

Company Overview

August 2018



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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

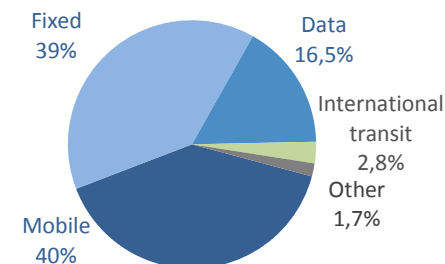
- 1989** SPT Telecom established from former state telco company, operating fixed networks
- 1991** EuroTel, the first Czech mobile operator has been established as a JV between SPT Telecom and Atlantic West
- 2000** SPT Telecom becomes ČESKÝ TELECOM
- 2004** ČESKÝ TELECOM bought EuroTel out
- 2005** 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 ▪ 42,000 km fibre optic cables 	
Mobile	<ul style="list-style-type: none"> ▪ More than 6,000 sites ▪ 99.6% population coverage (4G/LTE) ▪ 98.2% country coverage 	
Data	<ul style="list-style-type: none"> ▪ Biggest data service provider in Czech Republic 	

	1H 2018	1H 2017
Revenue	CZK 9,924m	CZK 10,173m
EBITDA	CZK 3,763m	CZK 3,886m
EBITDA margin	38%	38%
Cash conversion rate	46%	53%

