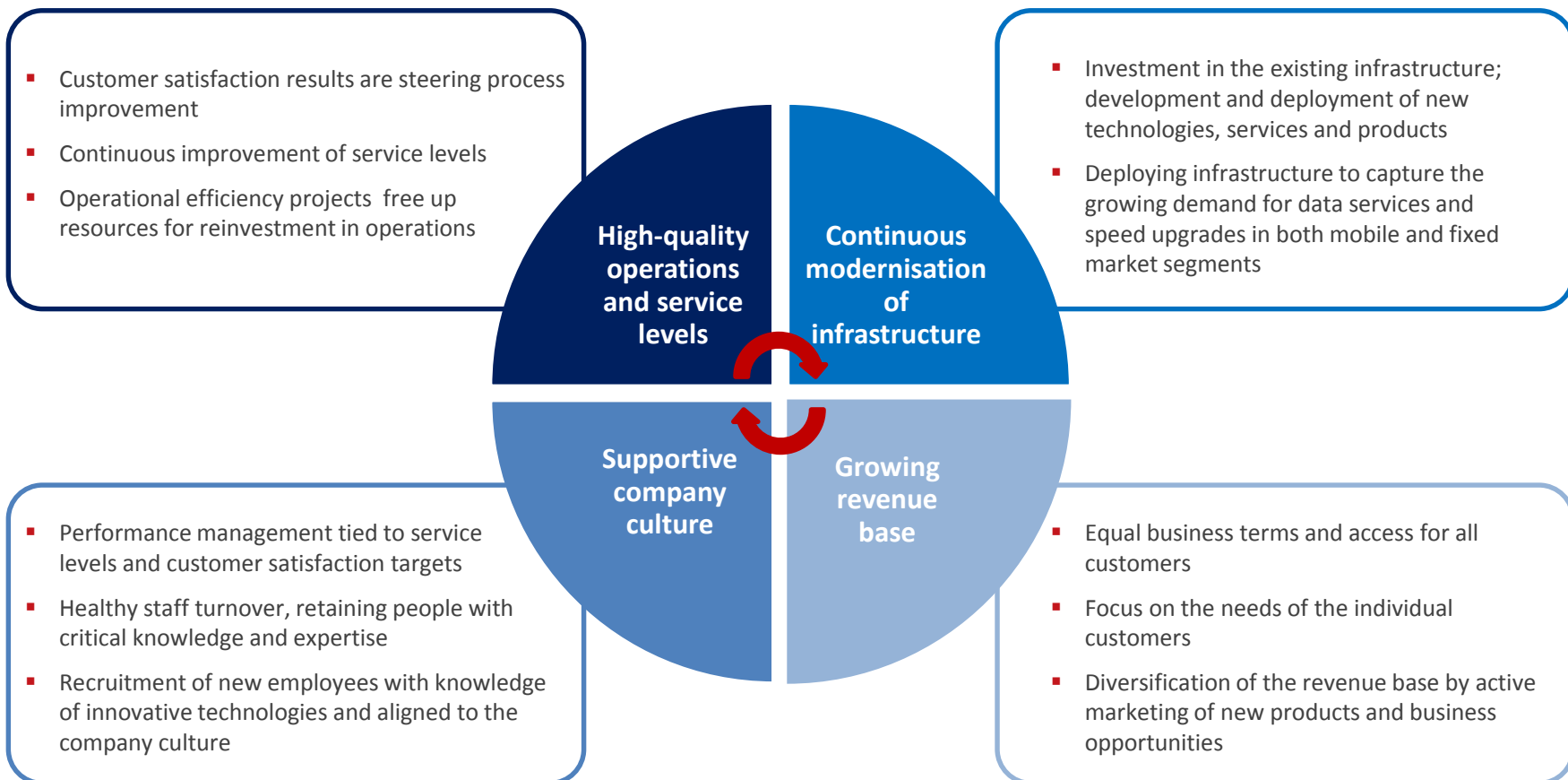


Description	<ul style="list-style-type: none"> ▪ Infrastructure, fixed asset-based wholesale services provider 	<ul style="list-style-type: none"> ▪ Service-oriented and customer-facing provider
Key selling points	<ul style="list-style-type: none"> ▪ Efficient, reliable and secure wholesale services provider thanks to economies of scale and scope achievable on its network 	<ul style="list-style-type: none"> ▪ Mobile frequency spectrum, content, brand, marketing, product innovation, high-quality customer service
Customers	<ul style="list-style-type: none"> ▪ National wholesale partners (O2, T-Mobile) and other major domestic and international wholesale partners 	<ul style="list-style-type: none"> ▪ Mass market retail subscribers and a wide business customer portfolio
Revenue profile	<ul style="list-style-type: none"> ▪ Long-term committed capacity off-take contracts reflecting useful lifetime of the infrastructure technology 	<ul style="list-style-type: none"> ▪ Short to mid-term contracts reflecting short lifetime of retail products and rapid innovation
Investment policy	<ul style="list-style-type: none"> ▪ Longer payback reflecting longer lifecycle of the underlying network technologies 	<ul style="list-style-type: none"> ▪ Asset light, short payback on products with short lifecycle, recouped over the term of customer contract
Regulation	<ul style="list-style-type: none"> ▪ Strategy aligned with wholesale regulatory requirements 	<ul style="list-style-type: none"> ▪ Subject to retail focussed regulation in line with competitors
