

IMPORTANT NOTICE

THIS BASE PROSPECTUS IS AVAILABLE ONLY TO INVESTORS WHO ARE NOT U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”) LOCATED OUTSIDE THE UNITED STATES IN ACCORDANCE WITH REGULATION S (“REGULATION S”).

IMPORTANT: You must read the following before continuing. The following applies to the Base Prospectus following this page whether received by email, accessed from an internet page or otherwise received as a result of electronic communication, and you are therefore advised to read this page carefully before reading, accessing or making any other use of the Base Prospectus. In reading, accessing or making any other use of the Base Prospectus, you agree to be bound by the following terms and conditions and each of the restrictions set out in the Base Prospectus, including any modifications to them from time to time each time you receive any information from the Issuer, the Guarantor, the Arrangers or the Dealers, (each as defined in the Base Prospectus) as a result of such access.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE OR A SOLICITATION OF AN OFFER TO BUY SECURITIES IN THE UNITED STATES OR ANY OTHER JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE NOTES DESCRIBED IN THE BASE PROSPECTUS HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED, OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION, AND THE NOTES MAY NOT BE OFFERED OR SOLD, DIRECTLY OR INDIRECTLY, WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT) EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS.

THE ATTACHED BASE PROSPECTUS MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER AND, IN PARTICULAR, MAY NOT BE FORWARDED TO ANY U.S. PERSON OR U.S. ADDRESS. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS. IF YOU HAVE GAINED ACCESS TO THIS TRANSMISSION CONTRARY TO ANY OF THE FOREGOING RESTRICTIONS, YOU ARE NOT AUTHORISED AND WILL NOT BE ABLE TO PURCHASE ANY OF THE NOTES DESCRIBED IN THE ATTACHED DOCUMENT.

Confirmation of your representation: In order to be eligible to view the attached Base Prospectus or make an investment decision with respect to the securities that may be offered, prospective investors must be non-U.S. persons (as defined in Regulation S) located outside the United States. This Base Prospectus is being sent to you at your request, and by accessing this Base Prospectus you shall be deemed to have represented to the Issuer, the Guarantor, the Arrangers and the Dealers that (1) (a) you are not a U.S. Person and (b) the electronic mail address that you gave us and to which this email has been delivered is not located in the United States, its territories and possessions, any State of the United States or the District of Columbia and (2) you consent to delivery of such Base Prospectus by electronic transmission. You are reminded that this Base Prospectus has been delivered to you on the basis that you are a person into whose possession this Base Prospectus may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorised to, deliver this Base Prospectus to any other person. The materials relating to this offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law.

This Base Prospectus is only being distributed to and is only directed at (i) persons who are outside the United Kingdom; or (ii) to investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the “**Order**”) and (iii) to high net worth entities and other persons to whom it may lawfully be communicated, falling within Article 49(2)(a) to (d) of the Order (all such persons in (i), (ii) and (iii) above together being referred to as “**relevant persons**”). This Base Prospectus is only available to and is only directed at relevant persons. Any person who is not a relevant person should not act or rely on this document or any of its contents.

The attached Base Prospectus has been sent to you in electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of the Issuer, the Guarantor, the Arrangers or the Dealers nor any person who controls them nor any director, officer, employee or agent of them or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the Base Prospectus distributed to you in electronic format and the hard copy version.

The distribution of the Base Prospectus in certain jurisdictions may be restricted by law. Persons into whose possession the Base Prospectus comes are required by the Issuer, the Guarantor, the Arrangers and the Dealers, to inform themselves about, and to observe, any such restrictions.



CETIN FINANCE B.V.

(incorporated as a private limited liability company (Besloten Vennootschap) under the laws of The Netherlands)

Guaranteed by
ČESKÁ TELEKOMUNIKAČNÍ INFRASTRUKTURA A.S.
(incorporated as a joint stock company in the Czech Republic)

EUR 2,000,000,000

Euro Medium Term Note Programme

CETIN Finance B.V., a Dutch private limited liability company (*besloten vennootschap met beperkte aansprakelijkheid*) incorporated under the laws of the Netherlands, having its official seat (*statutaire zetel*) in Amsterdam, the Netherlands and registered with the Dutch trade register under number 66805589 (the “**Issuer**”) has established a Euro Medium Term Note Programme (the “**Programme**”) for the issuance of up to EUR 2,000,000,000 (or the equivalent in other currencies at the date of issue) in aggregate principal amount of notes (the “**Notes**”) guaranteed by Česká telekomunikační infrastruktura a.s. (the “**Guarantor**”).

The maximum aggregate nominal amount of all Notes from time to time outstanding under the Programme will not exceed EUR 2,000,000,000 (or its equivalent in other currencies calculated as described in the Dealer Agreement described herein), subject to increase as described herein.

This Base Prospectus has been approved by the Central Bank of Ireland (the “**CBI**”), as competent authority under Directive 2003/71/EC, as amended (the “**Prospectus Directive**”) as a base prospectus issued in compliance with the Prospectus Directive for the purpose of giving information with regard to Notes issued under the Programme described in this Base Prospectus during the period of twelve months after the date hereof. Applications have been made to the Irish Stock Exchange plc (the “**Irish Stock Exchange**”) for such Notes to be admitted during the period of twelve months after the date hereof to listing on the official list of the Irish Stock Exchange (the “**Official List**”) and to trading on its regulated market (the “**Main Securities Market**”). Such approval relates only to Notes which are to be admitted to trading on a regulated market for the purposes of Directive 2004/39/EC and/or which are to be offered to the public in any Member State of the European Economic Area. The Main Securities Market of the Irish Stock Exchange is a regulated market for the purposes of Directive 2004/39/EC on markets in financial instruments.

The Programme has been assigned a rating of Baa2 by Moody’s Investors Service Ltd (“**Moody’s**”) and BBB by Fitch Rating Ltd (“**Fitch**”). Both Moody’s and Fitch are established in the European Economic Area (“**EEA**”) and registered under Regulation (EU) No 1060/2009, as amended (the “**CRA Regulation**”). Tranches of Notes to be issued under the Programme will be rated or unrated. Each of Moody’s, Fitch and Standard & Poor’s Credit Market Services Europe Limited (“**S&P**”) may in the future rate Notes issued under the Programme. S&P is established in the EEA and registered under the CRA Regulation. Where a Tranche (as defined herein) of Notes is to be rated, such rating will not necessarily be the same as the rating assigned to the Programme.

A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

Investing in Notes issued under the Programme involves certain risks. The principal risk factors that may affect the abilities of the Issuer and the Guarantor to fulfil their respective obligations under the Notes are discussed under “Risk Factors” below.

The Notes have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the “**Securities Act**”) or with any securities regulatory authority of any state or other jurisdiction of the United States, and Notes in bearer form are subject to U.S. tax law requirements. The Notes may not be offered, sold or (in the case of Notes in bearer form) delivered within the United States or to U.S. persons (as defined in Regulation S under the Securities Act (“**Regulation S**”)) except in certain transactions exempt from the registration requirements of the Securities Act.

The language of the base prospectus is English. Certain legislative references and technical terms have been cited in their original language in order that the correct technical meaning may be ascribed to them under applicable law.

BNP PARIBAS
BANCA IMI
ERSTE GROUP BANK AG
KBC BANK N.V.

Arrangers
HSBC
Dealers
BNP PARIBAS
HSBC
PPF BANKA a.s.

PPF BANKA a.s.
CITIGROUP
ING
SOCIÉTÉ GÉNÉRALE
CORPORATE & INVESTMENT BANKING

17 November 2016

IMPORTANT NOTICES

Responsibility for this Base Prospectus

Each of the Issuer and the Guarantor accepts responsibility for the information contained in this Base Prospectus and declares that, having taken all reasonable care to ensure that such is the case, the information contained in this Base Prospectus is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import.

Final Terms/Drawdown Prospectus

Each Tranche (as defined herein) of Notes will be issued on the terms set out herein under “*Terms and Conditions of the Notes*” (the “**Conditions**”) as modified by a document specific to such Tranche called final terms (the “**Final Terms**”) or in a separate prospectus specific to such Tranche (the “**Drawdown Prospectus**”) as described under “*Final Terms and Drawdown Prospectuses*” below.

Other relevant information

This Base Prospectus must be read and construed together with any supplements hereto and with any information incorporated by reference herein and, in relation to any Tranche of Notes which is the subject of Final Terms, must be read and construed together with the relevant Final Terms. In the case of a Tranche of Notes which is the subject of a Drawdown Prospectus, each reference in this Base Prospectus to information being specified or identified in the relevant Final Terms shall be read and construed as a reference to such information being specified or identified in the relevant Drawdown Prospectus unless the context requires otherwise.

The Issuer and the Guarantor have each confirmed to the Dealers named under “*Subscription and Sale*” below that this Base Prospectus contains all information which is (in the context of the Programme, the issue, offering and sale of the Notes and the guarantee of the Notes) material; that such information is true and accurate in all material respects and is not misleading in any material respect; that any opinions, predictions or intentions expressed herein are honestly held or made and are not misleading in any material respect; that this Base Prospectus does not omit to state any material fact necessary to make such information, opinions, predictions or intentions (in the context of the Programme, the issue, offering and sale of the Notes and the guarantee of the Notes) not misleading in any material respect; and that all proper enquiries have been made to verify the foregoing.

Unauthorised information

No person has been authorised to give any information or to make any representation not contained in or not consistent with this Base Prospectus or any other document entered into in relation to the Programme or any information supplied by the Issuer or the Guarantor or such other information as is in the public domain and, if given or made, such information or representation should not be relied upon as having been authorised by the Issuer, the Guarantor or any Dealer.

None of the Dealers has separately verified the information contained in this Base Prospectus. Neither the Dealers nor any of their respective affiliates have authorised the whole or any part of this Base Prospectus and none of them makes any representation or warranty or accepts any responsibility as to the accuracy or completeness of the information contained in this Base Prospectus. Neither the delivery of this Base Prospectus or any Final Terms nor the offering, sale or delivery of any Note shall, in any circumstances, create any implication that the information contained in this Base Prospectus is true subsequent to the date hereof or the date upon which this Base Prospectus has been most recently supplemented or that there has been no adverse change, or any event reasonably likely to involve any adverse change, in the prospects or financial or trading position of the Issuer or the Guarantor since the date thereof or, if later, the date upon which this Base Prospectus has been most recently supplemented or that any other information supplied in connection with the Programme is correct at any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

Restrictions on distribution

The distribution of this Base Prospectus and any Final Terms and the offering, sale and delivery of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Base Prospectus or any Final Terms comes are required by the Issuer, the Guarantor and the Dealers to inform themselves about and to observe any such restrictions. For a description of certain restrictions on offers, sales and deliveries of Notes and on the distribution of this Base Prospectus or any Final Terms and other offering material relating to the Notes, see “*Subscription and Sale*”. In particular, Notes have not been, and will not be, registered under the United States Securities Act of 1933 (as amended) (the “**Securities Act**”) and are subject to U.S. tax law requirements. Subject to certain exceptions, Notes may not be offered, sold or delivered within the United States or to U.S. persons.

Neither this Base Prospectus nor any Final Terms constitutes an offer or an invitation to subscribe for or purchase any Notes and should not be considered as a recommendation by the Issuer, the Guarantor, the Dealers or any of them that any recipient of this Base Prospectus or any Final Terms should subscribe for or purchase any Notes. Each recipient of this Base Prospectus or any Final Terms shall be taken to have made its own investigation and appraisal of the condition (financial or otherwise) of the Issuer and the Guarantor.

Programme limit

The maximum aggregate principal amount of Notes outstanding and guaranteed at any one time under the Programme will not exceed EUR 2,000,000,000 (or the equivalent in other currencies at the date of issue) and for this purpose, any Notes denominated in another currency shall be translated into euros at the date of the agreement to issue such Notes (calculated in accordance with the provisions of the Dealer Agreement). The maximum aggregate principal amount of Notes which may be outstanding and guaranteed at any one time under the Programme may be increased from time to time, subject to compliance with the relevant provisions of the Dealer Agreement as defined under “*Subscription and Sale*”.

Certain definitions

In this Base Prospectus, unless otherwise specified, references to a “**Member State**” are references to a Member State of the EEA, references to “**U.S.S**”, “**U.S. dollars**” or “**dollars**” are to United States dollars, references to “**£**” or “**Pounds**” are to the official currency of the United Kingdom, references to “**EUR**” or “**euro**” are to the currency introduced at the start of the third stage of European economic and monetary union, and as defined in Article 2 of Council Regulation (EC) No 974/98 of 3 May 1998 on the introduction of the euro, as amended and references to “**Czech Koruna**”, “**CZK**” or “**Kč**” are to the lawful currency of the Czech Republic.

Certain figures included in this Base Prospectus have been subject to rounding adjustments; accordingly, figures shown for the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

Ratings

Tranches of Notes issued under the Programme will be rated or unrated. Where a Tranche of Notes is rated, such rating will not necessarily be the same as the rating(s) described above or the rating(s) assigned to Notes already issued. Where a Tranche of Notes is rated, the applicable rating(s) will be specified in the relevant Final Terms. Whether or not each credit rating applied for in relation to a relevant Tranche of Notes will be (1) issued by a credit rating agency established in the EEA and registered under the CRA Regulation, or (2) issued by a credit rating agency which is not established in the EEA but will be endorsed by a CRA which is established in the EEA and registered under the CRA Regulation or (3) issued by a credit rating agency which is not established in the EEA but which is certified under the CRA Regulation will be disclosed in the Final Terms. In general, European regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the EEA and registered under the CRA Regulation or (1) the rating is provided by a credit rating agency not established in the EEA but is endorsed by a credit rating agency established in the EEA and registered under the CRA Regulation or (2) the rating is provided by a credit rating agency not established in the EEA which is certified under the CRA Regulation.

Forward-looking statements

This Base Prospectus contains various forward-looking statements regarding events and trends that are subject to risks and uncertainties that could cause the actual business activities, results and financial position of the Issuer and the Guarantor to differ materially from the information presented in this Base Prospectus. When used in this Base Prospectus, the words “estimate”, “project”, “intend”, “anticipate”, “believe”, “expect”, “should” and similar expressions, as they relate to the Issuer or the Guarantor and its or their management, are intended to identify such forward-looking statements. Neither the Issuer nor the Guarantor undertake any obligation to publicly release the result of any revision to these forward-looking statements to reflect the events or circumstances after the date of this Base Prospectus or to reflect the occurrence of unanticipated events unless, as a result of such event or circumstance, the Issuer and the Guarantor are required under applicable law to publish a supplementary prospectus after the date of this Base Prospectus.

Notice to investors

The Notes may not be a suitable investment for all investors. Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor may wish to consider, either on its own or with the help of its financial and other professional advisers, whether it:

- (a) has sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this Base Prospectus or any applicable supplement;
- (b) has access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact the Notes will have on its overall investment portfolio;
- (c) has sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including Notes where the currency for principal or interest payments is different from the potential investor’s currency;
- (d) understands thoroughly the terms of the Notes and is familiar with the behaviour of financial markets; and
- (e) is able to evaluate possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Stabilisation

In connection with the issue of any Tranche of Notes, the Dealer or Dealers (if any) named as the Stabilisation Manager(s) (or persons acting on behalf of any Stabilisation Manager(s)) in the applicable Final Terms may over allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, stabilisation may not necessarily occur. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of Notes is made and, if begun, may cease at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes. Any stabilisation action or over-allotment must be conducted by the relevant Stabilisation Manager(s) (or person(s) acting on behalf of any Stabilisation Manager(s)) in accordance with all applicable laws and rules.

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OVERVIEW

The following information is derived from, and should be read in conjunction with, the full text of this Base Prospectus and the information incorporated by reference herein. You should read the whole document and the information incorporated by reference herein and not just rely on the overview information, which should be read as an introduction to this Base Prospectus. Any decision to invest in Notes issued under the Programme should be based on consideration of this Base Prospectus and the information incorporated by reference herein as a whole.

Words and expressions defined in “Terms and Conditions of the Notes” below or elsewhere in this Base Prospectus have the same meanings in this overview.

| | |
|---|--|
| Issuer: | CETIN Finance B.V. |
| Guarantor: | Česká telekomunikační infrastruktura a.s. |
| Programme Limit: | Up to EUR 2,000,000,000 (or the equivalent in other currencies at the date of issue) aggregate nominal amount of Notes outstanding at any one time. |
| Risk Factors: | Investing in Notes issued under the Programme involves certain risks. The principal risk factors that may affect the ability of the Issuer or the Guarantor to fulfil its obligations under the Notes are discussed under “ <i>Risk Factors</i> ” below. |
| Arrangers: | BNP Paribas, HSBC Bank plc and PPF banka a.s. |
| Dealers: | BNP Paribas, Citigroup Global Markets Limited, HSBC Bank plc, ING Bank N.V., London Branch, PPF banka a.s., Société Générale, KBC Bank, Banca IMI and Erste Group Bank AG and any other Dealer appointed from time to time by the Issuer and/or the Guarantor either generally in respect of the Programme or in relation to a particular Tranche of Notes. |
| Trustee: | Citicorp Trustee Company Limited |
| Registrar: | Citigroup Global Markets Deutschland AG |
| Principal Paying Agent and Transfer Agent: | Citibank, N.A., London Branch |
| Final Terms or Drawdown Prospectus: | Notes issued under the Programme may be issued either (1) pursuant to this Base Prospectus and relevant Final Terms or (2) pursuant to a Drawdown Prospectus. The terms and conditions applicable to any particular Tranche of Notes will be the Terms and Conditions of the Notes as completed to the extent described in the relevant Final Terms or, as the case may be, as modified, amended and/or replaced to the extent described in the relevant Drawdown Prospectus. |
| Listing and Trading: | Applications have been made for Notes issued under the Programme to be admitted during the period of twelve months after the date hereof to listing on the Official List and to trading on the Main Securities Market of the Irish Stock Exchange. The Programme also permits Notes to be issued on the basis that they will not be admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system or to be admitted to listing, trading and/or quotation by such other or further competent authorities, stock exchanges and/or quotation systems as may be agreed with the Issuer. |

Clearing Systems: Euroclear Bank SA/NV (“**Euroclear**”) and/or Clearstream Banking, S.A. (“**Clearstream, Luxembourg**”) and, in relation to any Tranche of Notes, such other clearing system as may be agreed between the Issuer, the Guarantor, the Principal Paying Agent and the relevant Dealer(s).

Method of Issue: The Notes will be issued in Series. Each Series may be issued in one or more Tranches on the same or different issue dates. The specific terms of each Tranche (which will be completed, where necessary, with the relevant terms and conditions and, save in respect of the issue date, issue price, first payment of interest and nominal amount of the Tranche, will be identical to the terms of other Tranches of the same Series) will be completed in the Final Terms or Drawdown Prospectus.

Forms of Notes: Notes may be issued in bearer form or in registered form.

Each Tranche of Bearer Notes will initially be in the form of either a Temporary Global Note or a Permanent Global Note, in each case as specified in the relevant Final Terms. Each Global Note which is not intended to be issued in a new global note form (a “**Classic Global Note**”), as specified in the relevant Final Terms, will be deposited on or around the relevant issue date with a depositary or a common depositary for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and each Global Note which is intended to be issued in new global note form (a “**New Global Note**”), as specified in the relevant Final Terms, will be deposited on or around the relevant issue date with a common safekeeper for Euroclear and/or Clearstream, Luxembourg. Each Temporary Global Note will be exchangeable for a Permanent Global Note or, if so specified in the relevant Final Terms, for Definitive Notes. If the TEFRA D Rules are specified in the relevant Final Terms as applicable, certification as to non-U.S. beneficial ownership will be a condition precedent to any exchange of an interest in a Temporary Global Note or receipt of any payment of interest in respect of a Temporary Global Note. Each Permanent Global Note will be exchangeable for Definitive Notes in accordance with its terms. Definitive Notes will, if interest-bearing, have Coupons attached.

Each Tranche of Notes represented by a Global Registered Note will either be: (a) in the case of a Note which is not to be held under the new safekeeping structure (“**New Safekeeping Structure**” or “**NSS**”), registered in the name of a common depositary (or its nominee) for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and the relevant Global Registered Note will be deposited on or about the issue date with the common depositary; or (b) in the case of a Note to be held under the New Safekeeping Structure, be registered in the name of a common safekeeper (or its nominee) for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and the relevant Global Registered Note will be deposited on or about the issue date with the common safekeeper for Euroclear and/or Clearstream, Luxembourg.

Currencies: Subject to compliance with all relevant laws, regulations and directives, Notes may be issued in any currency agreed between the Issuer and the relevant Dealer(s).

Status and Guarantee: The Notes will constitute direct and (subject to Condition 5 (*Negative*

Pledge)) unconditional obligations of the Issuer which will at all times rank *pari passu* among themselves and with all other present and future unsecured obligations of the Issuer, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application. The Guarantee of the Notes will constitute a direct and (subject to Condition 5 (*Negative Pledge*)) unconditional obligation of the Guarantor which will at all times rank *pari passu* with all other present and future unsecured obligations of the Guarantor, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.

Issue Price: Notes may be issued at any price on a fully paid basis, as specified in the relevant Final Terms. The price and amount of Notes to be issued under the Programme will be determined by the Issuer and the relevant Dealer(s) at the time of issue in accordance with prevailing market conditions.

Maturities: Any maturity, subject, in relation to specific currencies, to compliance with all applicable legal and/or regulatory and/or central bank requirements.

Where Notes have a maturity of less than one year and either (a) the issue proceeds are received by the Issuer in the United Kingdom or (b) the activity of issuing the Notes is carried on from an establishment maintained by the Issuer in the United Kingdom, such Notes must: (i) have a minimum redemption value of £100,000 (or its equivalent in other currencies) and be issued only to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses; or (ii) be issued in other circumstances which do not constitute a contravention of section 19 of the Financial Services and Markets Act 2000, as amended (the “FSMA”) by the Issuer.

Redemption: Notes may be redeemable at par or such other Redemption Amount as may be specified in the relevant Final Terms.

Optional Redemption (including Make-Whole Redemption): The Final Terms issued in respect of each issue of Notes will state whether such Notes may be redeemed prior to their stated maturity at the option of the Issuer (either in whole or in part) and/or the Noteholders, and if so the terms applicable to such redemption.

If a Change of Control Put Option is specified in the relevant Final Terms, following the occurrence of a Change of Control, the Noteholders will be entitled to request the Issuer to redeem or, at the Issuer’s option, procure the purchase of their Notes, as more fully set out in Condition 9(f) (*Redemption and Purchase – Change of Control Put Option*).

If specified in the relevant Final Terms, the Issuer will have the option to redeem the Notes, in whole or in part, at any time or from time to time, prior to their Maturity Date, at the Make-Whole Redemption Amount. See Condition 9(c) (*Redemption and Purchase – Redemption at the option of the Issuer*).

Tax Redemption: Except as described in “*Optional Redemption (including Make-Whole Redemption)*” above, early redemption will only be permitted for tax

reasons as described in Condition 9(b) (*Redemption and Purchase - Redemption for tax reasons*).

- Interest:** Notes may be interest-bearing or non-interest bearing. Interest (if any) may accrue at a fixed rate or a floating rate and the method of calculating interest may vary between the issue date and the maturity date of the relevant Series.
- Denominations:** No Notes may be issued under the Programme with a minimum denomination of less than EUR 100,000 (or the equivalent in any other currencies at the date of issue). Subject thereto, Notes will be issued in such denominations as may be specified in the relevant Final Terms, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements.
- Negative Pledge:** The Notes will have the benefit of a negative pledge as described in Condition 5 (*Negative Pledge*).
- Cross Default:** The Notes will have the benefit of a cross default provision, as described in Condition 13(c) (*Cross-default of Issuer, Guarantor or Material Subsidiary*).
- Taxation:** All payments of principal and interest in respect of Notes and the Coupons by or on behalf of the Issuer or the Guarantor shall be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of The Netherlands or the Czech Republic or any political subdivision therein or authority therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments or governmental charges is required by law. In that event, the Issuer or (as the case may be) the Guarantor shall (subject as provided in Condition 12 (*Taxation*)) pay such additional amounts as will result in the receipt by the Noteholders and the Couponholders after such withholding or by them had no such withholding or deduction been required, all as described in “*Terms and Conditions of the Notes – Taxation*”.
- Rating:** Notes issued under the Programme may be rated or unrated. Where an issue of Notes is rated, its rating will be specified in the applicable Final Terms or Drawdown Prospectus. A rating is not a recommendation to buy, sell or hold securities and may be subject to supervision, change or withdrawal at any time from the assigning rating agency.
- Governing Law:** English law
- Selling Restrictions:** For a description of certain restrictions on offers, sales and deliveries of Notes and on the distribution of offering material in the United States of America, the United Kingdom, The Netherlands, the Czech Republic and Japan, see “*Subscription and Sale*” below.

RISK FACTORS

Any investment in the Notes is subject to a number of risks. Prior to investing in Notes issued under the Programme, prospective investors should carefully consider risk factors associated with any investment in the Notes, the business of the Issuer and the Guarantor and the industry in which they operate together with all other information contained in this Base Prospectus, including, in particular the risk factors described below. Words and expressions defined in the “Terms and Conditions of the Notes” below or elsewhere in this Base Prospectus have the same meanings in this section.

The following is not an exhaustive list or explanation of all risks which investors may face when making an investment in any Notes and should be used as guidance only but are the material risks that the Issuer and the Guarantor believe to be the most relevant to an assessment by a prospective investor of whether to consider an investment in Notes issued under the Programme. Additional risks and uncertainties relating to the Issuer and the Guarantor that are not currently known to the Issuer and the Guarantor at the date of this Base Prospectus, or that either currently deems immaterial as at such date, may individually or cumulatively also have a material adverse effect on the business, prospects, results of operations and/or financial position of the Issuer and the Guarantor and, if any such risk should occur, the price of the Notes may decline and investors could lose all or part of their investment.

Prospective investors should also read the detailed information set out elsewhere in this Base Prospectus, including any document incorporated by reference herein, and reach their own views, based upon their own judgement and upon advice from such financial, legal and tax advisers as they have deemed necessary, prior to making any investment decision.

Investors should consider carefully whether an investment in Notes issued under the Programme is suitable for them in light of the information in this Base Prospectus and their personal circumstances.

RISKS RELATING TO THE ISSUER AND THE GUARANTOR

Risks Related to the Business of the Guarantor

A substantial portion of the Guarantor’s revenue is derived from agreements with O2 Czech Republic and T-Mobile Czech Republic and a failure of either party to perform its obligations under these agreements could have a material adverse effect on the Guarantor’s business, results of operations and/or financial condition

A substantial portion of the Guarantor’s revenue is derived from two main customers, O2 Czech Republic and T-Mobile Czech Republic. O2 Czech Republic and T-Mobile Czech Republic are two of the largest telecommunications operators in the Czech telecommunications market. For the nine months ended 30 September 2016, these two customers accounted for 43 per cent. of the Guarantor’s total revenue.

The Guarantor has entered into three major agreements with O2 Czech Republic (the “**O2 Agreements**”), and approximately 40 per cent. of the Guarantor’s total revenue was generated under the O2 Agreements for the nine months ended 30 September 2016. If one or more of the O2 Agreements were terminated, or if O2 Czech Republic became insolvent or otherwise became unable or unwilling to continue to purchase the services thereunder, this could represent a significant loss in revenues and could have a material adverse effect on the Guarantor’s business, results of operations and/or financial condition. Therefore, the Guarantor is exposed to the credit risk of O2 Czech Republic and is dependent upon the latter’s ability and willingness to perform its obligations under the O2 Agreements.

The Guarantor is also a party to several agreements on the mutual sharing of 2G/3G and 4G/LTE networks with T-Mobile Czech Republic (the “**Network Sharing Agreements**”). The Network Sharing Agreements are vital for the provision of mobile network services by the Guarantor. Thus, the failure of T-Mobile Czech Republic to perform its obligations and provide the agreed services under the Network Sharing Agreements could significantly disrupt the Guarantor’s ability to provide services to its customers and may materially adversely affect the Guarantor’s business, results of operations and/or financial condition. In addition to the Network

Sharing Agreements, the Guarantor also provides certain other services to T-Mobile Czech Republic, such as DSL services. See “*Description of the Guarantor–Customers and Commercial Material Agreements*”.

Due to the long-term nature of the O2 Agreements and the Network Sharing Agreements, the Guarantor is dependent on the continued financial strength and stability of both O2 Czech Republic and T-Mobile Czech Republic. If, due to a prolonged economic downturn or otherwise, O2 Czech Republic or T-Mobile Czech Republic experience financial difficulties, become insolvent and/or file for bankruptcy or otherwise become unable or unwilling to fulfil their respective duties towards the Guarantor, this could have a material adverse effect on the Guarantor’s business, results of operations and/or financial condition.

In addition, there can be no assurance that the Guarantor will be able to renew or renegotiate its long-term agreements, including those with O2 Czech Republic and T-Mobile Czech Republic, on equally favourable terms, which may have a material adverse effect on the Guarantor’s business, results of operations and/or financial condition.

The Guarantor’s operations require substantial capital expenditure, which it may not be able to fund

The Guarantor’s business is capital intensive and it requires significant amounts of cash in order to operate, maintain, service and improve its infrastructure, including expenditure on equipment, customer projects and related labour costs. While the Guarantor currently believes that it will be able to maintain the required level of capital expenditure, the amount and timing of future capital expenditure may differ from its current estimates due to events beyond its control, such as increased competition, regulatory changes, technological innovation or new customer projects. For more information please see “*Description of the Guarantor–Strategy of the Guarantor*”. The Guarantor cannot provide any assurance that it will generate sufficient cash flows in the future or that it will be able to raise funds at commercially reasonable rates to be able to meet its capital expenditure needs, sustain its operations, or meet its other capital requirements, which may have a material adverse effect on its business, results of operations and/or financial condition.

In the future, the Guarantor may need to invest in new networks, equipment and technologies, which could require further significant capital expenditures, both in order to maintain existing service levels and to invest in future revenue growth. In addition, should network infrastructure technology develop faster than the Guarantor currently anticipates, it may require higher capital investments in a shorter time frame and the Guarantor may not be able to provide the necessary resources to make such investments in a timely manner. Furthermore, regulators, such as the CTO, may impose obligations on the Guarantor, which may increase the capital expenditures required at any given time. See “*Risks Related to Regulatory and Legislative Matters*”.

The Guarantor may be subject to sanctions and penalties if it breaches its obligations under its customer agreements

Any failure of the Guarantor to comply with its contractual obligations under its customer agreements may result in financial penalties or other sanctions. The Guarantor’s customer agreements are significant agreements for both parties, as they bring substantial revenue to the Guarantor and provide crucial services to retail operators. As such, the Guarantor’s agreements with both O2 Czech Republic and T-Mobile Czech Republic impose certain stringent obligations on both parties in the event of any material breach. A material breach of these agreements by the Guarantor may result in substantial financial penalties or other sanctions, including the potential termination of the agreement, which may cause severe losses or have other material adverse effects on the Guarantor’s business, results of operations and/or financial condition.

An increase in competition in the markets in which the Guarantor operates could have a material adverse effect on the Guarantor’s business, results of operations and/or financial condition

Any increase in competition in the markets in which the Guarantor operates may make it difficult for the Guarantor to attract new customers or retain existing customers, and may lead to increased pricing pressure. For example, in the fixed broadband market, there are a large number of small, local WiFi operators which are able to operate more flexibly and with less restriction than larger operators like the Guarantor, allowing them to provide

services at lower costs. Further, new competitors may enter the market offering more advanced or innovative infrastructure, technology or services. Any failure to compete with such market changes could have a material adverse effect on the Guarantor's business, results of operations and/or financial condition. There can be no assurance that the Guarantor will be able to compete successfully against current or future competitors in any of its business segments.

The Guarantor's business may suffer if it is unable to renew long-term contracts on equally or sufficiently favourable terms or if such contracts are terminated early

The Guarantor has entered into long-term agreements with a number of counterparties, including its key contracts with O2 Czech Republic and T-Mobile Czech Republic. There can be no assurance that the Guarantor will be able to renew or renegotiate its long-term agreements on equally favourable terms, which may have a material adverse effect on the Guarantor's business, results of operations and/or financial condition.

In addition, certain material agreements may be terminated pursuant to early termination rights, may expire on a staggered basis, may not be renewed or may be subject to a maximum term. If any of these long-term agreements are terminated, the loss of such agreements and/or customers could have a material adverse effect on the Guarantor's business, results of operations and/or financial condition.

The Guarantor may not be able to successfully introduce new services to respond to technological developments or meet specifications

The telecommunications market in which the Guarantor operates is characterised by rapid technological changes, due to the continuous introduction and evolution of technologies, products and services, as well as the implementation of new industry standards and practices. The success and competitiveness of the Guarantor depends on its ability to keep up-to-date with these technological developments, which may require additional capital expenditure. If the Guarantor is unable to successfully deploy, integrate and adapt itself to the new technologies and services, this may have a material adverse effect on the Guarantor's business, profitability and market position.

The Guarantor uses technologies from a number of vendors and makes significant capital expenditures in connection with the deployment of such technologies. The Guarantor is unable to give any assurance that common standards and specifications will be developed in relation to the installation and operation of these technologies, that there will be any synchronisation across the Guarantor's and other networks, that technologies will be developed according to anticipated schedules, that they will perform according to expectations, or that they will achieve commercial success. Should the vendors' technology fail to meet the Guarantor's expectations, common standards and specifications, or fail to achieve commercial success, resulting in the product being discontinued by the relevant vendor, this could result in additional capital expenditures by the Guarantor and could have a material adverse effect on the Guarantor's business, results of operations and/or financial condition.

The Guarantor is dependent on various suppliers and any delay or failure by such suppliers could cause delay or interruption to the Guarantor's operation

The Guarantor's success depends, among other things, on the efficient and uninterrupted provision of high-quality services to the satisfaction of its customers. Its service offerings are complex and depend on the successful integration of sophisticated technologies and services, all of which must meet strict quality requirements. The Guarantor's business is dependent on a number of outsourcing and supply relationships with external suppliers to build, operate and maintain its copper and fibre infrastructure and access network. The Guarantor has no direct operational or financial control over these suppliers or the manner in which they conduct their business. As a result, the Guarantor will not always have full control over the performance of certain of its core functions, as it does not directly employ many of the technicians and other personnel on whom it relies.

In addition, the Guarantor is dependent on third party suppliers for key materials, equipment, construction and maintenance services. Any failure of any such provider to supply the material, equipment and services in a timely manner, with acceptable costs and quality requirements, could affect the Guarantor's performance and financial

position. If the material, equipment or other deliverables are defective, the Guarantor may be unable to enforce any claims against the suppliers, or such processes may be drawn out and financially demanding, in particular if the suppliers are insolvent or if the enforcement period for the warranties has expired.