GROSS MARGIN BREAKDOWN BY SEGMENTS as of FY 2017



- 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



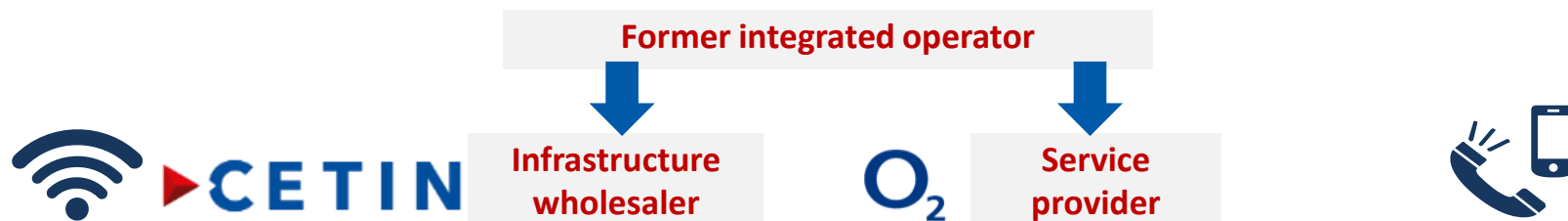
2 Rationalisation of regulation

- 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

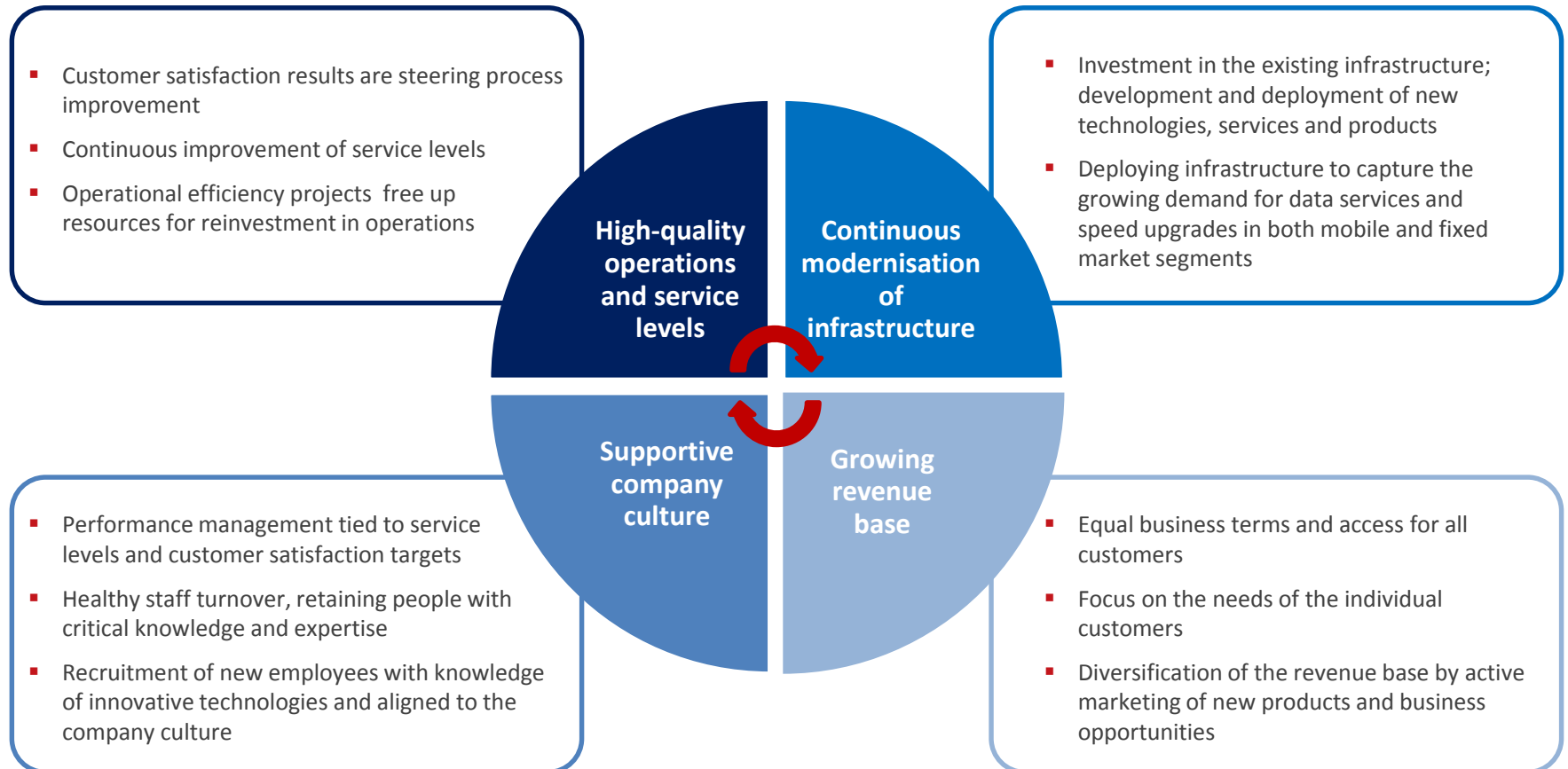


Description	<ul style="list-style-type: none"> ▪ Infrastructure, fixed asset-based wholesale services provider 	<ul style="list-style-type: none"> ▪ Service-oriented and customer-facing provider
Key selling points	<ul style="list-style-type: none"> ▪ Efficient, reliable and secure wholesale services 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 VS. TELECOM AND INFRASTRUCTURE PLAYERS**
 - **SUMMARY: KEY CREDIT HIGHLIGHTS**

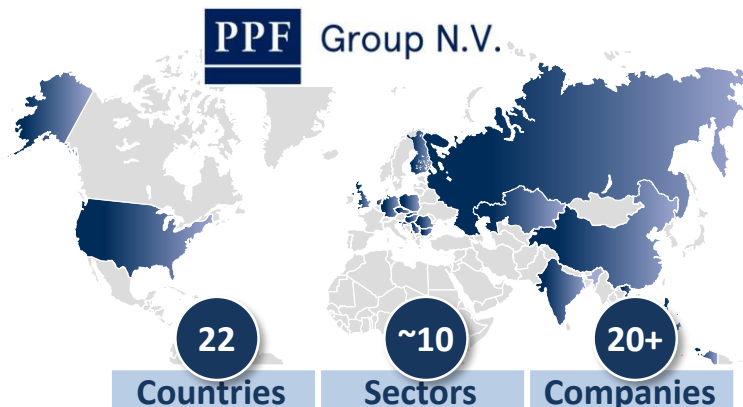
CETIN BUSINESS AND FINANCIAL OBJECTIVES: BUILD UPON ITS EXISTING MARKET POSITION TO INCREASE ITS REVENUE, ENHANCE ITS PROFITABILITY, INCREASE ITS CASH FLOW AND SERVICE ITS DEBT