Relationship with PPF	<ul style="list-style-type: none"> ▪ CETIN is a core asset for the PPF Group and is treated as a long-term strategic investment. ▪ Full access to all support functions of the PPF Group, including public and government relations, HR, legal and procurement 	<ul style="list-style-type: none"> ▪ O2 is financial investment with limited management involvement

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- **INTRODUCTION TO CETIN AND SPIN OFF**
 - ▶ **BUSINESS STRATEGY AND COMMITMENT FROM THE SHAREHOLDER**
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CETIN BUSINESS AND FINANCIAL OBJECTIVES: BUILD UPON ITS EXISTING MARKET POSITION TO INCREASE ITS REVENUE, ENHANCE ITS PROFITABILITY, INCREASE ITS CASH FLOW AND SERVICE ITS DEBT

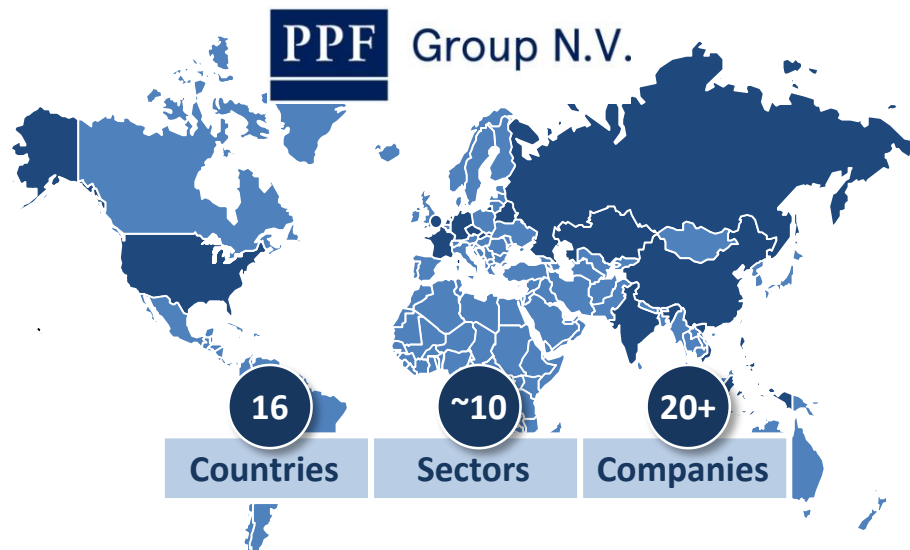
BUSINESS STRATEGY OVERVIEW



PPF IS A DIVERSIFIED INVESTMENT GROUP WITH LONG TERM COMMITMENT TO THE TELECOM SECTOR



SECTORIAL AND GEOGRAPHIC FOOTPRINT



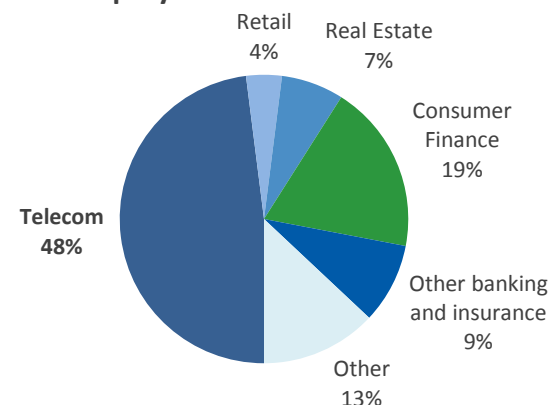
PPF AT A GLANCE

- One of the largest CEE investment groups with total assets in excess of €24.2bn²
- Long term holder of its key assets. Investment horizon is not time-limited for PPF Group and strategic assets are fundamentally developed over an extended period of time
- Well diversified investment portfolio with strategic approach to the sectors where its key assets are held
- Strong financial position: Revenue of €2.88bn³, Net profit of €248m²
- Shareholding structure: Petr Kellner: 98.92%; Ladislav Bartoníček: 0.54% and J.-P. Duvieusart: 0.54%