If the relevant suppliers breach their obligations, refuse to offer favourable prices, refuse to renew the contracts on favourable conditions or cease to provide the products and services required, the Guarantor may face difficulties in reacting effectively and changing the supply or outsourcing relationships. This may result in temporary service interruptions, or impair the quality of the services and products offered, which could damage the Guarantor's reputation. Further, the Guarantor may incur additional costs, in particular in paying contractual penalties, finding alternative parties to complete the work or completing the work itself, which may have a material adverse effect on its business, results of operations and/or financial condition.

The Guarantor may be unable to protect or retain rights to some parts of its infrastructure, including the land on which they are located

The majority of the Guarantor's infrastructure is located on land owned by third parties, and the Guarantor's property interests relating to this land consist primarily of long-term lease and sub-lease agreements. For its mobile network infrastructure, these agreements are typically for an initial period of 10 years, with a repeating option to renew for five year periods, on the basis of pre-agreed costs. For its fixed network infrastructure, the majority of the lease and sub-lease agreements are for indefinite periods, and contain a termination right for the landlord in certain specified circumstances. The Guarantor also retains easement interests in relation to the land on which parts of its infrastructure are located. Any breach of the terms and conditions of these lease or sub-lease agreements may have an impact on the Guarantor's ability to access and operate its infrastructure and may have a material adverse effect on the Guarantor's business, results of operations and/or financial condition.

In addition, the Guarantor may not always be able to renew its leases or sub-leases on commercially the same, or similarly favourable terms, or at all. The negotiation process may be influenced by events beyond the Guarantor's control, such as the condition of the real estate market at the given time, competition for the land or other factors affecting the landowners' sites. An inability to renew the lease or sub-lease agreements or otherwise protect the rights to its sites may result in additional costs for the Guarantor in selecting appropriate or equally suitable alternative premises, and it may be that no appropriate or suitable premises are available. The loss of any of the Guarantor's property interests or rights (through court proceedings or otherwise) may interfere with its ability to conduct its business as it is currently conducted, which may increase the Guarantor's costs of operation and have a material adverse effect on its ability to generate revenues.

The Guarantor's shareholders might make decisions that do not reflect the interests of the Guarantor

Mr. Petr Kellner directly and indirectly controls 98.92 per cent. of PPF Group N.V., which in turn indirectly controls 100 per cent. of the Guarantor. Mr. Kellner or PPF Group N.V. are therefore able to exercise their rights as shareholders to influence the outcome of material matters relating to the Guarantor, such as nominating its board members or directing dividend policy. The commercial and financial interests of the direct or indirect shareholders of the Guarantor may, in some circumstances, conflict with the interests of the Guarantor and may not necessarily be in the best interest of the Guarantor.

The Guarantor's dividend policy may change

The Guarantor currently has a dividend policy in place allowing distribution to its shareholders of 100 per cent. of net income for the previous year, provided the Guarantor has sufficient financing for the implementation of its CAPEX plans, including its discretionary spending, and debt reduction. There can be no assurance that this dividend policy will not change in the future. An adverse change in the dividend policy, or additional extraordinary cash upstreaming by the PPF Group, might result in the Guarantor's credit rating being downgraded.

Security breaches or other critical disruptions may harm the Guarantor's reputation and have a material adverse effect on its business, results of operations and/or financial condition

The Guarantor uses sophisticated, technical and advanced information technology infrastructure for the operation of its business. These systems are vulnerable to interruptions or other failures resulting from, among others, software, equipment or telecommunications failures, processing errors, computer viruses and malware, hackers, other security issues or supplier defaults. Such system disruption may result in the Guarantor being unable to adequately provide its services to its customers, which may significantly harm its reputation and have a material adverse effect on its business, results of operations and/or financial condition. In addition, the Guarantor's insurance coverage may not be sufficient to cover the full amount of any loss suffered as a result of any security breach.

The Guarantor seeks to protect its computer systems and network infrastructure from physical intrusion as well as security breaches and other disruptions and uses backup power generators to minimise the impact of any security breach on the Guarantor or its customers. However, the security, backup and disaster recovery measures in place may not be adequate or properly implemented and may not prevent errors, processing inefficiencies or security breaches, which may result in an inability to use the systems or process transactions. The Guarantor cannot provide assurance that its security measures will be adequate or successful, and the costs of maintaining adequate security measures may increase substantially in the future. Any such breach, or actions taken to repair or prevent a breach, could result in significant costs to the Guarantor, which could in turn have a material adverse effect on its business, results of operations and/or financial condition.

The Guarantor may hold, receive, use and store certain data about its customers, employees and counterparties within the ordinary course of its operations, as well as commercially sensitive data it receives from specific state services. As such, the Guarantor is subject to Czech and international data protection laws. Although the Guarantor has established relevant technical policies and measures, and operates internal data protection systems and mechanisms in accordance with the applicable laws and regulations, it cannot guarantee that sensitive data will not be leaked, misused or mishandled as a result of human error or technological failure or as a result of other external threats such as hacking or viruses. Any violation of data protection laws or regulations (such as a failure to take appropriate measures to remedy the leak, or a breach of notification obligations) or any other unauthorised disclosure of sensitive customer data may result in regulatory sanctions or other liability, and could also result in reputational harm, which could have a material adverse effect on the Guarantor's market position, business, results of operations and/or financial condition.

Events beyond the Guarantor's control may result in damage to its network and related insurance policies may not provide adequate coverage

The Guarantor's technological infrastructure and other assets and property are vulnerable to damage or disruptions caused by various events, including natural disasters (such as heavy storms, floods, fire, earthquakes or windstorms), power outages, terrorist attacks, equipment or systems failures or imbalances, human errors or intentional wrongdoings and/or other unforeseen events. Any damage or disruption to the Guarantor's infrastructure due to unforeseen events may impact its ability to conduct its business and provide services to its customers. This may lead to a loss of customers, additional penalties or fees and have a material adverse effect on the Guarantor's business, results of operations and/or financial condition.

The Guarantor believes that it maintains adequate insurance protection against, among other things, material damage to its business assets, loss of profits and other kinds of liabilities as are usual and expected for the type of business the Guarantor operates. While the Guarantor considers its level of insurance coverage adequate given the exposure to business risks of which it is currently aware, it may not be adequate to cover all of the associated costs of repair and reconstruction of its infrastructure and other assets and property. The Guarantor carries insurance for business interruption for a maximum of 12 months which may not be adequate to cover all of the loss in the case of significant long-term disruption. If the Guarantor is unable to recover amounts under its insurance policies, due to specific exemptions within such policies or insufficient coverage, this could have a material adverse effect on the Guarantor's business, results of operations or financial condition. In addition, the Guarantor's business may be affected by unexpected costs and events in relation to unknown risks, for which it

may not have obtained the relevant insurance, which may have a material adverse effect on its business operations, results, financial condition or market position.

The Guarantor's infrastructure is subject to gradual deterioration over time and the Guarantor may not be able to replace outdated parts in good time

The constant operation of the Guarantor's physical infrastructure results in general wear and tear to certain components of the Guarantor's equipment, including its copper and fibre infrastructure, mobile access network and its aggregation and backbone network. Natural processes such as erosion and corrosion may compound this process, and result in a gradual deterioration of the Guarantor's infrastructure. This in turn could affect the Guarantor's market competitiveness, as it may not be able to keep up with the continuous development and evolution of telecommunications technology.

Further, the factors described above will likely have an increasingly greater impact as the Guarantor's infrastructure, equipment and components grow older. It is the Guarantor's policy to inspect and maintain its infrastructure, proactively repairing or replacing equipment and components before they fail. However, there can be no assurance that the Guarantor will be successful in its efforts and a failure to repair or replace its equipment in good time may have a material adverse effect on its business, results of operations and/or financial condition. In addition, the repair or replacement of the Guarantor's equipment will require certain capital expenditure. See "*The Guarantor's operations require substantial capital expenditure, which it may not be able to fund*".

The Guarantor relies on protection under intellectual property laws

The Guarantor has registered, or submitted for registration, some of its most important trademarks in relation to its brand name with the Czech Intellectual Property Office. The Guarantor relies on trademark and other intellectual property laws to establish and protect its rights to its brand name. There can be no assurance that the Guarantor will be able to maintain the protection of its intellectual property rights or that the trademarks on which the Guarantor relies will not be challenged, invalidated or circumvented by third parties. The unauthorised use of the Guarantor's intellectual property rights may also adversely affect the Guarantor's business if there are any negative associations affecting the Guarantor's brand name. Any damage to the Guarantor's intellectual property rights and/or reputation may have a significant impact on the Guarantor's business, profitability and on its market position.

The Guarantor is dependent on key management, employees and other qualified personnel and may not be able to attract and retain key personnel

The Guarantor's performance, progress and results of operations depend on its ability to hire and retain not only qualified members of management, but also other qualified professionals and skilled technical and operational staff. Approximately 75 per cent. of the Guarantor's employees are technical professionals or engineers, many of whom have spent a large part of their careers employed by the Guarantor (or O2 Czech Republic as its legal predecessor). As such, these employees have a detailed knowledge of the Guarantor's telecommunications equipment, distribution technologies and network designs and construction. In addition, the Guarantor's management have established important working relationships with market participants and regulators and have detailed knowledge of the Guarantor's business and the market place in which it operates. Any loss of such key employees may significantly impede the development and implementation of the Guarantor's business plans, strategies and operations and the Guarantor may not be able to replace them easily or at all. The failure to recruit, train and retain a sufficient number of experienced, capable and reliable personnel may also have a material adverse effect on the Guarantor's business, results of operations and/or financial condition. The Guarantor also faces significant competition in the telecommunications market when recruiting its personnel, due to a limited availability of personnel with sufficient knowledge of the Czech telecommunications market. As such, the hiring of new key employees or replacing existing employees may require additional time and resources from management.

Strikes and other industrial actions could disrupt the Guarantor's operations

The success of the Guarantor's business depends on the provision of efficient and high-quality services. Labour disruptions, strikes, disputes with trade unions and other similar actions may lead to delays, damages and increased costs. In addition, it could lead to the loss of customers if the Guarantor becomes unable to meet its customers' service expectations in a timely manner and provide an appropriate level of customer care. Although there has not been any strike or labour disruption since the Guarantor's incorporation in 2015, any strikes, threats of strikes, or other disputes cannot be excluded in the future and any such events could have a material adverse effect on the Guarantor's business, results of operations and/or financial condition. The Guarantor cannot guarantee that it will not be a party to labour disputes with its employees in the future and any such disputes, individually or in aggregate, may have an adverse effect on the Guarantor's business, results of operations and/or financial condition.

Claims under the Cross Guarantee could have a material adverse effect on the Guarantor's business, results of operation and/or financial conditions

One of the legal consequences of the Spin-Off was the creation of a statutory cross guarantee (the "**Cross Guarantee**"), whereby the Guarantor guarantees the monetary and non-monetary debts of O2 Czech Republic that passed from O2 Czech Republic to the Guarantor following the Spin-Off, up to an amount of CZK 46.9 billion. See "*Description of the Guarantor-Indebtedness-Cross Guarantee*".

The Cross Guarantee is not limited in time and may be exercised at any time until all of the guaranteed debts have ceased to exist. Should O2 Czech Republic fail to pay its monetary debts or perform its non-monetary debts, creditors may claim under the Cross Guarantee, which would result in an increased cost to the Guarantor and may have a material adverse effect on its business, results of operations and/or financial condition.

The Guarantor may not be able to generate sufficient cash to sustain its operation and it may be forced to take other actions to satisfy its debt obligations, which may not always be successful

The Guarantor requires a certain amount of cash to service its debt and sustain its operation and relies on both short-term and long-term liquidity sources for its further existence and regular business operations. The short-term sources are principally generated from customer revenues, while the long-term sources are generated from bank loans and credits. The Guarantor's ability to generate sufficient cash to manage its operating expenditures and to meet its debts and other financial obligations depends on the Guarantor's financial and operating performance. This performance is affected by various factors such as the successful implementation of the Guarantor's business plan and strategy and other economic, financial or regulatory factors. The Guarantor's ability to generate cash may also be affected by its competitiveness and credit rating. If the Guarantor is unable to generate sufficient cash, the Guarantor may have to source cash by rescheduling its debts, selling its assets or delaying some of its expenditures. If the Guarantor fails to find an efficient and adequate solution it may not be able to satisfy its debt obligations, which may have a significant impact on its credibility, financial condition and results and its market position.

The Guarantor is subject to operating costs which it may not be able to manage effectively

One of the key factors in the successful implementation of the Guarantor's business plan is the effective management of its operating costs. Due to unanticipated changes in the market, the Guarantor may incur unexpected additional costs which could reduce its available cash flow. While the Guarantor's strategy is to reduce its operating costs, there is no guarantee that it will be able to do so. In addition, its operating costs may rise faster than its associated revenue. For example, the Guarantor may be exposed to price erosions in some of its products and services in order to remain competitive, which may have a negative impact on its cash flow, operating margins and net earnings. The Guarantor's operating costs may also rise as a result of any increase in employees' costs, such as wages and benefits, or in administrative or energy costs. Although certain of the Guarantor's customer contracts include indexation clauses (pursuant to which the Guarantor can pass on any increase in costs or any substantial rises in inflation to its customers), these clauses may not fully protect its

revenue against cost increases and inflation. In addition, there can be no assurance that the Guarantor will be able to negotiate similar indexation clauses in contracts with its future customers.

The Guarantor may make acquisitions in the future which may not be integrated or managed successfully

The Guarantor may undertake certain acquisitions in the future in order to strengthen its market position, expand its business or for other reasons. All acquisitions involve certain risks such as unanticipated obligations and difficulties in integrating the acquired business into the existing business. There can be no guarantee that the acquired businesses will meet the Guarantor's expectations in relation to certain levels of profit, revenues or productivity, or will otherwise operate as anticipated. In addition, acquisitions may require significant financial expenditures in order to integrate the acquired business and to hire and retain capable and skilled employees. The current counterparties of the acquired business may discontinue their business relationships due to a change of control or may exercise their voluntary termination rights. Equally, the Guarantor may become involved in legal proceedings initiated by bought-out minority shareholders challenging the validity of such acquisition. The inability to successfully integrate any acquired business and achieve desired benefits and synergies could have a material adverse effect on the Guarantor's business, results of operations and/or financial condition.

Certain legal proceedings may adversely affect the Guarantor's results of operations and financial condition

The Guarantor is currently not directly involved in any material disputes or legal proceedings. However, the Guarantor may in the future become involved in material disputes or legal proceedings with civil, administrative, competition, regulatory or tax authorities. Such proceedings, whether with or without merit, could be expensive and time consuming, and, if resolved to the detriment of the Guarantor, could harm its reputation and increase the costs of its operation, all of which may have a material adverse effect on its business, results of operations and/or financial condition.

Electromagnetic fields may have an adverse impact on public health

In a report from June 2007, the World Health Organisation considered the possible health risks connected with the exposure to electromagnetic fields and the use of telecommunications sites or devices. While a health risk has not yet been proven, the World Health Organisation concluded that such a risk may exist. In the future, medical knowledge may advance and public sensitivity regarding such risks may increase, which may result in the introduction of new laws. This could create additional legal obligations or liabilities for the Guarantor which may result in increased costs connected with the implementation of new technological processes and measures to protect the public's health, or claims for compensation which may affect the Guarantor's business, results of operations, financial condition and results and/or its market position.

The Guarantor is exposed to interest rate risks under its existing indebtedness

The Guarantor is exposed to interest rate risk arising from the Syndicated Loan. The interest on its floating rate under the Syndicated Loan is calculated based on PRIBOR. Should there be any upward movement in interest rates, this could increase the interest payments owed by the Guarantor and impact its ability to meet its obligations and due payments. However, the Guarantor's debts under the Syndicated Loan are expected to be prepaid in full from the proceeds of Notes issued under the Programme. See "Use of Proceeds" and "Description of the Guarantor-Indebtedness-Syndicated Loan".

The Guarantor is dependent on its credit rating to raise additional financing and a downgrade of the Guarantor's investment grade rating may result in the re-instatement of certain security and covenants under the Syndicated Loan

The Guarantor's creditworthiness is assessed as Baa2 with a stable outlook by Moody's and BBB by Fitch Rating Services. The Guarantor's credit rating is one of the key factors affecting its ability to access the capital and other financial markets to obtain required funds. One of the main focuses of the rating agencies is on understanding the drivers of cash flow generation and, in particular, the predictability and sustainability of cash flows. While the Guarantor currently expects to operate with sufficient cash flow to maintain its current ratings, this depends on several factors, many of which are beyond the Guarantor's control. If the Guarantor fails to maintain adequate

levels of cash flow, its rating may be downgraded. Any future downgrade of the Guarantor's rating by a rating agency may affect its ability to access financial markets and other forms of financing and to secure financial resources. This may have a material adverse effect on the Guarantor's business, results of operations, financial condition and/or market position.

Furthermore, if the Guarantor is unable to maintain its investment grade rating, this may trigger an obligation for the Guarantor to re-establish certain security and comply with additional restrictive covenants under the Syndicated Loan, which would result in the claims of Noteholders ranking behind the claims of lenders under the Syndicated Loan to the extent of any such security.

The immediate or accelerated repayment of the Guarantor's existing indebtedness upon breach of certain obligations may significantly impact its cash flow and financial stability

Any failure by the Guarantor to comply with the covenants or perform any of the obligations under its existing indebtedness may result in the immediate or accelerated repayment of its debts, which may significantly impact the Guarantor's cash flow and financial stability. The Guarantor cannot provide any assurance that it will be able to generate sufficient cash flow or raise funds at commercially reasonable rates to be able to fulfil these financial obligations and thus this could have a material adverse effect on its business, results of operations and/or financial condition. The Guarantor's debts under the Syndicated Loan are however expected to be prepaid in full from the proceeds of Notes issued under the Programme. See "Use of Proceeds" and "Description of the Guarantor-Indebtedness-Syndicated Loan".

Risks Related to Regulatory and Legislative Matters

Any changes in laws and regulations affecting the telecommunications market could adversely affect the Guarantor's business, results of operations and/or financial condition

The Guarantor's operations are subject to regulation and supervision by the European Commission and various Czech state authorities, in particular the CTO and the Antitrust Office. The CTO is an independent regulatory body responsible for electronic communications and postal services in the Czech Republic and the Antitrust Office has broad regulatory and supervisory powers regarding competition law. However, the regulatory practice of each of these authorities can sometimes provoke conflicting decisions, which could result in market uncertainty, a lack of clear criteria and excessive regulation applicable to the Guarantor's business.

In addition, the regulatory framework for the telecommunications market is dynamic and susceptible to change, due to numerous technological, social, economic and business factors, including, *inter alia*, changes in mobile telephone technology, new ways in which users connect and interact with one another and changes in competitive pressures. The Guarantor can give no assurance that there will not be adverse changes in the future to applicable laws, regulations or administrative practices, their interpretation and/or application relating to the telecommunications markets or otherwise affecting the Guarantor's business, such as the adoption of new laws or regulatory initiatives and decisions governing the telecommunications sector, including licensing and competition laws, which may create a more competitive or more heavily regulated market environment. Any such changes in laws and regulations affecting the telecommunications market could have a material adverse effect on the Guarantor's business, results of operations and/or financial condition.

Furthermore, a review of the EU regulatory framework is currently underway, to cover the period beyond 2019. In particular, the European Commission has proposed changes to network access rules in order to foster FTTP investments in high capacity networks, as well as a review of universal service obligations to include broadband services. In addition, the European Commission plans to harmonise obligations for electronic services providers and fixed and mobile call termination rates. The European Commission also presented its proposal to co-ordinate the use of the 700 MHz band for mobile services, in order to improve internet access in the EU and to help develop cross-border applications. As the above measures have not yet been finalised or implemented, it cannot be predicted what effect they may have on the Guarantor's business. Any unfavourable regulatory change could have a material adverse effect on the Guarantor's business, results of operations and/or financial condition.

Among other recent regulatory changes, the Directive on measures to reduce the cost of deploying high-speed electronic communications networks (2014/61/EU) was adopted on 15 May 2015. The Directive aims to facilitate and incentivise the roll-out of high-speed electronic communications networks by reducing its cost. It includes measures which are expected to create conditions for a more cost efficient network deployment, such as the sharing and re-using of existing physical infrastructure or creating a so-called “single information point”, providing access to minimum information concerning the physical infrastructure available in the area of deployment. As the implementation of the Directive is currently underway in the Czech Republic, it is not possible to predict its potential effect on the Guarantor’s business. It is therefore possible that, at a national level, the respective rules could have a material adverse effect on the Guarantor’s business, results of operations and/or financial condition.

The Guarantor has been designated as an entity with “significant market power” in certain relevant markets, the regulation of which imposes certain obligations on the Guarantor and may adversely affect its business in comparison to its competitors

The Guarantor’s business is subject to the decisions of the CTO. The CTO supervises the electronic communications market and determines relevant markets and analyses whether they are effectively competitive. Depending on the result of the relevant market analysis, the CTO may issue a decision defining an entity as having significant market power. The CTO may impose obligations on such an entity to remedy the situation, such as measures relating to transparency, non-discrimination, separate evidence of costs and revenues, provision of access to specific network elements and associated facilities, or pricing obligations.

The CTO has determined that the Guarantor has significant market power in several relevant markets (or has assumed such status as a legal successor of O2 Czech Republic). As a result, it is subject to oversight by the CTO and other competition regulatory authorities, which regulate entities that are considered to be dominant forces in, or monopolists of, a relevant market. The CTO has imposed certain regulatory obligations on the Guarantor in certain markets, which restrict how the Guarantor is able to market its network and price its services. This may have a material adverse effect on the Guarantor’s business, results of operations and/or financial condition. See “*Description of the Guarantor–Telecommunications Regulation in the Czech Republic*”.

The CTO has not yet implemented any decisions as a result of its ongoing market analyses, commenced in 2015. If the CTO finds that the Guarantor has significant market power in any additional market, this may further impact how the Guarantor is permitted to market its network, or price and provide its services. Any such further finding could have a material adverse effect on the Guarantor’s business, results of operations and/or financial condition.

The Guarantor’s activities may be considered anti-competitive

The Antitrust Office and the CTO have the power to consider two or more entities as one competitor (the so-called “single economic unit” concept). The Antitrust Office takes into account the manner and extent of the actual connection between the two entities, for example the ownership, managerial or organisational connection, as well as their actual activities, while the CTO analyses the conditions on the relevant market and takes into consideration certain competition law rules. The CTO and the Antitrust Office may consider the Guarantor to be a single economic unit with another entity, particularly O2 Czech Republic, which may have a material adverse effect on the Guarantor’s regulatory environment.

In addition, in 2013, the Antitrust Office began to investigate the network sharing between the Guarantor and T-Mobile Czech Republic to determine any potential breach of competition law. The investigation was subsequently passed to the European Commission which started its own investigation. On 25 October 2016, the European Commission opened formal antitrust proceedings against O2 Czech Republic, the Guarantor and T-Mobile Czech Republic to investigate the network sharing co-operation and examine whether this may restrict competition in the Czech Republic. In particular, the European Commission has announced that the focus of its investigation will be whether the co-operation between the Guarantor, O2 and T-Mobile Czech Republic risks slowing down quality improvements in existing infrastructure, and delaying or hindering the deployment of new technologies, such as

4G/LTE, in particular in densely populated areas, contrary to EU competition law. The European Commission will also investigate the impact of potential efficiencies that could be brought about by the network sharing.

Should the European Commission decide that the network sharing between the Guarantor and T-Mobile Czech Republic (or any part of it) violates the competition rules, this could have a material adverse effect on the Guarantor's business, results of operations and/or financial condition. At this stage it is not possible to assess whether or not the investigation will determine that the network sharing arrangements are in breach of EU competition rules, or whether any sanctions or remedies may be imposed by the European Commission. The Guarantor is co-operating fully with the European Commission in relation to the conduct of its investigation.

Due in part to its position in the market, the Guarantor is subject to continuing oversight and investigation by the Antitrust Office in relation to its business offers and activity in the market generally, including certain aspects of its Mass Market Offer. Should the Antitrust Office (or, as the case may be, the European Commission) decide that the Guarantor violates the competition rules at a Czech or European level, it may impose sanctions or penalties on the Guarantor, which could have a material adverse effect on the Guarantor's business, results of operations and/or financial condition.

The effects of uncertain, unexpected or unlawful decisions by regulators on the Guarantor

The Guarantor is subject to the decisions of numerous national and international institutions, regulatory and administrative authorities, in particular the CTO and the Antitrust Office. Decision makers in such institutions may exercise their powers in a manner that is not favourable to the Guarantor, or may not act within the scope of existing laws and regulations, which could have uncertain and unexpected consequences on the Guarantor's business and operations in the Czech Republic, which in turn could have a material adverse effect on the Guarantor's business, results of operations and/or financial condition. There is the possibility of future regulatory interference, which could have a material adverse effect on the Guarantor's business, results of operations and/or financial condition.

The Guarantor may not be successful in securing certain EU subsidies

The market in which the Guarantor operates may from time to time receive subsidies provided under various policies at the EU or national level, such as subsidies to encourage the deployment of NGA networks. Such subsidies could, if awarded, benefit the Guarantor's business, results of operations and/or financial condition. However, national authorities may be unable to implement the respective measures in order to provide the subsidies as intended by the respective EU policies, for example due to budgeting constraints. Further, there is no assurance that the Guarantor will fulfil the relevant conditions to receive any subsidy. In the event that the Guarantor unsuccessfully applies to participate in any subsidy programme, it is possible that its competitors will be successful in such a programme and gain a competitive advantage over the Guarantor.

The Guarantor is subject to potential liability under environmental and occupational health and safety laws and regulations

The Guarantor is subject to numerous national and international environmental, health and safety laws and regulations. As the owner and operator of numerous sites, the Guarantor may be liable for substantial costs associated with remediating soil and groundwater contaminated by hazardous materials, regardless of whether it, as the owner or operator, knew of, or was responsible for the contamination. The Guarantor cannot guarantee that it will always comply with these laws and regulations and any such violation could result in fines, sanctions or the commencement of legal proceedings against the Guarantor, resulting in reputational harm to the Guarantor. The regulation of health, safety and environmental protection is complex and subject to frequent changes, and regulation has become more stringent over time. The Guarantor may be required to change its environmental policy and adopt stricter procedures and measures to comply with applicable regulation, as a result of which the Guarantor may be required to increase its capital expenditure to ensure continued compliance. All of these liabilities and additional costs may affect the Guarantor's business, results of operations, financial condition and/or market position.

The Guarantor could incur additional tax liabilities which could adversely affect its results of operations and/or financial condition

As a corporation established and operated in the Czech Republic, a member state of the European Union, the Guarantor is subject to a number of taxes imposed by domestic Czech and/or European laws and enforced by the relevant tax authorities. Various factors may result in additional tax liabilities for the Guarantor, including the introduction of new taxes, changes in existing tax rates, time periods, terms for payment or overdue liabilities, changes in interpretation of tax law or its application by the tax authorities, or the harmonisation of Czech and European tax laws and regulations. Such changes may affect the Guarantor's business and increase the costs of the Guarantor's operation and services by increasing its income tax, value added tax or further taxes.

Risks Related to the Czech Republic

Any significant political, economic or social developments or instability in the Czech Republic could have a material adverse effect on the Guarantor's results of operations and/or financial condition

As the main country in which the Guarantor operates, the financial and operational stability of the Guarantor may be affected by risks relating to the Czech Republic, including various political, economic, legal and social risks. The Guarantor has no influence over these factors and cannot guarantee that the political, economic or legal developments in the Czech Republic will be favourable to its business.

The composition of the Czech government and any political developments or changes in the economic policy of the Czech Republic may have an adverse effect on the overall economic stability of the country. The Guarantor cannot give any assurance that any change in the Czech government or any other political development in the Czech Republic would not affect the economic, fiscal and regulatory policies of the Czech Republic. Such unfavourable political developments could have a material adverse effect on the Guarantor's business, results of operations and/or financial condition.

The Guarantor's operations in the Czech Republic are exposed to further risks, including regulatory changes, inflation, deflation, economic recession, local market disruption, social unrest, changes in disposable income or gross national product, variations in interest rates and taxation policies, levels of economic growth and other similar factors. There can be no assurance that political or economic instability will not occur in the Czech Republic, especially given certain socio-political issues, such as immigration or the possibility of terrorist attacks. The Guarantor cannot ensure that any such instability would not adversely affect the Guarantor's business, results of operations, financial condition, liquidity, capitalisation, prospects and/or reputation.

Any economic slowdown or recession in the Czech Republic may result in the decline of gross domestic product, stagnant private consumption and corporate investments, increased household indebtedness, a continued decline in available income, growing levels of personal bankruptcies, changes of fiscal policy and reduced private and commercial property values. These consequences may also affect the Guarantor's prospects and financial condition. As the uncertainties relating to the recovery from the economic downturn in the Czech Republic remain, it is difficult to estimate the extent of any potential deterioration on the Guarantor's business, results of operations, financial condition, liquidity, capital base, prospects and/or reputation.

The currency interventions of the Czech National Bank may significantly impact the Guarantor's business

The Czech koruna is the functional currency of the Guarantor. Notes issued under the Programme may be in euro, Czech koruna or other currencies. The Guarantor is exposed to fluctuations in currency exchange rates and other risks associated with foreign currencies, such as the imposition of exchange controls. In November 2013, The Czech National Bank implemented a currency intervention measure by which the Czech koruna was devalued and is currently maintained at an exchange rate of about CZK 27 per EUR, representing an almost 10 per cent. change from the former market exchange rate of CZK 25 per EUR. According to the Czech National Bank, the Czech koruna will continue to be artificially devalued until at least the end of the first half of 2017. The future development of the exchange rate cannot be predicted with certainty and the Guarantor cannot give any assurance that any government or monetary authority will not impose further exchange controls or interventions. Any of

these risks may have a negative impact on the Guarantor's business, results of operations and/or financial condition.

The legal infrastructure and the law enforcement system in the Czech Republic are less developed compared to Western Europe

The legal infrastructure and the law enforcement system in the Czech Republic are less developed when compared to some Western European countries. According to the statistics published on the official website of the Czech Ministry of Justice, the average length of judicial proceedings in commercial matters in the Czech Republic in 2016 was approximately 12 months and may be longer when taken together with appeals, extraordinary remedial procedures or proceedings before the Czech Constitutional Court. In some circumstances, it may not be possible to obtain legal remedies to enforce contractual or other rights in a timely manner or at all. Shifts in government policies and regulations and fiscal measures tend to be less predictable than in countries with more developed democracies. A lack of legal certainty or the inability to obtain effective legal remedies in a timely manner or at all may have a material adverse effect on the Group's business, results of operations and/or financial condition.

The impact of the new Czech Civil Code on businesses in the Czech Republic is uncertain

On 1 January 2014, the Czech civil law was revised into a new Czech Civil Code (Act No. 89/2012 Coll., as amended), and the existing Czech Commercial Code was replaced by the new Czech Corporation Act (Act No. 90/2012 Coll., as amended). Further, Czech international law was revised by the new Czech Act on Private International Law (Act No. 91/2012 Coll.). These changes impacted many aspects of civil and corporate life in the Czech Republic, including the basic concepts of interpretation of legal acts, intentions of parties, contractual autonomy and basic corporate matters. Although certain limited market practice has developed since the introduction of these changes, it is still not possible to predict the application and interpretation of these new legal rules by the courts of the Czech Republic or other authorities. Relevant case law on these new laws may not become available for a significant period of time, thus impacting legal certainty in the Czech Republic. These factors are outside of the Guarantor's control, and it cannot guarantee that such legal uncertainty will be favourable to its business.

Czech insolvency laws may not be as favourable as the bankruptcy laws of other jurisdictions and may preclude holders of the Notes from recovering payments due on any Notes

The courts of the Czech Republic have jurisdiction to commence insolvency proceedings in respect of a debtor whose centre of main interests is situated in the Czech Republic (within the meaning of the Council Regulation (EC) No 1346/2000 of 29 May 2000 on insolvency proceedings, as amended). Czech insolvency law might, in certain aspects, significantly differ from insolvency laws in other jurisdictions and may not be as favourable to the interest of Noteholders or other creditors and may limit their ability to enforce the terms of any Notes and the Guarantee. Czech insolvency law as applied by the courts of the Czech Republic may not protect creditors' rights as efficiently as laws of other jurisdictions or at all. Such lack of protection may have a material adverse effect on the rights of the Guarantor upon the insolvency of its debtors as well as on the rights of the Noteholders under the Guarantee upon the insolvency of the Guarantor.

Risks Related to the Issuer

The Issuer is a special purpose vehicle

The Issuer is a special purpose entity with no business operations other than issuance of Notes under the Programme, the lending of the proceeds of such issuance to the Guarantor and the entry into certain ancillary arrangements. The Issuer's principal source of funds, if any, will be derived from the Guarantor. See "*The Issuer is dependent on the Guarantor as the only source of its income will be the repayment by the Guarantor of the loans provided to it*". Furthermore, the Issuer has no infrastructure, no technical hardware and no software support of its own, so will need to outsource all of these services either from the PPF Group or from other third parties. The Issuer is subject to all the risks relating to income and expenses to which the Guarantor is subject, to

the extent that such risks could limit the Issuer's ability to satisfy its obligations under any Notes in full and on a timely basis.

The Issuer is dependent on the Guarantor as the only source of its income will be the repayment by the Guarantor of the loans provided to it

The Issuer is highly dependent on the Guarantor's financial strength. The Issuer's only source of income will be the repayment of all principal amounts and interest under the master inter-company loan agreement between the Issuer as the lender and the Guarantor as the borrower (the "**Issuer Loan Agreement**"). Under the Issuer Loan Agreement, the Issuer shall provide the Guarantor with the proceeds of each issuance of Notes. If any of the risks mentioned in the section "*Risks Related to the Business of the Guarantor*" have a material adverse effect on the Guarantor's ability to conduct its business and generate revenues, or any other events materially adversely affect the Guarantor's business, results of operations and/or financial condition and the Guarantor becomes unable to make the scheduled repayments pursuant to the Issuer Loan Agreement, this will have a material adverse effect on the Issuer's ability to satisfy in full and on a timely basis its obligations in respect of any Notes.

RISKS RELATED TO THE STRUCTURE OF A PARTICULAR ISSUE OF NOTES

A range of Notes may be issued under the Programme. A number of these Notes may have features which contain particular risks for potential investors. Set out below is a description of the most common such features:

If the Issuer has the right to redeem any Notes at its option, this may limit the market value of the Notes concerned and an investor may not be able to reinvest the redemption proceeds in a manner which achieves a similar effective return

An optional redemption feature of Notes is likely to limit their market value. During any period when the Issuer may elect to redeem Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period. The Issuer may be expected to redeem Notes when its cost of borrowing is lower than the interest rate on the Notes. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

Zero Coupon Notes may experience price volatility in response to changes in market interest rates

Zero Coupon Notes do not pay interest but are issued at a discount from their nominal value. Instead of periodic interest payments, the difference between the redemption price and the issue price constitutes interest income until maturity and reflects the market interest rate. A holder of Zero Coupon Notes is exposed to the risk that the price of such Notes falls as a result of changes in the market interest rate. Prices of Zero Coupon Notes are more volatile than the prices of Fixed Rate Notes and are likely to respond to a greater degree to market interest rate changes than interest bearing notes with a similar maturity.