BUSINESS STRATEGY OVERVIEW



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

SECTORIAL AND GEOGRAPHIC FOOTPRINT



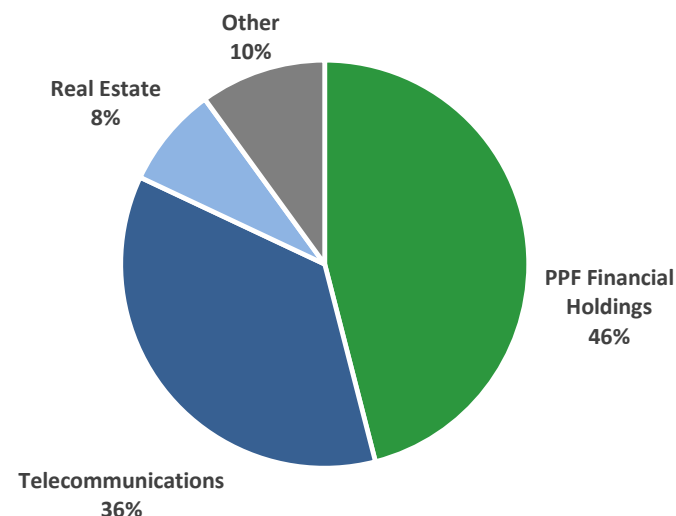
PPF AT A GLANCE

- One of the largest CEE investment groups with total assets in excess of €38.2bn²
- 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 €6.79bn², Net profit of €690m²
- Shareholding structure: Petr Kellner: 98.92%; Ladislav Bartoníček: 0.54% and J.-P. Duvieusart: 0.54%

BUSINESS SECTION

Sector	Company ¹	Share	Country
Telecom	Cetin	100%	CZ
	O2	81.06%	CZ, SK
	Telenor	100%	HU, RS, ME, BG
Consumer Finance	Home Credit	88.62%	CZ, SK, RU, CN, VN, KZ, IN, ID, PH, US
	PPF Banka	92.96%	CZ
Banking	Air Bank	88.62%	CZ
	ClearBank	38.9%	UK
	PPF Life Insurance	100%	RU
Insurance	Sotio	92%	CZ, RU, CN, US
Biotechnology	Mall Group	40%	CZ, SK, PL, HU, SI, HR
	Heureka	40%	CZ, SK, HU, RO, BG, SI
E-commerce	PPF Real Estate	100%	CZ, RU, UA, DE, NL, UK, RO
Real Estate	Skoda Transportation	100%	CZ, RU, HU, DE, US, FI
Engineering	Polymetal	12.69%	RU, KZ, AM
Mining	O2 Arena	100%	CZ
	Culture Trip	43%	UK

Equity as of 31 December 2017



Note: (1) Selected companies owned by PPF as of 30 June 2018

(2) Based on PPF's annual accounts as of 31 December 2017

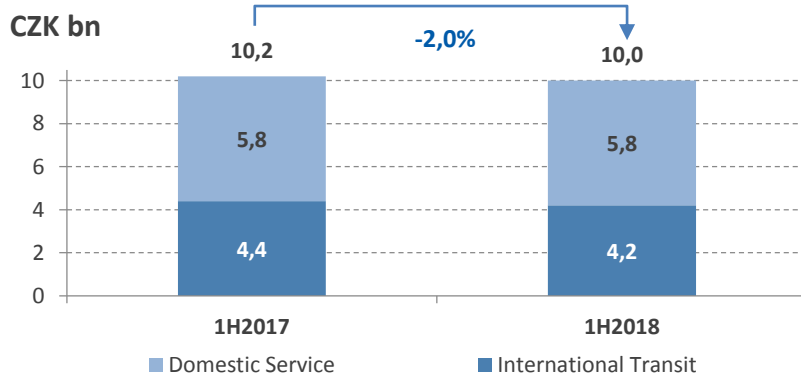
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 - SUMMARY: KEY CREDIT HIGHLIGHTS