BUSINESS SECTION⁴

Sector	Company ¹	PPF's share	Country
Telecom	Cetin	100%	CZ
	O2	81.06%	CZ, SK
Consumer Finance	Home Credit	88.62%	CZ, SK, RU, BY, CN, VN, KZ, IN, ID, PH, US
Other banking	PPF Banka	92.96%	CZ
	Air Bank	88.62%	CZ
Insurance	PPF Life Insurance	100%	RU
Biotechnology	Sotio	96%	CZ, RU, CN, US
Real Estate	PPF Real Estate	100%	CZ, RU, UA, DE, NL, UK
Agriculture	RAV Agro Pro	100%	RU
Mining	Polymetal	12.83%	RU, KZ

Equity as of 30 June 2016



Note: (1) Selected companies owned by PPF (2) PPF's half year accounts as of 30 June 2016

(3) Total revenues from external customers as of 30 June 2016 (4) Breakdown based on book value of equity as of 30 June 2016, excluding unallocated €240m and eliminations €-28m

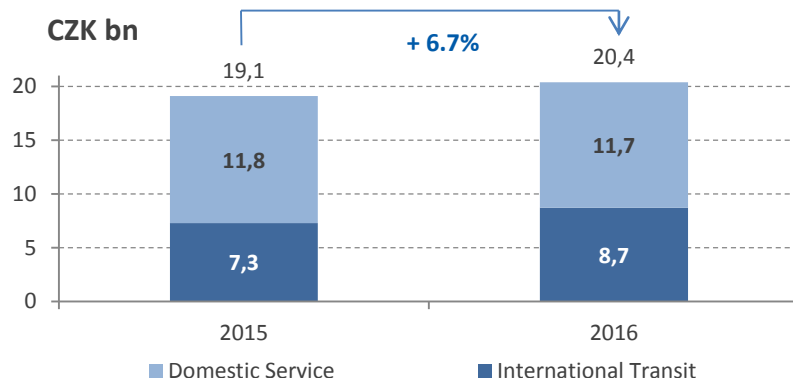
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	AGREEMENT	KEY FIGURES
O2 Czech Republic¹	Mobile <ul style="list-style-type: none"> O2 Czech Republic committed to purchase set level of mobile infrastructure services (incl. mobile access services and carrying voice, messaging and data traffic) Allows O2 to provide mobile services to customers in GSM, UMTS, CDMA and 4G/LTE radio systems and to comply with Czech regulation 	<ul style="list-style-type: none"> 7-year contract CZK 4.4 billion per year (CZK 30.8 billion in total), on a fully take-or-pay basis
	MMO <ul style="list-style-type: none"> Access to CETIN's public fixed communication network CETIN provides wholesale services incl. connection at termination points, access to publicly available electronic communications services 	<ul style="list-style-type: none"> 7-year contract at an agreed fee on a fully take-or-pay basis
	Data Centres <ul style="list-style-type: none"> Provisioning of housing services at three data centres (over 3000sqm) Data centers are fully occupied 	<ul style="list-style-type: none"> 7-year contract at an agreed fee on a fully take-or-pay basis
T-Mobile Czech Republic	Network Sharing <ul style="list-style-type: none"> CETIN is master operator for eastern part of Czech Republic and T-Mobile Czech Republic is master operator for western part (Prague & Brno are excluded) 	<ul style="list-style-type: none"> Master operator owns and operates active technology on all sites
	Mobile DSL <ul style="list-style-type: none"> Data services for T-Mobile business and corporate clients, dark fibre, xDSL services for T-Mobile mass market T-Mobile subscribers, fibre connectivity of T-Mobile sites 	<ul style="list-style-type: none"> Variety of fixed services

Note: (1) the agreement between O2 CZ and Cetin is effective from 1 June 2015

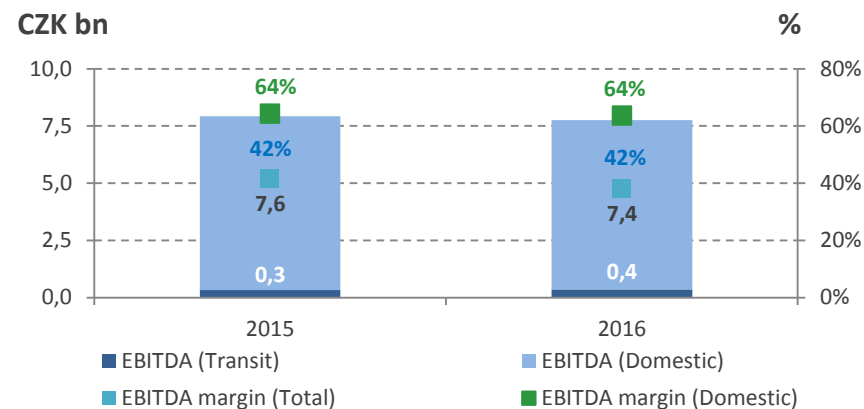
STABLE INCOME SECURED BY TAKE-OR-PAY AGREEMENTS AND HIGH PROFITABILITY OF DOMESTIC NETWORK SERVICES