If the Issuer has the right to convert the interest rate on any Notes from a fixed rate to a floating rate, or vice versa, this may affect the secondary market and the market value of the Notes concerned

Fixed/Floating Rate Notes may bear interest at a rate that converts from a fixed rate to a floating rate, or from a floating rate to a fixed rate. Where the Issuer has the right to effect such a conversion, this will affect the secondary market and the market value of the Notes since the Issuer may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing. If the Issuer converts from a fixed rate to a floating rate in such circumstances, the spread on the Fixed/Floating Rate Notes may be less favourable than then prevailing spreads on comparable Floating Rate Notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Notes. If the Issuer converts from a floating rate to a fixed rate in such circumstances, the fixed rate may be lower than then prevailing rates on its Notes.

Notes which are issued at a substantial discount or premium may experience price volatility in response to changes in market interest rates

The market values of securities issued at a substantial discount or premium to their nominal amount tend to fluctuate more in relation to general changes in interest rates than do prices for more conventional interest-bearing securities. Generally, the longer the remaining term of such securities, the greater the price volatility as compared to conventional interest-bearing securities with comparable maturities.

RISKS RELATED TO THE NOTES GENERALLY

Set out below is a brief description of certain risks relating to the Notes generally:

The conditions of the Notes contain provisions which may permit their modification, including the substitution of the Issuer, without the consent of all investors

The Conditions of the Notes contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

The Conditions of the Notes also provide that the Trustee may, without the consent of Noteholders, (i) agree to any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of the provisions of the Notes (other than in respect of a Reserved Matter), (ii) determine that any Event of Default shall not be treated as such or (iii) agree to the substitution of the Issuer.

There is no active trading market for the Notes

Notes issued under the Programme will be new securities which may not be widely distributed and for which there is currently no active trading market (unless in the case of any particular Tranche of Notes, such Tranche of Notes is to be consolidated with and form a single Series with a Tranche of Notes which is already issued). If the Notes are traded after their initial issuance, they may trade at a discount to their initial offering price, depending upon prevailing interest rates, the market for similar securities, general economic conditions and the financial condition of the Issuer. Although applications have been made for the Notes issued under the Programme to be admitted to listing on the Official List and to trading on the Main Securities Market of the Irish Stock Exchange, there is no assurance that such applications will be accepted, that any particular Tranche of Notes will be so admitted or that an active trading market will develop. Accordingly, there is no assurance as to the development or liquidity of any trading market for any particular Tranche of Notes.

Because Notes in global form are held by or on behalf of Euroclear and Clearstream, Luxembourg, investors will have to rely on their procedures for transfer, payment and communication with the Issuer and/or the Guarantor.

Notes issued under the Programme may be represented by one or more Global Notes. Such Global Notes will be deposited with a common depositary or common safekeeper for Euroclear and Clearstream, Luxembourg. Except in the circumstances described in the relevant Global Note, investors will not be entitled to receive definitive Notes. Euroclear and Clearstream, Luxembourg will maintain records of the beneficial interests in the Global Notes. While the Notes are represented by one or more Global Notes, investors will be able to trade their beneficial interests only through Euroclear and Clearstream, Luxembourg.

While the Notes are represented by one or more Global Notes the Issuer and the Guarantor will discharge their payment obligations under the Notes by making payments to the common depositary or common safekeeper for Euroclear and Clearstream, Luxembourg for distribution to their account holders. A holder of a beneficial interest in a Global Note must rely on the procedures of Euroclear and Clearstream, Luxembourg to receive payments under the relevant Notes. The Issuer and the Guarantor have no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Notes.

Holders of beneficial interests in the Global Notes will not have a direct right to vote in respect of the relevant Notes. Instead, such holders will be permitted to act only to the extent that they are enabled by Euroclear and Clearstream, Luxembourg to appoint appropriate proxies. Similarly, holders of beneficial interests in the Global Notes will not have a direct right under the Global Notes to take enforcement action against the Issuer or the Guarantor in the event of a default under the relevant Notes but will have to rely upon their rights under the Trust Deed.

Notes in New Global Note and New Safekeeping Structure form

The New Global Note and New Safekeeping Structure form has been introduced to allow for the possibility of debt instruments being issued and held in a manner which will permit them to be recognised as eligible collateral for monetary policy of the central banking system for the euro (the “**Eurosystem**”) and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. However in any particular case such recognition will depend upon satisfaction of the Eurosystem eligibility criteria at the relevant time. Investors should make their own assessment as to whether the Notes meet such Eurosystem eligibility criteria.

Minimum Specified Denomination and higher integral multiples

In relation to any issue of Notes in bearer form which have a denomination consisting of a minimum Specified Denomination (as defined below) plus a higher integral multiple of another smaller amount, it is possible that the Notes may be traded in amounts in excess of the minimum Specified Denomination that are not integral multiples of such Specified Denomination. In such case a Noteholder who, as a result of trading such amount, holds a principal amount not an integral amount of such Specified Denomination may not receive an Note in definitive form corresponding to such holding (should definitive Notes be printed) and would need to purchase a principal amount of Notes such that its holding amounts to an integral multiple of such Specified Denomination.

If an investor holds Notes which are not denominated in the investor’s home currency, he will be exposed to movements in exchange rates adversely affecting the value of his holding. In addition, the imposition of exchange controls in relation to any Notes could result in an investor not receiving payments on those Notes.

The Issuer will pay principal and interest on the Notes in the Specified Currency. This presents certain risks relating to currency conversions if an investor’s financial activities are denominated principally in a currency or currency unit (the “**Investor’s Currency**”) other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor’s Currency) and the risk that authorities with jurisdiction over the Investor’s Currency may impose or modify exchange controls. An appreciation in the value of the Investor’s Currency relative to the Specified Currency would decrease (1) the Investor’s Currency-equivalent yield on the Notes, (2) the Investor’s Currency-equivalent value of the principal payable on the Notes and (3) the Investor’s Currency-equivalent market value of the Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate or the ability of the Issuer to make payments in respect of the Notes. As a result, investors may receive less interest or principal than expected, or no interest or principal.

The value of Fixed Rate Notes may be adversely affected by movements in market interest rates

Investment in Fixed Rate Notes involves the risk that subsequent changes in market interest rates may adversely affect the value of the Fixed Rate Notes.

Credit ratings assigned to the Issuer, the Guarantor or any Notes may not reflect all the risks associated with an investment in those Notes.

As of the date of this Base Prospectus, the Guarantor has been assigned a rating of Baa2 by Moody’s and BBB by Fitch. Tranches of Notes to be issued under the Programme may be rated or unrated. Where a Tranche of Notes is rated, the applicable rating(s) will be specified in the relevant Final Terms. Such rating will not necessarily be the same as the rating(s) assigned to the Programme or to Notes already issued. One or more independent credit

rating agencies may also assign credit ratings to the Notes, which may not necessarily be the same ratings as the Programme rating described above or any rating(s) assigned to Notes already issued. Such ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time.

In general, European regulated investors are restricted under the CRA Regulation from using credit ratings for regulatory purposes, unless such ratings are issued by a credit rating agency (“**CRA**”) established in the EU and registered under the CRA Regulation (and such registration has not been withdrawn or suspended), subject to transitional provisions that apply in certain circumstances whilst the registration application is pending. Such general restriction will also apply in the case of credit ratings issued by non-EU credit rating agencies, unless the relevant credit ratings are endorsed by an EU-registered CRA or the relevant non-EU CRA is certified in accordance with the CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended). The list of registered and certified rating agencies published by the European Securities and Markets Authority (“**ESMA**”) on its website in accordance with the CRA Regulation is not conclusive evidence of the status of the relevant rating agency included in such list, as there may be delays between certain supervisory measures being taken against a relevant rating agency and the publication of the updated ESMA list. Certain information with respect to the CRAs and ratings is set out on the cover of this Base Prospectus.

GLOSSARY OF TERMS

“**2G**” means the second generation mobile communications standard, allowing for voice calls and limited data transmission;

“**3G**” means the third generation mobile communications standard, allowing mobile phones, computers, and other portable electronic devices to access the Internet wirelessly;

“**4G**” means the fourth generation mobile communications standard, intended to replace 3G, allowing wireless Internet access at a much higher speed;

“**5G**” means the fifth generation mobile communications standard, providing better speeds and coverage than the current 4G;

“**Antitrust Office**” means the Office for the Protection of Competition, the central administrative office for support and protection of economic competition, supervision of public procurement and other activities prescribed by specific laws, established by the Act No. 273/1996 Coll.;

“**CAPEX**” means capital expenditures, i.e. non-recurring expenditures resulting in the acquisition of fixed assets;

“**CDMA**” means Code Division Multiple Access, a mobile telephony system whereby several transmitters can send information simultaneously over a single communication channel;

“**Cross Guarantee**” means the statutory cross guarantee created by law as a result of the Spin-Off, whereby the Guarantor guarantees the monetary and non-monetary debts of O2 Czech Republic that passed from O2 Czech Republic to the Guarantor following the Spin-Off;

“**CTO**” means the Czech Telecommunications Office, the central administrative office for state administration established by the Electronic Communications Act, having its seat at Sokolovská 58/219, P.C. 19000, Prague 9;

“**CZECH TELECOM Austria**” means CZECH TELECOM Austria GmbH, a limited liability company incorporated and existing under Austrian laws, Reg. No. 229578s, having its registered seat at Untere Donaustraße 13-15, 1020 Vienna, Austria;

“**CZECH TELECOM Germany**” means CZECH TELECOM Germany GmbH, a limited liability company incorporated and existing under German Laws, Reg. No. HRB 51503, having its registered seat at De-Saint-Expéry-Str. 8, 60549 Frankfurt am Main, Germany;

“**CZK**” means the Czech koruna, the lawful currency of the Czech Republic;

“**Data Centres Agreement**” means the agreement entered into between the Guarantor and O2 Czech Republic on 2 June 2015 regarding the provision of data centre services, as amended from time to time;

“**DSL**” means Digital Subscriber Line, a technology enabling a local loop copper pair to transport high-speed data between a central office and the subscriber’s premises;

“**DSLAM**” means a Digital Subscriber Line Access Multiplexer, a network device often located in telephone exchanges, connecting multiple customer DSL interfaces to a high-speed digital communications channel;

“**EBIT**” means the company’s earnings before interest and taxes;

“**EBITDA**” means income before income taxes and financial income (costs) plus depreciation and amortisation, plus impairment of property, plant and equipment and intangible assets including goodwill;

“**Electronic Communications Act**” means Act No. 127/2015 Coll., on electronic communications, as amended from time to time;

“**Ethernet**” means a system for connecting a number of computer systems to form a local area network, with protocols to control the passing of information and to avoid simultaneous transmission by two or more systems;

“**EU Broadband Cost Reduction Directive**” means Directive 2014/61/EU of the European Parliament and of the Council of 15 May 2014, on measures to reduce the cost of deploying high-speed electronic communications networks;

“**EUR**”, “**Euro**” or “**euro**” means the single currency of the European Union;

“**FTTC**” means Fibre-to-the-cabinet, whereby fibre optic cables run from the telephone exchange or distribution point to the street cabinets, which then connect to a standard phone line to provide broadband, combined with a copper cable from the cabinet to the customer premises;

“**FTTH**” means Fibre-to-the-home, whereby fibre optic cables run from the telephone exchange or distribution point to the boundary of the subscriber’s living space, such as a box on the outside wall of a home;

“**FTTP**” means Fibre-to-the-premises, an end-to-end fibre optic connection whereby fibre optic cables run the full distance from the telephone exchange or distribution point to the subscriber’s premises;

“**Group**” means CETIN, the Issuer and any entity directly or indirectly controlled by CETIN;

“**GSM**” means Global System for Mobile Communications, a widely used mobile telephony system;

“**IFRS**” means International Financial Reporting Standards;

“**Internet**” means a global computer network providing a variety of information and communication facilities, consisting of interconnected networks using standardised communication protocols;

“**IP**” means Internet Protocol, the principal communications protocol used for transmitting data over the Internet and other similar networks;

“**IPTV**” means Internet Protocol Television, a system through which television services are delivered through the Internet using IP, instead of being delivered through traditional terrestrial, satellite signal or cable television formats;

“**Issuer Loan Agreement**” means the master inter-company loan agreement between the Issuer as the lender and the Guarantor as the borrower;

“**LAN**” means Local Area Network, a computer network that interconnects computers in a limited area such as homes, schools or office buildings;

“**LLU**” means Local Loop Unbundling, a regulatory forced wholesale model allowing other telecommunications operators to utilise existing copper or fibre connections from the telephone exchange to the subscriber’s premises;

“**LTE**” means Long Term Evolution, a new mobile telephony technology that succeeds 3G and is the last step toward 4G radio technologies, designed to increase the capacity and speed of mobile telephone networks;

“**Mass Market Offer**” means an offer by the Guarantor of access to its fixed telecommunications network consisting of voice and broadband services, including capacity products and the distribution of multimedia content, as published by the Guarantor from time to time;

“**Mobile Agreement**” means the agreement dated 2 June 2015 between the Guarantor and O2 Czech Republic regarding the provision of mobile network services, as amended from time to time;

“**MMO Agreement**” means the agreement dated 2 June 2015 between the Guarantor and O2 Czech Republic regarding access to public fixed communications network, based on the Guarantor’s Mass Market Offer (previously the Reference Access Offer), as amended from time to time;

“**Network Sharing Agreement I**” means the Network Sharing Agreement dated 29 October 2013 between O2 Czech Republic and T-Mobile Czech Republic, concerning the sharing of their respective 2G/3G mobile networks in the Czech Republic, excluding the cities of Prague and Brno, as amended from time to time;

“**Network Sharing Agreement II**” means the Network Sharing Agreement dated 2 May 2014 O2 Czech Republic and T-Mobile Czech Republic, concerning the sharing of their 4G/LTE mobile networks in the Czech Republic, excluding the cities of Prague and Brno, as amended from time to time;

“**Network Sharing Agreements**” means, collectively, the Network Sharing Agreement I and the Network Sharing Agreement II;

“**NGA**” means Next Generation Access Networks, being wired access networks which consist wholly or in part of optical elements and which are capable of delivering broadband access services with enhanced characteristics compared to those provided over already existing copper networks;

“**O2 Agreements**” means, collectively, the Mobile Agreement, the MMO Agreement and Data Centres Agreement;

“**O2 Czech Republic**” means O2 Czech Republic a.s., a joint-stock company incorporated and existing under Czech law, having its registered seat at Prague 4 - Michle, Za Brumlovkou 266/2, P.C. 140 22, Reg. No.: 601 93 336, registered in the Commercial Register maintained by the Municipal Court in Prague, Section B, Insert 2322;

“**OPEX**” means operational expenditures, i.e. ongoing costs necessary for running the business;

“**OTT**” means Over-The-Top content, being the delivery of audio, video, and other media over the Internet without the involvement of a multiple-system operator controlling or distributing the content;

“**PPF A3 B.V.**” means PPF A3 B.V., a private limited liability company (*besloten vennootschap met beperkte aansprakelijkheid*) incorporated under the laws of the Netherlands, having its official seat in Amsterdam and its registered office address at Strawinskylaan 933, 1077XX Amsterdam, the Netherlands and registered with the trade register of the Dutch Chamber of Commerce under registration number 61684201;

“**PPF Group**” means PPF Group N.V. and any entity directly or indirectly controlled by PPF Group N.V.;

“**PPF Group N.V.**” means PPF Group N.V. a private company (*naamloze vennootschap*) incorporated under the laws of the Netherlands having its registered office (*statutaire zetel*) at Strawinskylaan 933, Tow. B Lev. 9, Amsterdam, the Netherlands and registered with the trade register of the Dutch Chamber of Commerce under number 33264887;

“**PPF Infrastructure B.V.**” means PPF Infrastructure B.V., a private limited liability company (*besloten vennootschap met beperkte aansprakelijkheid*) incorporated under the laws of the Netherlands, having its official seat in Amsterdam and its registered office address at Strawinskylaan 933, 1077XX Amsterdam, the Netherlands and is registered with the trade register of the Dutch Chamber of Commerce under number 65167899;

“**PPF Telco B.V.**” means PPF Telco B.V., a private limited liability company (*besloten vennootschap met beperkte aansprakelijkheid*) incorporated under the laws of the Netherlands, having its official seat in Amsterdam and its registered office address at Strawinskylaan 933, 1077XX Amsterdam, the Netherlands and registered with the trade register of the Dutch Chamber of Commerce under number 65167902;

“**PRIBOR**” means the Prague Interbank Offered Rate, the average rate at which banks are willing to lend to each other on the Czech interbank money market;

“**PSTN**” means Public Switched Telephone Network, the world’s collection of interconnected voice-oriented public telephone networks, both commercial and government-owned;

“**RAN**” means Radio Access Network, a mobile telecommunication system that implements a radio access technology;

“**Reference Access Data Offer**” means a wholesale offer by the Guarantor of access within the Czech Republic to end sections of leased lines intended for providers of telecommunications data services to end-users and enables the delivery of customers’ data services at speeds ranging from 64kbps to 300Mbps, as published by the Guarantor from time to time;

“**Reference Offer of Unbundled Access to Local Loop**” means a specific offer by the Guarantor which enables telecommunications operators to use the Guarantor’s unbundled local metallic loop as well as its fibre optic loop, or sub-loop, to provide telecommunications services to end-users, as published by the Guarantor from time to time;

“**SDH**” means Synchronous Digital Hierarchy, a standardised protocol that transfers multiple digital bit streams synchronously over optical fibre using lasers or highly coherent light from light-emitting diodes;

“**Spin-Off**” means the spin-off project in compliance with the terms of the Transformation Act, whereby part of the network of O2 Czech Republic, including related rights and liabilities, was spun-off to form a new company, the Guarantor;

“**Syndicated Loan**” means the loan facility in the total amount of CZK 32.2 billion, granted to the Guarantor in 2015 by an international syndicate of banks;

“**TIER III**” means the third of four rating levels (called tiers) in which data centres are classified by the Telecommunications Industry Association, with the rating levels describing the availability of data from the hardware at a location. TIER III data centres have maintainable site infrastructure with expected availability of 99.982 per cent.;

“**T-Mobile Czech Republic**” means T-Mobile Czech Republic a.s., a joint-stock company incorporated and existing under Czech law, having its registered seat at Prague 4, Chodov, Tomíčková 2144/1, P.C. 148 00, Reg. No.: 649 49 681, registered in the Commercial Register maintained by the Municipal Court in Prague, Section B, Insert 3787;

“**T-Mobile DSL Agreement**” means the agreement between the Guarantor and T-Mobile Czech Republic, regarding the provision of various DSL services, as amended from time to time;

“**UMTS**” means Universal Mobile Telecommunications System, one of the major 3G mobile communications systems delivering voice, text, music and animated images;

“**UPC**” means UPC Česká republika, s.r.o., a limited liability company incorporated and existing under Czech law, having its registered seat at Prague 4 - Nusle, Závěšova 502/5, P.C. 140 00, Reg. No.:00562262, registered in the Commercial Register maintained by the Municipal Court in Prague, Section C, Insert 187485;

“**VDSL**” means Very-high-bit-rate Digital Subscriber Line, a DSL technology providing data transmission faster than other DSL technologies;

“**Vodafone Czech Republic**” means Vodafone Czech Republic a.s., a joint-stock company incorporated and existing under Czech law, having its registered seat at Prague 5, Stodůlky, náměstí Junkových 2808/2, P.C. 155 00, Reg. No.: 257 88 001, registered in the Commercial Register maintained by the Municipal Court in Prague, Section B, Insert 6064;

“**VoIP**” means Voice over Internet Protocol, a method for the delivery of voice communications and multimedia sessions over IP networks, such as the Internet;

“**VPN**” means Virtual Private Network, a private network that extends across a public network or Internet;

“**WDM**” means Wavelength-Division Multiplexing, a technology which combines a number of optical carrier signals onto a single optical fibre by using different wavelengths of laser light; and

“**WiFi**” means Wireless Fidelity, a facility allowing computers, smartphones, or other devices to connect to the Internet or communicate with one another wirelessly within a particular area.

INFORMATION INCORPORATED BY REFERENCE

The following information shall be deemed to be incorporated in, and to form part of, this Base Prospectus:

1. English language translations of the audited consolidated financial statements prepared in accordance with Czech GAAP accounting standards (including the auditors' report thereon and notes thereto) of the Guarantor in respect of the year ended 31 December 2015 (set out on pages 59 to 83, of the Consolidated Annual Report 2015 of the Guarantor), available at https://www.cetin.cz/documents/10182/53953/CETIN_ANNUAL_REPORT_2015_EN.pdf;
2. The audited consolidated interim financial statements prepared in accordance with IFRS (including the auditors' report thereon and notes thereto) of the Guarantor in respect of the nine month period ended 30 September 2016, available at https://www.cetin.cz/documents/10182/53953/CTINB17_FS_30092016_EN.pdf.

Copies of the documents specified above as containing information incorporated by reference in this Base Prospectus may be inspected, free of charge, at the registered office of the Guarantor, at Olšanská 2681/6, 130 00 Praha 3, Czech Republic and the Guarantor's website <https://www.cetin.cz/en/cetin-finance-by>. Any documents themselves incorporated by reference in the documents incorporated by reference in this Base Prospectus shall not form part of this Base Prospectus. Any information contained in any of the documents specified above which is not incorporated by reference in this Base Prospectus is either not relevant to investors or is covered elsewhere in this Base Prospectus.

NON-IFRS MEASURES

In this Base Prospectus, the Guarantor presents certain financial data and measures which are not calculated in accordance with IFRS, such as EBITDA, EBITDA margin, gross margin, net debt and free cash flows. As used in the Base Prospectus, the following terms have the following meanings:

- “**EBITDA**” refers to income before income taxes and financial income (costs) plus depreciation and amortisation, plus impairment of property, plant and equipment and intangible assets including goodwill;
- “**EBITDA margin**” refers to EBITDA divided by total revenues, expressed as a percentage;
- “**gross margin**” refers to total Revenues less Supplies¹;
- “**net debt**” refers to long-term financial debt, plus short-term loans, less cash and cash equivalents (excluding Special Partnership Accounts²); and
- “**free cash flows**” refers to net cash flows from operating activities less net cash used in investing activities.

EBITDA, EBITDA margin, gross margin, net debt and free cash flows are supplemental measures of the Guarantor’s performance and liquidity that are not required by or presented in accordance with IFRS. Furthermore, EBITDA, EBITDA margin, gross margin, net debt and free cash flows should not be considered as an alternative to income after taxes, income before taxes or any other performance measures derived in accordance with IFRS or any other generally accepted accounting principles, as an alternative to cash flow from operating, investing or financing activities or as a measure of liquidity.

The Guarantor presents these non-IFRS measures mainly because it believes that, when considered in conjunction with related IFRS financial measures, these measures provide investors with important additional information to evaluate operating performance. The Guarantor believes that EBITDA-based measures are useful to investors because these measures (i) provide investors with financial measures on which management bases financial, operational, compensation and planning decisions; and (ii) present measurements that investors and other interested parties in the industry have indicated to management are useful to them in assessing a company and its results of operations.

The non-IFRS measures presented in this Base Prospectus may not be comparable to other similarly titled measures of other companies. Non-IFRS measures have limitations as analytical tools, and should not be considered in isolation, or as a substitute for analysis of the Guarantor’s results as reported under IFRS as set out in the audited consolidated interim financial statements of the Guarantor and no undue reliance should be placed on these non-IFRS measures. Some of these limitations related to non-IFRS measures are:

- they do not reflect the Guarantor’s cash expenditures or future requirements for capital expenditures or contractual commitments;
- they do not reflect changes in, or cash requirements for, the Guarantor’s working capital needs;
- they do not reflect the interest expense or cash requirements necessary to service interest or principal payments on the Guarantor’s debt;
- they do not reflect gains or losses in hedging or foreign exchange contracts;

¹ As disclosed in Note 6 to the Interim Consolidated Financial Statements for the nine month period ended 30 September 2016.

² “**Special Partnership Accounts**” means an account or accounts opened in the name of the Guarantor, identified in a letter addressed by the Guarantor to the agent under the Syndicated Loan from time to time as the Special Partnership Account(s), to which investments and other payments for the benefit of the relevant society or partnerships (in Czech: sdružení) or companies (in Czech: společnosti) are being made by the partners of the relevant partnership or company pursuant to the terms of the relevant partnership agreements or other contractual arrangements.

- they do not reflect any cash income taxes that the Guarantor may be required to pay;
- they are not adjusted for all non-cash income or expense items that are reflected in the Guarantor's statements of cash flows;
- they do not reflect the impact of earnings or charges resulting from certain matters that the Guarantor considers not to be indicative of its ongoing operations;
- assets are depreciated or amortised over differing estimated useful lives and often have to be replaced in the future, and these measures do not reflect any cash requirements for such replacements; and
- other companies in the Guarantor's industry may calculate these measures differently than it does, limiting their usefulness as comparative measures.

Because of these limitations, the Guarantor's non-IFRS measures should not be considered as measures of discretionary cash available to the Guarantor to invest in the growth of its business or as measures of cash that will be available to the Guarantor to meet its obligations. You should compensate for these limitations by relying primarily on the Guarantor's IFRS results and using these non-IFRS measures only as supplemental means for evaluating its performance. Please see "*Description of the Guarantor - Summary Financial Information*" and the audited consolidated interim financial statements of the Guarantor, prepared in accordance with IFRS, for the nine month period ended 30 September 2016, and the notes thereto, which are incorporated by reference into this Base Prospectus.

FINAL TERMS AND DRAWDOWN PROSPECTUSES

In this section the expression “necessary information” means, in relation to any Tranche of Notes, the information necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Issuer and the Guarantor and of the rights attaching to the Notes. In relation to the different types of Notes which may be issued under the Programme the Issuer and the Guarantor have included in this Base Prospectus all of the necessary information except for information relating to the Notes which is not known at the date of this Base Prospectus and which can only be determined at the time of an individual issue of a Tranche of Notes.

Any information relating to the Notes which is not included in this Base Prospectus and which is required in order to complete the necessary information in relation to a Tranche of Notes will be contained either in the relevant Final Terms or in a Drawdown Prospectus.

For a Tranche of Notes which is the subject of Final Terms, those Final Terms will, for the purposes of that Tranche of Notes only, complete this Base Prospectus and must be read in conjunction with this Base Prospectus. The terms and conditions applicable to any particular Tranche of Notes which is the subject of Final Terms are the Conditions described in the relevant Final Terms as modified to the extent described in the relevant Final Terms.

The terms and conditions applicable to any particular Tranche of Notes which is the subject of a Drawdown Prospectus will be the Conditions as supplemented, amended and/or replaced to the extent described in the relevant Drawdown Prospectus. In the case of a Tranche of Notes which is the subject of a Drawdown Prospectus, each reference in this Base Prospectus to information being specified or identified in the relevant Final Terms shall be read and construed as a reference to such information being specified or identified in the relevant Drawdown Prospectus unless the context requires otherwise.

Each Drawdown Prospectus will be constituted either (1) by a single document containing the necessary information relating to the Issuer and the Guarantor and the relevant Notes or (2) by a registration document (the “**Registration Document**”) containing the necessary information relating to the Issuer and the Guarantor, a securities note (the “**Securities Note**”) containing the necessary information relating to the relevant Notes and, if necessary, a summary note.

FORMS OF THE NOTES

Bearer Notes

Each Tranche of Notes in bearer form (“**Bearer Notes**”) will initially be in the form of either a temporary global note in bearer form (the “**Temporary Global Note**”), without interest coupons, or a permanent global note in bearer form (the “**Permanent Global Note**”), without interest coupons, in each case as specified in the relevant Final Terms. Each Temporary Global Note or, as the case may be, Permanent Global Note (each a “**Global Note**”) which is not intended to be issued in new global note (“**NGN**”) form (each, a “**CGN**”), as specified in the relevant Final Terms, will be deposited on or around the issue date of the relevant Tranche of the Notes with a depository or a common depository for Euroclear Bank S.A./N.V. as operator of the Euroclear, Clearstream, Luxembourg and/or any other relevant clearing system and each Global Note which is intended to be issued in NGN form, as specified in the relevant Final Terms, will be deposited on or around the issue date of the relevant Tranche of the Notes with a common safekeeper for Euroclear and/or Clearstream, Luxembourg.

On 13 June 2006 the European Central Bank (the “**ECB**”) announced that Notes in NGN form are in compliance with the “Standards for the use of EU securities settlement systems in ESCB credit operations” of the central banking system for the euro (the “**Eurosystem**”), *provided that* certain other criteria are fulfilled. At the same time the ECB also announced that arrangements for Notes in NGN form will be offered by Euroclear and Clearstream, Luxembourg as of 30 June 2006 and that debt securities in global bearer form issued through Euroclear and Clearstream, Luxembourg after 31 December 2006 will only be eligible as collateral for Eurosystem operations if the NGN form is used.

Whether or not the Notes are intended to be held in a manner which would allow Eurosystem eligibility will be set out in the relevant Final Terms. Note that the designation “Yes” in the relevant Final Terms means that the Notes are intended upon issue to be deposited with one of the international central securities depositories (“**ICSDs**”) as common safekeeper and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon satisfaction of the Eurosystem eligibility criteria. Where the designation is specified as “No” in the relevant Final Terms, should the Eurosystem eligibility criteria be amended in the future such that the Notes are capable of meeting them, the Notes may then be deposited with one of the ICSDs as common safekeeper. Note that this does not necessarily mean that the Notes will then be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem at any time during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.

In the case of each Tranche of Bearer Notes, the relevant Final Terms will also specify whether United States Treasury Regulation §1.163-5(c)(2)(i)(C) (or any successor rules in substantially the same form that are applicable for purposes of Section 4701 of the U.S. Internal Revenue Code of 1986, as amended (the “**Code**”) (the “**TEFRA C Rules**”) or United States Treasury Regulation §1.163-5(c)(2)(i)(D) (or any successor rules in substantially the same form that are applicable for purposes of Section 4701 of the Code) (the “**TEFRA D Rules**”) are applicable in relation to the Notes or, if the Notes do not have a maturity of more than 365 days, that neither the TEFRA C Rules nor the TEFRA D Rules are applicable.

Temporary Global Note exchangeable for Permanent Global Note

If the relevant Final Terms specifies the form of Notes as being “Temporary Global Note exchangeable for a Permanent Global Note”, then the Notes will initially be in the form of a Temporary Global Note which will be exchangeable, in whole or in part, for interests in a Permanent Global Note, without interest coupons, not earlier than 40 days after the issue date of the relevant Tranche of the Notes upon certification as to non-U.S. beneficial ownership. No payments will be made under the Temporary Global Note unless exchange for interests in the Permanent Global Note is improperly withheld or refused. In addition, interest payments in respect of the Notes cannot be collected without such certification of non-U.S. beneficial ownership.

Whenever any interest in the Temporary Global Note is to be exchanged for an interest in a Permanent Global Note, the Issuer shall procure (in the case of first exchange) the delivery of a Permanent Global Note to the bearer of the Temporary Global Note or (in the case of any subsequent exchange) an increase in the principal amount of the Permanent Global Note in accordance with its terms against:

- (i) presentation and (in the case of final exchange) presentation and surrender of the Temporary Global Note to or to the order of the Principal Paying Agent; and
- (ii) receipt by the Principal Paying Agent of a certificate or certificates of non-U.S. beneficial ownership, within 7 days of the bearer requesting such exchange.

Temporary Global Note exchangeable for Definitive Notes

If the relevant Final Terms specifies the form of Notes as being “Temporary Global Note exchangeable for Definitive Notes” and also specifies that the TEFRA C Rules are applicable or that neither the TEFRA C Rules or the TEFRA D Rules are applicable, then the Notes will initially be in the form of a Temporary Global Note which will be exchangeable, in whole but not in part, for Definitive Notes not earlier than 40 days after the issue date of the relevant Tranche of the Notes.

If the relevant Final Terms specifies the form of Notes as being “Temporary Global Note exchangeable for Definitive Notes” and also specifies that the TEFRA D Rules are applicable, then the Notes will initially be in the form of a Temporary Global Note which will be exchangeable, in whole or in part, for Definitive Notes not earlier than 40 days after the issue date of the relevant Tranche of the Notes upon certification as to non-U.S. beneficial ownership. Interest payments in respect of the Notes cannot be collected without such certification of non-U.S. beneficial ownership.

Whenever the Temporary Global Note is to be exchanged for Definitive Notes, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons and Talons attached (if so specified in the relevant Final Terms), in an aggregate principal amount equal to the principal amount of the Temporary Global Note to the bearer of the Temporary Global Note against the surrender of the Temporary Global Note to or to the order of the Principal Paying Agent within 30 days of the bearer requesting such exchange.

Permanent Global Note exchangeable for Definitive Notes

If the relevant Final Terms specifies the form of Notes as being “Permanent Global Note exchangeable for Definitive Notes”, then the Notes will initially be in the form of a Permanent Global Note which will be exchangeable in whole, but not in part, for Definitive Notes:

- (a) on the expiry of such period of notice as may be specified in the relevant Final Terms; or
- (b) at any time, if so specified in the relevant Final Terms; or
- (c) if the relevant Final Terms specifies “in the limited circumstances described in the Permanent Global Note”, then if either of the following events occurs:
 - (i) Euroclear or Clearstream, Luxembourg or any other relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business; or
 - (ii) any of the circumstances described in Condition 13 (*Events of Default*) occurs.

Whenever the Permanent Global Note is to be exchanged for Definitive Notes, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons and Talons attached (if so specified in the Final Terms), in an aggregate principal amount equal to the principal amount of Notes represented by the Permanent Global Note to the bearer of the Permanent Global Note against the surrender

of the Permanent Global Note to or to the order of the Principal Paying Agent within 30 days of the bearer requesting such exchange.

If a global note is exchangeable for Definitive Notes at the option of the Noteholders, the Notes shall be tradeable only in principal amounts of at least the Specified Denomination (or if more than one Specified Denomination, the lowest Specified Denomination) and integral multiples thereof.

Terms and Conditions applicable to the Notes

The terms and conditions applicable to any Definitive Note will be endorsed on that Note and will consist of the terms and conditions set out under “*Terms and Conditions of the Notes*” below and the provisions of the relevant Final Terms which modify, amend and/or replace those terms and conditions.

The terms and conditions applicable to any Note in global form will differ from those terms and conditions which would apply to the Note were it in definitive form to the extent described under “*Summary of Provisions Relating to the Notes while in Global Form*” below.

Legend concerning United States persons

In the case of any Tranche of Bearer Notes having a maturity of more than 365 days, the Notes in global form, the Notes in definitive form and any Coupons and Talons appertaining thereto will bear a legend to the following effect:

“Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code.”