		AGREEMENT	KEY FIGURES
O2 Czech Republic ¹	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
	FBB	<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 and FBB	<ul style="list-style-type: none"> Data services for T-Mobile business and corporate clients, dark fibre xDLS services for T-Mobile mass market T-Mobile subscribers fibre connectivity of T-Mobile sites 	<ul style="list-style-type: none"> FBB: 7-year contract at an agreed fee on a fully take-or-pay basis

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

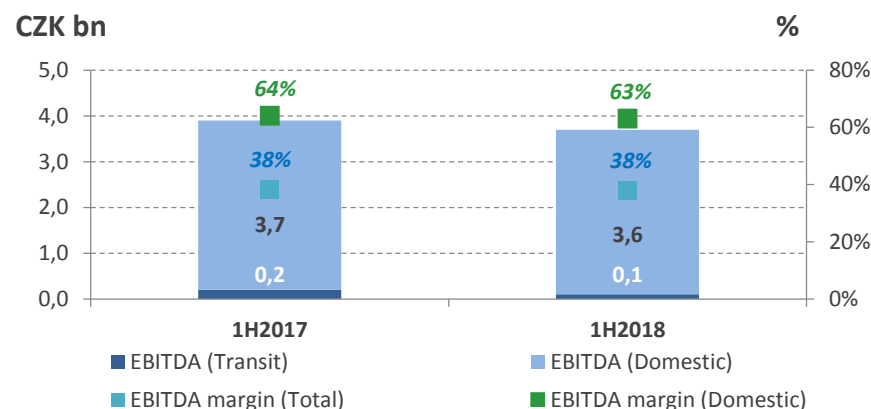
STABLE INCOME SECURED BY TAKE-OR-PAY AGREEMENTS AND HIGH PROFITABILITY OF DOMESTIC NETWORK SERVICES

REVENUE DYNAMICS



- **Income:** stable mobile, fixed and data revenues; additional earnings 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**
 - Extended portfolio of new projects with O2, T-Mobile, Vodafone and Nordic Telecom 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 by equal conditions for all operators
 - Connecting new national and regional operators

EBITDA AND EBITDA MARGIN¹

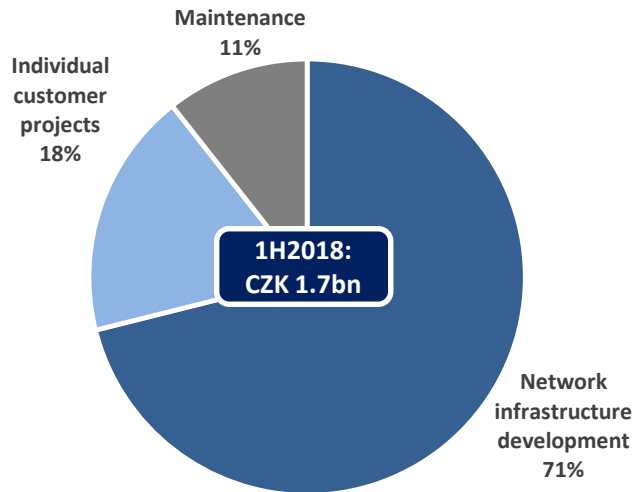


- **Strong profitability from committed revenues:**
 - 97% of EBITDA and cash flows generated by the domestic services
- **Fixed & Mobile:**
 - **Long term contracts guarantee more than half of Cetin's EBITDA**
 - **EBITDA margin of 63% excl. international transit is one of the highest in the fixed and 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 17 "Cetin vs. Telecom and Infrastructure players"

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 (1H2018)