REVENUE DYNAMICS



- **Income:** stable mobile, fixed and data revenues, growing income from international transit
- **Mobile: revenues secured by long-term contracts structured mostly as take-or-pay**
 - Contract with O2 2015-2022: guarantee a flat fee CZK 4.4bn per year, **CZK 30.8bn in total, 100% take or pay**
 - New projects with O2 to **generate incremental revenue** for CETIN
 - BTS rental to **other customers** generates additional income
- **Fixed lines services:** committed revenues on DSL and other opportunities:
 - Attracting new customers due to equal conditions for all operators
 - Connecting new national and regional operators

EBITDA AND EBITDA MARGIN¹

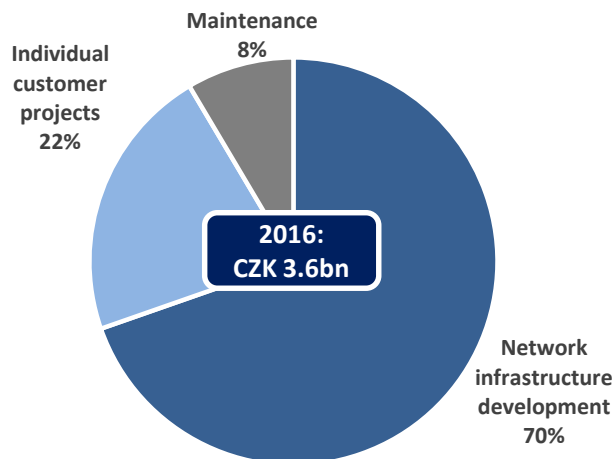


- **Strong profitability from committed revenues:**
 - 96% of EBITDA and cash flows generated by the domestic services
- **Fixed & Mobile:**
 - **Long term contracts guarantee more than half of Cetin's EBITDA**
 - **EBITDA margin of 64% excl. international transit is one of the highest in the fixed and mobile operations across international peers² with almost two thirds of these earnings are converted into cash flows**
- **International transit:** considerable revenues with a low EBITDA margin and minimal required operating and CAPEX costs

Note: (1) EBITDA refers to income before income taxes and other income (expenses) plus depreciation and amortisation, plus impairment of property, plant and equipment and intangible assets incl. goodwill.
 (2) please refer to the slide 18 "Cetin vs. Telecom and Infrastructure players"

MAINTAINING STABLE FREE CASH FLOWS AND EBITDA GROWTH WILL DETERMINE FUTURE CAPEX. SIGNIFICANT SHARE OF THE DISCRETIONARY CAPEX CAN BE USED TO PROTECT FREE CASH FLOWS FOR DEBT SERVICE

CAPEX ALLOCATION (2016)



CAPEX STRATEGY: PUBLIC COMMITMENT TO INVEST CZK 21BN (2016 – 2022)