Registered Notes

Each Tranche of Notes in registered form (“**Registered Notes**”) will be represented by either individual Note Certificates in registered form (“**Individual Note Certificates**”) or a global Note in registered form (a “**Global Registered Note**”), in each case as specified in the relevant Final Terms.

In a press release dated 22 October 2008, “*Evolution of the custody arrangement for international debt securities and their eligibility in Eurosystem credit operations*”, the ECB announced that it has assessed the new holding structure and custody arrangements for registered notes which the ICSDs had designed in cooperation with market participants and that Notes to be held under the New Safekeeping Structure would be in compliance with the “*Standards for the use of EU securities settlement systems in ESCB credit operations*” of the Eurosystem, subject to the conclusion of the necessary legal and contractual arrangements. The press release also stated that the new arrangements for Notes to be held in NSS form will be offered by Euroclear and Clearstream, Luxembourg as of 30 June 2010 and that registered debt securities in global registered form issued through Euroclear and Clearstream, Luxembourg after 30 September 2010 will only be eligible as collateral in Eurosystem operations if the New Safekeeping Structure is used.

Each Note represented by a Global Registered Note will either be: (a) in the case of a Note which is not to be held under the New Safekeeping Structure, registered in the name of a common depository (or its nominee) for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and the relevant Global Registered Note will be deposited on or about the issue date with the common depository; or (b) in the case of a Note to be held under the New Safekeeping Structure, be registered in the name of a common safekeeper (or its nominee) for Euroclear and/or Clearstream, Luxembourg and the relevant Global Registered Note will be deposited on or about the issue date with the common safekeeper for Euroclear and/or Clearstream, Luxembourg.

Whether or not the Notes are intended to be held in a manner which would allow Eurosystem eligibility will be set out in the relevant Final Terms. Note that the designation “Yes” in the relevant Final Terms means that the Notes are intended upon issue to be deposited with one of the ICSDs as common safekeeper and registered in the name of a nominee of one of the ICSDs acting as common safekeeper, and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the

Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon satisfaction of the Eurosystem eligibility criteria. Where the designation is specified as “No” in the relevant Final Terms, should the Eurosystem eligibility criteria be amended in the future such that the Notes are capable of meeting them, the Notes may then be deposited with one of the ICSDs as common safekeeper and registered in the name of a nominee of one of the ICSDs acting as common safekeeper. Note that this does not necessarily mean that the Notes will then be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem at any time during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.

If the relevant Final Terms specifies the form of Notes as being “Individual Note Certificates”, then the Notes will at all times be represented by Individual Note Certificates issued to each Noteholder in respect of their respective holdings.

Global Registered Note exchangeable for Individual Note Certificates

If the relevant Final Terms specifies the form of Notes as being “Global Registered Note exchangeable for Individual Note Certificates”, then the Notes will initially be represented by one or more Global Registered Notes each of which will be exchangeable in whole, but not in part, for Individual Note Certificates:

- (i) on the expiry of such period of notice as may be specified in the relevant Final Terms; or
- (ii) at any time, if so specified in the relevant Final Terms; or
- (iii) if the relevant Final Terms specifies “in the limited circumstances described in the Global Registered Note”, then:
 - (a) if Euroclear, Clearstream, Luxembourg or any other relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business; and
 - (b) in any case, if any of the circumstances described in Condition 13 (*Events of Default*) occurs.

Whenever a Global Registered Note is to be exchanged for Individual Note Certificates, each person having an interest in a Global Registered Note must provide the Registrar (through the relevant clearing system) with such information as the Issuer and the Registrar may require to complete and deliver Individual Note Certificates (including the name and address of each person in which the Notes represented by the Individual Note Certificates are to be registered and the principal amount of each such person’s holding).

Whenever a Global Registered Note is to be exchanged for Individual Note Certificates, the Issuer shall procure that Individual Note Certificates will be issued in an aggregate principal amount equal to the principal amount of the Global Registered Note within five business days of the delivery, by or on behalf of the registered holder of the Global Registered Note to the Registrar of such information as is required to complete and deliver such Individual Note Certificates against the surrender of the Global Registered Note at the specified office of the Registrar.

Such exchange will be effected in accordance with the provisions of the Trust Deed and the Agency Agreement and the regulations concerning the transfer and registration of Notes scheduled to the Agency Agreement and, in particular, shall be effected without charge to any holder, but against such indemnity as the Registrar may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such exchange.

Terms and Conditions applicable to the Notes

The terms and conditions applicable to any Individual Note Certificate will be endorsed on that Individual Note Certificate and will consist of the terms and conditions set out under “*Terms and Conditions of the Notes*” below and the provisions of the relevant Final Terms which complete those terms and conditions.

The terms and conditions applicable to any Global Registered Note will differ from those terms and conditions which would apply to the Note were it in definitive form to the extent described under “*Summary of Provisions Relating to the Notes while in Global Form*” below.

SUMMARY OF PROVISIONS RELATING TO THE NOTES WHILE IN GLOBAL FORM

Clearing System Accountholders

In relation to any Tranche of Notes represented by a Global Note in bearer form, references in the Terms and Conditions of the Notes to “Noteholder” are references to the bearer of the relevant Global Note which, for so long as the Global Note is held by a depositary or a common depositary, in the case of a CGN, or a common safekeeper, in the case of an NGN for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system, will be that depositary or common depositary or, as the case may be, common safekeeper.

In relation to any Tranche of Notes represented by one or more Global Registered Notes, references in the Terms and Conditions of the Notes to “Noteholder” are references to the person in whose name the relevant Global Registered Note is for the time being registered in the Register which for so long as the Global Registered Note is held by or on behalf of a depositary or a common depositary or a common safekeeper for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system, will be that depositary or common depositary or common safekeeper or a nominee for that depositary or common depositary or common safekeeper.

Each of the persons shown in the records of Euroclear, Clearstream, Luxembourg and/or any other relevant clearing system as being entitled to an interest in a Global Note or a Global Registered Note (each an “**Accountholder**”) must look solely to Euroclear, Clearstream, Luxembourg and/or such other relevant clearing system (as the case may be) for such Accountholder’s share of each payment made by the Issuer or the Guarantor to the holder of such Global Note or Global Registered Note and in relation to all other rights arising under such Global Note or Global Registered Note. The extent to which, and the manner in which, Accountholders may exercise any rights arising under a Global Note or Global Registered Note will be determined by the respective rules and procedures of Euroclear and Clearstream, Luxembourg and any other relevant clearing system from time to time. For so long as the relevant Notes are represented by a Global Note or Global Registered Note, Accountholders shall have no claim directly against the Issuer and/or the Guarantor in respect of payments due under the Notes and such obligations of the Issuer and the Guarantor will be discharged by payment to the holder of such Global Note or Global Registered Note.

Transfers of Interests in Global Notes and Global Registered Notes

Transfers of interests in Global Notes and Global Registered Notes within Euroclear and Clearstream, Luxembourg or any other relevant clearing system will be in accordance with their respective rules and operating procedures. None of the Issuer, the Guarantor, the Trustee, the Registrar, the Dealers or the Agents will have any responsibility or liability for any aspect of the records of any Euroclear and Clearstream, Luxembourg or any other relevant clearing system or any of their respective participants relating to payments made on account of beneficial ownership interests in a Global Note or Global Registered Note or for maintaining, supervising or reviewing any of the records of Euroclear and Clearstream, Luxembourg or any other relevant clearing system or the records of their respective participants relating to such beneficial ownership interests.

For a further description of restrictions on the transfer of Notes, see “*Subscription and Sale*”.

Conditions applicable to Global Notes

Each Global Note and Global Registered Note will contain provisions which modify the Terms and Conditions of the Notes as they apply to the Global Note or Global Registered Note. The following is a summary of certain of those provisions:

Payments: All payments in respect of the Global Note or Global Registered Note which, according to the Terms and Conditions of the Notes, require presentation and/or surrender of a Note, Note Certificate or Coupon will be made against presentation and (in the case of payment of principal in full with all interest accrued thereon) surrender of the Global Note or Global Registered Note to or to the order of any Paying Agent and will be effective to satisfy and discharge the corresponding liabilities of the Issuer in respect of the Notes. On each occasion on which a payment of principal or interest is made in respect of the (i) Global Note, the Issuer shall procure that in respect of a CGN the payment is noted in a schedule thereto and in respect of an NGN the payment

is entered *pro rata* in the records of Euroclear and Clearstream, Luxembourg and (ii) Global Registered Note, the Issuer shall procure that if such Global Registered Note is held under the NSS, the payment is entered into *pro rata* in the records of Euroclear and Clearstream Luxembourg.

Payment Business Day: in the case of a Global Note or a Global Registered Note, shall be: if the currency of payment is euro, any day which is a TARGET Settlement Day and a day on which dealings in foreign currencies may be carried on in each (if any) Additional Financial Centre; or, if the currency of payment is not euro, any day which is a day on which dealings in foreign currencies may be carried on in the Principal Financial Centre of the currency of payment and in each (if any) Additional Financial Centre.

Payment Record Date: Each payment in respect of a Global Registered Note will be made to the person shown as the Holder in the Register at the close of business (in the relevant clearing system) on the Clearing System Business Day before the due date for such payment (the “**Record Date**”) where “**Clearing System Business Day**” means a day on which each clearing system for which the Global Registered Note is being held is open for business.

Exercise of put option: In order to exercise the option contained in Condition 9(e) (*Redemption at the option of Noteholders*) the bearer of a Permanent Global Note or the holder of a Global Registered Note must, within the period specified in the Conditions for the deposit of the relevant Note and put notice, give written notice of such exercise to the Principal Paying Agent specifying the principal amount of Notes in respect of which such option is being exercised. Any such notice will be irrevocable and may not be withdrawn.

Partial exercise of call option: In connection with an exercise of the option contained in Condition 9(c) (*Redemption at the option of the Issuer*) in relation to some only of the Notes, the Permanent Global Note or Global Registered Note may be redeemed in part in the principal amount specified by the Issuer in accordance with the Conditions and the Notes to be redeemed will not be selected as provided in the Conditions but in accordance with the rules and procedures of Euroclear and/or Clearstream, Luxembourg (to be reflected in the records of Euroclear and/or Clearstream, Luxembourg as either a pool factor or a reduction in principal amount, at their discretion).

Notices: Notwithstanding Condition 20 (*Notices*), while all the Notes are represented by a Permanent Global Note (or by a Permanent Global Note and/or a Temporary Global Note) or a Global Registered Note and the Permanent Global Note is (or the Permanent Global Note and/or the Temporary Global Note are), or the Global Registered Note is, deposited with a depositary or a common depositary for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system or a common safekeeper, notices to Noteholders may be given by delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and, in any case, such notices shall be deemed to have been given to the Noteholders in accordance with Condition 20 (*Notices*) on the date of delivery to Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system. Whilst any of the Notes held by a Noteholder are represented by a Global Note, notices to be given by such Noteholder may be given by such Noteholder to the Principal Paying Agent or Registrar (as applicable) through Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system, and otherwise in such manner as the Principal Paying Agent or the Registrar, as the case may be, and/or Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system, as the case may be, may approve for this purpose.

Electronic Consent: While any Global Note is held on behalf of, or any Global Registered Note is registered in the name of a nominee for a depositary common to, a clearing system, then approval of a resolution proposed by the Issuer given by way of electronic consents communicated through the electronic communications systems of the relevant clearing system(s) in accordance with their operating rules and procedures by or on behalf of the holders of not less than three quarters of the principal amount of the Notes outstanding (an “**Electronic Consent**”) shall, for all purposes, take effect as an Extraordinary Resolution passed at a meeting of Noteholders duly convened and held, and shall be binding on all Noteholders and holders of Coupons whether or not they participated in such Electronic Consent.

TERMS AND CONDITIONS OF THE NOTES

The following is the text of the terms and conditions which, as completed by the relevant Final Terms, will be endorsed on each Note in definitive form issued under the Programme. The terms and conditions applicable to any Note in global form will differ from those terms and conditions which would apply to the Note were it in definitive form to the extent described under “Summary of Provisions Relating to the Notes while in Global Form” above.

1. Introduction

- (a) *Programme:* CETIN Finance B.V. (the “**Issuer**”) has established a Euro Medium Term Note Programme (the “**Programme**”) for the issuance of up to EUR 2,000,000,000 (or the equivalent in other currencies at the date of issue) in aggregate principal amount of notes (the “**Notes**”) guaranteed by Česká telekomunikační infrastruktura, a.s. (the “**Guarantor**”).
- (b) *Final Terms:* Notes issued under the Programme are issued in series (each a “**Series**”) and each Series may comprise one or more tranches (each a “**Tranche**”) of Notes. Each Tranche is the subject of a final terms (the “**Final Terms**”) which modifies, amends and/or replaces these terms and conditions (the “**Conditions**”). The terms and conditions applicable to any particular Tranche of Notes are these Conditions as modified, amended and/or replaced by the relevant Final Terms. In the event of any inconsistency between these Conditions and the relevant Final Terms, the relevant Final Terms shall prevail.
- (c) *Trust Deed:* The Notes are constituted by, are subject to, and have the benefit of, a trust deed dated 17 November 2016 (as amended or supplemented from time to time, the “**Trust Deed**”) between the Issuer, the Guarantor and Citicorp Trustee Company Limited as trustee (the “**Trustee**”, which expression includes all persons for the time being trustee or trustees appointed under the Trust Deed).
- (d) *Agency Agreement:* The Notes are the subject of an issue and paying agency agreement dated 17 November 2016 (the “**Agency Agreement**”) between the Issuer, the Guarantor, Citibank, N.A., London Branch as principal paying agent (the “**Principal Paying Agent**”, which expression includes any successor principal paying agent appointed from time to time in connection with the Notes), Citigroup Global Markets Deutschland AG as registrar (the “**Registrar**”, which expression includes any successor registrar appointed from time to time in connection with the Notes), the paying agents named therein (together with the Principal Paying Agent, the “**Paying Agents**”, which expression includes any successor or additional paying agents appointed from time to time in connection with the Notes), the transfer agents named therein (together with the Registrar, the “**Transfer Agents**”, which expression includes any successor or additional transfer agents appointed from time to time in connection with the Notes) and the Trustee. In these Conditions references to the “**Agents**” are to the Paying Agents and the Transfer Agents and any reference to an “**Agent**” is to any one of them.
- (e) *The Notes:* The Notes may be issued in bearer form (“**Bearer Notes**”), or in registered form (“**Registered Notes**”). All subsequent references in these Conditions to “Notes” are to the Notes which are the subject of the relevant Final Terms. Copies of the relevant Final Terms are available for viewing, and copies may be obtained from, the registered office of the Guarantor, Olšanská 2681/6, 130 00 Praha 3, Czech Republic and the Guarantor’s website <https://www.cetin.cz/cetin-finance-by> and at the registered office of the Issuer, Strawinskylaan 933, 1077XX Amsterdam, The Netherlands.
- (f) *Summaries:* Certain provisions of these Conditions are summaries of the Trust Deed and the Agency Agreement and are subject to their detailed provisions. Noteholders and the holders of the related interest coupons, if any, (the “**Couponholders**” and the “**Coupons**”, respectively) are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and the Agency Agreement applicable to them. Copies of the Trust Deed and the Agency Agreement are available for inspection by Noteholders during normal business hours at the Specified Offices of each of the Agents, the initial Specified Offices of which are set out below.

2. Interpretation

(a) *Definitions*: In these Conditions the following expressions have the following meanings:

“**Accrual Yield**” has the meaning given in the relevant Final Terms;

“**Additional Business Centre(s)**” means the city or cities specified as such in the relevant Final Terms;

“**Additional Financial Centre(s)**” means the city or cities specified as such in the relevant Final Terms;

“**Benchmark Security**” has the meaning given it in Condition 9(c) (*Redemption at the option of the Issuer*);

“**Business Day**” means:

(a) in relation to any sum payable in euro, a TARGET Settlement Day and a day on which commercial banks and foreign exchange markets settle payments generally in each (if any) Additional Business Centre; and

(b) in relation to any sum payable in a currency other than euro, a day on which commercial banks and foreign exchange markets settle payments generally in London, in the Principal Financial Centre of the relevant currency and in each (if any) Additional Business Centre;

“**Business Day Convention**”, in relation to any particular date, has the meaning given in the relevant Final Terms and, if so specified in the relevant Final Terms, may have different meanings in relation to different dates and, in this context, the following expressions shall have the following meanings:

(a) “**Following Business Day Convention**” means that the relevant date shall be postponed to the first following day that is a Business Day;

(b) “**Modified Following Business Day Convention**” or “**Modified Business Day Convention**” means that the relevant date shall be postponed to the first following day that is a Business Day unless that day falls in the next calendar month in which case that date will be the first preceding day that is a Business Day;

(c) “**Preceding Business Day Convention**” means that the relevant date shall be brought forward to the first preceding day that is a Business Day;

(d) “**FRN Convention**”, “**Floating Rate Convention**” or “**Eurodollar Convention**” means that each relevant date shall be the date which numerically corresponds to the preceding such date in the calendar month which is the number of months specified in the relevant Final Terms as the Specified Period after the calendar month in which the preceding such date occurred *provided, however, that*:

(i) if there is no such numerically corresponding day in the calendar month in which any such date should occur, then such date will be the last day which is a Business Day in that calendar month;

(ii) if any such date would otherwise fall on a day which is not a Business Day, then such date will be the first following day which is a Business Day unless that day falls in the next calendar month, in which case it will be the first preceding day which is a Business Day; and

(iii) if the preceding such date occurred on the last day in a calendar month which was a Business Day, then all subsequent such dates will be the last day which is a Business Day in the calendar month which is the specified number of months after the calendar month in which the preceding such date occurred; and

(e) “**No Adjustment**” means that the relevant date shall not be adjusted in accordance with any Business Day Convention;

“**Calculation Agent**” means the Principal Paying Agent or such other Person specified in the relevant Final Terms as the party responsible for calculating the Rate(s) of Interest and Interest Amount(s) and/or such other amount(s) as may be specified in the relevant Final Terms;

“**Calculation Amount**” means the amount specified in the relevant Final Terms;

“**Change of Control**” has the meaning given to it in Condition 9(f) (*Change of Control Put Option*);

“**Change of Control Period**” has the meaning given to it in Condition 9(f) (*Change of Control Put Option*);

“**Change of Control Put Event Notice**” has the meaning given to it in Condition 9(f) (*Change of Control Put Option*);

“**Change of Control Put Option Notice**” has the meaning given to it in Condition 9(f) (*Change of Control Put Option*);

“**Change of Control Put Period**” has the meaning given to it in Condition 9(f) (*Change of Control Put Option*);

“**Coupon Sheet**” means, in respect of a Note, a coupon sheet relating to the Note;

“**Day Count Fraction**” means, in respect of the calculation of an amount for any period of time (the “**Calculation Period**”), such day count fraction as may be specified in these Conditions or the relevant Final Terms and:

- (a) if “**Actual/Actual (ICMA)**” is so specified, means:
- (i) where the Calculation Period is equal to or shorter than the Regular Period during which it falls, the actual number of days in the Calculation Period divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year; and
 - (ii) where the Calculation Period is longer than one Regular Period, the sum of:
 - (A) the actual number of days in such Calculation Period falling in the Regular Period in which it begins divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year; and
 - (B) the actual number of days in such Calculation Period falling in the next Regular Period divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year;
 - (iii) if “**Actual/Actual (ISDA)**” is so specified, means the actual number of days in the Calculation Period divided by 365 (or, if any portion of the Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);
 - (iv) if “**Actual/365 (Fixed)**” is so specified, means the actual number of days in the Calculation Period divided by 365;
 - (v) if “**Actual/360**” is so specified, means the actual number of days in the Calculation Period divided by 360;

- (vi) if “**30/360**” is so specified, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

“**Y₁**” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“**Y₂**” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**M₁**” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“**M₂**” is the calendar month, expressed as number, in which the day immediately following the last day included in the Calculation Period falls;

“**D₁**” is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case **D₁** will be 30; and

“**D₂**” is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and **D₁** is greater than 29, in which case **D₂** will be 30”;

- (vii) if “**30E/360**” or “**Eurobond Basis**” is so specified, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

“**Y₁**” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“**Y₂**” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**M₁**” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“**M₂**” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**D₁**” is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case **D₁** will be 30; and

“**D₂**” is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31, in which case **D₂** will be 30; and

- (viii) if “**30E/360 (ISDA)**” is so specified, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

“**Y₁**” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“**Y₂**” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**M₁**” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“**M₂**” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**D₁**” is the first calendar day, expressed as a number, of the Calculation Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case **D₁** will be 30; and

“**D₂**” is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case **D₂** will be 30,

provided, however, that in each such case the number of days in the Calculation Period is calculated from and including the first day of the Calculation Period to but excluding the last day of the Calculation Period;

“**Early Redemption Amount (Tax)**” means, in respect of any Note, its principal amount or such other amount as may be specified in the relevant Final Terms;

“**Early Termination Amount**” means, in respect of any Note, its principal amount or such other amount as may be specified in these Conditions or the relevant Final Terms;

“**EBITDA**” means income before income taxes and financial income (costs), plus depreciation and amortisation, plus impairment of property, plant and equipment and intangible assets (including goodwill);

“**EURIBOR**” means, in respect of any specified currency and any specified period, the interest rate benchmark known as the Euro zone interbank offered rate which is calculated and published by a designated distributor (currently Thomson Reuters) in accordance with the requirements from time to time of the European Money Markets Institute (or any other person which takes over the administration of that rate) based on estimated interbank borrowing rates for a number of designated currencies and maturities which are provided, in respect of each such currency, by a panel of contributor banks (details of historic EURIBOR rates can be obtained from the designated distributor);

“**Extraordinary Resolution**” has the meaning given in the Trust Deed;

“**Final Redemption Amount**” means, in respect of any Note, its principal amount or such other amount as may be specified in the relevant Final Terms;

“**First Interest Payment Date**” means the date specified in the relevant Final Terms;

“**Fixed Coupon Amount**” has the meaning given in the relevant Final Terms;

“**Guarantee**” means, in relation to any Indebtedness of any Person, any obligation of another Person to pay such Indebtedness including (without limitation):

- (a) any obligation to purchase such Indebtedness;

- (b) any obligation to lend money, to purchase or subscribe shares or other securities or to purchase assets or services in order to provide funds for the payment of such Indebtedness;
- (c) any indemnity against the consequences of a default in the payment of such Indebtedness; and
- (d) any other agreement to be responsible for such Indebtedness;

“**Guarantee of the Notes**” means the guarantee of the Notes given by the Guarantor in the Trust Deed;

“**Holder**”, in the case of Bearer Notes, has the meaning given in Condition 3(b) (*Form, Denomination, Title and Transfer - Title to Bearer Notes*) and, in the case of Registered Notes, has the meaning given in Condition 3(d) (*Form, Denomination, Title and Transfer - Title to Registered Notes*);

“**Indebtedness**” means any indebtedness of any Person for money borrowed or raised including (without limitation) any indebtedness for or in respect of:

- (a) amounts raised by acceptance under any acceptance credit facility;
- (b) amounts raised under any note purchase facility;
- (c) the amount of any liability in respect of leases or hire purchase contracts which would, in accordance with applicable law and generally accepted accounting principles, be treated as finance or capital leases;
- (d) the amount of any liability in respect of any purchase price for assets or services the payment of which is deferred for a period in excess of 195 days; and
- (e) amounts raised under any other transaction (including, without limitation, any forward sale or purchase agreement) having the commercial effect of a borrowing;

“**Initial Rate of Interest**” means the rate (expressed as a percentage per annum) of interest initially payable in respect of the Notes specified in the relevant Final Terms;

“**Interest Amount**” means, in relation to a Note and an Interest Period, the amount of interest payable in respect of that Note for that Interest Period;

“**Interest Commencement Date**” means the Issue Date of the Notes or such other date as may be specified as the Interest Commencement Date in the relevant Final Terms;

“**Interest Determination Date**” has the meaning given in the relevant Final Terms;

“**Interest Payment Date**” means the First Interest Payment Date and any other date or dates specified as such in, or determined in accordance with the provisions of, the relevant Final Terms and, if a Business Day Convention is specified in the relevant Final Terms:

- (a) as the same may be adjusted in accordance with the relevant Business Day Convention; or
- (b) if the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention and an interval of a number of calendar months is specified in the relevant Final Terms as being the Specified Period, each of such dates as may occur in accordance with the FRN Convention, Floating Rate Convention or Eurodollar Convention at such Specified Period of calendar months following the Interest Commencement Date (in the case of the first Interest Payment Date) or the previous Interest Payment Date (in any other case);

“**Interest Period**” means each period beginning on (and including) the Interest Commencement Date or any Interest Payment Date and ending on (but excluding) the next Interest Payment Date;

“**ISDA Definitions**” means the 2006 ISDA Definitions (as amended and updated as at the date of issue of the first Tranche of the Notes of the relevant Series (as specified in the relevant Final Terms) as published by the International Swaps and Derivatives Association, Inc.);

“**Issue Date**” has the meaning given in the relevant Final Terms;

“**LIBOR**” means, in respect of any specified currency and any specified period, the interest rate benchmark known as the London interbank offered rate which is calculated and published by a designated distributor (currently Thomson Reuters) in accordance with the requirements from time to time of ICE Benchmark Administration Limited (or any other person which takes over the administration of that rate) based on estimated interbank borrowing rates for a number of designated currencies and maturities which are provided, in respect of each such currency, by a panel of contributor banks (details of historic LIBOR rates can be obtained from the designated distributor);

“**Make Whole Margin**” has the meaning given to it in Condition 9(c) (*Redemption at the option of the Issuer*);

“**Make Whole Redemption Amount**” has the meaning given to it in Condition 9(c) (*Redemption at the option of the Issuer*);

“**Margin**” has the meaning given in the relevant Final Terms;

“**Material Subsidiary**” means at any relevant time a Subsidiary of the Issuer or of the Guarantor, which is not a Project Finance Entity, and:

- (a) whose total assets or EBITDA (where the Subsidiary in question prepares consolidated accounts, whose total consolidated assets or consolidated EBITDA, as the case may be) attributable to the Issuer or the Guarantor represent not less than 10% of the total consolidated assets or the consolidated EBITDA of the Issuer or Guarantor, all as calculated by reference to the then latest audited accounts (or consolidated accounts, as the case may be) of such Subsidiary and the then latest audited consolidated accounts of the Issuer and its consolidated Subsidiaries or the Guarantor and its consolidated Subsidiaries (as applicable); or
- (b) to which is transferred all or substantially all of the assets and undertaking of a Subsidiary which immediately prior to such transfer is a Material Subsidiary;

“**Maturity Date**” has the meaning given in the relevant Final Terms;

“**Maximum Redemption Amount**” has the meaning given in the relevant Final Terms;

“**Minimum Redemption Amount**” has the meaning given in the relevant Final Terms;

“**Noteholder**”, in the case of Bearer Notes, has the meaning given in Condition 3(b) (*Form, Denomination, Title and Transfer - Title to Bearer Notes*) and, in the case of Registered Notes, has the meaning given in Condition 3(d) (*Form, Denomination, Title and Transfer - Title to Registered Notes*);

“**Optional Redemption Amount (Call)**” means, in respect of any Note, its principal amount, the Make Whole Redemption Amount, or such other amount as may be specified in the relevant Final Terms;

“**Optional Redemption Amount (Put)**” means, in respect of any Note, its principal amount or such other amount as may be specified in the relevant Final Terms;

“**Optional Redemption Date (Call)**” has the meaning given in the relevant Final Terms;

“**Optional Redemption Date (Put)**” has the meaning given in the relevant Final Terms;

“**Par Redemption Date**” has the meaning given to it in Condition 9(c) (*Redemption at the option of the Issuer*);

“**Participating Member State**” means a Member State of the European Union which adopts the euro as its lawful currency in accordance with the Treaty;

“**Payment Business Day**” means:

- (a) if the currency of payment is euro, any day which is:
 - (i) a day on which banks in the relevant place of presentation are open for presentation and payment of bearer debt securities and for dealings in foreign currencies; and
 - (ii) in the case of payment by transfer to an account, a TARGET Settlement Day and a day on which dealings in foreign currencies may be carried on in each (if any) Additional Financial Centre; or
- (b) if the currency of payment is not euro, any day which is:
 - (i) a day on which banks in the relevant place of presentation are open for presentation and payment of bearer debt securities and for dealings in foreign currencies; and
 - (ii) in the case of payment by transfer to an account, a day on which dealings in foreign currencies may be carried on in the Principal Financial Centre of the currency of payment and in each (if any) Additional Financial Centre;

“**Permitted Reorganisation**” means any reconstruction, merger, de-merger, consolidation, amalgamation, transfer of assets and/or activities or other form of reorganisation involving the Issuer, Guarantor or any of their respective Material Subsidiaries pursuant to which:

- (i) the Issuer, Guarantor or any of their Material Subsidiaries (as the case may be) is wound-up, liquidated or dissolved;
- (ii) the surviving entity shall be the transferee of, or successor to, all the business of the Issuer, the Guarantor or the respective Material Subsidiary (as the case may be);
- (iii) if involving the Issuer or the Guarantor, the surviving entity shall assume all of the obligations of the Issuer or the Guarantor (as applicable) with respect to the Notes; and
- (iv) if involving the Guarantor, such surviving entity holds at least the same corporate credit rating as the Guarantor at the time of such transaction, unless such Permitted Reorganisation has been approved by an Extraordinary Resolution of the Noteholders;

“**Person**” means any individual, company, corporation, firm, partnership, joint venture, association, organisation, state or agency of a state or other entity, whether or not having separate legal personality;

“**PRIBOR**” means, in respect of any specified period, the interest rate benchmark known as the Prague interbank offered rate which is calculated and published by a designated calculation agent in accordance with the requirements from time to time of the Czech National Bank (or any other person which takes over the administration of that rate) based on estimated interbank borrowing rates for transactions in CZK for a number of maturities, which are provided by a panel of contributor banks (details of historic PRIBOR rates can be obtained from the Czech National Bank);

“**Principal Financial Centre**” means, in relation to any currency, the principal financial centre for that currency *provided, however, that* in relation to euro, it means the principal financial centre of such Member State of the European Communities as is selected (in the case of a payment) by the payee or (in the case of a calculation) by the Calculation Agent;

“**Project Finance Assets**” means the assets (including, for the avoidance of doubt, shares (or other interests) of a Project Finance Entity);

“**Project Finance Entity**” means any entity in which the Issuer, the Guarantor or any of their respective Subsidiaries holds an interest (a) whose only assets and business are constituted by: (i) the ownership, creation, development, construction, improvement, exploitation or operation of one or more of such entity’s assets, or (ii) shares (or other interests) in the capital of other entities that satisfy limb (i) of this definition, and (b) who do not have any Indebtedness other than Project Finance Debt;

“**Project Finance Debt**” means any Indebtedness incurred by:

- (a) a Project Finance Entity in respect of the activities of such entity or another Project Finance Entity in which it holds shares (or other interests) (including any derivative transaction entered into in connection with protection against or benefit from fluctuation in any rate or price (and, when calculating the value of any derivative transaction only the marked to market value shall be taken into account to the extent such amount has become due but unpaid) *provided, however, that*, such derivative transaction does not include an actual or contingent payment or delivery obligation by any Person other than such Project Finance Entity); or
- (b) any Subsidiary formed exclusively for the purpose of financing a Project Finance Entity;

where, in each case, the holders of such Indebtedness have no recourse against the Issuer, the Guarantor or any of their respective Subsidiaries (or its or their respective assets), except for recourse to (y) the Project Finance Assets of such Project Finance Entities; and (z) in the case of (b) above only, the Subsidiary incurring such Indebtedness;

“**Put Option Notice**” means a notice which must be delivered to a Paying Agent by any Noteholder wanting to exercise a right to redeem a Note at the option of the Noteholder;

“**Put Option Receipt**” means a receipt issued by a Paying Agent to a depositing Noteholder upon deposit of a Note with such Paying Agent by any Noteholder wanting to exercise a right to redeem a Note at the option of the Noteholder;

“**Rate of Interest**” means the rate or rates (expressed as a percentage per annum) of interest payable in respect of the Notes specified in the relevant Final Terms or calculated or determined in accordance with the provisions of these Conditions and/or the relevant Final Terms;

“**Rating**” has the meaning given to it in Condition 6(e) (*Adjustment of Interest Rate*);

“**Rating Agency**” means any of Moody’s Investors Service Limited, Fitch Ratings Limited and their respective successors and/or any other rating agency of equivalent standing notified by the Issuer to the Noteholders in accordance with Condition 20 (*Notices*);

“**Rating Decrease**” has the meaning given to it in Condition 6(e) (*Adjustment of Interest Rate*);

“**Rating Event**” has the meaning given to it in Condition 9(f) (*Change of Control Put Option*);

“**Redemption Amount**” means, as appropriate, the Final Redemption Amount, the Early Redemption Amount (Tax), the Optional Redemption Amount (Call), the Optional Redemption Amount (Put), the Early Termination Amount or such other amount in the nature of a redemption amount as may be specified in the relevant Final Terms;

“**Reference Banks**” has the meaning given in the relevant Final Terms or, if none, four major banks selected by the Calculation Agent in consultation with the Issuer in the market that is most closely connected with the Reference Rate;

“**Reference Price**” has the meaning given in the relevant Final Terms;

“**Reference Rate**” means EURIBOR or LIBOR or PRIBOR as specified in the relevant Final Terms in respect of the currency and period specified in the relevant Final Terms;

“**Reference Time**” has the meaning given to it in Condition 9(c) (*Redemption at the option of the Issuer*);

“**Regular Period**” means:

- (a) in the case of Notes where interest is scheduled to be paid only by means of regular payments, each period from and including the Interest Commencement Date to but excluding the first Interest Payment Date and each successive period from and including one Interest Payment Date to but excluding the next Interest Payment Date;
- (b) in the case of Notes where, apart from the first Interest Period, interest is scheduled to be paid only by means of regular payments, each period from and including a Regular Date falling in any year to but excluding the next Regular Date, where “**Regular Date**” means the day and month (but not the year) on which any Interest Payment Date falls; and
- (c) in the case of Notes where, apart from one Interest Period other than the first Interest Period, interest is scheduled to be paid only by means of regular payments, each period from and including a Regular Date falling in any year to but excluding the next Regular Date, where “**Regular Date**” means the day and month (but not the year) on which any Interest Payment Date falls other than the Interest Payment Date falling at the end of the irregular Interest Period.