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

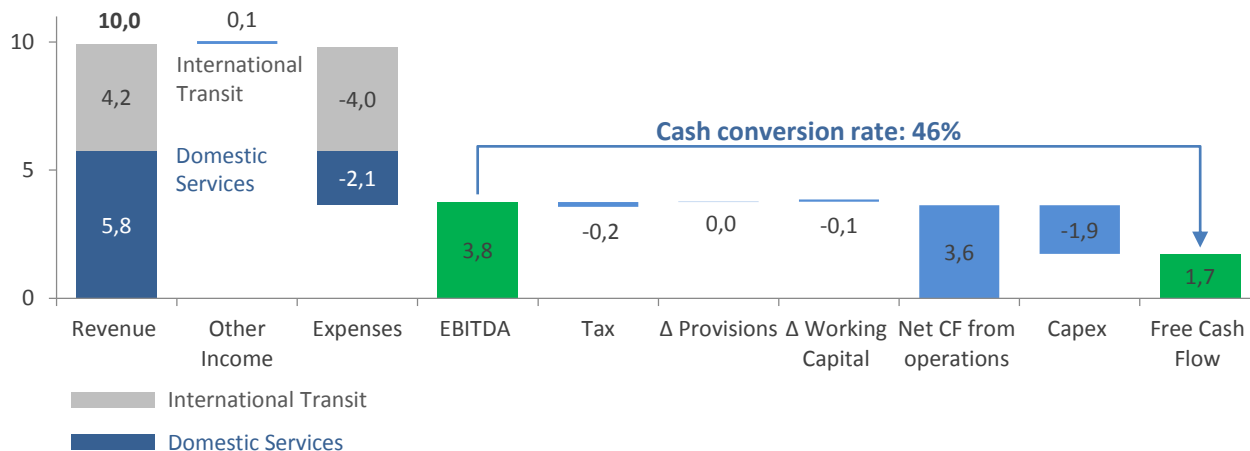
Key investments	Timeline	Expected operational results
Network infrastructure development		
Mobile network development	ongoing	Increasing network capacity by and density by adding new layers and building new sites, readiness for 5G. FWA/WTTx rollout for Nordic Telecom and O2
Fixed network modernisation - extension of fibre optic cables through FTTC/FTTH and installation of remote DSLAMs	ongoing	Next generation access network with high connection speed and quality.
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

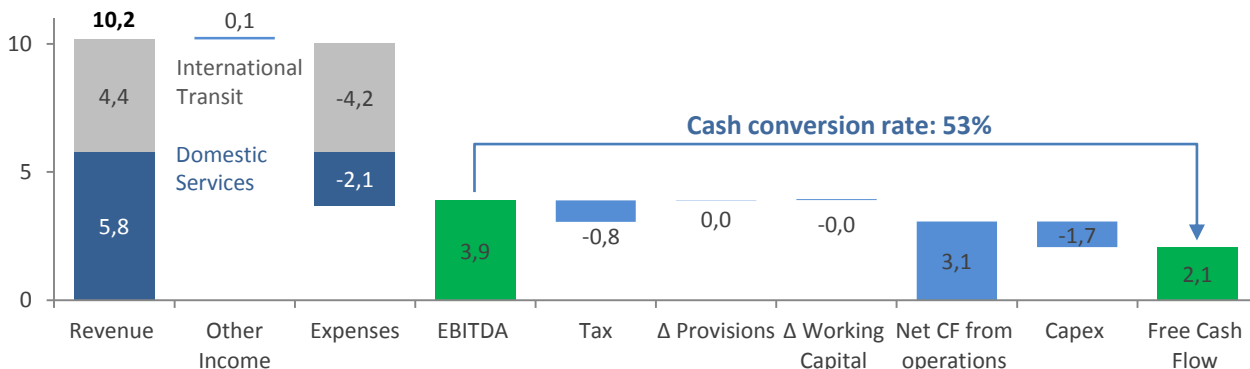
CASH FLOWS 1H2018

CZK bn



CASH FLOWS 1H2017

CZK bn



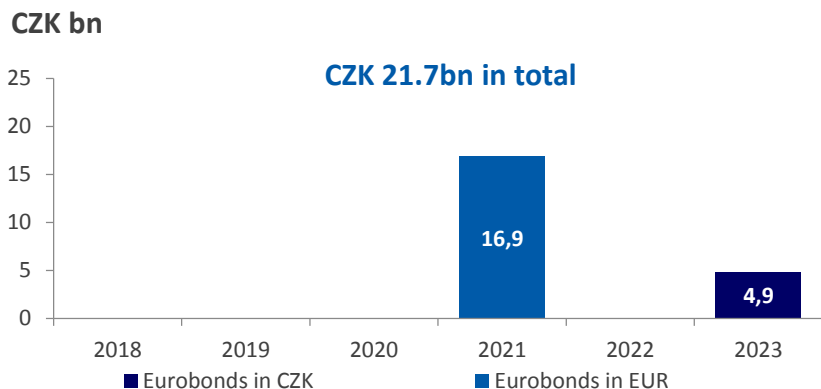
1H2018 COMMENTS

- Free cash flows have been used for investment in further development of network infrastructure and for dividend payments
- 46% of EBITDA converted to Free Cash Flows**
- CAPEX to Domestic Revenue 30%**
 - Capex to Total Revenues 17%