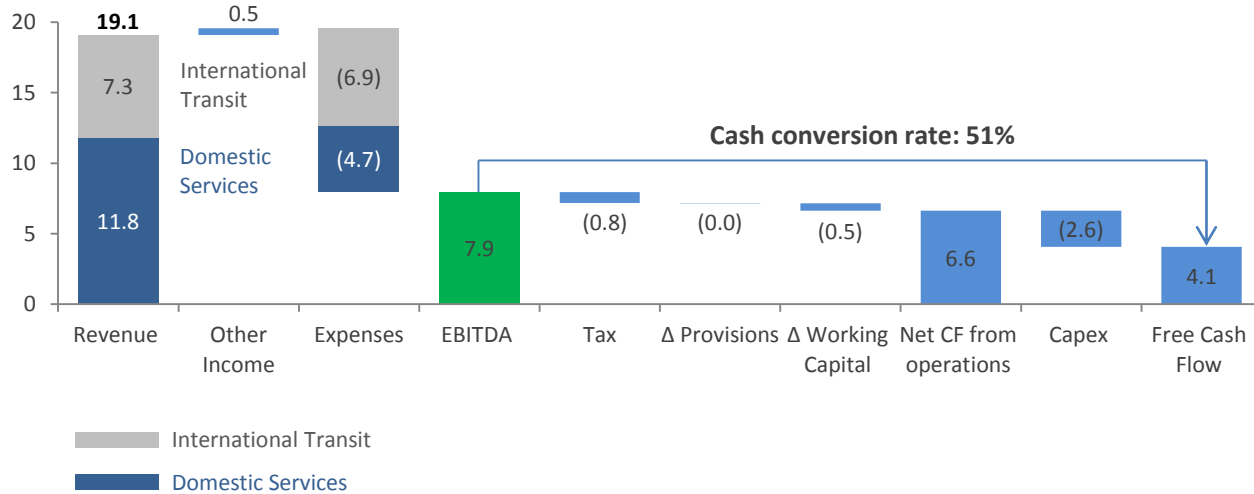
Key investments	Timeline	Expected operational results
Network infrastructure development		
Consolidation of 2G/3G mobile networks with T-Mobile CZ	2018	Better services than previously, freeing up resources for reinvestment in service quality and availability
4G/LTE mobile network deployment	2019	4G/LTE nation-wide coverage
Fixed network modernisation - extension of fibre optic cables through FTTC by installation of remote DSLAMs	ongoing	Higher connection speed and quality of fixed broadband access, comparable to FTTH and cable
Efficiency projects	ongoing	Freeing up resources for reinvestment
Individual customer projects		
Greenfield development, individual last mile access, backhaul transmission	ongoing	Generating incremental revenues
Maintenance of the existing infrastructure		
	ongoing	Sustained operations

- Committed Capex – 1/3rd of infrastructure development is committed through contracts with O2 and T-Mobile
- Discretionary Capex – 45-55% can be postponed to protect cash flows for debt reduction

STRONG AND STABLE CASH FLOWS

CASH FLOWS FY2015

CZK bn

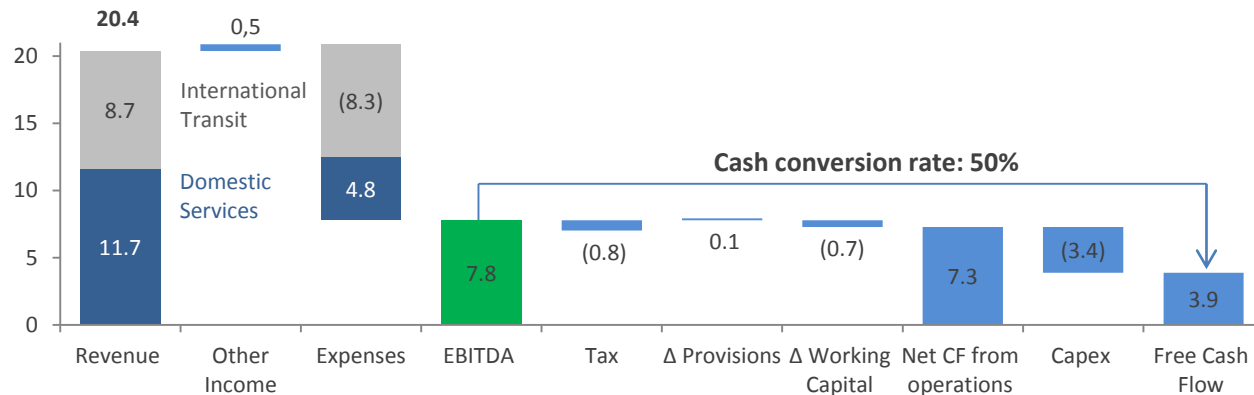


COMMENTS

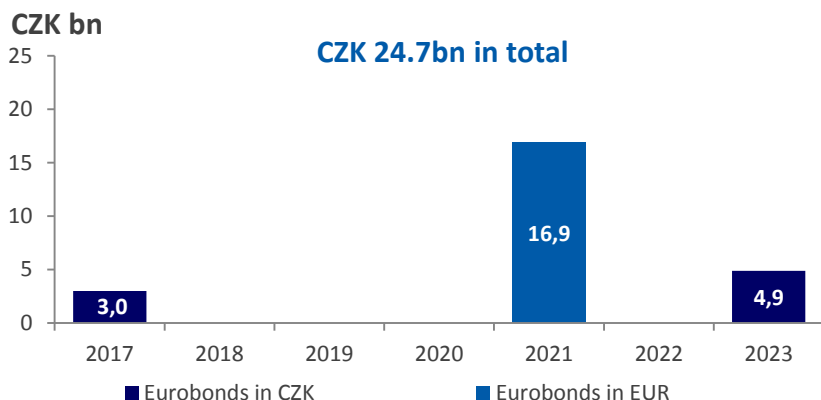
- Free cash flows are stable ca. CZK 4bn per year and in 2015/2016 have been used in full to prepay the syndicated loan
- 50% of EBITDA converted to Free Cash Flows
- CAPEX to Revenue 13.1% (FY 2016) and 16.2% (FY 2015)
 - Domestic services 30% (FY 2016) and 27% (FY 2015)