“**Relevant Date**” means, in relation to any payment, whichever is the later of (a) the date on which the payment in question first becomes due and (b) if the full amount payable has not been received in the Principal Financial Centre of the currency of payment by the Principal Paying Agent or the Trustee on or prior to such due date, the date on which (the full amount having been so received) notice to that effect has been given to the Noteholders;

“**Relevant Financial Centre**” has the meaning given in the relevant Final Terms;

“**Relevant Indebtedness**” means any Indebtedness which is in the form of or represented by any bond, note, debenture, debenture stock, loan stock, certificate or other instrument which is, or is capable of being, listed, quoted or traded on any stock exchange or in any securities market (including, without limitation, any over-the-counter market);

“**Relevant Screen Page**” means the page, section or other part of a particular information service (including, without limitation, Reuters) specified as the Relevant Screen Page in the relevant Final Terms, or such other page, section or other part as may replace it on that information service or such other information service, in each case, as may be nominated by the Person providing or sponsoring the information appearing there for the purpose of displaying rates or prices comparable to the Reference Rate;

“**Relevant Time**” has the meaning given in the relevant Final Terms;

“**Reserved Matter**” means any proposal to change any date fixed for payment of principal or interest in respect of the Notes, to reduce the amount of principal or interest payable on any date in respect of the Notes, to alter the method of calculating the amount of any payment in respect of the Notes on redemption or maturity or the date for any such payment, to effect the exchange or substitution of the Notes for, or the conversion of the Notes into, shares, bonds or other obligations or securities of the Issuer, the Guarantor or any other person or body corporate formed or to be formed (other than a substitution of the Issuer permitted by Condition 17(c) and Clause 8.3 of the Trust Deed), to change the currency of any payment under the Notes, to modify any provision of or cancel the guarantee of the Notes (other than as permitted under Clause 8.3 of the Trust Deed) or to change the quorum requirements relating to meetings or the majority required to pass an Extraordinary Resolution or to amend this definition;

“**Security Interest**” means any mortgage, charge, pledge, lien or other security interest including, without limitation, anything analogous to any of the foregoing under the laws of any jurisdiction;

“**Specified Currency**” has the meaning given in the relevant Final Terms;

“**Specified Denomination(s)**” has the meaning given in the relevant Final Terms;

“**Specified Office**” has the meaning given in the Agency Agreement;

“**Specified Period**” has the meaning given in the relevant Final Terms;

“**Specified Threshold**” has the meaning given to it in Condition 6(e) (*Adjustment of Interest Rate*);

“**Step Down Event**” has the meaning given to it in Condition 6(e) (*Adjustment of Interest Rate*);

“**Step Up Event**” has the meaning given to it in Condition 6(e) (*Adjustment of Interest Rate*);

“**Step Up Margin**” has the meaning given to it in Condition 6(e) (*Adjustment of Interest Rate*);

“**Subsidiary**” means, in relation to any Person (the “**first Person**”) at any particular time, any other Person (the “**second Person**”):

- (a) whose affairs and policies the first Person controls or has the power to control, whether by ownership of share capital, contract, the power to appoint or remove members of the governing body of the second Person or otherwise; or
- (b) whose financial statements are, in accordance with applicable law and generally accepted accounting principles, consolidated with those of the first Person;

“**Talon**” means a talon for further Coupons;

“**TARGET2**” means the Trans-European Automated Real-Time Gross Settlement Express Transfer payment system which utilises a single shared platform and which was launched on 19 November 2007;

“**TARGET Settlement Day**” means any day on which TARGET2 is open for the settlement of payments in euro;

“**Treaty**” means the Treaty on the Functioning of the European Union, as amended; and

“**Zero Coupon Note**” means a Note specified as such in the relevant Final Terms.

(b) *Interpretation:* In these Conditions:

- (i) if the Notes are Zero Coupon Notes, references to Coupons and Couponholders are not applicable;
- (ii) if Talons are specified in the relevant Final Terms as being attached to the Notes at the time of issue, references to Coupons shall be deemed to include references to Talons;

- (iii) if Talons are not specified in the relevant Final Terms as being attached to the Notes at the time of issue, references to Talons are not applicable;
- (iv) any reference to principal shall be deemed to include the Redemption Amount, any additional amounts in respect of principal which may be payable under Condition 12 (*Taxation*), any premium payable in respect of a Note and any other amount in the nature of principal payable pursuant to these Conditions;
- (v) any reference to interest shall be deemed to include any additional amounts in respect of interest which may be payable under Condition 12 (*Taxation*) and any other amount in the nature of interest payable pursuant to these Conditions;
- (vi) references to Notes being “outstanding” shall be construed in accordance with the Trust Deed;
- (vii) if an expression is stated in Condition 2(a) (*Definitions*) to have the meaning given in the relevant Final Terms, but the relevant Final Terms gives no such meaning or specifies that such expression is “not applicable” then such expression is not applicable to the Notes; and
- (viii) any reference to the Trust Deed or the Agency Agreement shall be construed as a reference to the Trust Deed or the Agency Agreement, as the case may be, as amended and/or supplemented up to and including the Issue Date of the Notes.

3. Form, Denomination, Title and Transfer

- (a) *Bearer Notes:* Bearer Notes are in the Specified Denomination(s) with Coupons and, if specified in the relevant Final Terms, Talons attached at the time of issue. In the case of a Series of Bearer Notes with more than one Specified Denomination, Bearer Notes of one Specified Denomination will not be exchangeable for Bearer Notes of another Specified Denomination.
- (b) *Title to Bearer Notes:* Title to Bearer Notes and the Coupons will pass by delivery. In the case of Bearer Notes, “**Holder**” means the holder of such Bearer Note and “**Noteholder**” and “**Couponholder**” shall be construed accordingly.
- (c) *Registered Notes:* Registered Notes are in the Specified Denomination(s), which may include a minimum denomination specified in the relevant Final Terms and higher integral multiples of a smaller amount specified in the relevant Final Terms.
- (d) *Title to Registered Notes:* The Registrar will maintain the register in accordance with the provisions of the Agency Agreement. A certificate (each, a “**Note Certificate**”) will be issued to each Holder of Registered Notes in respect of its registered holding. Each Note Certificate will be numbered serially with an identifying number which will be recorded in the Register. Title to Registered Notes will pass by registration in the Register. In the case of Registered Notes, “**Holder**” means the person in whose name such Registered Note is for the time being registered in the Register (or, in the case of a joint holding, the first named thereof) and “**Noteholder**” shall be construed accordingly.
- (e) *Ownership:* The Holder of any Note or Coupon shall (except as otherwise required by law or ordered by a court of competent jurisdiction) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing thereon or, in the case of Registered Notes, on the Note Certificate relating thereto (other than the endorsed form of transfer) or any notice of any previous loss or theft thereof) and no Person shall be liable for so treating such Holder. No person shall have any right to enforce any term or condition of any Note under the Contracts (Rights of Third Parties) Act 1999.
- (f) *Transfers of Registered Notes:* Subject to paragraphs (i) (*Closed periods*) and (j) (*Regulations concerning transfers and registration*) below, a Registered Note may be transferred upon surrender of the relevant Note Certificate, with the endorsed form of transfer duly completed, at the Specified Office of the

Registrar or any Transfer Agent, together with such evidence as the Registrar or (as the case may be) such Transfer Agent may reasonably require to prove the title of the transferor and the authority of the individuals who have executed the form of transfer; *provided, however, that* a Registered Note may not be transferred unless the principal amount of Registered Notes transferred and (where not all of the Registered Notes held by a Holder are being transferred) the principal amount of the balance of Registered Notes not transferred are Specified Denominations. Where not all the Registered Notes represented by the surrendered Note Certificate are the subject of the transfer, a new Note Certificate in respect of the balance of the Registered Notes will be issued to the transferor.

- (g) *Registration and delivery of Note Certificates:* Within five business days of the surrender of a Note Certificate in accordance with paragraph (f) (*Transfers of Registered Notes*) above, the Registrar will register the transfer in question and deliver a new Note Certificate of a like principal amount to the Registered Notes transferred to each relevant Holder at its Specified Office or (as the case may be) the Specified Office of any Transfer Agent or (at the request and risk of any such relevant Holder) by uninsured first class mail (airmail if overseas) to the address specified for the purpose by such relevant Holder. In this paragraph, “**business day**” means a day on which commercial banks are open for general business (including dealings in foreign currencies) in the city where the Registrar or (as the case may be) the relevant Transfer Agent has its Specified Office.
- (h) *No charge:* The transfer of a Registered Note will be effected without charge by or on behalf of the Issuer or the Registrar or any Transfer Agent but against such indemnity as the Registrar or (as the case may be) such Transfer Agent may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such transfer.
- (i) *Closed periods:* Noteholders may not require transfers to be registered during the period of 15 days ending on the due date for any payment of principal or interest in respect of the Registered Notes.
- (j) *Regulations concerning transfers and registration:* All transfers of Registered Notes and entries on the Register are subject to the detailed regulations concerning the transfer of Registered Notes scheduled to the Agency Agreement. The regulations may be changed by the Issuer with the prior written approval of the Registrar. A copy of the current regulations will be mailed (free of charge) by the Registrar to any Noteholder who requests in writing a copy of such regulations.

4. Status and Guarantee

- (a) *Status of the Notes:* The Notes constitute direct and unconditional obligations of the Issuer which will at all times rank *pari passu* without preference among themselves and with all other present and future unsecured obligations of the Issuer, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.
- (b) *Guarantee of the Notes:* The Guarantor has in the Trust Deed unconditionally and irrevocably guaranteed the due and punctual payment of all sums from time to time payable by the Issuer in respect of the Notes. This Guarantee of the Notes constitutes direct and unconditional obligations of the Guarantor which will at all times rank *pari passu* with all other present and future unsecured obligations of the Guarantor, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.

5. Negative Pledge

So long as any Note remains outstanding, neither the Issuer nor the Guarantor shall, and the Issuer and the Guarantor shall procure that none of their respective Material Subsidiaries will, create or permit to subsist any Security Interest (other than in respect of Project Finance Debt) upon the whole or any part of its present or future undertaking, assets or revenues (including uncalled capital) to secure any Relevant Indebtedness or Guarantee of Relevant Indebtedness without (a) at the same time or prior thereto securing the Notes equally and rateably therewith to the satisfaction of the Trustee or (b) providing such other

security for the Notes as the Trustee may in its absolute discretion consider to be not materially less beneficial to the interests of the Noteholders or as may be approved by an Extraordinary Resolution of Noteholders.

6. Fixed Rate Note Provisions

- (a) *Application:* This Condition 6 (*Fixed Rate Note Provisions*) is applicable to the Notes only if the Fixed Rate Note Provisions are specified in the relevant Final Terms as being applicable.
- (b) *Accrual of interest:* The Notes bear interest from the Interest Commencement Date at the Rate of Interest payable in arrear on each Interest Payment Date, subject as provided in Condition 10 (*Payments – Bearer Notes*). Each Note will cease to bear interest from the due date for final redemption unless, upon due presentation, payment of the Redemption Amount is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition 6 (after as well as before judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (ii) the day which is seven days after the Principal Paying Agent or the Trustee has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).
- (c) *Fixed Coupon Amount:* The amount of interest payable in respect of each Note for any Interest Period shall be the relevant Fixed Coupon Amount and, if the Notes are in more than one Specified Denomination, shall be the relevant Fixed Coupon Amount in respect of the relevant Specified Denomination.
- (d) *Calculation of interest amount:* The amount of interest payable in respect of each Note for any period for which a Fixed Coupon Amount is not specified shall be calculated by applying the Rate of Interest to the Calculation Amount, multiplying the product by the relevant Day Count Fraction, rounding the resulting figure to the nearest sub-unit of the Specified Currency (half a sub-unit being rounded upwards) and multiplying such rounded figure by a fraction equal to the Specified Denomination of such Note divided by the Calculation Amount. For this purpose a “**sub-unit**” means, in the case of any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, in the case of euro, means one cent.
- (e) *Adjustment of Interest Rate*

If this Condition 6(e) is specified as applicable in the relevant Final Terms, the Rate of Interest will be the Initial Rate of Interest specified in the Final Terms. The Initial Rate of Interest payable on the Notes will be subject to adjustment in the event of a Step Up Event or a Step Down Event (each such adjustment a “**Rate Adjustment**”). Any Rate Adjustment shall be effective from and including the Interest Payment Date immediately following the date of the relevant Step Up Event or the relevant Step Down Event (and the relevant Fixed Coupon Amount shall be adjusted accordingly).

For any Interest Period commencing on or after the first Interest Payment Date immediately following the occurrence of a Step Up Event, the Rate of Interest shall be increased by the Step Up Margin. In the event that a Step Down Event occurs after the date of a Step Up Event (or on the same date but subsequent thereto) then for any Interest Period commencing on the first Interest Period following the occurrence of such Step Down Event, the Rate of Interest shall revert to the Initial Rate of Interest.

The Issuer will cause each Step Up Event and each Step Down Event to be notified to the Principal Paying Agent and the Trustee and notice thereof to be published in accordance with Condition 20 (*Notices*) as soon as possible after the occurrence of the Step Up Event or the Step Down Event but in no event later than the tenth (10th) Business Day thereafter.

For so long as any of the Notes are outstanding, the Issuer and the Guarantor shall use all reasonable efforts to maintain a Rating from both Rating Agencies. In the event that either Rating Agency fails to or ceases to assign a Rating, the Issuer and the Guarantor shall use all reasonable efforts to obtain a Rating

from a substitute Rating Agency and references in these conditions to Moody's or Fitch as the case may be, or the ratings thereof, shall be to such substitute Rating Agency or, as the case may be, the equivalent Ratings thereof. In the event that such a Rating is not obtained from a substitute Rating Agency within 90 days, then, for the purposes of the foregoing adjustments to the Rate of Interest, the Ratings assigned by the remaining Rating Agency shall be deemed also to be the Ratings assigned by the other Rating Agency.

Where:

“**Rating**” means the rating of the Notes, failing which, the rating of the Guarantor's senior unsecured long-term debt.

“**Rating Decrease**” means a decrease in the Rating to below the Specified Threshold with the exception of a Rating Event as defined in Condition 9(f) (*Change of Control Put Option*).

“**Specified Threshold**” means BBB-/Baa3 or its equivalent.

“**Step Down Event**” means where the Rate of Interest has previously been subject to an increase as a result of a Step Up Event due to (i) the first public announcement by any Rating Agency of a Rating Decrease, the first public announcement by such Rating Agency that it has assigned a Rating equal to or higher than the Specified Threshold, or (ii) the failure to assign or withdrawal of a Rating by both Rating Agencies, the reinstatement of a Rating by either Rating Agency equal to or higher than the Specified Threshold.

“**Step Up Event**” means (i) the first public announcement by any Rating Agency of a Rating Decrease, or (ii) the failure to assign or withdrawal of a Rating by both Rating Agencies.

“**Step Up Margin**” has the meaning given to it in the Final Terms.

7. **Floating Rate Note Provisions**

- (a) *Application:* This Condition 7 (*Floating Rate Note Provisions*) is applicable to the Notes only if the Floating Rate Note Provisions are specified in the relevant Final Terms as being applicable.
- (b) *Accrual of interest:* The Notes bear interest from the Interest Commencement Date at the Rate of Interest payable in arrear on each Interest Payment Date, subject as provided in Condition 10 (*Payments – Bearer Notes*). Each Note will cease to bear interest from the due date for final redemption unless, upon due presentation, payment of the Redemption Amount is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition (after as well as before judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (ii) the day which is seven days after the Principal Paying Agent or the Trustee has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).
- (c) *Screen Rate Determination:* If Screen Rate Determination is specified in the relevant Final Terms as the manner in which the Rate(s) of Interest is/are to be determined, the Rate of Interest applicable to the Notes for each Interest Period will be determined by the Calculation Agent on the following basis:
 - (i) if the Reference Rate is a composite quotation or customarily supplied by one entity, the Calculation Agent will determine the Reference Rate which appears on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date;

- (ii) if Linear Interpolation is specified as applicable in respect of an Interest Period in the applicable Final Terms, the Rate of Interest for such Interest Period shall be calculated by the Calculation Agent by straight-line linear interpolation by reference to two rates which appear on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date, where:
 - (A) one rate shall be determined as if the relevant Interest Period were the period of time for which rates are available next shorter than the length of the relevant Interest Period; and
 - (B) the other rate shall be determined as if the relevant Interest Period were the period of time for which rates are available next longer than the length of the relevant Interest Period; *provided, however, that* if no rate is available for a period of time next shorter or, as the case may be, next longer than the length of the relevant Interest Period, then the Calculation Agent shall determine such rate at such time and by reference to such sources as it determines appropriate;
- (iii) in any other case, the Calculation Agent will determine the arithmetic mean of the Reference Rates which appear on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date;
- (iv) if, in the case of (i) above, such rate does not appear on that page or, in the case of (iii) above, fewer than two such rates appear on that page or if, in either case, the Relevant Screen Page is unavailable, the Calculation Agent will:
 - (A) request the principal Relevant Financial Centre office of each of the Reference Banks to provide a quotation of the Reference Rate at approximately the Relevant Time on the Interest Determination Date to prime banks in the Relevant Financial Centre interbank market in an amount that is representative for a single transaction in that market at that time; and
 - (B) determine the arithmetic mean of such quotations; and
- (v) if fewer than two such quotations are provided as requested, the Calculation Agent will determine the arithmetic mean of the rates (being the nearest to the Reference Rate, as determined by the Calculation Agent) quoted by major banks in the Principal Financial Centre of the Specified Currency, selected by the Calculation Agent in consultation with the Issuer, at approximately 11.00 a.m. (local time in the Principal Financial Centre of the Specified Currency) on the first day of the relevant Interest Period for loans in the Specified Currency to leading European banks for a period equal to the relevant Interest Period and in an amount that is representative for a single transaction in that market at that time,

and the Rate of Interest for such Interest Period shall be the sum of the Margin and the rate or (as the case may be) the arithmetic mean so determined; *provided, however, that* if the Calculation Agent is unable to determine a rate or (as the case may be) an arithmetic mean in accordance with the above provisions in relation to any Interest Period, the Rate of Interest applicable to the Notes during such Interest Period will be the sum of the Margin and the rate or (as the case may be) the arithmetic mean last determined in relation to the Notes in respect of a preceding Interest Period.

- (d) *ISDA Determination:* If ISDA Determination is specified in the relevant Final Terms as the manner in which the Rate(s) of Interest is/are to be determined, the Rate of Interest applicable to the Notes for each Interest Period will be the sum of the Margin and the relevant ISDA Rate where “ISDA Rate” in relation to any Interest Period means a rate equal to the Floating Rate (as defined in the ISDA Definitions) that would be determined by the Calculation Agent under an interest rate swap transaction if the Calculation Agent were acting as Calculation Agent for that interest rate swap transaction under the terms of an agreement incorporating the ISDA Definitions and under which:
- (i) the Floating Rate Option (as defined in the ISDA Definitions) is as specified in the relevant Final Terms;
 - (ii) the Designated Maturity (as defined in the ISDA Definitions) is a period specified in the relevant Final Terms;
 - (iii) the relevant Reset Date (as defined in the ISDA Definitions) is either (A) if the relevant Floating Rate Option is based on LIBOR for a currency, the first day of that Interest Period or (B) in any other case, as specified in the relevant Final Terms; and
 - (iv) if Linear Interpolation is specified as applicable in respect of an Interest Period in the applicable Final Terms, the Rate of Interest for such Interest Period shall be calculated by the Calculation Agent by straight-line linear interpolation by reference to two rates based on the relevant Floating Rate Option, where:
 - (A) one rate shall be determined as if the Designated Maturity were the period of time for which rates are available next shorter than the length of the relevant Interest Period; and
 - (B) the other rate shall be determined as if the Designated Maturity were the period of time for which rates are available next longer than the length of the relevant Interest Period

provided, however, that if there is no rate available for a period of time next shorter than the length of the relevant Interest Period or, as the case may be, next longer than the length of the relevant Interest Period, then the Calculation Agent shall determine such rate at such time and by reference to such sources as it determines appropriate.
- (e) *Maximum or Minimum Rate of Interest:* If any Maximum Rate of Interest or Minimum Rate of Interest is specified in the relevant Final Terms, then the Rate of Interest shall in no event be greater than the maximum or be less than the minimum so specified.
- (f) *Calculation of Interest Amount:* The Calculation Agent will, as soon as practicable after the time at which the Rate of Interest is to be determined in relation to each Interest Period, calculate the Interest Amount payable in respect of each Note for such Interest Period. The Interest Amount will be calculated by applying the Rate of Interest for such Interest Period to the Calculation Amount, multiplying the product by the relevant Day Count Fraction, rounding the resulting figure to the nearest sub-unit of the Specified Currency (half a sub-unit being rounded upwards) and multiplying such rounded figure by a fraction equal to the Specified Denomination of the relevant Note divided by the Calculation Amount. For this purpose a “**sub-unit**” means, in the case of any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, in the case of euro, means one cent.
- (g) *Publication:* The Calculation Agent will cause each Rate of Interest and Interest Amount determined by it, together with the relevant Interest Payment Date, and any other amount(s) required to be determined by it together with any relevant payment date(s) to be notified to the Paying Agents and each competent authority, stock exchange and/or quotation system (if any) by which the Notes have then been admitted to listing, trading and/or quotation as soon as practicable after such determination but (in the case of each Rate of Interest, Interest Amount and Interest Payment Date) in any event not later than the first day of the relevant Interest Period. Notice thereof shall also promptly be given to the Noteholders. The

Calculation Agent will be entitled to recalculate any Interest Amount (on the basis of the foregoing provisions) without notice in the event of an extension or shortening of the relevant Interest Period. If the Calculation Amount is less than the minimum Specified Denomination the Calculation Agent shall not be obliged to publish each Interest Amount but instead may publish only the Calculation Amount and the Interest Amount in respect of a Note having the minimum Specified Denomination.

- (h) *Notifications etc.:* All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition by the Calculation Agent will (in the absence of manifest error) be binding on the Issuer, the Guarantor, the Paying Agents, the Noteholders and the Couponholders and (subject as aforesaid) no liability to any such Person will attach to the Calculation Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions for such purposes.

8. Zero Coupon Note Provisions

- (a) *Application:* This Condition 8 (*Zero Coupon Note Provisions*) is applicable to the Notes only if the Zero Coupon Note Provisions are specified in the relevant Final Terms as being applicable.
- (b) *Late payment on Zero Coupon Notes:* If the Redemption Amount payable in respect of any Zero Coupon Note is improperly withheld or refused, the Redemption Amount shall thereafter be an amount equal to the sum of:
- (i) the Reference Price; and
 - (ii) the product of the Accrual Yield (compounded annually) being applied to the Reference Price on the basis of the relevant Day Count Fraction from (and including) the Issue Date to (but excluding) whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (ii) the day which is seven days after the Principal Paying Agent has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).

9. Redemption and Purchase

- (a) *Scheduled redemption:* Unless previously redeemed, or purchased and cancelled, the Notes will be redeemed at their Final Redemption Amount on the Maturity Date, subject as provided in Condition 10 (*Payments – Bearer Notes*).
- (b) *Redemption for tax reasons:* The Notes may be redeemed at the option of the Issuer in whole, but not in part:
- (i) at any time (unless the Floating Rate Note Provisions are specified in the relevant Final Terms as being applicable); or
 - (ii) on any Interest Payment Date (if the Floating Rate Note Provisions are specified in the relevant Final Terms as being applicable),
on giving not less than thirty (30) nor more than sixty (60) days' notice to the Noteholders, or such other period(s) as may be specified in the relevant Final Terms, (which notice shall be irrevocable), at their Early Redemption Amount (Tax), together with interest accrued (if any) to the date fixed for redemption, if, immediately before giving such notice:
 - (A) (1) the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 12 (*Taxation*) as a result of any change in, or amendment to, the laws or regulations of The Netherlands or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent

jurisdiction), which change or amendment becomes effective on or after the date of issue of the first Tranche of the Notes; and (2) such obligation cannot be avoided by the Issuer taking reasonable measures available to it; or

- (B) (1) the Guarantor has or (if a demand was made under the Guarantee of the Notes) would become obliged to pay additional amounts as provided or referred to in Condition 12 (*Taxation*) as a result of any change in, or amendment to, the laws or regulations of the Czech Republic or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after the date of issue of the first Tranche of the Notes and (2) such obligation cannot be avoided by the Guarantor taking reasonable measures available to it,

provided, however, that no such notice of redemption shall be given earlier than:

- (1) where the Notes may be redeemed at any time, 90 days (or such other period as may be specified in the relevant Final Terms) prior to the earliest date on which the Issuer or the Guarantor would be obliged to pay such additional amounts if a payment in respect of the Notes were then due or (as the case may be) a demand under the Guarantee of the Notes were then made; or
- (2) where the Notes may be redeemed only on an Interest Payment Date, 60 days (or such other period as may be specified in the relevant Final Terms) prior to the Interest Payment Date occurring immediately before the earliest date on which the Issuer or the Guarantor would be obliged to pay such additional amounts if a payment in respect of the Notes were then due or (as the case may be) a demand under the Guarantee of the Notes were then made.

Prior to the publication of any notice of redemption pursuant to this paragraph, the Issuer or the Guarantor shall deliver or procure that there is delivered to the Trustee a certificate signed by two directors of the Issuer (or the Guarantor, as the case may be) stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred and (2) an opinion of independent legal advisers of recognised standing to the effect that the Issuer or (as the case may be) the Guarantor has or will become obliged to pay such additional amounts as a result of such change or amendment. The Trustee shall be entitled to accept such certificate and opinion as sufficient evidence of the satisfaction of the circumstances set out above, in which event they shall be conclusive and binding on the Noteholders.

Upon the expiry of any such notice as is referred to in this Condition 9(b), the Issuer shall be bound to redeem the Notes in accordance with this Condition 9(b).

- (c) *Redemption at the option of the Issuer:* If the Call Option is specified in the relevant Final Terms as being applicable, the Notes may be redeemed at the option of the Issuer in whole or, if so specified in the relevant Final Terms, in part on any Optional Redemption Date (Call) at the relevant Optional Redemption Amount (Call) on the Issuer's giving not less than 30 nor more than 60 days' notice to the Noteholders, or such other period(s) as may be specified in the relevant final terms (which notice shall be irrevocable and shall oblige the Issuer to redeem the Notes or, as the case may be, the Notes specified in such notice on the relevant Optional Redemption Date (Call) at the Optional Redemption Amount (Call) plus accrued interest (if any) to such date).

If the Optional Redemption Amount (Call) specified in the relevant Final Terms is the “**Make-Whole Redemption Amount**”, the Optional Redemption Amount (Call) will be the higher of:

- (i) the principal amount of the Notes; and
- (ii) the product of the principal amount of the Notes and the price, expressed as a percentage of the principal amount of the Notes (rounded to four decimal places with 0.00005 being rounded upwards), at which the then current yield on the Notes on the Reference Date would be equal to the current yield (determined by reference to the middle market price) at the Reference Time on the Reference Date of the relevant Benchmark Security plus the Make-Whole Margin, as determined by the Calculation Agent,

provided however that, if the Optional Redemption Date occurs on or after the Par Redemption Date (if specified in the relevant Final Terms), the Make-Whole Redemption Amount will be the principal amount of the Notes.

The “**Benchmark Security**”, the “**Reference Time**”, the “**Make-Whole Margin**” and the “**Par Redemption Date**” will be specified in the relevant Final Terms, *provided however that*, if “**Linear Interpolation**” is specified as applicable in the relevant Final Terms, the current yield of the Benchmark Security shall be determined by linear interpolation (calculated to the nearest one twelfth of a year) of the yield of the two Benchmark Securities specified in the Final Terms.

The “**Reference Date**” means the date which is the third London Business Day prior to the date fixed for redemption.

- (d) *Partial redemption:* If the Notes are to be redeemed in part only on any date in accordance with Condition 9(c) (*Redemption at the option of the Issuer*), in the case of Bearer Notes, the Notes to be redeemed shall be selected by the drawing of lots in such place as the Principal Paying Agent approves and in such manner as the Principal Paying Agent considers appropriate, subject to compliance with applicable law, the rules of each competent authority, stock exchange and/or quotation system (if any) by which the Notes have then been admitted to listing, trading and/or quotation and the notice to Noteholders referred to in Condition 9(c) (*Redemption at the option of the Issuer*) shall specify the serial numbers of the Notes so to be redeemed, and, in the case of Registered Notes, each Note shall be redeemed in part in the proportion which the aggregate principal amount of the outstanding Notes to be redeemed on the relevant Optional Redemption Date (Call) bears to the aggregate principal amount of outstanding Notes on such date. If any Maximum Redemption Amount or Minimum Redemption Amount is specified in the relevant Final Terms, then the Optional Redemption Amount (Call) shall in no event be greater than the maximum or be less than the minimum so specified.
- (e) *Redemption at the option of Noteholders:* If the Put Option is specified in the relevant Final Terms as being applicable, the Issuer shall, at the option of the Holder of any Note redeem such Note on the Optional Redemption Date (Put) specified in the relevant Put Option Notice at the relevant Optional Redemption Amount (Put) together with interest (if any) accrued to such date. In order to exercise the option contained in this Condition 9(e), the Holder of a Note must, not less than 30 nor more than 60 days before the relevant Optional Redemption Date (Put) (or such other period(s) as may be specified in the relevant Final Terms), deposit with any Paying Agent such Note together with all unmatured Coupons relating thereto and a duly completed Put Option Notice in the form obtainable from any Paying Agent. The Paying Agent with which a Note is so deposited shall deliver a duly completed Put Option Receipt to the depositing Noteholder. No Note, once deposited with a duly completed Put Option Notice in accordance with this Condition 9(e), may be withdrawn; *provided, however, that* if, prior to the relevant Optional Redemption Date (Put), any such Note becomes immediately due and payable or, upon due presentation of any such Note on the relevant Optional Redemption Date (Put), payment of the redemption moneys is improperly withheld or refused, the relevant Paying Agent shall mail notification thereof to the depositing Noteholder at such address as may have been given by such Noteholder in the relevant Put Option Notice and shall hold such Note at its Specified Office for collection by the

depositing Noteholder against surrender of the relevant Put Option Receipt. For so long as any outstanding Note is held by a Paying Agent in accordance with this Condition 9(e), the depositor of such Note and not such Paying Agent shall be deemed to be the Holder of such Note for all purposes.

(f) *Change of Control Put Option*

If this Condition 9(f) is specified as applicable in the relevant Final Terms, if at any time while any Note remains outstanding, (A) there occurs a Change of Control (as defined below), and (B) within the Change of Control Period, a Rating Event in respect of that Change of Control occurs (such Change of Control and Rating Event not having been cured prior to the expiry of the Change of Control Period, together, a “**Change of Control Put Event**”), each Noteholder will have the option (the “**Change of Control Put Option**”) (unless, prior to the giving of the Change of Control Put Event Notice (as defined below), the Issuer gives notice to redeem the Notes under Condition 9(b) or 9(c)) to require the Issuer to redeem or, at the Issuer’s option, to procure the purchase of, all or part of its Notes, on the Optional Redemption Date (as defined below) at the principal amount outstanding of such Notes together with (or where purchased, together with an amount equal to) interest accrued to, but excluding, the Optional Redemption Date.

Where:

A “**Change of Control**” shall be deemed to have occurred if at any time following the Issue Date, Mr Petr Kellner (or his inheritors or executors and whether through a legal entity, trust or otherwise) cease, directly and/or indirectly to:

- (a) have the power (whether by way of ownership of shares, proxy, contract, agency or otherwise) to:
 - (i) cast, or control the casting of, more than 50 per cent. of the maximum number of votes that might be cast at a general meeting of the Guarantor; or
 - (ii) appoint or remove the majority of the directors or other equivalent officers of the Guarantor; or
- (b) hold beneficially more than 50 per cent. of the issued share capital of the Guarantor (excluding any part of that issued share capital that carries no right to participate beyond a specified amount in a distribution of either profits or capital).

A “**Rating Event**” shall be deemed to have occurred in respect of a Change of Control if (within the Change of Control Period) (A) the rating previously assigned to the Notes or to the Guarantor by any Rating Agency solicited by the Issuer or the Guarantor is (x) withdrawn or (y) changed from an investment grade rating (BBB-/Baa3 or its equivalent for the time being, or better) to a non-investment grade rating (BB+/Ba1 or its equivalent for the time being, or worse) or (z) (if the rating previously assigned to the Notes or to the Guarantor by any Rating Agency solicited by the Issuer or the Guarantor was below an investment grade rating (as described above)), lowered by at least one full rating notch (for example, from BB+ to BB, or their respective equivalents) and (B) such rating is not within the Change of Control Period subsequently upgraded (in the case of a downgrade) or reinstated (in the case of a withdrawal) either to an investment grade credit rating (in the case of (x) and (y)) or to its earlier credit rating or better (in the case of (z)) by such Rating Agency, *provided that* the Rating Agency making the reduction in rating announces or publicly confirms or, having been so requested by the Issuer, the Guarantor or the Trustee, informs the Issuer, the Guarantor, or the Trustee in writing that the lowering of the rating was the result, in whole or in part, of the applicable Change of Control (whether or not the applicable Change of Control shall have occurred at the time of the Rating Event).

“**Change of Control Period**” means the period beginning on the date of the first public announcement by the Guarantor, any bidder or any designated advisor, of the relevant Change of Control and ending 90 days after completion of the relevant Change of Control.

Promptly upon the Issuer or the Guarantor (as the case may be) becoming aware that a Change of Control Put Event has occurred, the Issuer or the Guarantor (as the case may be) shall notify the Trustee and give notice (a “**Change of Control Put Event Notice**”) to the Noteholders in accordance with Condition 20 (*Notices*) specifying the nature of the Change of Control Put Event and the circumstances giving rise to it and the procedure for exercising the Change of Control Put Option contained in this Condition 9(f).

To exercise the Change of Control Put Option, a Noteholder must transfer or cause to be transferred its Notes to be so redeemed or purchased to the account of the Principal Paying Agent specified in the Change of Control Put Option Notice (as defined below) for the account of the Issuer within the period (the “**Change of Control Put Period**”) of forty-five (45) days after a Change of Control Put Event Notice is given together with a duly signed and completed notice of exercise in the then current form obtainable from the Principal Paying Agent (a “**Change of Control Put Option Notice**”) and in which the Noteholder may specify a bank account to which payment is to be made under this Condition 9(f).

A Change of Control Put Option Notice once given shall be irrevocable. The Issuer shall redeem or, at the option of the Issuer procure the purchase of, the Notes in respect of which the Change of Control Put Option has been validly exercised as provided above, and subject to the transfer of such Notes to the account of the Principal Paying Agent for the account of the Issuer as described above by the date which is the fifth Business Day following the end of the Change of Control Put Period (the “**Optional Redemption Date**”). Payment in respect of such Notes will be made on the Optional Redemption Date by transfer to the bank account specified in the Change of Control Put Option Notice.

For the avoidance of doubt, the Issuer shall have no responsibility for any cost or loss of whatever kind (including breakage costs) which the Noteholder may incur as a result of or in connection with such Noteholder’s exercise or purported exercise of, or otherwise in connection with, any Change of Control Put Option (whether as a result of any purchase or redemption arising therefrom or otherwise).