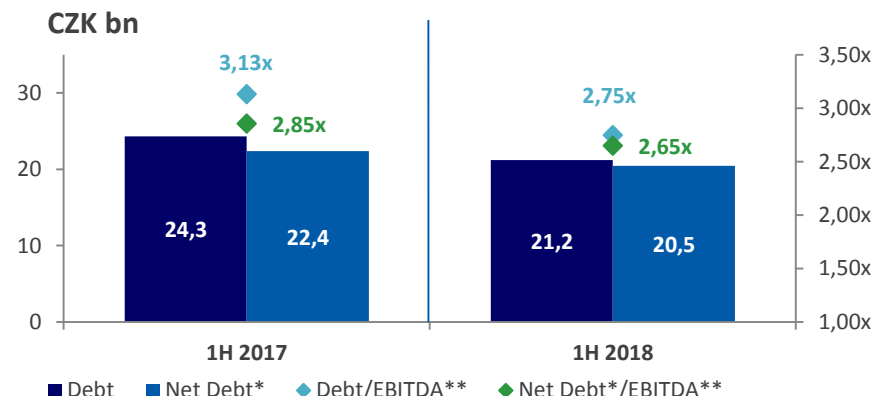
GENERAL COMMENTS

- Free cash flows are stable ca. CZK 4bn per year
- Around 50% of EBITDA is converted to Free Cash Flows
- CAPEX is spent almost exclusively on domestic network infrastructure and therefore the Revenue to CAPEX ration needs to be applied to revenues from domestic services

MATURITY PROFILE (AS OF 30 JUN 2018)



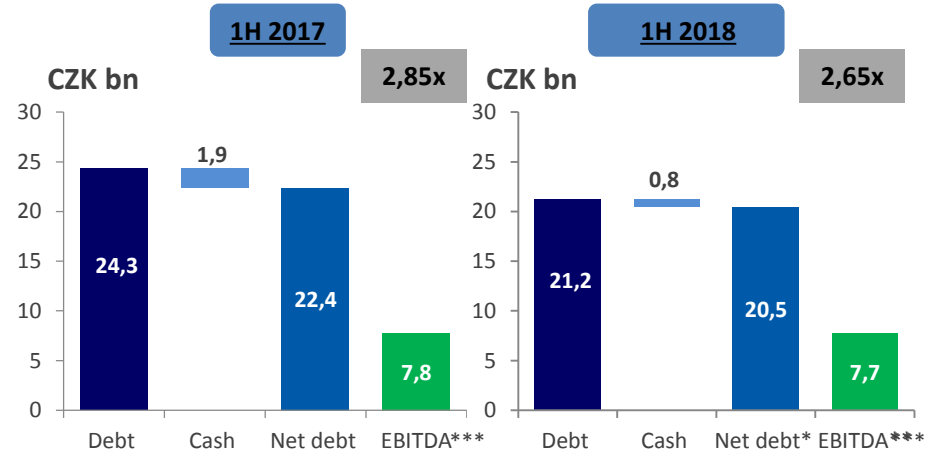
DEBT AND LEVERAGE



OVERVIEW OF EXISTING DEBT STRUCTURE

- Outstanding debt: 100% Eurobonds, 77% EURO / 23% CZK
 - 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 21.7bn / EUR 815m in total**
- Leverage: Net Debt / EBITDA of 2.65x (end of 1H 2018)

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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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 / 99.6% 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 and T-Mobile: two leading Czech integrated TMT operators with strong market position in broadband and mobile ▪ Network sharing agreement with T-Mobile Czech Republic in successful operation ▪ 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 (Negative outlook²) by Moody's / BBB (Stable outlook) by Fitch maintained since 2016 ▪ Reflecting 63% 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 August 2018, Czech Telecommunications Office, (2) since June 2018