CASH FLOWS FY2016

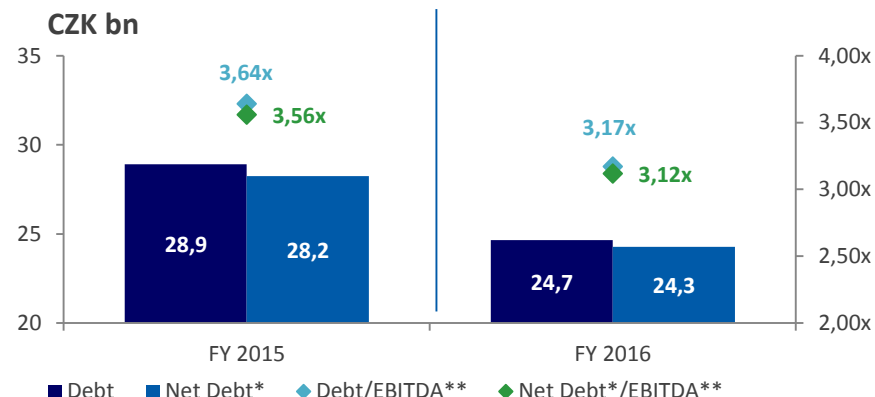
CZK bn



MATURITY PROFILE (AS OF 31 DEC 2016)



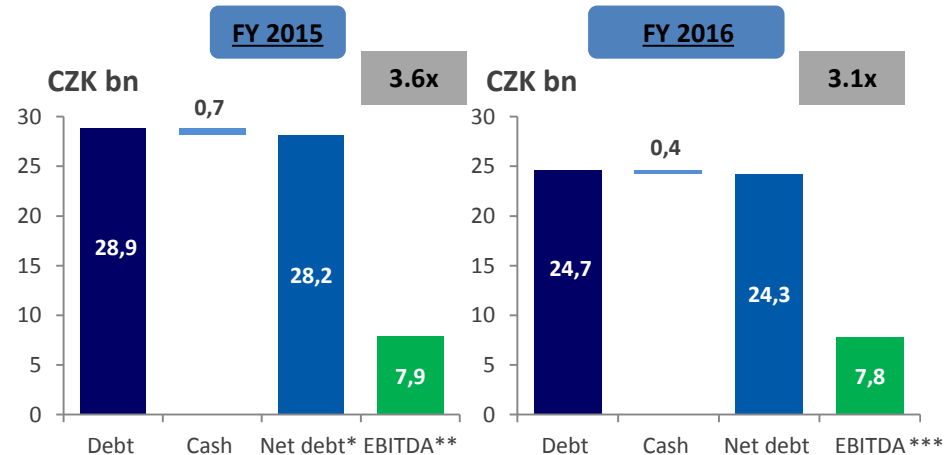
DEBT AND LEVERAGE



OVERVIEW OF EXISTING DEBT STRUCTURE

- Outstanding debt: 100% Eurobonds, 2/3rds EURO / 1/3rd CZK
 - 1-year CZK 3bn bond with annual coupon of 0.20%
 - 5-year EUR 625m bond (CZK 16.9bn) with annual coupon of 1.423%
 - 7-year CZK 4.866bn bond with annual coupon of 1.25%
- CZK 24.7bn / EUR 916m in total**
- Leverage: Net Debt / EBITDA of 3.12x (end of FY 2016)

LIQUIDITY PROFILE



Notes: (*) Net debt = total debt – cash & cash equivalents; (**) EBITDA refers to income before income taxes and other income (expenses) plus depreciation and amortisation, plus impairment of property, plant and equipment and intangible assets including goodwill; (***) EBITDA for the previous 12 months period

- Funds from operations will be used (in order of priority) for:

➤ **Strategic investment in infrastructure development (discretionary and non-discretionary CAPEX)**

➤ **Debt reduction and maintaining Net Debt to EBITDA ratio < 3.5x**

➤ **Distribution of up to 100% of the net income of the previous financial year (unless Net Debt to EBITDA ratio > 3.5x)**