If 80 per cent. or more in principal amount of the Notes then outstanding have been redeemed pursuant to this Condition 9(f), the Issuer may, on not less than thirty (30) nor more than sixty (60) days’ irrevocable notice to the Noteholders in accordance with Condition 20 (*Notices*) given within thirty (30) days after the Optional Redemption Date, redeem on a date to be specified in such notice at its option, all (but not some only) of the remaining Notes at their principal amount, together with interest accrued to but excluding the date of redemption.

The Trustee is under no obligation to ascertain whether a Change of Control Put Event or Change of Control or any event which could lead to the occurrence of or could constitute a Change of Control Put Event or Change of Control has occurred or to notify the Noteholders of the same and, until it shall have actual knowledge or notice pursuant to the Trust Deed to the contrary, the Trustee may assume that no Change of Control Put Event or Change of Control or other such event has occurred.

- (g) *No other redemption:* The Issuer shall not be entitled to redeem the Notes otherwise than as provided in paragraphs (a) to (f) above or (h) below.
- (h) *Early redemption of Zero Coupon Notes:* Unless otherwise specified in the relevant Final Terms, the Redemption Amount payable on redemption of a Zero Coupon Note at any time before the Maturity Date shall be an amount equal to the sum of:
 - (i) the Reference Price; and
 - (ii) the product of the Accrual Yield (compounded annually) being applied to the Reference Price from (and including) the Issue Date to (but excluding) the date fixed for redemption or (as the case may be) the date upon which the Note becomes due and payable.

Where such calculation is to be made for a period which is not a whole number of years, the calculation in respect of the period of less than a full year shall be made on the basis of such Day Count Fraction as may

be specified in the Final Terms for the purposes of this Condition 9(h) or, if none is so specified, a Day Count Fraction of 30E/360.

- (i) *Purchase:* The Issuer, the Guarantor or any of their respective Subsidiaries may at any time purchase Notes in the open market or otherwise and at any price, *provided that* all unmatured Coupons are purchased therewith.
- (j) *Cancellation:* All Notes so redeemed or purchased by the Issuer, the Guarantor or any of their respective Subsidiaries and any unmatured Coupons attached to or surrendered with them shall be cancelled and may not be reissued or resold.

10. Payments - Bearer Notes

This Condition 10 is only applicable to Bearer Notes.

- (a) *Principal:* Payments of principal shall be made only against presentation and (*provided that* payment is made in full) surrender of Bearer Notes at the Specified Office of any Paying Agent outside the United States by cheque drawn in the currency in which the payment is due on, or by transfer to an account denominated in that currency (or, if that currency is euro, any other account to which euro may be credited or transferred) and maintained by the payee with, a bank in the Principal Financial Centre of that currency.
- (b) *Interest:* Payments of interest shall, subject to paragraph (h) below, be made only against presentation and (*provided that* payment is made in full) surrender of the appropriate Coupons at the Specified Office of any Paying Agent outside the United States in the manner described in paragraph (a) above.
- (c) *Payments in New York City:* Payments of principal or interest may be made at the Specified Office of a Paying Agent in New York City if (i) the Issuer has appointed Paying Agents outside the United States with the reasonable expectation that such Paying Agents will be able to make payment of the full amount of the interest on the Notes in the currency in which the payment is due when due, (ii) payment of the full amount of such interest at the offices of all such Paying Agents is illegal or effectively precluded by exchange controls or other similar restrictions and (iii) payment is permitted by applicable United States law.
- (d) *Payments subject to fiscal laws:* All payments in respect of the Notes are subject in all cases to (i) any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 12 (*Taxation*) and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the “**Code**”) or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 12 (*Taxation*)) any law implementing an intergovernmental approach thereto. No commissions or expenses shall be charged to the Noteholders or Couponholders in respect of such payments.
- (e) *Deductions for unmatured Coupons:* If the relevant Final Terms specifies that the Fixed Rate Note Provisions are applicable and a Bearer Note is presented without all unmatured Coupons relating thereto:
 - (i) if the aggregate amount of the missing Coupons is less than or equal to the amount of principal due for payment, a sum equal to the aggregate amount of the missing Coupons will be deducted from the amount of principal due for payment; *provided, however, that* if the gross amount available for payment is less than the amount of principal due for payment, the sum deducted will be that proportion of the aggregate amount of such missing Coupons which the gross amount actually available for payment bears to the amount of principal due for payment;

- (ii) if the aggregate amount of the missing Coupons is greater than the amount of principal due for payment:
 - (A) so many of such missing Coupons shall become void (in inverse order of maturity) as will result in the aggregate amount of the remainder of such missing Coupons (the “**Relevant Coupons**”) being equal to the amount of principal due for payment; *provided, however, that* where this sub-paragraph would otherwise require a fraction of a missing Coupon to become void, such missing Coupon shall become void in its entirety; and
 - (B) a sum equal to the aggregate amount of the Relevant Coupons (or, if less, the amount of principal due for payment) will be deducted from the amount of principal due for payment; *provided, however, that*, if the gross amount available for payment is less than the amount of principal due for payment, the sum deducted will be that proportion of the aggregate amount of the Relevant Coupons (or, as the case may be, the amount of principal due for payment) which the gross amount actually available for payment bears to the amount of principal due for payment.

Each sum of principal so deducted shall be paid in the manner provided in paragraph (a) above against presentation and (*provided that* payment is made in full) surrender of the relevant missing Coupons.

- (f) *Unmatured Coupons void:* If the relevant Final Terms specifies that this Condition 10(f) is applicable or that the Floating Rate Note Provisions are applicable, on the due date for final redemption of any Note or early redemption in whole of such Note pursuant to Condition 9(b) (*Redemption for tax reasons*), Condition 9(e) (*Redemption at the option of Noteholders*), Condition 9(f) (*Change of Control Put Option*), Condition 9(c) (*Redemption at the option of the Issuer*) or Condition 13 (*Events of Default*), all unmatured Coupons relating thereto (whether or not still attached) shall become void and no payment will be made in respect thereof.
- (g) *Payments on business days:* If the due date for payment of any amount in respect of any Bearer Note or Coupon is not a Payment Business Day in the place of presentation, the Holder shall not be entitled to payment in such place of the amount due until the next succeeding Payment Business Day in such place and shall not be entitled to any further interest or other payment in respect of any such delay.
- (h) *Payments other than in respect of matured Coupons:* Payments of interest other than in respect of matured Coupons shall be made only against presentation of the relevant Bearer Notes at the Specified Office of any Paying Agent outside the United States (or in New York City if permitted by paragraph (c) above).
- (i) *Partial payments:* If a Paying Agent makes a partial payment in respect of any Bearer Note or Coupon presented to it for payment, such Paying Agent will endorse thereon a statement indicating the amount and date of such payment.
- (j) *Exchange of Talons:* On or after the maturity date of the final Coupon which is (or was at the time of issue) part of a Coupon Sheet relating to the Bearer Notes, the Talon forming part of such Coupon Sheet may be exchanged at the Specified Office of the Principal Paying Agent for a further Coupon Sheet (including, if appropriate, a further Talon but excluding any Coupons in respect of which claims have already become void pursuant to Condition 14 (*Prescription*)). Upon the due date for redemption of any Bearer Note, any unexchanged Talon relating to such Note shall become void and no Coupon will be delivered in respect of such Talon.

11. Payments - Registered Notes

This Condition 11 is only applicable to Registered Notes.

- (a) *Principal:* Payments of principal shall be made by cheque drawn in the currency in which the payment is due drawn on, or, upon application by a Holder of a Registered Note to the Specified Office of the Principal Paying Agent not later than the fifteenth day before the due date for any such payment, by transfer to an account denominated in that currency (or, if that currency is euro, any other account to which euro may be credited or transferred) and maintained by the payee with, a bank in the Principal Financial Centre of that currency (in the case of a sterling cheque, a town clearing branch of a bank in the City of London) and (in the case of redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant Note Certificates at the Specified Office of any Paying Agent.
- (b) *Interest:* Payments of interest shall be made by cheque drawn in the currency in which the payment is due drawn on, or, upon application by a Holder of a Registered Note to the Specified Office of the Principal Paying Agent not later than the fifteenth day before the due date for any such payment, by transfer to an account denominated in that currency (or, if that currency is euro, any other account to which euro may be credited or transferred) and maintained by the payee with, a bank in the Principal Financial Centre of that currency (in the case of a sterling cheque, a town clearing branch of a bank in the City of London) and (in the case of interest payable on redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant Note Certificates at the Specified Office of any Paying Agent.
- (c) *Payments subject to fiscal laws:* All payments in respect of the Registered Notes are subject in all cases to any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 12 (*Taxation*) (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the “**Code**”) or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 12 (*Taxation*)) any law implementing an intergovernmental approach thereto. No commissions or expenses shall be charged to the Noteholders in respect of such payments.
- (d) *Payments on business days:* Where payment is to be made by transfer to an account, payment instructions (for value the due date, or, if the due date is not Payment Business Day, for value the next succeeding Payment Business Day) will be initiated and, where payment is to be made by cheque, the cheque will be mailed (i) (in the case of payments of principal and interest payable on redemption) on the later of the due date for payment and the day on which the relevant Note Certificate is surrendered (or, in the case of part payment only, endorsed) at the Specified Office of a Paying Agent and (ii) (in the case of payments of interest payable other than on redemption) on the due date for payment. A Holder of a Registered Note shall not be entitled to any interest or other payment in respect of any delay in payment resulting from (A) the due date for a payment not being a Payment Business Day or (B) a cheque mailed in accordance with this Condition 11 arriving after the due date for payment or being lost in the mail.
- (e) *Partial payments:* If a Paying Agent makes a partial payment in respect of any Registered Note, the Issuer shall procure that the amount and date of such payment are noted on the Register and, in the case of partial payment upon presentation of a Note Certificate, that a statement indicating the amount and the date of such payment is endorsed on the relevant Note Certificate.
- (f) *Record date:* Each payment in respect of a Registered Note will be made to the person shown as the Holder in the Register at the close of business in the place of the Registrar’s Specified Office on the fifteenth day before the due date for such payment (the “**Record Date**”). Where payment in respect of a Registered Note is to be made by cheque, the cheque will be mailed to the address shown as the address of the Holder in the Register at the close of business on the relevant Record Date.

12. Taxation

- (a) *Gross up:* All payments of principal and interest in respect of the Notes and the Coupons by or on behalf of the Issuer or the Guarantor shall be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of The Netherlands or the Czech Republic or any political subdivision therein or any authority therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments, or governmental charges is required by law. In that event, the Issuer or (as the case may be) the Guarantor shall pay such additional amounts as will result in receipt by the Noteholders and the Couponholders after such withholding or deduction of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable in respect of any Note or Coupon:
- (i) held by or on behalf of a Holder which is liable to such taxes, duties, assessments or governmental charges in respect of such Note or Coupon by reason of its having some connection with the jurisdiction by which such taxes, duties, assessments or charges have been imposed, levied, collected, withheld or assessed other than the mere holding of the Note or Coupon; or
 - (ii) where the relevant Note or Coupon or Note Certificate is presented or surrendered for payment more than 30 days after the Relevant Date except to the extent that the Holder of such Note or Coupon would have been entitled to such additional amounts on presenting or surrendering such Note or Coupon or Note Certificate for payment on the last day of such period of 30 days.
- (b) *Taxing jurisdiction:* If the Issuer or the Guarantor becomes subject at any time to any taxing jurisdiction other than The Netherlands or the Czech Republic respectively, references in these Conditions to The Netherlands or the Czech Republic shall be construed as references to The Netherlands or the Czech Republic and/or such other jurisdiction.

13. Events of Default

If any of the following events occurs and is continuing, then the Trustee at its discretion may and, if so requested in writing by Holders of at least one quarter of the aggregate principal amount of the outstanding Notes or if so directed by an Extraordinary Resolution, shall (subject in the case of the happening of any of the events mentioned in paragraphs (b) (*Breach of other obligations*), (c) (*Cross default of the Issuer, Guarantor or Material Subsidiary*) (d) (*Unsatisfied judgement*), (e) (*Security enforced*), (g) (*Cessation of business*), (i) (*Analogous event*), (j) (*Unlawfulness*), and in relation only to a Material Subsidiary, (f) (*Insolvency, etc*) or (h) (*Winding up, etc*) below, to the Trustee having certified in writing that the happening of such event is in its opinion materially prejudicial to the interests of the Noteholders and, in all cases, to the Trustee having been indemnified and/or prefunded and/or provided with security to its satisfaction) give written notice to the Issuer and the Guarantor declaring the Notes to be immediately due and payable, whereupon they shall become immediately due and payable at their Early Termination Amount together with accrued interest (if any) without further action or formality:

- (a) *Non-payment:* the Issuer or the Guarantor fails to pay any amount of principal in respect of the Notes within 7 days of the due date for payment thereof or fails to pay any amount of interest in respect of the Notes within 14 days of the due date for payment thereof; or
- (b) *Breach of other obligations:* the Issuer or the Guarantor defaults in the performance or observance of any of its other obligations under or in respect of the Notes, the Agency Agreement or the Trust Deed and such default (i) is, in the opinion of the Trustee, incapable of remedy or (ii) being a default which is, in the opinion of the Trustee, capable of remedy, remains unremedied for 45 days after the Trustee has given written notice thereof to the Issuer or the Guarantor (as the case may be) requiring the same to be remedied; or

- (c) *Cross-default of Issuer, Guarantor or Material Subsidiary:*
- (i) any Indebtedness (which does not constitute Project Finance Debt) of the Issuer, the Guarantor or any of their respective Material Subsidiaries is not paid when due or (as the case may be) within any originally applicable grace period;
 - (ii) such Indebtedness (which does not constitute Project Finance Debt) becomes (or becomes capable of being declared) due and payable prior to its stated maturity otherwise than at the option of the Issuer, the Guarantor or (as the case may be) the relevant Material Subsidiary or (**provided that** no event of default, howsoever described, has occurred) any Person entitled to such Indebtedness; or
 - (iii) the Issuer, the Guarantor or any of their respective Material Subsidiaries fails to pay when due any amount payable by it under any Guarantee of any Indebtedness (which does not constitute Project Finance Debt);
provided that the amount of Indebtedness referred to in sub-paragraph (i) and/or sub-paragraph (ii) above and/or the amount payable under any Guarantee referred to in sub-paragraph (iii) above individually or in the aggregate exceeds EUR 70,000,000 (or its equivalent in any other currency or currencies); or
- (d) *Unsatisfied judgment:* one or more judgment(s), court orders or arbitral award(s) awarded by a court of competent jurisdiction or a suitably appointed tribunal for the payment of any amount in excess of EUR 70,000,000 (or its equivalent in any other currency or currencies) is rendered against the Issuer, the Guarantor or any of their respective Material Subsidiaries and continue(s) unsatisfied and unstayed for a period of 120 days after the date(s) thereof or, if later, the date therein specified for payment; or
- (e) *Security enforced:* a secured party takes possession, or a receiver, manager or other similar officer is appointed, of the whole or any part of the undertaking, assets and revenues of the Issuer, the Guarantor or any of their respective Material Subsidiaries where the Indebtedness so secured exceeds individually or in aggregate an amount in excess of EUR 70,000,000 (or its equivalent in any other currency or currencies) and such possession or appointment is not set aside, discharged or stayed within a period of 120 days after the date(s) thereof; or
- (f) *Insolvency etc.:* (i) the Issuer, the Guarantor or any of their respective Material Subsidiaries becomes insolvent, or is unable to pay its debts as they fall due pursuant to applicable laws (ii) an administrator or liquidator is appointed (or application for any such appointment is made) in respect of the Issuer, the Guarantor or any of their respective Material Subsidiaries or the whole or a substantial part of the undertaking, assets and revenues of the Issuer, the Guarantor or any of their respective Material Subsidiaries, (iii) the Issuer, the Guarantor or any of their respective Material Subsidiaries takes any action for a readjustment or deferment of any of its obligations or makes a general assignment or an arrangement or composition with or for the benefit of its creditors or declares a moratorium in respect of any of its Indebtedness or any Guarantee of any Indebtedness given by it; or
- (g) *Cessation of business:* the Issuer or the Guarantor ceases or announces its intention to cease to carry on all or substantially all of its business (otherwise than for the purposes of, or pursuant to, a Permitted Reorganisation); or
- (h) *Winding up etc.:* an order is made or an effective resolution is passed for the winding up, liquidation or dissolution of the Issuer, the Guarantor or any of their respective Material Subsidiaries (otherwise than for the purposes of, or pursuant to, a Permitted Reorganisation);
- (i) *Analogous event:* any event occurs which under the laws of The Netherlands or the Czech Republic has an analogous effect to any of the events referred to in paragraphs (d) to (g) above; or

- (j) *Unlawfulness*: it is or will become unlawful for the Issuer or the Guarantor to perform or comply with any of its obligations under or in respect of the Notes or the Trust Deed; or
- (k) *Guarantee not in force*: the Guarantee of the Notes is not (or is claimed by the Guarantor not to be) in full force and effect.

14. Prescription

Claims for principal in respect of Bearer Notes shall become void unless the relevant Bearer Notes are presented for payment within ten years of the appropriate Relevant Date. Claims for interest in respect of Bearer Notes shall become void unless the relevant Coupons are presented for payment within five years of the appropriate Relevant Date. Claims for principal and interest on redemption in respect of Registered Notes shall become void unless the relevant Note Certificates are surrendered for payment within ten years of the appropriate Relevant Date.

15. Replacement of Notes and Coupons

If any Note, Note Certificate or Coupon is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the Specified Office of the Principal Paying Agent, in the case of Bearer Notes, or the Registrar, in the case of Registered Notes (and, if the Notes are then admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system which requires the appointment of a Paying Agent or Transfer Agent in any particular place, the Paying Agent or Transfer Agent having its Specified Office in the place required by such competent authority, stock exchange and/or quotation system), subject to all applicable laws and competent authority, stock exchange and/or quotation system requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer may reasonably require. Mutilated or defaced Notes, Note Certificates or Coupons must be surrendered before replacements will be issued.

16. Trustee and Agents

Under the Trust Deed, the Trustee is entitled to be indemnified and relieved from responsibility in certain circumstances and to be paid its costs and expenses in priority to the claims of the Noteholders. In addition, the Trustee is entitled to enter into business transactions with the Issuer, the Guarantor and any entity relating to the Issuer or the Guarantor without accounting for any profit.

In the exercise of its powers and discretions under these Conditions and the Trust Deed, the Trustee will have regard to the interests of the Noteholders as a class and will not be responsible for any consequence for individual Holders of Notes as a result of such Holders being connected in any way with a particular territory or taxing jurisdiction.

In acting under the Agency Agreement and in connection with the Notes and the Coupons, the Agents act solely as agents of the Issuer and the Guarantor and (to the extent provided therein) the Trustee and do not assume any obligations towards or relationship of agency or trust for or with any of the Noteholders or Couponholders.

The initial Agents and their initial Specified Offices are listed below. The initial Calculation Agent (if any) is specified in the relevant Final Terms. The Issuer and the Guarantor reserve the right (with the prior approval of the Trustee) at any time to vary or terminate the appointment of any Agent and to appoint a successor principal paying agent or registrar or Calculation Agent and additional or successor paying agents; *provided, however, that*:

- (a) the Issuer and the Guarantor shall at all times maintain a principal paying agent and a registrar; and
- (b) if a Calculation Agent is specified in the relevant Final Terms, the Issuer and the Guarantor shall at all times maintain a Calculation Agent; and

- (c) if and for so long as the Notes are admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system which requires the appointment of a Paying Agent and/or a Transfer Agent in any particular place, the Issuer and the Guarantor shall maintain a Paying Agent and/or a Transfer Agent having its Specified Office in the place required by such competent authority, stock exchange and/or quotation system.

Notice of any change in any of the Agents or in their Specified Offices shall promptly be given to the Noteholders.

17. Meetings of Noteholders; Modification and Waiver, Substitution

- (a) *Meetings of Noteholders:* The Trust Deed contains provisions for convening meetings of Noteholders to consider matters relating to the Notes, including the modification of any provision of these Conditions. Any such modification may be made if sanctioned by an Extraordinary Resolution. Such a meeting may be convened by the Issuer and the Guarantor (acting together) or by the Trustee and shall be convened by the Trustee upon the request in writing of Noteholders holding not less than one-tenth of the aggregate principal amount of the outstanding Notes. The quorum at any meeting convened to vote on an Extraordinary Resolution will be two or more Persons holding or representing one more than half of the aggregate principal amount of the outstanding Notes or, at any adjourned meeting, two or more Persons being or representing Noteholders whatever the principal amount of the Notes held or represented; *provided, however, that* Reserved Matters may only be sanctioned by an Extraordinary Resolution passed at a meeting of Noteholders at which two or more Persons holding or representing not less than three-quarters or, at any adjourned meeting, one quarter of the aggregate principal amount of the outstanding Notes form a quorum. Any Extraordinary Resolution duly passed at any such meeting shall be binding on all the Noteholders and Couponholders, whether present or not.

In addition, a resolution in writing signed by or on behalf of all Noteholders who for the time being are entitled to receive notice of a meeting of Noteholders under the Trust Deed will take effect as if it were an Extraordinary Resolution. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders.

- (b) *Modification and waiver:* The Trustee may, without the consent of the Noteholders, agree to any modification of these Conditions or the Trust Deed (other than in respect of a Reserved Matter) which is, in the opinion of the Trustee, proper to make if, in the opinion of the Trustee, such modification will not be materially prejudicial to the interests of Noteholders and to any modification of the Notes or the Trust Deed which is of a formal, minor or technical nature or is to correct a manifest error.

In addition, the Trustee may, without the consent of the Noteholders, authorise or waive any proposed breach or breach of the Notes or the Trust Deed (other than a proposed breach or breach relating to the subject of a Reserved Matter) if, in the opinion of the Trustee, the interests of the Noteholders will not be materially prejudiced thereby.

Unless the Trustee agrees otherwise, any such authorisation, waiver or modification shall be notified to the Noteholders as soon as practicable thereafter.

- (c) *Substitution:* The Trust Deed contains provisions under which the Guarantor or any other company may, without the consent of the Noteholders, assume the obligations of the Issuer as principal debtor under the Trust Deed and the Notes provided that certain conditions specified in the Trust Deed are fulfilled, including, in the case of a substitution of the Issuer by a company other than the Guarantor, a requirement that the Guarantee of the Notes is fully effective in relation to the obligations of the new principal debtor under the Trust Deed and the Notes.

No Noteholder shall, in connection with any substitution, be entitled to claim any indemnification or payment in respect of any tax consequence thereof for such Noteholder, except to the extent provided for

in Condition 12 (*Taxation*) (or any undertaking given in addition to or substitution for it pursuant to the provisions of the Trust Deed).

18. Enforcement

The Trustee may at any time, at its discretion and without notice, institute such proceedings as it thinks fit to enforce its rights under the Trust Deed in respect of the Notes, but it shall not be bound to do so unless:

- (i) it has been so requested in writing by the Holders of at least one quarter of the aggregate principal amount of the outstanding Notes or has been so directed by an Extraordinary Resolution; and
- (ii) it has been indemnified and/or prefunded and/or provided with security to its satisfaction.

No Noteholder may proceed directly against the Issuer or the Guarantor unless the Trustee, having become bound to do so, fails to do so within a reasonable time and such failure is continuing.

19. Further Issues

The Issuer may from time to time, without the consent of the Noteholders and in accordance with the Trust Deed, create and issue further notes having the same terms and conditions as the Notes in all respects (or in all respects except for the first payment of interest) so as to form a single series with the Notes. The Issuer may from time to time, with the consent of the Trustee, create and issue other series of notes having the benefit of the Trust Deed.

20. Notices

- (a) *Bearer Notes*: Notices to the Holders of Bearer Notes shall be valid if published in a leading English language daily newspaper published in Ireland (which is expected to be the *Irish Times*) or, if such publication is not practicable, in a leading English language daily newspaper having general circulation in Europe. Any such notice shall be deemed to have been given on the date of first publication (or if required to be published in more than one newspaper, on the first date on which publication shall have been made in all the required newspapers). Couponholders shall be deemed for all purposes to have notice of the contents of any notice given to the Holders of Bearer Notes.
- (b) *Registered Notes*: Notices to the Holders of Registered Notes shall be sent to them by first class mail (or its equivalent) or (if posted to an overseas address) by airmail at their respective addresses on the Register or, if such publication is not practicable, in a leading English language daily newspaper having general circulation in Europe. Any such notice shall be deemed to have been given on the fourth day (other than a Saturday or a Sunday) after the date of mailing.

21. Currency Indemnity

If any sum due from the Issuer in respect of the Notes or the Coupons or any order or judgment given or made in relation thereto has to be converted from the currency (the “**first currency**”) in which the same is payable under these Conditions or such order or judgment into another currency (the “**second currency**”) for the purpose of (a) making or filing a claim or proof against the Issuer, (b) obtaining an order or judgment in any court or other tribunal or (c) enforcing any order or judgment given or made in relation to the Notes, the Issuer shall indemnify each Noteholder, on the written demand of such Noteholder addressed to the Issuer and delivered to the Issuer or to the Specified Office of the Principal Paying Agent, against any loss suffered as a result of any discrepancy between (i) the rate of exchange used for such purpose to convert the sum in question from the first currency into the second currency and (ii) the rate or rates of exchange at which such Noteholder may in the ordinary course of business purchase the first currency with the second currency upon receipt of a sum paid to it in satisfaction, in whole or in part, of any such order, judgment, claim or proof.

This indemnity constitutes a separate and independent obligation of the Issuer and shall give rise to a separate and independent cause of action.

22. Rounding

- (a) For the purposes of any calculations referred to in these Conditions (unless otherwise specified in these Conditions or the relevant Final Terms), (a) all percentages resulting from such calculations will be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with 0.000005 per cent. being rounded up to 0.00001 per cent.), (b) all United States dollar amounts used in or resulting from such calculations will be rounded to the nearest cent (with one half cent being rounded up), (c) all Japanese Yen amounts used in or resulting from such calculations will be rounded downwards to the next lower whole Japanese Yen amount, and (d) all amounts denominated in any other currency used in or resulting from such calculations will be rounded to the nearest two decimal places in such currency, with 0.005 being rounded upwards.

23. Governing Law and Jurisdiction

- (a) *Governing law:* The Notes and the Trust Deed and any non-contractual obligations arising out of or in connection with the Notes and the Trust Deed are governed by English law.
- (b) *Jurisdiction:* Each of the Issuer and the Guarantor has in the Trust Deed (i) agreed that the courts of England shall have exclusive jurisdiction to settle any dispute (a “**Dispute**”) arising out of or in connection with the Notes; and (ii) agreed that those courts are the most appropriate and convenient courts to settle any Dispute and, accordingly, that it will not argue that any other courts are more appropriate or convenient.
- (c) *Rights of the Noteholders to take proceedings outside England:* Notwithstanding Condition 23(b) (*Jurisdiction*), any Noteholder may take proceedings relating to a Dispute against the Issuer and/or the Guarantor (“**Proceedings**”) in any other courts with jurisdiction. To the extent allowed by law, Noteholders may take concurrent Proceedings in any number of jurisdictions.
- (d) *Service of process:* Each of the Issuer and the Guarantor agrees that the documents which start any Proceedings and any other documents required to be served in relation to those Proceedings may be served on it by being delivered to PPF Advisory (UK) Limited at Witan Gate House, 500-600 Witan Gate West, Milton Keynes MK9 1SH, United Kingdom, or to such other person with an address in England or Wales and/or at such other address in England or Wales as the Issuer or the Guarantor (as applicable) may specify by notice in writing to the Noteholders. Nothing in this paragraph shall affect the right of any Noteholder to serve process in any other manner permitted by law. This Condition applies to Proceedings in England and to Proceedings elsewhere.

FORM OF FINAL TERMS

Set out below is the form of Final Terms which will be completed for each Tranche of Notes issued under the Programme.

Final Terms dated [●]

CETIN Finance B.V.

(incorporated as a private limited liability company (Besloten Vennootschap) in The Netherlands, having its corporate seat in Amsterdam)

Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]

**Guaranteed by ČESKÁ TELEKOMUNIKAČNÍ INFRASTRUKTURA A.S.
under the EUR 2,000,000,000
Euro Medium Term Note Programme**

PART A – CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the “**Conditions**”) set forth in the Base Prospectus dated 17 November 2016 [and the supplement[s] dated [●] [and [●]] which [together] constitute[s] a base prospectus (the “**Base Prospectus**”) for the purposes of the Prospectus Directive. [This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with the Base Prospectus.]³

Full information on the Issuer, the Guarantor and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Base Prospectus [as so supplemented]. The Base Prospectus [and the supplement(s) to it] [is][are] available for viewing [at [website]] [and] during normal business hours at [address] [and copies may be obtained from [address]].

The expression “**Prospectus Directive**” means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive and the expression “**2010 PD Amending Directive**” means Directive 2010/73/EU provided, however, that all references in this document to the “Prospectus Directive” in relation to any Member State of the European Economic Area refer to Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive), and include any relevant implementing measure in the relevant Member State.

- | | | | |
|----|--------|--|---|
| 1. | (i) | Issuer: | CETIN Finance B.V. |
| | (ii) | Guarantor: | Česká telekomunikační infrastruktura a.s. |
| 2. | (i) | Series Number: | [●] |
| | [(ii) | Tranche Number: | [●] |
| | [(iii) | Date on which the Notes become fungible: | [Not Applicable/The Notes shall be consolidated, form a single series and be interchangeable for trading purposes with the [●] on [[●]/the Issue Date/exchange of the Temporary Global Note for interests in the Permanent Global Note, as referred to in paragraph [22] below [which is expected to occur on or about [●]].] |
| 3. | | Specified Currency or Currencies: | [●] |
| 4. | | Aggregate Nominal Amount: | [●] |

³ Statement to be deleted if Notes are unlisted.

- [(i) Series: [•]
- [(ii) Tranche: [•]]
5. Issue Price: [•] per cent. of the Aggregate Nominal Amount [plus accrued interest from [•]]
6. (i) Specified Denominations: [•] [and integral multiples of [•] in excess thereof up to and including [•]. No notes in definitive form will be issued with a denomination above [•]]
- (ii) Calculation Amount: [•]
7. (i) Issue Date: [•]
- (ii) Interest Commencement Date: [[•]/Issue Date/Not Applicable]
8. Maturity Date: [•]
9. Interest Basis: [[•] per cent. Fixed Rate]
- [•][•] [EURIBOR]/[LIBOR] +/- [•] per cent. Floating Rate]
- [Zero Coupon]
- (further particulars specified below in paragraph(s) [14/15/16])
10. Redemption/Payment Basis: Subject to any purchase and cancellation or early redemption, the Notes will be redeemed on the Maturity Date at [100] per cent. of their nominal amount.
11. Change of Interest or Redemption/Payment Basis: [Applicable/Not Applicable]
12. Put/Call Options: [Not Applicable]
- [Investor Put]
- [Change of Control Put]
- [Issuer Call]
- (See paragraph(s) [17/18/19] below)
13. (i) Status of the Notes: Senior
- (ii) Status of the Guarantee: Senior
- [(iii) [Date [Board] approval for issuance of Notes [and Guarantee] [respectively]] obtained: [•] [and [•], respectively

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

14. **Fixed Rate Note Provisions** [Applicable/Not Applicable]
- (i) Rate[(s)] of Interest: [The Initial Rate of Interest is] [•] per cent. per annum

- payable in arrear on each Interest Payment Date
- (ii) Interest Payment Date(s): [[•] [and [•]] in each year up to and including the Maturity Date][adjusted in accordance with [•]/not adjusted]
- (iii) Fixed Coupon Amount(s): [•] per Calculation Amount
- (iv) Broken Amount(s): [•] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [•] / [Not Applicable]
- (v) Day Count Fraction: [Actual/Actual (ICMA) / Actual/Actual (ISDA) / Actual/365 (Fixed) / Actual/360 / 30/360 / 30E/360]
- (vi) Determination Dates: [•] in each year / [Not Applicable]
- (xv) Adjustment of Interest Rate [Condition 6(e) is Applicable /Not Applicable]
- (xvii) [Step Up Margin: [[•] per cent. per annum/Not Applicable]
15. **Floating Rate Note Provisions** [Applicable/Not Applicable]
- (i) Specified Period: [•]
- (ii) Specified Interest Payment Dates: [•] in each year
- (iii) [First Interest Payment Date]: [•]
- (iv) Business Day Convention: [Floating Rate Convention / Following Business Day Convention / Modified Following Business Day Convention / Preceding Business Day Convention/ No Adjustment]
- (v) Additional Business Centre(s): [Not Applicable/[•]]
- (vi) Manner in which the Rate(s) of Interest is/are to be determined: [Screen Rate Determination/ISDA Determination]
- (vii) [Party responsible for calculating the Rate(s) of Interest and/or Interest Amount(s) (if not the Principal Paying Agent): [[•] shall be the Calculation Agent]
- (viii) Screen Rate Determination:
- Reference Rate: [•][•] [EURIBOR]/[LIBOR]]
 - Interest Determination Date(s): [•]
 - Relevant Screen Page: [•]
 - [Relevant Time: [•]
 - Relevant Financial Centre: [•]]

- (x) ISDA Determination:
 - Floating Rate Option: [●]
 - Designated Maturity: [●]
 - Reset Date: [●]
 - (xi) Linear Interpolation: [Not Applicable / Applicable – the Rate of Interest for the [long/short] [first/last] Interest Period shall be calculated using Linear Interpolation]
 - (xii) Margin(s): [+/-][●] per cent. per annum
 - (xiii) Minimum Rate of Interest: [●] per cent. per annum
 - (xiv) Maximum Rate of Interest: [●] per cent. per annum
 - (xv) Day Count Fraction: [Actual/Actual (ICMA) / Actual/Actual (ISDA) / Actual/365 (Fixed) / Actual/360 / 30/360 / 30E/360]
16. **Zero Coupon Note Provisions** [Applicable/Not Applicable]
- (i) Accrual Yield: [●] per cent. per annum
 - (ii) Reference Price: [●]
 - (iii) Day Count Fraction in relation to early Redemption Amounts: [Actual/Actual (ICMA) / Actual/Actual (ISDA) / Actual/365 (Fixed) / Actual/360 / 30/360 / 30E/360]

PROVISIONS RELATING TO REDEMPTION

17. **Call Option** [Applicable/Not Applicable]
- (i) Optional Redemption Date(s): [●]
 - (ii) Optional Redemption Amount(s) of each Note: [●] per Calculation Amount/Make Whole Redemption Amount
 - [(a) Benchmark Security(ies): [●]
 - [(b) Reference Time: [●]
 - [(c) Make-Whole Margin: [●] per cent.
 - [(d) Par Redemption Date: [[●] [Not Applicable]]
 - [(e) Linear Interpolation: [Applicable/Not Applicable]
 - (iii) If redeemable in part:
 - (a) Minimum Redemption Amount: [●] per Calculation Amount
 - (b) Maximum Redemption Amount: [●] per Calculation Amount
 - (iv) Notice period: [●]

18. **Put Option** [Applicable/Not Applicable]
- (i) Optional Redemption Date(s): [•]
- (ii) Optional Redemption Amount(s) of each Note: [•] per Calculation Amount
- (iii) Notice period: [•]
19. **Change of Control Put Option:** [Applicable/Not Applicable]
20. **Final Redemption Amount of each Note** [[•]/[Par] per Calculation Amount/Not Applicable]
21. **Early Redemption Amount**
- Early Redemption Amount(s) per Calculation Amount payable on redemption for taxation reasons or on event of default or other early redemption: [[•]/[Par] per Calculation Amount / Not Applicable]

GENERAL PROVISIONS APPLICABLE TO THE NOTES

22. Form of Notes: **[Bearer Notes:]**
- [Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes on [•] days' notice/at any time/in the limited circumstances specified in the Permanent Global Note]
- [Temporary Global Note exchangeable for Definitive Notes on [•] days' notice]
- [Permanent Global Note exchangeable for Definitive Notes on [•] days' notice/at any time/in the limited circumstances specified in the Permanent Global Note]
- [Registered Notes:]**
- Global Registered Note registered in the name of a nominee for [a common depository for Euroclear and Clearstream, Luxembourg/a common safekeeper for Euroclear and Clearstream, Luxembourg (that is, held under the New Safekeeping Structure (NSS))]
23. New Global Note: [Yes] [No] [Not Applicable]
24. Additional Financial Centre(s) or other special provisions relating to payment dates: [Not Applicable/[•]]
25. Talons for future Coupons to be attached to Definitive Notes (and dates on which such Talons mature): [Yes/No. As the Notes have more than 27 coupon payments, talons may be required if, on exchange into definitive form, more than 27 coupon payments are left.]

THIRD PARTY INFORMATION

[[●] has been extracted from [●].] The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by [●], no facts have been omitted which would render the reproduced information inaccurate or misleading.

Signed on behalf of
CETIN FINANCE B.V.:

By:
Duly Authorised

Signed on behalf of
ČESKÁ TELEKOMUNIKAČNÍ INFRASTRUKTURA A.S.:

By:
Duly Authorised

PART B – OTHER INFORMATION

1. LISTING AND ADMISSION TO TRADING

- (i) Admission to Trading: [Application [has been] [is expected to be made] by the Issuer (or on its behalf) for the Notes to be admitted to trading on the [Main Securities Market of the Irish Stock Exchange] with effect from [•].] [Not Applicable.]
- (ii) Estimate of total expenses related to admission to trading: [•]

2. RATINGS

The Notes to be issued [[have been/are expected to be] rated]/[are unrated]:

Ratings:

[Standard & Poor's: [•]]

[Moody's: [•]]

[Fitch: [•]]

[•]

[[•] is established in the EEA and registered under Regulation (EU) No 1060/2009, as amended (the “**CRA Regulation**”).]

[[•] is established in the EEA and has applied for registration under Regulation (EU) No 1060/2009, as amended (the “**CRA Regulation**”), although notification of the corresponding registration decision has not yet been provided by the [relevant competent authority]/[European Securities and Markets Authority].]

[[•] is established in the EEA and is neither registered nor has it applied for registration under Regulation (EU) No 1060/2009, as amended (the “**CRA Regulation**”).]

[[•] is not established in the EEA but the rating it has given to the Notes is endorsed by [•], which is established in the EEA and registered under Regulation (EU) No 1060/2009, as amended (the “**CRA Regulation**”).]

[[•] is not established in the EEA but is certified under Regulation (EU) No 1060/2009, as amended (the “**CRA Regulation**”).]

[[•] is not established in the EEA and is not certified under Regulation (EU) No 1060/2009, as amended (the “**CRA Regulation**”) and the rating it has given to the Notes is not endorsed by a credit rating agency established in the EEA and registered under the CRA Regulation.]

3. **INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE/OFFER**

[Save for any fees payable to the [Dealers], so far as the Issuer is aware, no person involved in the offer of the Notes has an interest material to the offer. The [Dealers] and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuer and the Guarantor and their affiliates in the ordinary course of business.]/ [●]/[Not Applicable]

4. **REASONS FOR THE OFFER**

(See “Use of Proceeds” wording in Base Prospectus – if reasons for offer different from making profit and/or hedging certain risks will need to include those reasons here.)

5. **[Fixed Rate Notes only – YIELD**

Indication of yield:

[●]

[The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.]

6. **[Floating Rate Notes only - HISTORIC INTEREST RATES**

Details of historic [LIBOR/EURIBOR] rates can be obtained from Reuters.]

7. **OPERATIONAL INFORMATION**

ISIN:

[●]

Common Code:

[●]

Delivery

Delivery [against/free of] payment

Names and addresses of additional Paying Agent(s) (if any):

[●]

Intended to be held in a manner which would allow Eurosystem eligibility:

[Yes. Note that the designation “yes” simply means that the Notes are intended upon issue to be deposited with one of the ICSDs as common safekeeper [, and registered in the name of a nominee of one of the ICSDs acting as common safekeeper,] and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.] /

[No. Whilst the designation is specified as “no” at the date of these Final Terms, should the Eurosystem eligibility criteria be amended in the future such that the Notes are capable of meeting them the Notes may then be deposited with one of the ICSDs as common safekeeper [, and registered in the name of a nominee of one of the ICSDs acting as common safekeeper,]. Note that this does not necessarily mean that the Notes will then be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the

Eurosystem at any time during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]

8. **DISTRIBUTION**

- (i) Method of distribution: [Syndicated/Non-syndicated]
- (ii) If syndicated: [Not Applicable / *give names*]
 - (a) Names of Dealers: [•]
 - (b) Date of subscription agreement: [•]
 - (c) Stabilising Manager(s) (if any): [Not Applicable/[•]]
- (iii) If non-syndicated, name Dealer: [Not Applicable/*give name*]
- (iv) US Selling Restrictions: [Reg. S Compliance Category 1]; [TEFRA C/TEFRA D/TEFRA not applicable]

USE OF PROCEEDS

The Issuer will use the net proceeds from the issue of each Series of Notes for its corporate purposes and for on-lending to the Guarantor for its general corporate purposes or as may otherwise be disclosed in the Final Terms, including, but not limited to, the repayment of debt (which may include the repayment of debt to one or more of the Dealers and/or their affiliates).

DESCRIPTION OF THE ISSUER

General Introduction

The Issuer is a limited liability company (*besloten vennootschap met beperkte aansprakelijkheid*) incorporated under Dutch law on 7 September 2016, having its registered seat (*statutaire zetel*) at Strawinskylaan 933, 1077XX, Amsterdam and registered with the trade register of the Dutch Chamber of Commerce under registration number 35398833. The Issuer is a direct, wholly owned subsidiary of the Guarantor. The Issuer's telephone number is +31 (0) 20 8813120.

Business

As at 30 September 2016, the Issuer's total capitalisation was EUR 100, consisting of 100 ordinary shares with a nominal value of 1 EUR, which were issued and fully paid at par and are directly owned by the Guarantor.

As set out in Article 3 of its Articles of Association, the Issuer was incorporated for the purpose of, among other things, borrowing and/or lending monies. The Issuer has been established as a special purpose vehicle and has no employees or subsidiaries.

The Issuer's business activities are mainly governed by its Articles of Association and Book 2 of the Dutch Civil Code.

The Issuer has no outstanding indebtedness in the nature of borrowings, guarantees or contingent liabilities as at the date of this Base Prospectus.

There are no and have been no governmental, legal or arbitration proceedings against the Issuer (including any such proceedings which are pending or threatened of which the Issuer is aware) during the last 12 months preceding the date of this Base Prospectus, which may have, or have had in the recent past a significant effect on the Issuer's financial position or profitability, nor is the Issuer aware of any pending or threatened proceedings of such kind.

Management

The Issuer has three managing directors: Mr. Jan Cornelius Jansen, born in Driebergen—Rijsenburg, the Netherlands, on 17 October 1972; Mr. Marcel Marinas van Santen, born in Marsden, the Netherlands, on 8 September 1971; and Mr. Filip Cába, born in Prague 2, the Czech Republic, on 22 May 1974. The business address for the Issuer's directors is Strawinskylaan 933, 1077XX Amsterdam, The Netherlands.

There is no potential conflict of interest between any duties of the managing directors towards the Issuer and their private interests and/or other duties.

DESCRIPTION OF THE GUARANTOR

General Introduction

The Guarantor is the largest wholesale provider of mobile and fixed telecommunications services in the Czech Republic, with more than 50 per cent. of the domestic retail market using some parts of the Guarantor's infrastructure, including its mobile network services, fixed network services and underlying backbone and transport infrastructure.⁴ The Guarantor was created from the first voluntary separation of retail services and infrastructure by an integrated telecommunications operator on the European market. Its aim is to provide open access to its networks to all retail operators under fair and equal conditions.

The Guarantor operates and manages a fixed and mobile telecommunications network, together covering 98.2 per cent. of the Czech Republic geographically and 99.6 per cent. of the population. The Guarantor offers a combination of GSM, UMTS, LTE and CDMA mobile technologies using almost 6,000 base stations, as well as fixed SDH, WDM, Ethernet, IP, DSL and PSTN/voice technologies. The Guarantor's fixed network consists of 20 million km of metallic cable pairs, passing 85 per cent. of households and businesses throughout the Czech Republic⁵, as well as an aggregation and transport network consisting of 38,000 km of optic cables. The Guarantor also operates in the international telecommunications market through its points of access in London, Vienna, Bratislava and Frankfurt. In addition, the Guarantor manages large network construction projects on behalf of telecommunications service providers to ensure the efficient and cost-effective implementation of high-quality infrastructure.

The Guarantor was incorporated as a joint stock company with unlimited duration under the laws of the Czech Republic on 1 June 2015 and was registered in the Commercial Register administered by the Municipal Court in Prague, with identification number 040 84 063. The registered capital of the Guarantor, as recorded in the Commercial Register, is CZK 3,102,200,670 as at 30 September 2016. The Guarantor is indirectly controlled by Mr. Petr Kellner through PPF Group N.V. See "*Description of the Guarantor–Principal Shareholders*". The Guarantor controls three wholly-owned subsidiaries, including the Issuer. See "*Description of the Guarantor–Group Structure*". The Guarantor's telephone number is +420 238 461 111.

The Guarantor's business activities are mainly governed by the Czech Civil Code (Act No. 90/2012 Coll., Civil Code), the Czech Act on Business Corporations (Act No. 89/2012 Coll., on Commercial Companies and Cooperatives (Business Corporations Act)) and the Electronic Communications Act, together with secondary legislation.

The key features of the Guarantor's infrastructure business are stable financial performance, long investment horizons and strong free cash flows. For the year ended 31 December 2015, the Guarantor had an EBITDA margin of 64.3 per cent. of revenues for its domestic fixed and mobile services, its principal operating business, with almost two thirds of these earnings converting into free cash flows. The Guarantor generates additional revenues from its international transit business, which has a low EBITDA margin but virtually no marginal costs, OPEX or CAPEX. As such, nearly all of the earnings from these revenues convert into free cash flows. The international transit business therefore serves to increase utilisation of the Guarantor's assets without significant investment and operating expenses.

The tables below show the key performance indicators for the Guarantor's domestic services business and international transit business for the periods indicated.

⁴ Source: Guarantor's internal data, analyses and estimations.

⁵ Source: The 2011 census carried out by the Czech Statistical Office.

| Domestic Services Business <i>in CZK billions</i> | For the 9 month period ended | | For the year ended |
|---|--------------------------------------|--------------------------------------|-------------------------------------|
| | 30 September 2016¹ | 30 September 2015¹ | 31 December 2015¹ |
| Revenues | 8.7 | 8.9 | 11.8 |
| Total costs..... | (3.0) | (3.1) | (4.2) |
| <i>of which: Cost of Sales</i> | <i>(0.2)</i> | <i>(0.2)</i> | <i>(0.3)</i> |
| EBITDA | 5.7 | 5.8 | 7.6 |
| EBITDA margin | 65.6% | 65.1% | 64.3% |
| Depreciation and Impairment | (3.6) | (4.2) | (5.5) |
| EBIT | 2.1 | 1.6 | 2.1 |
| CAPEX (fixed assets addition)..... | 2.0 | 1.9 | 3.1 |
| EBITDA less CAPEX | 3.7 | 3.9 | 4.5 |

| International Transit Business <i>in CZK billions</i> | For the 9 month period ended | | For the year ended |
|---|--------------------------------------|--------------------------------------|-------------------------------------|
| | 30 September 2016¹ | 30 September 2015¹ | 31 December 2015¹ |
| Revenues | 6.6 | 5.5 | 7.3 |
| Total costs..... | (6.3) | (5.2) | (6.9) |
| <i>of which: Cost of Sales</i> | <i>(6.3)</i> | <i>(5.2)</i> | <i>(6.9)</i> |
| EBITDA | 0.3 | 0.3 | 0.3 |
| EBITDA margin | 4.0% | 4.8% | 4.6% |
| Depreciation and Impairment | (0.0) | (0.0) | (0.1) |
| EBIT | 0.2 | 0.2 | 0.3 |
| CAPEX (fixed assets addition)..... | 0.0 | 0.0 | 0.0 |
| EBITDA less CAPEX | 0.2 | 0.2 | 0.3 |

(1) Figures derived from note 5 of the audited consolidated interim financial statements of the Guarantor, prepared in accordance with IFRS, as at and for the nine month period ended 30 September 2016.

On 11 July 2016, Moody's granted the Guarantor a first-time issuer credit rating of Baa2 with a stable outlook. This investment grade rating reflects, among other things, the unique business model of the Guarantor (as the only nation-wide provider of wholesale telecommunications infrastructure in the Czech Republic) as well as its strong market position.

On 18 October 2016, Fitch granted the Guarantor a rating of BBB with a stable outlook, reflecting the Guarantor's stable cash flows and measured financial policy.

Background and History

The Guarantor's history dates back to the Czech state telecommunications company, ČESKÝ TELECOM, a.s. (formerly called SPT TELECOM, s.p.) ("Český Telecom"). In 2004 Český Telecom became the sole owner of EuroTel Praha spol. s r.o. ("EuroTel"), the first Czech mobile operator, originally established in 1991 as a joint venture between SPT TELECOM, s.p. and Atlantic West B.V. (a Dutch holding company jointly owned by US West and Bell Atlantic).

In June 2005, the Czech state sold its majority stake in Český Telecom to Telefónica, S.A. In September 2006, EuroTel merged with Český Telecom to form Telefónica O2 Czech Republic, a.s., an integrated telecommunications operator trading under the O2 brand.

On 28 January 2014, the PPF Group acquired 65.9 per cent. of the shares in Telefónica O2 Czech Republic, a.s., which was then renamed as O2 Czech Republic a.s. ("O2 Czech Republic"). During 2014 and 2015, the PPF Group increased its stake in O2 Czech Republic to a total shareholding of 84.06 per cent.

The PPF Group acquired 100 per cent. of the shares of the Guarantor in January 2016, following a statutory squeeze-out of the minority shareholders.

The Spin-Off

On 13 March 2015, O2 Czech Republic launched a project to separate its Infrastructure and Wholesale Division in a new company, being the Guarantor (the “**Spin-Off**”). The Spin-Off was approved by the General Meeting of shareholders of O2 Czech Republic on 28 April 2015 and was effectively registered in the Commercial Register on 1 June 2015. For accounting purposes, the decisive date of the Spin-Off was 1 January 2015.

The Spin-Off was the first voluntary separation of a fully integrated operator in the European telecommunications market. The Spin-Off established the Guarantor as an independent and autonomous wholesale provider of fixed and mobile infrastructure, providing services to other telecommunications operators (including O2 Czech Republic) while O2 Czech Republic continues to provide fixed and mobile services to its current subscriber base of retail and business customers.

The PPF Group remains a shareholder in both the Guarantor and O2 Czech Republic. The PPF Group holds a controlling stake in O2 Czech Republic and considers this a financial investment, requiring limited management involvement. Conversely, the Guarantor is considered a core asset for the PPF Group and is treated as a long-term strategic investment. As such, the Guarantor has full access to all support functions of the PPF Group, including public and government relations, HR, legal and procurement. See “*Description of the PPF Group*”.

The Spin-Off was driven by the following considerations:

(i) *Streamlining of two different businesses*

As a fully integrated operator, O2 Czech Republic contained two distinct businesses, with competing priorities and objectives, *i.e.* an infrastructure business and a services business. The separation of these businesses allows each company to focus exclusively on its respective core operations. The Guarantor now focuses on network investments with a long term investment horizon and its general operational strategy.

The two companies now operate on a fully separate and independent basis. Personnel and management separation has been effective since October 2014, and physical separation into different offices occurred in June 2015.

The Spin-Off resulted in more efficient and streamlined management of both companies and the Guarantor believes that the simplified operating model has enhanced the Guarantor’s profitability.

(ii) *Rationalisation of regulation*

The Spin-Off eased the limitations arising from the regulation of the telecommunications industry. As the Guarantor does not conduct any retail activities, it is less burdened with regulatory obligations related to consumer-facing operations. See “*Description of the Guarantor - Telecommunications Regulation in the Czech Republic*”.

(iii) *Opening the network*

The Spin-Off allowed O2 Czech Republic to dispose of its network infrastructure, to be managed and operated by the Guarantor. As such, the Guarantor has been able to open its network to other retail services operators, thereby expanding its customer base. As a strictly wholesale operator, the Guarantor is able to offer its network to all retail operators on equal conditions, with no need to compete with them in the domestic retail market.

The table below shows the key differences between the Guarantor and O2 Czech Republic following the Spin-Off.

| | The Guarantor | O2 Czech Republic |
|----------------------------------|---|---|
| Business profile | <ul style="list-style-type: none"> • Infrastructure, fixed asset-based wholesale services provider | <ul style="list-style-type: none"> • Service-oriented and customer-facing |
| 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 |
| 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"> • Frequency spectrum, content, brand, marketing, product innovation, high-quality customer service |
| 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 |
| Customer profile | <ul style="list-style-type: none"> • O2 Czech Republic and other major domestic and international wholesale partners | <ul style="list-style-type: none"> • Mass market retail subscribers and a wide business customer portfolio |
| 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 |
| Selected business risk | <ul style="list-style-type: none"> • Sector risk, minimum risk for committed revenues from current technologies, risk of new technologies | <ul style="list-style-type: none"> • Commercial risk of general retail player, customer perception |
| Principal success factors | <ul style="list-style-type: none"> • Proper selection, timing, dimensioning, implementation and efficient operation of new technologies | <ul style="list-style-type: none"> • Agility, market orientation and response, dynamics and flexibility, trend leadership, customer experience |

Source: O2 Czech Republic

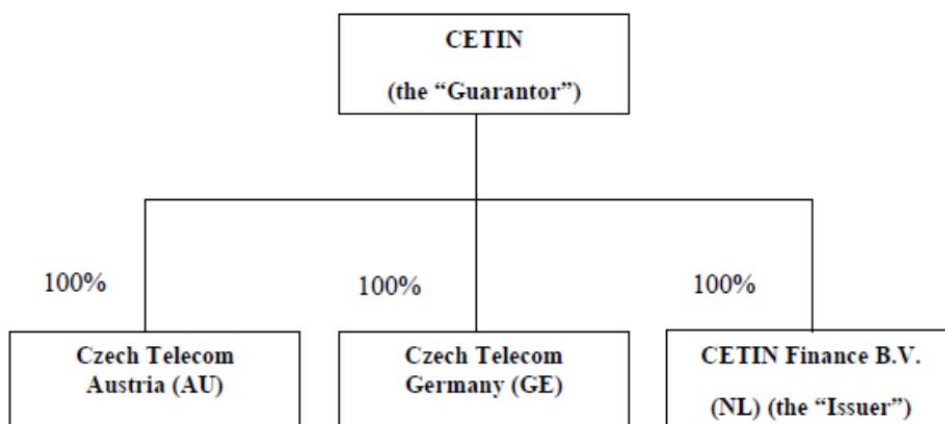
As a consequence of the Spin-Off, the Guarantor acquired all of the assets, rights, receivables, debts and liabilities related to the Infrastructure and Wholesale Division of the formerly integrated O2 Czech Republic, including:

- **Fixed public communication network** – including transmission systems, connecting or routing equipment and other resources, such as passive network elements (which allow the transmission of signals over lines, by radio, optical and other electromagnetic means in the fixed network).
- **Physical infrastructure of the mobile public communication network** – including transmission systems, connecting or routing equipment and other resources, such as passive network elements (with the exception of the core part of this network that has remained with O2 Czech Republic).
- **Data centres** – including buildings, technological units forming an integral part of data centres infrastructure (such as electrical systems, backup power supplies, diesel aggregates, control systems, consumption monitoring systems, temperature and cooling systems, and access control systems, including cameras), structured cabling, fibre optic cables, central interconnection points and active technologies (such as network switches and servers used for surveillance, data collection and operation of data centre systems).
- **Real estate assets** – including over 1,350 buildings across the Czech Republic with a total floor area of 300,000 m², over 3,100 plots of land covering approximately 522,000 m², over 1,250 technology centres, more than 6,000 mobile base stations and thousands of kilometres of ducts and cable collectors, including all related property rights and easements.

The Guarantor continues to provide services which were previously provided by the Infrastructure and Wholesale Division of O2 Czech Republic. The Guarantor provides these services to O2 Czech Republic and to its other contracting business partners, and neither the provision of these services nor commercial relationships with customers were substantially affected by the Spin-Off.

Group Structure

The Group is composed of the Guarantor, as the parent company, and its subsidiaries, the Issuer, CZECH TELECOM Austria and CZECH TELECOM Germany. The diagram below shows the Group's current corporate structure:



The shareholding in CZECH TELECOM Austria and CZECH TELECOM Germany passed to the Guarantor as a result of the Spin-Off. The Guarantor currently owns 100 per cent. of the shares in both companies.

The following table provides basic corporate information and describes the operations of the Guarantor's subsidiaries. See "*Description of the Issuer*". The main role of CZECH TELECOM Austria and CZECH TELECOM Germany in the Group is to allow the Guarantor to operate points of presence abroad for the purpose of providing international transit services to foreign operators. The contribution of both companies to the Group's revenues and profit is minimal.

| Subsidiary | Registration no. | Registered Capital (as at 30 September 2016) | Operations |
|-----------------------|-------------------------|---|---|
| CETIN Finance B.V. | 35398833 | EUR 100 | Borrowing and/or lending monies |
| CZECH TELECOM Germany | HRB 51503 | EUR 25,000 | Public provision of a rental of lines by fixed telecommunication networks |
| CZECH TELECOM Austria | FN 229578s | EUR 35,000 | Rental of telecommunication lines |

Principal Shareholders

The registered capital of the Guarantor as at 30 September 2016 is CZK 3,102,200,670, comprising 310,220,067 shares, each with a nominal value of CZK 10. All shares are book-entry shares and have been fully paid up. The registered capital of the Guarantor comprises only one class of voting common shares, with no special rights attached.

The Guarantor is indirectly controlled by Mr. Petr Kellner through PPF Group N.V., in which Mr. Petr Kellner owns 98.92 per cent. of the shares. PPF Group N.V. indirectly controls the Guarantor through its subsidiaries, PPF Infrastructure B.V. and PPF A3 B.V. See "*Description of the PPF Group—Principal shareholders*" and "*Description of the PPF Group—Background and History*".

As the controlling shareholder, PPF Infrastructure B.V. has the power under Czech company law to elect all members of the Supervisory Board of the Guarantor, which in turn appoints all members of the Board of Directors of the Guarantor. To the best of the Guarantor's knowledge, as of the date of this Base Prospectus, there are no plans to change the ownership of the Guarantor.

Dividend policy

The Guarantor's stated dividend policy allows a distribution of up to 100 per cent. of the net income of the previous financial year, subject to the Guarantor having sufficient financing for strategic investment in infrastructure (including discretionary spending), debt reduction and maintaining a net debt to EBITDA ratio below 3.5:1. The discretionary element of CAPEX can be used to temporarily protect free cash flows required to service or reduce the Guarantor's debts.

Guarantor's Business and Infrastructure

The Guarantor divides its business into two main segments; domestic network services and international transit services. The Guarantor's complex portfolio of products and services enables retail operators to provide access to millions of households and small businesses, as well as large business facilities in the Czech Republic and abroad. The domestic network portfolio includes (i) mobile network services, (ii) mass fixed network services, (iii) data services, (iv) data centres services, and (v) other supplementary services. The following table gives an overview of the products and services provided by the Guarantor, along with the associated public reference offer used to market the Guarantor's services where relevant. See "*Description of the Guarantor – Telecommunications Regulation in the Czech Republic-Competition Law-Market Supervision by the CTO*".

| Segment | Products and services | Description | % of total gross margin for 2015 |
|--|-------------------------|--|----------------------------------|
| Domestic network services (96% of EBITDA) | Mobile services | Mobile network services comprise active RAN technology, passive infrastructure, backhaul and IP core. Minor additional income is derived from the leasing of space in the Guarantor's mobile sites to other operators. | 38% |
| | Fixed line services | The Guarantor provides access to the fixed network, coupled with a combination of related services including voice, broadband access and IPTV. Auxiliary services include co-location of technologies and local loop unbundling. The Guarantor predominantly markets its fixed line services using its Mass Market Offer. | 40% |
| | Data services | These services are aimed at medium and large businesses and are provided on a wholesale basis to other operators. Services include leased lines, Ethernet, VPN and point-to-point interconnection of corporate LANs. The Guarantor predominantly markets its data services using its Reference Access Data Offer and Reference Offer of Unbundled Access to Local Metallic Loop. | 13% |
| | Data centres | The Guarantor operates the largest network neutral TIER III data centres in the Czech Republic with a total area of 3,350 m ² , located in Prague and Hradec Králové. The centres are rented exclusively to O2 Czech Republic, on a take-or-pay or similar basis. | 2.5% |
| | Other | The Guarantor also provides operators with dark fibre rentals, either as bespoke customer solutions or as backhaul for the mobile networks of T-Mobile Czech Republic and Vodafone Czech Republic. Additional minor sources of supplementary income comprise domestic interconnection services, roaming support service, forced network transfers, duct hire and other related services. | 3.0% |
| International transit services (4% of EBITDA) | Voice and data services | The Guarantor also transfers units of international voice traffic between telecommunications operators in different countries, through its international points of presence situated in Frankfurt, Vienna, Bratislava and London. | 3.5% |

Domestic network services

The primary business of the Guarantor is the domestic network services segment, which contributes the majority of the Guarantor's revenues. The Guarantor invests considerable amounts in the development of the infrastructure needed for the provision of these services. The Guarantor serves fixed and mobile service providers operating in the Czech telecommunications market, offering an extensive portfolio of wholesale voice, data and broadband services in the Czech Republic, accompanied by supplementary services, allowing customers to select a service or a combination of services that best corresponds to their specific needs and requirements.

Mobile services

The Guarantor owns and operates a mobile access network, including the passive and active infrastructure of the mobile network (e.g. masts, poles, antennas, towers etc.), with nation-wide coverage. The Guarantor has over 6,000 mobile base sites, providing 2G and 3G service to 99.6 per cent. and 80 per cent. of the Czech population, respectively. The Guarantor's 4G/LTE service is growing rapidly, currently covering 94 per cent. of the Czech population, including cities, countryside and motorway and railway corridors at an accelerated pace, ahead of the spectrum licence requirements.

The Guarantor is the principal mobile service supplier and mobile network provider for O2 Czech Republic and operates the mobile network for T-Mobile Czech Republic in the eastern part of the Czech Republic, whilst T-Mobile Czech Republic operates its own mobile infrastructure in the western part of the country.⁶ In addition, the Guarantor also provides backhaul services for mobile sites operated by all three major operators, i.e. O2 Czech Republic, T-Mobile Czech Republic and Vodafone Czech Republic.

The Guarantor continues to further strengthen its position in the Czech telecommunications market through continued investment in mobile network infrastructure. The Guarantor invests in increasing its network capacity and density, and in adding new network layers to its 4G/LTE network in order to maintain its technology leadership and customer satisfaction. This investment will also help the Guarantor prepare for the introduction of 5G services and the anticipated upcoming demand for increased speed, capacity and quality of mobile data services.

The Guarantor's nation-wide network is currently being consolidated into a network shared with another leading mobile operator, T-Mobile Czech Republic. This network sharing has strengthened the competitive position of both T-Mobile Czech Republic and O2 Czech Republic by enabling them to provide better services at potentially lower costs than previously achievable through their parallel networks. In addition, network sharing may free up resources, which can then be invested in improving service quality and availability and in the quicker deployment of next generation network services. See "*Description of the Guarantor-Customers and Material Commercial Agreements*".

Fixed line services

The Guarantor operates a metallic and fibre optic access network across the Czech Republic with extensive coverage and density, providing fixed voice and broadband services to its customers.

(i) Metallic network

The Guarantor is the only telecommunications infrastructure operator in the Czech Republic with a metallic network, providing fixed network access to almost all DSL connections in the country. 4.1 million households are passed by the Guarantor's metallic network, representing 85 per cent. of all households in the Czech Republic.⁷ Of this figure, approximately 1.2 million households are actively using fixed services via the Guarantor's metallic

⁶ O2 Czech Republic press releases from 5 May 2014 and 29 August 2013.

⁷ Source: The 2011 census carried out by the Czech Statistical Office.

network, with around 910,000 households using fixed broadband services and 570,000 households using voice services.⁸

No other competitor and no other technology currently provides a similar nation-wide coverage, with competitors only able to offer fixed network access in limited locations or regions. With the extension of fibre optic connections closer to end-users through the deployment of FTTC, the Guarantor's upgraded metallic network will remain in demand for the last few hundred metres of access for the majority of locations and households in the country.

(ii) Fibre optic network

The fibre optic network operated by the Guarantor is an aggregation and transport network that incorporates 38,000 km of optic cables, transmitting fixed network traffic and capturing a substantial part of the Czech fixed data services market. Approximately 4,000 households are connected to the Guarantor's fibre optic network through FTTH, mainly in new greenfield developments. The deployment of the last mile access using FTTH is typically more expensive, slower and disruptive compared to the deployment of FTTC, which uses the Guarantor's existing metallic connections to deliver the last mile access to households.

The Guarantor's competitors have historically built their fibre optic networks along the main railway, gas or power distribution corridors, and are accordingly limited to certain locations.

The Guarantor is committed to investing in the development of its fixed network to further strengthen its leading market position. The plan to improve the quality of the fixed network is the biggest component of the Guarantor's capital expenditure plan for the next seven years. Growing demand for higher connection speeds and increased quality, as well as the growing popularity of IPTV and high definition video, is driving a transition to connection speeds of 30 Mbps and above. This will be achieved mainly through the upgrade of the network to FTTC, involving the extension of fibre optic connections closer to end-users through the installation of approximately 9,300 remote DSLAMs across the country. See "*Description of the Guarantor-Capital Expenditure*".

International transit services

International transit services (i.e. the connection of international telecommunications traffic) are operated in different markets and have a fundamentally different business model, profitability profile and capital expenditure requirements compared to the domestic services segment. International transit services are a supplemental business activity for the Guarantor, generating additional free cash flows without significant investments and operating expenses. The segment is characterised by considerable revenues with a very low margin and minimal required operating and capital expenses.

The Guarantor is one of the largest international carriers in Central and Eastern Europe, providing wholesale international voice services to more than 170 telecommunications operators worldwide and transmitting more than half a billion minutes per month through its points of presence in London, Vienna, Bratislava and Frankfurt.

⁸ Source: Guarantor's internal data, analyses and estimations.

Competitive Strengths of the Guarantor

The Guarantor believes that the following competitive strengths will enable it to continue to provide both its existing and its new customers with a wide range of high-quality services, maintain its leading position in the Czech telecommunications market and further expand its current market share.⁹

(i) High-quality network

The Guarantor operates a high-quality fixed and mobile network across the country and has a leading position in the Czech telecommunications market.¹⁰ The Guarantor owns over 6,000 mobile base sites, providing mobile service coverage to 99.6 per cent. of the Czech population (99.6 per cent. 2G, 80 per cent. 3G and 94 per cent. 4G/LTE). In addition, the Guarantor provides fixed line services using over 20 million km of its metallic network, passing 4.1 million households (representing 85 per cent. of all households in the Czech Republic¹¹), and the Guarantor's aggregation and transport network utilises 38,000 km of optic cables, transmitting fixed network traffic and capturing a substantial part of the Czech fixed data services market. See "*Description of the Guarantor-Guarantor's Business and Infrastructure-Domestic network services*".

(ii) Constructive regulatory environment with manageable impact on the Guarantor's business

Since the Spin-Off, the Guarantor has aligned its business strategy with the specific regulatory requirements for wholesale operators. As competition in the electronic communications market develops, both the EU and Czech regulatory authorities aim to progressively reduce *ex ante* specific regulation, such as pricing regulation, so that the telecommunications market is governed by general competition law only. While the Czech telecommunications market has undergone major regulatory changes in the past decade, the Guarantor does not expect any material regulation changes in the near future. The CTO does not consider pricing of access products to be a major issue, and instead focusses on consumer protection regulation. Pricing regulation only directly affects about 25 per cent. of the Guarantor's gross margin and, as the Guarantor does not operate in any retail markets, consumer protection regulation has no direct impact on its business.

(iii) Long-term customer agreements and highly stable income

The Guarantor has three key agreements with O2 Czech Republic for the provision of mobile services, fixed services and data centres services (the "**O2 Agreements**") and a fixed service agreement with T-Mobile Czech Republic. All of the O2 Agreements have take-or-pay or similar commitments for seven years. See "*Description of the Guarantor-Customers and Material Commercial Agreements*". In addition, some of the Guarantor's customer agreements contain indexation provisions, providing the Guarantor some protection against inflation, as well as significant take-or-pay or similar commitments from the Guarantor's counterparties. The Guarantor's key commercial agreements provide a stable, predictable income for the Guarantor, and allow it to successfully implement its business plans.

(iv) Low counterparty risks

The Guarantor's key customers are firmly established retail operators in the Czech telecommunications market.

The Guarantor's key business partner is O2 Czech Republic, a leading Czech integrated telecommunications operator, with a market share of 40 per cent. in terms of revenues and 34 per cent. in terms of subscribers as of June 2016.¹² O2 Czech Republic also has a branch in Slovakia. The Guarantor believes that O2 Czech Republic has limited customer credit risk.

Another of the Guarantor's key business partners is T-Mobile Czech Republic, a mobile and data services provider in the Czech Republic and a member of the Deutsche Telecom group, which comprises

⁹ Source: Guarantor's internal data, analyses and estimations.

¹⁰ Source: Guarantor's internal data, analyses and estimations.

¹¹ Source: The 2011 census carried out by the Czech Statistical Office.