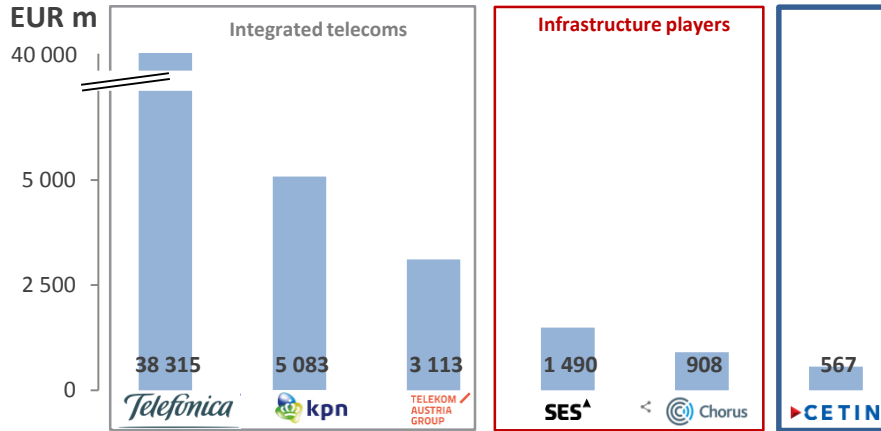
- Discretionary element of CAPEX can be used to temporarily protect free cash flows for debt service or reduction, but not currently intended for profit distribution

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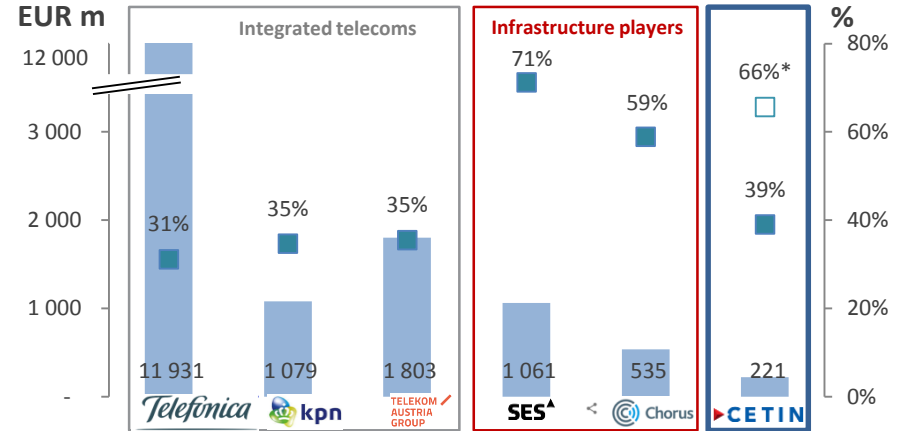
CETIN VS. TELECOM AND INFRASTRUCTURE PLAYERS

CETIN DISPLAYS STRONG PROFITABILITY AND HEALTHY CAPEX LEVEL RELATIVE TO INFRASTRUCTURE PLAYERS, NOTWITHSTANDING ITS UNIQUE BUSINESS MODEL

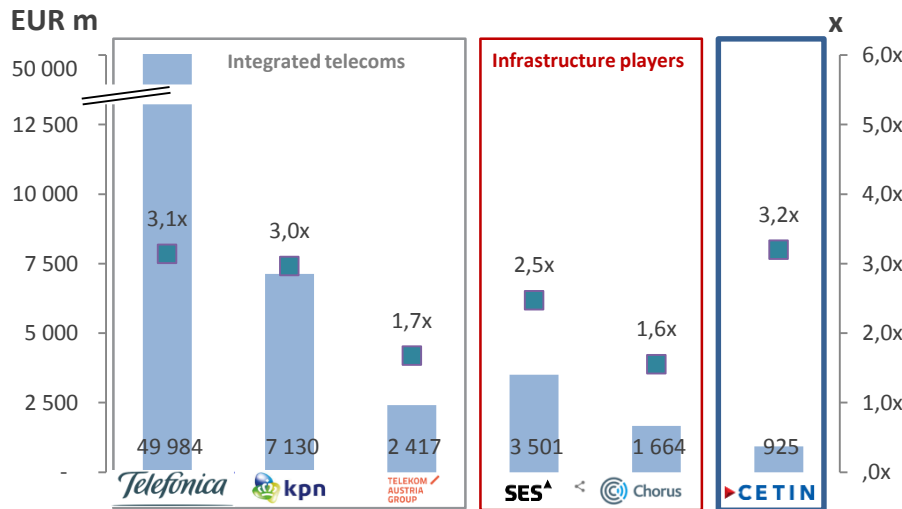
REVENUE



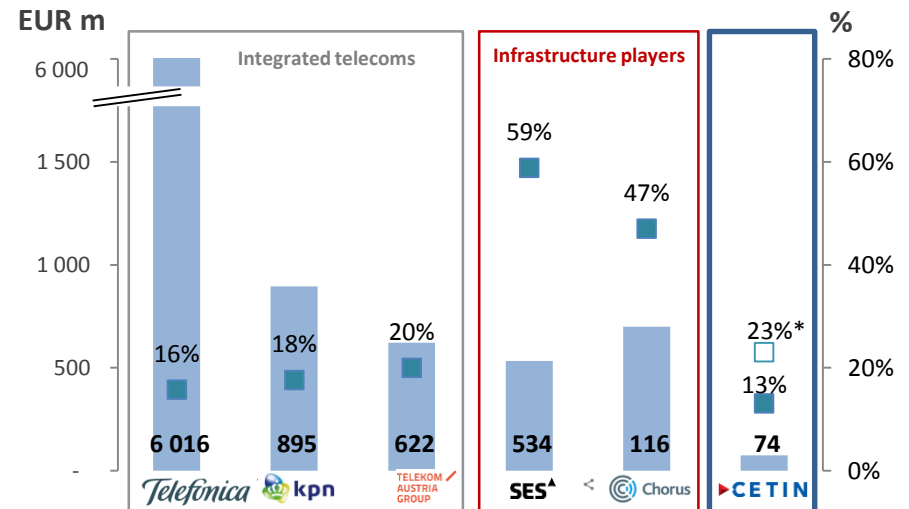
EBITDA AND EBITDA MARGIN



NET DEBT AND NET DEBT/EBITDA**



CAPEX AND CAPEX/REVENUE



Telefonica (Baa3/BBB/BBB) KPN (Baa3/BBB-/BBB), Telekom Austria (Baa2/BBB), SES (Baa2/BBB), Chorus (Baa2/BBB)

Telekom Austria's rating benefits from one notch uplift from the standalone assessment with both S&P and Moody's

Notes: *excl. international transit as i) 96% of the EBITDA is generated by the domestic fixed and mobile business and ii) the capex are mostly related to the domestic activity **EBITDA was annualized to compute the leverage ratio. Sources: 9M 2016 public figures were used for Cetin & peers (excl Chorus: H1 2016 figures). Exchange rate 1 CZK = 0.037 EUR as of end Sept 2016 and 1 USD = 0.900 EUR as of end June 2016

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1	Undisputed Czech Telecom infrastructure leader	<ul style="list-style-type: none"> ▪ Largest wholesale provider of mobile and fixed telecommunications services in the Czech Republic <ul style="list-style-type: none"> ➢ >50% of the domestic retail market using some parts of the CETIN's infrastructure
2	High quality fixed and mobile network	<ul style="list-style-type: none"> ▪ Unparalleled fixed broadband network, reaching 85% of Czech housing units ▪ Mobile coverage of 99.6% of Czech population (99.6% 2G / 80% 3G / 94% 4G/LTE¹)
3	Long-term contracts and guaranteed income	<ul style="list-style-type: none"> ▪ Long term contracts guarantee stable and predictable revenues (more than half of Cetin's EBITDA) and strong and dependable free cash flows <ul style="list-style-type: none"> ➢ Mobile infrastructure: 7 years fully take-or-pay commitments to CZK 4.4bn per year (CZK 30.8bn in total) of revenues contracted from O2 ➢ Fixed communication network & data centers: O2 is committed to pay an agreed fee during the 7-year contract on a fully take-or-pay basis.
4	Low counterparty risks	<ul style="list-style-type: none"> ▪ O2 Czech Republic: the leading Czech integrated TMT operator with strong market position in broadband and mobile ▪ Network sharing agreement with T-Mobile Czech Republic helps CETIN to efficiently cover the country with LTE service¹(currently 94%) ▪ Sustainability of demand for network access, irrespective of the performance of O2
5	Constructive regulatory environment	<ul style="list-style-type: none"> ▪ The EU / Czech regulatory authorities aim to progressively reduce ex ante specific regulation (i.e. pricing regulation), so the TMT market is governed by general competition law only ▪ No material regulation changes expected from the Czech Regulator (CTO) in the near future <ul style="list-style-type: none"> ➢ Pricing regulation directly affects only ca. 25% of CETIN's gross margin ➢ Consumer protection regulation not impacting directly on CETIN's business.
6	Solid Investment Grade rating	<ul style="list-style-type: none"> ▪ Baa2 (Stable outlook) by Moody's / BBB (Stable outlook) by Fitch ▪ Reflecting 65% gross margin in domestic segment and strong and stable cash flows
7	Strong shareholder (PPF Group)	<ul style="list-style-type: none"> ▪ CETIN is a member of one of the largest investment groups in CEE (PPF Group) with long-term commitment to the telecommunications sector

Notes: (1) as of October 2016, Czech Telecommunications Office