¹² Source: Q2 2016 quarterly reports of O2 Czech Republic.

telecommunications providers operating in more than 50 European countries. T-Mobile Czech Republic operates its own mobile network, currently covering more than 94 per cent. of the population of the Czech Republic with 4G/LTE service¹³, as well as a fibre optic network in Prague. See “*Description of the Guarantor–Capital Expenditure*”. In 2013, T-Mobile Czech Republic merged with T-Systems Czech Republic a.s., an information and communication technologies integrator, and in 2015 with GTS Czech s.r.o., a provider of fixed services and data centres in the Czech Republic.¹⁴ In doing so, T-Mobile Czech Republic strengthened its position as an integrated operator in the Czech telecommunications market, providing services in all areas of mobile and fixed telecommunications, information technologies and system integration.

¹³ Source: Coverage statistics from the CTO.

¹⁴ Source: T-Mobile Czech Republic press release from 10 April 2013, Deutsche Telekom press release from 11 November 2013.

Strategy of the Guarantor

The Guarantor aims to build upon its existing market position to increase its revenue, enhance its profitability, increase its cash flow and service its debt. The Guarantor's strategy involves four areas that reinforce one another.

(i) High-quality operations and service levels

The Guarantor is committed to the continuous improvement of its services levels, to maintain high levels of satisfaction and loyalty among its customers and business partners. The Guarantor currently has a programme in place to objectively measure the satisfaction of its customers and capture their feedback, feeding into its process improvement and performance management policies.

The Guarantor continuously monitors its internal processes to optimise the efficiency of its operations, and focusses on ensuring adequate staff levels and simple operational support systems, allowing it to react quickly to customer issues.

(ii) Continuous modernisation of infrastructure

The Guarantor invests a substantial amount in the continuous modernisation of its existing infrastructure and the development and deployment of new technologies, services and products in order to remain a leader in the Czech telecommunications market. The Guarantor is currently deploying infrastructure to capture the growing demand for data services and speed upgrades, in both mobile (4G/LTE mobile network deployment and preparing for 5G deployment) and fixed market segments (upgrading the access network to NGA through FTTC deployment).

(iii) Growing revenue base

The basic principle of the Guarantor is to offer equal business terms and conditions and equal access to its services to all its customers, regardless of the size and scope of the individual customer's business. The Guarantor believes that a fair and responsible approach, non-discriminatory network access and a focus on the individual needs of different customers are a means to increasing customer satisfaction, driving sustainable business growth and increasing profits. The Guarantor actively markets new products and business opportunities to customers to diversify its revenue base.

(iv) Supportive company culture

The Guarantor emphasises the personal responsibility of each individual employee, to support and motivate its employees to increase the quality of services and products offered by the Guarantor. Consistent performance management, resulting in minimal levels of staff turnover, allows the Guarantor to retain key employees in the appropriate position to utilise their knowledge and expertise. The Guarantor's human resourcing strategy focusses on the recruitment of new employees with the requisite knowledge of innovative technologies and aligned to the Guarantor's company culture, allowing it to drive further progress in operational excellence and network development.

Indebtedness

Syndicated Loan

On 31 July 2015 the Guarantor entered into a syndicated loan agreement amounting to CZK 32.2 billion, provided to the Guarantor by a group of domestic and international financial institutions in 2015 (the “**Syndicated Loan**”), including a number of the Dealers or their affiliates. The Syndicated Loan has two tranches, having a three-year maturity and a seven-year maturity respectively.

The Syndicated Loan was used to fund a permitted financial assistance loan from the Guarantor to PPF Arena 2 B.V. (“**PPF Arena**”) to allow PPF Arena to repay a loan borrowed in order to finance the purchase of shares in O2 Czech Republic from Telefónica S.A. On 23 January 2016, PPF Arena was demerged into two newly established companies, PPF Telco B.V. and PPF Infrastructure B.V. The debt under the permitted financial assistance loan was assumed by PPF Infrastructure B.V. This permitted financial assistance loan was repaid in full prior to the date of this Base Prospectus, by way of set off against a distribution of profits and other distributable resources to the Guarantor’s shareholders. The repayment was therefore cash neutral for the Guarantor.

Upon the Guarantor obtaining an investment grade rating of Baa2 from Moody’s on 11 July 2016, the collateral securing the debts under the Syndicated Loan was released and a number of covenants and obligations fell away.

In 2015, the Guarantor prepaid a total of CZK 3.4 billion and reduced the amount outstanding under the Syndicated Loan to CZK 28.9 billion as at 31 December 2015. As of 30 September 2016, the aggregate outstanding amount under the Syndicated Loan was CZK 27.7 billion. The Guarantor intends to prepay the outstanding Syndicated Loan using the proceeds from the Notes issued under the Programme. See “*Use of Proceeds*”.

Cross Guarantee

One of the legal consequences of the Spin-Off was the creation of the Cross Guarantee, whereby the Guarantor guaranteed the monetary and non-monetary debts of O2 Czech Republic that passed from O2 Czech Republic to the Guarantor following the Spin-Off. The Cross Guarantee is a secondary liability for the Guarantor, covering the monetary and non-monetary debts existing at the date of the Spin-Off (1 January 2015).

The Cross Guarantee is limited to the value of the net assets that passed to the Guarantor during the Spin-Off, assessed by expert valuation as CZK 46.9 billion. The guarantee of the non-monetary debts secures the monetary receivables, such as penalties or compensation payments, which would be owed to a creditor following a breach of the guaranteed non-monetary debts. The Guarantor is not entitled to perform the non-monetary debts in lieu of paying compensation.

As of the date of the Spin-Off (1 January 2015), the total monetary debts of O2 Czech Republic amounted to CZK 12.6 billion, of which CZK 3.2 billion were long-term liabilities, including long-term loans in the amount of CZK 3.0 billion. CZK 9.4 billion were short-term liabilities, including short-term loans in the amount of CZK 4.0 billion. As of the date of the Base Prospectus, both loans have been repaid.

Capital Expenditure

The Guarantor's financial projections are built on the principle of maintaining stable free cash flows (by investing in selected projects which will deliver planned revenue) and EBITDA growth. Future capital expenditure will be evaluated depending on the impact on free cash flow, so that stable free cash flows can be achieved. The Guarantor aims to maintain an EBITDA to free cash conversion rate of between 50 per cent. and 55 per cent. For the year ended 31 December 2015, the Guarantor had an EBITDA margin of 64.3 per cent. for its domestic services business, and of 41.6 per cent. across its domestic services and international transit businesses. The Guarantor plans to further grow its profit margin by controlling its operating costs. In 2015, the Guarantor converted more than half of its EBITDA into free cash flows of CZK 4.1 billion, with a cash conversion rate of 51 per cent.

The Guarantor has a total planned CAPEX of over CZK 21 billion for the period 2016 to 2022. While part of CAPEX must be invested to sustain and maintain the minimum operating standards of the Guarantor's fixed and mobile networks and for the development of NGA, around 45 to 55 per cent. of the Guarantor's total CAPEX is discretionary. Thus, an additional 30 per cent. can be added to the Guarantor's free cash flow, if needed by postponing discretionary CAPEX.

In 2015, the Guarantor's CAPEX spend was approximately:

- 69 per cent. on infrastructure development projects (including the consolidation of its mobile base sites);
- 22 per cent. on specifically requested customer projects (including last mile access installation, greenfield development projects and backhaul transmission for mobile sites); and
- 9 per cent. on maintenance CAPEX.

The Guarantor is committed to a responsible financial policy, using free funds for, in order of priority, strategic investments, debt reduction and profit distribution.

In 2015, the Guarantor's main infrastructure development CAPEX projects were:

- the continued consolidation of its 2G/3G mobile networks in partnership with T-Mobile Czech Republic;
- the continued deployment of its 4G/LTE mobile network; and
- the extension of its fibre optic network to modernise the fixed access network, predominantly through FTTC.

The Guarantor intends to complete the consolidation of its existing 2G/3G mobile networks into the network shared with T-Mobile Czech Republic by 2018, and the Guarantor believes that this consolidation will result in customer efficiencies, innovation development and savings in network maintenance, energy and rental costs.

The 4G/LTE network deployment is expected to be completed by 2019, resulting in nation-wide coverage as per the 4G/LTE spectrum licence criteria.

Extending the reach of fibre optic cables through FTTC development will modernise the fixed network and result in improvements in the quality of the Guarantor's fixed broadband access. The need to improve the fixed broadband network is driven by growing demand for higher connection speed and quality, as well as the growing popularity of IPTV and high-definition video and other media requiring connection speeds above 30 Mbps. The improvement in the fixed network will be achieved through the installation of thousands of remote DSLAMs throughout the country, to facilitate the upgrade of the network to FTTC, thus bringing the fibre optic network closer to end-users and allowing more households to benefit from increased connection speed and quality through the existing connections. The Guarantor believes that this investment will give it a competitive advantage, especially in less densely populated areas.

The Guarantor has committed to a large part of this infrastructure development CAPEX in its commercial contracts with O2 Czech Republic and T-Mobile Czech Republic (estimated at approximately CZK 7.4 billion, representing 35 per cent. of its total planned CAPEX for the period 2016 to 2022).

The Guarantor also continues to make other CAPEX, including individual customer projects to deliver incremental revenues, separating its operational and business support systems from the systems of O2 Czech Republic and maintaining its existing infrastructure.

Telecommunications Market in the Czech Republic

There is currently growing demand across the Czech telecommunications market for increased data consumption, higher connection speeds and additional capacity, offering a key opportunity for growth for operators within the market. As the largest wholesale provider of mobile and fixed network services, the Guarantor believes that it is well positioned to benefit from the current market dynamics.

The three major retail operators in the Czech telecommunications market are O2 Czech Republic, T-Mobile Czech Republic and Vodafone Czech Republic. At present, more than 50 per cent. of the retail market uses some part of the Guarantor's mobile network, fixed network and underlying backbone and transport infrastructure.

Mobile segment

The mobile retail market is an established market, with market shares stabilising over time. Retail operators have seen revenues from mobile voice and text message services decline since 2008, but these have begun to stabilise since 2014, following the market-wide adoption of flat tariffs. Conversely, revenues from mobile data services are growing, driven by increasing smartphone penetration, the popularity of mobile phone applications and higher demand for mobile video and audio consumption. This demand for mobile network capacity presents an opportunity for the Guarantor, as retail operators will require additional mobile base stations with more capacity and network layers, as well as a robust domestic backbone and transport network.

The mobile services segment is dominated by three operators. O2 Czech Republic and T-Mobile Czech Republic who together capture approximately 75 per cent. of the market.¹⁵ O2 Czech Republic is the leading Czech integrated telecommunications operator, while T-Mobile Czech Republic has the largest mobile subscriber base. Vodafone Czech Republic services the remaining 25 per cent. of the mobile market. All three operators own licences for GSM, 3G, UMTS and 4G/LTE spectrum, and all report strong growth in data traffic.¹⁶

Fixed voice segment

Revenues from the fixed voice segment have been declining in recent years, with fixed voice services having been largely replaced by mobile voice services and, to a lesser extent, by VoIP (mainly business users). Although retail revenues began to stabilise in 2016 due to the introduction of flat fixed voice tariffs by O2 Czech Republic, the overall number of subscribers has continued to decline.

Fixed broadband segment

The fixed broadband segment has shown sustained growth over recent years, with steadily growing household penetration and a migration towards more advanced technologies able to satisfy a growing demand for greater speed, capacity and connection reliability. This demand is largely driven by the growing popularity of IPTV, the growing use of high-definition video and online gaming and a shift to multi-user households with concurrent consumption of capacity.

The fixed broadband market in the Czech Republic is divided into three distinct sections with specific features and different dynamics: (i) DSL, (ii) cable and local fibre operators and (iii) local Wi-Fi access providers. Each section captures approximately one third of the fixed broadband market, according to the Guarantor's market analysis.

- (i) The use of DSL technologies has declined in the past, as the traditional VDSL technology utilising the Guarantor's metallic loop has suffered from underinvestment. However, the extension of the fibre optic network closer to end-users, via FTTC deployment, is reviving the DSL technology. The new FTTC

¹⁵ Source: The Q2 2016 quarterly reports of O2 Czech Republic and T-Mobile Czech Republic, the Q1 2016 press release by Vodafone Czech Republic, the 2014/2015 Annual Reports of Vodafone Czech Republic and the Analysis Mason report for September 2016.

¹⁶ Source: Measure of General Nature No. A/2/04.2016-6 on analysis of Market No. 2, issued by CTO on 5 April 2016.

network will offer speeds comparable to cable, exploiting the “last mile” infrastructure already in place and extending NGA services across the country.

- (ii) Cable operators (almost exclusively UPC) and a number of local fibre operators have in the past focussed on deploying cable or fibre infrastructure in areas with high population density, such as cities and residential areas with multi-storey apartment blocks, in order to maximise the return on their investment. The Guarantor’s policy is to compete with other operators in FTTH only in locations with a favourable business case for FTTH deployment, mainly in new greenfield residential developments and brownfield industrial sites.
- (iii) The remaining third of the fixed broadband segment is extremely fragmented and has been filled by over 1,200 local Wi-Fi operators, although this number is declining. These Wi-Fi operators offer low-cost, low-quality access to subscribers in areas with low population density, mainly in residential areas with individual houses, smaller towns and countryside.

IPTV segment

The majority of TV viewers in the Czech Republic depend on the free-to-air channels, and the Guarantor estimates that approximately one third of TV viewers are using pay TV services. The pay TV segment is dominated by cable and satellite services, with UPC and the main satellite operators capturing approximately 86 per cent. of this market segment.¹⁷ The growing availability of NGA, new technologies and new content providers have brought about recent growth in IPTV. Escalating capacity demands in the pay TV segment, related to the increasing popularity of high-definition video and online gaming, and multiple concurrent users within a single household are driving a need for pay TV operators to increase available capacity.

IPTV offers many superior features compared to traditional terrestrial or satellite TV, including on demand programming, the ability to record programs and interactive features. The redesigned O2TV service, launched in 2013 by O2 Czech Republic, became the only growing pay TV service in the domestic market, increasing its subscriber base by 50 per cent. within three years of being introduced.¹⁸ The new O2TV has captured more than a 10 per cent. share of the pay TV market segment and encouraged other operators, such as T-Mobile Czech Republic and Vodafone Czech Republic, to develop a similar product.¹⁹

The Guarantor is well positioned in this growing market segment. The Guarantor is open to all retail operators on equal terms and the Guarantor’s backbone and transport networks, as well as its access networks, are used at least partly by most operators to deliver their service and content to subscribers.

¹⁷ Source: Analyses Mason market analysis from September 2016, including estimations provided by the Guarantor.

¹⁸ Source: Annual Reports and quarterly press releases of O2 Czech Republic.

¹⁹ Source: Analyses Mason market analysis from September 2016, including estimations provided by the Guarantor.

Customers and Material Commercial Agreements

Customer base

The Guarantor's customer base is comprised of fixed and mobile network operators in the domestic Czech market and the international telecommunications market. The key customers of the Guarantor are O2 Czech Republic, T-Mobile Czech Republic and Vodafone Czech Republic, the three largest mobile operators in the Czech Republic. The Guarantor is the backhaul provider for all of these operators, and all three operators use almost exclusively the Guarantor's fixed access network to provide voice, broadband and IPTV services to their subscribers. The Guarantor is actively marketing its fixed network services to all network operators and retail service providers in the country to add new customers to its portfolio. The Guarantor also provides its backbone transport network to a number of network operators and retail service providers.

O2 Czech Republic is the principal business partner for the Guarantor. The Guarantor is the principal provider of mobile network services and almost all fixed network services to O2 Czech Republic. The management of the Guarantor estimate that the O2 Agreements will contribute approximately 80 per cent. of the Guarantor's EBITDA in the next six years and beyond, predominantly on a take-or-pay or similar basis. On 5 September 2016, O2 Czech Republic announced its plans for a significant investment in 4G/LTE upgrades in Prague.²⁰ The Guarantor has added 534 transmitters in Prague this year, adding a second layer of network capacity for O2 Czech Republic, and has also equipped existing transmitters with additional technology to increase transmission speeds. Over the next two years, the Guarantor intends to build an additional 250 transmitters in Prague for O2 Czech Republic.

T-Mobile Czech Republic is the second most important business partner for the Guarantor, using the Guarantor's fixed network services, operating a shared mobile network with the Guarantor and using the Guarantor's services to sub-contract part of its mobile network deployment.

In the international transit market, the Guarantor is one of the largest international carriers in Central and Eastern Europe, used by more than 170 telecommunications operators from over 50 countries. The Guarantor's largest customers in this segment are traditionally the main German, Austrian, Italian and Slovak operators (such as O2, Vodafone, Verizon, Orange, Hutchinson 3, British Telecom and Telefonica and others).²¹

Material commercial agreements

The Guarantor has entered into the following long-term, material agreements with its customers.

Mobile Agreement

The Mobile Agreement is a wholesale long-term agreement, pursuant to which the Guarantor provides O2 Czech Republic with mobile infrastructure services, such as mobile access services and carrying voice, messaging and data traffic, allowing O2 Czech Republic to provide mobile services to its customers in GSM, UMTS, CDMA, and 4G/LTE radio systems. The services received by it under the Mobile Agreement allow O2 Czech Republic to comply with its Czech regulatory obligations under its LTE spectrum licences and its undertakings towards its customers.²²

O2 Czech Republic has committed to purchase a set level of mobile infrastructure services under the Mobile Agreement. For the first seven years from the commencement of the Mobile Agreement, O2 Czech Republic has committed to pay the Guarantor an agreed fee of CZK 4.4 billion per year (CZK 30.8 billion in total), on a fully take-or-pay or similar basis. For the following period, the fee may be re-negotiated. If no consensus is reached on new prices, O2 Czech Republic is committed to certain further payments for a phase-out period.

²⁰ Source: O2 Czech Republic press release from 5 September 2016.

²¹ Source: Guarantor's internal data, analyses and estimations.

²² Source: O2 Czech Republic's Annual Report 2015.

MMO Agreement

The MMO Agreement is a long-term agreement between the Guarantor and O2 Czech Republic regarding access to the Guarantor's public fixed communication network, based on the Guarantor's Mass Market Offer, available to all operators under fair and equal conditions. Under the MMO Agreement, the Guarantor provides certain wholesale services to O2 Czech Republic, including connection at termination points, access to publicly available electronic communications services and other related services. O2 Czech Republic has committed to purchase fixed network services for seven years at an agreed fee.

Network Sharing Agreements

O2 Czech Republic and T-Mobile Czech Republic entered into two long-term agreements regarding the mutual sharing of their respective networks, being (i) the Network Sharing Agreement dated 29 October 2013, concerning the active sharing of their respective 2G/3G mobile networks in the Czech Republic (the "**Network Sharing Agreement I**"), and (ii) the Network Sharing Agreement dated 2 May 2014, concerning the active sharing of their 4G/LTE mobile networks in the Czech Republic (the "**Network Sharing Agreement II**" and collectively the "**Network Sharing Agreements**"). As a result of the Spin-Off, and as the new owner of the mobile networks governed by the Network Sharing Agreements, the Guarantor replaced O2 Czech Republic as the counterparty to both Network Sharing Agreements.

Under the Network Sharing Agreements, T-Mobile Czech Republic is the master operator of the shared network for the western part of the Czech Republic, while the Guarantor is the master operator for the eastern part. The cities of Prague and Brno are excluded from the Network Sharing Agreements. The master operator owns and operates the active technology on all sites within its region, while ownership of the passive infrastructure (including the sites) remains unchanged, and ownership of the spectrum remains with the retail operators (T-Mobile Czech Republic and O2 Czech Republic).²³

Data Centres Agreement

The Data Centres Agreement is a long-term agreement between the Guarantor and O2 Czech Republic pursuant to which the Guarantor provides O2 Czech Republic with premises in specified data centres owned by the Guarantor.

O2 Czech Republic is committed to pay the Guarantor an agreed fee during the seven-year contract, on a fully take-or-pay or similar basis.

T-Mobile DSL Agreement

The T-Mobile DSL Agreement is a long-term agreement between Guarantor and T-Mobile Czech Republic regarding the provision of various DSL services.

²³ Source: Opinion of the CTO Regarding 2G, 3G and 4G Network Sharing; Measure of General Nature No. A/8/03.2016-2 on analysis of Market No. 8, issued by the CTO on 2 March 2016.

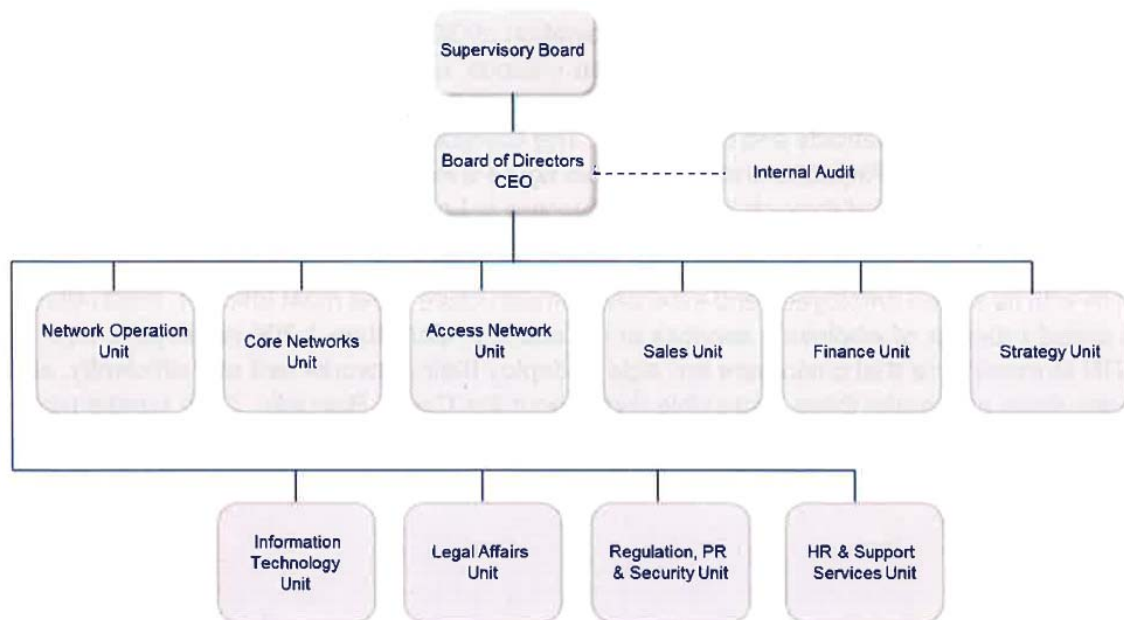
Management and Employees

General Overview

The Guarantor has a two-tier board system consisting of a Board of Directors and a Supervisory Board. The Board of Directors is a statutory body which manages and directs the day-to-day operations of the Guarantor and whose members represent the Guarantor in all matters. The Board of Directors makes decisions on all issues other than those that are reserved to the Supervisory Board or the General Meeting of the Guarantor's shareholders, pursuant to the Guarantor's Articles of Association or applicable laws. The Supervisory Board is an independent body that oversees the Board of Directors and the business activities of the Guarantor. The powers and responsibilities of the Board of Directors and of the Supervisory Board are set forth in detail in the Guarantor's Articles of Association and applicable laws.

All members of the Board of Directors and the Supervisory Board listed below have their business addresses at the registered office of the Guarantor at Olšanská 2681/6, Žižkov, P.C. 130 00 Prague 3, Czech Republic, and telephone number +420 238 461 111.

The Guarantor currently has the following organisational structure:



Board of Directors

All members of the Board of Directors are appointed by the Supervisory Board. Members of the Board of Directors serve five-year terms and may be re-elected.

In accordance with the Guarantor's constitutional documents, certain decisions of the Board of Directors require the consent of the Supervisory Board. See "*Description of the Guarantor–Management–Supervisory Board*". The Board of Directors are responsible for, among other duties, managing the Guarantor's business and operational activities, convening a General Meeting of shareholders, executing the General Meeting's resolutions in accordance with the Guarantor's Articles of Association and the applicable law, using the Guarantor's retained profit and funds in accordance with the decisions of the General Meeting and submitting annual, extraordinary and interim financial statements to the Supervisory Board in both consolidated and unconsolidated forms. The Board of Directors regularly reports to the Supervisory Board regarding, among other things, developments of the Guarantor's management and any court or similar proceedings or administrative proceedings in which the Guarantor is a participant where the potential effect on the Guarantor is above CZK 1 million.

The Board of Directors makes decisions by simple majority. A quorum is present when a simple majority of members of the Board of Directors is present at a meeting. Each member of the Board of Directors has one vote. If necessary, in matters of urgency, a decision may be made by the Board of Directors by written resolution. The Board of Directors is obliged to meet once a month. In practice, however, meetings are held on a weekly basis.

The Board of Directors is composed of the following three members:

| Name | Date of birth | Position | Date of appointment |
|---------------|----------------------|-----------------|----------------------------|
| Martin Vlček | 2 October 1977 | Chairman | 1 June 2015 |
| Petr Slováček | 15 May 1959 | Vice-Chairman | 1 June 2015 |
| Michal Frankl | 13 December 1963 | Member | 1 June 2015 |

Martin Vlček – Chairman of the Board of Directors

Martin Vlček has extensive experience in the areas of finance and investments. Before becoming the CEO of O2 Slovakia, s.r.o., he acted as a director of PPF Investment and was also responsible for finance in O2 Czech Republic. In the past he has worked as an External Advisor to the PPF Group and PMU CZ, a.s., and as Investment Manager for Penta Investments between 2002 and 2011.

Petr Slováček – Vice-Chairman of the Board of Directors

Petr Slováček graduated from the Czech Technical University in Prague, Faculty of Electrical Engineering with a Telecommunications major and went on to complete a Master of Business Telecommunications graduate course at the Delft University of Technology in the Netherlands. Prior to his studies he worked for the Telecommunications Research Institute in Prague. In 1989, he joined SPT TELECOM, a.s., the legal predecessor of O2 Czech Republic, where he worked in various fields, including communication technology, technology development, network management and OSS. In June 2003, he was appointed 2nd Vice-Chairman of the Board of Český Telecom, and later became the Vice-President for Operations and Vice-Chairman of the Board of Directors of O2 Czech Republic. Currently, he is the CEO of the Guarantor.

Michal Frankl – Member of the Board of Directors

Michal Frankl graduated from BIVŠ Prague, College of Banking and Janko Jesensky Faculty of Law. In 1989 he started his own business developing economic software. In 1996, he was appointed as a Member of Parliament of the Czech Republic, later becoming Deputy Finance Minister responsible for tax, customs and IT. He was also Deputy Minister for Informatics, primarily in charge of electronic communications and mailing services. He is one of the key co-authors of the Electronic Communications Act, Coll. and was a member of the Board of Directors of the CTO from 2005 to 2009. In 2014 and 2015, he served as a member of the Board of Directors of O2 Czech Republic. Currently, he is the Security, Regulation and PR Director of the Guarantor.

Supervisory Board

All members of the Supervisory Board are appointed by a General Meeting of the Guarantor’s shareholders. Members of the Supervisory Board serve five-year terms and may be re-elected.

The Guarantor’s constituting documents require approval of the Supervisory Board for certain key management decisions, including but not limited to:

- entering into, changing or terminating financing agreements or issuing or acquiring securities or other financial instruments with a value exceeding CZK 100,000,000;
- entering into, changing or terminating agreements concerning the security of the Guarantor’s or third party debts to the detriment of the Guarantor or its assets or creating an encumbrance over the Guarantor’s assets with a value exceeding CZK 100,000,000;
- realising investments or other expenses of the Guarantor with an overall value exceeding CZK 500,000,000; and

- acquiring or disposing of shares (including creating encumbrances) with a value exceeding CZK 100,000,000.

The Supervisory Board makes decisions by simple majority. The quorum is a simple majority. The Supervisory Board is obliged to meet once a quarter. In practice, however, meetings are held on a monthly basis.

The Supervisory Board is composed of the following three members:

| Name | Date of birth | Position | Date of appointment |
|------------------|----------------------|-----------------|----------------------------|
| Ladislav Chvátal | 24 December 1963 | Chairman | 1 June 2015 |
| Lubomír Král | 2 December 1972 | Vice-Chairman | 1 June 2015 |
| Vladimír Mlynář | 15 January 1966 | Member | 1 June 2015 |

Ladislav Chvátal - Chairman of the Supervisory Board

Ladislav Chvátal graduated from the University of Economics in Prague, majoring in Automated Control Systems. He joined the PPF Group in 1994, occupying a number of key management positions within the PPF Group. From 1998 to 2007, he managed the development and international expansion of the Home Credit group as its CEO and also served as the PPF Group Executive Director for Retail Banking and Consumer Finance and was responsible for strategic management of eBanka a.s. and ČP Leasing a.s. He was a member of the PPF Partners Limited management from 2009 to 2014. He has been responsible for building and developing the RAV agricultural holding in the Russian Federation. Since June 2015, he has acted as the Chairman of the Supervisory Board of PPF banka a.s. and in November 2015 he became a member of the Supervisory Board of Pražské jaro, o.p.s.

Lubomír Král – Vice-Chairman of the Supervisory Board

Lubomír Král graduated from the Faculty of Law of Charles University and also attended the University of Economics in Prague. He started his career as a lawyer. From 1997-1999, he worked in the Legal Department of the Settlement Centre of the Prague Stock Exchange. He joined the PPF Group in 1999 as the General Counsel of PPF, a.s. In 2014, he became a member of the Board of Directors of Home Credit B.V. and of PPF Financial Holdings B.V. He is also member of the Board of Directors of PPF Telco B.V., PPF Infrastructure B.V., PPF Arena 1 B.V., PPF A3 B.V., PPF A4 B.V. and PPF Holding Sárl. Since March 2016, he is also a member of the Supervisory Board of PPF Reality a.s.

Vladimír Mlynář - Member of the Supervisory Board

Vladimír Mlynář has been a member of the executive team of the PPF Group since August 2010, responsible for Public Relations and Public Affairs in PPF, a.s. After a career as a journalist, he entered politics in 1998, and served as a Minister of Informatics until 2005, as a Minister without portfolio, and as a Member of the Czech Parliament. In 2010, he was appointed as the chief advisor to the Czech Prime Minister. He worked for O2 Czech Republic from 2008 to 2009.

Executive management

The Guarantor’s executive management is composed of the following members:

| Name | Department | Position | Date of appointment |
|---------------------|-----------------------------|-----------------|----------------------------|
| Petr Slováček | General Director | Director | 1 June 2015 |
| Petr Holý, Ph.D. | Network Operation | Director | 1 August 2016 |
| Vladimír Filip | Core Networks | Director | 1 June 2015 |
| Petr Gazda | Access Network | Director | 1 June 2015 |
| Petr Možiš | Sales | Director | 9 November 2015 |
| Filip Cába | Finance | Director | 1 June 2015 |
| Colin James Shea | Strategy | Director | 1 June 2015 |
| Jiří Nováček | Information Technology | Director | 1 June 2015 |
| Petr Prouza | Legal Affairs | Director | 1 June 2015 |
| Michal Frankl | Regulation, PR and Security | Director | 1 June 2015 |
| Milena Synáčková | HR and Support Services | Director | 1 July 2015 |
| František Čech, MBA | Internal Audit | Director | 1 June 2015 |

Corporate Governance and Conflict of Interests

The Guarantor's corporate governance policies are based on the recommendations of the Czech 2004 Corporate Governance Codex compiled by the former Czech Securities Commission.

The members of the Board of Directors and the Supervisory Board of the Guarantor (collectively, the "**Members**") are subject to Czech law rules on business conflicts. The Guarantor is not aware of any actual or potential conflict of interest between the obligations of the Members to the Guarantor and their private interests or other duties.

Employees

The Guarantor has 1,490 employees. Approximately 75 per cent. of the Guarantor's employees are technical professionals involved in operating, maintaining and developing the Guarantor's access and backbone networks across the country, while 7 per cent. of the workforce are engaged in commercial activities and 4 per cent. operate the Guarantor's IT systems. The remaining employees are head office staff including finance, procurement, logistics, accounting, HR and other general administrative staff.

All of the Guarantor's employees are covered by a collective bargaining agreement in accordance with Czech law and approximately 30 per cent. of the Guarantor's employees are members of trade unions. The Guarantor's management has a constructive relationship with the trade unions. A new collective bargaining agreement came into effect on 1 August 2016, covering the period to 31 December 2018 and replacing the previous collective bargaining agreement. The new collective bargaining agreement aligns the requirements on working hours with the current Czech Labour Code (Act No. 262/2006 Coll.) and lowers the severance pay from 1 January 2017, as well as other less significant changes.

Telecommunications Regulation in the Czech Republic

General Overview

The activities of the Guarantor are subject to statutory regulation and supervision by the Czech national regulatory authority, the CTO. The CTO is an independent regulatory body that regulates electronic communications and postal services in the Czech Republic. The relevant regulatory framework is set forth mainly in the Electronic Communications Act, together with secondary legislation and decisions of the CTO. As a member state of the European Union, the Czech Republic is subject to EU telecommunications regulation and the Electronic Communications Act implements the EU regulatory framework into the Czech legal system.

The Czech regulatory environment is in full compliance with the European Union's regulatory principles in the telecommunications sector. The aim of both the EU and the Czech regulatory authorities is, *inter alia*, to progressively reduce *ex ante* sector-specific regulation (such as pricing regulations) as competition in electronic communications markets develops so that, ultimately, the electronic communications market is governed by general competition law only. However, *ex ante* regulation from the CTO still applies to the Guarantor's business.

As the Guarantor does not operate in any retail market, it is not directly affected by consumer protection regulation, such as roaming rules.

Permits & Licences

Any person or entity wishing to conduct any electronic communications business in the Czech Republic is obliged to notify the CTO. The CTO subsequently issues a certificate confirming the receipt of the notification, including the extent of the services to be provided.

The Guarantor operates pursuant to Certificate No. 3987, issued by the CTO under ČTÚ-22509/2015-631/I.vyř on 5 May 2015. This entitles the Guarantor to conduct the following services:

Provision of public communication networks:

- Public fixed communication network;
- Public network for radio and television broadcasting;

Provision of publicly accessible services:

- Circuit lease;
- Distribution of radio and television broadcasting;
- Data transmission service;
- Internet access service;
- Publicly available telephone service;
- Other voice services;

Provision of publicly inaccessible services:

- Other voice services.

No telecommunications licences are required for the Guarantor's telecommunications activities under Czech law. However, the Guarantor is subject to other regulatory rules - such as authorisations issued by the CTO - setting forth general rules for telecommunications activities in the Czech Republic.

Competition law

Anti-trust is monitored at the European level by the European Commission and at a domestic level in the Czech Republic by the Antitrust Office and, to a certain extent, the CTO. Generally, the CTO performs *ex ante* regulation, while the Antitrust Office performs *ex post* regulation.

Pursuant to the Electronic Communications Act, the Antitrust Office and the CTO co-operate on monitoring the rights of entities using telecommunications services, as well as counteracting restrictive practices and anti-competitive concentrations of telecommunications operators. The Antitrust Office has broad regulatory powers in the area of competition and co-operates with the European Commission and the other national antitrust authorities of the EU Member States. It monitors the market for any violations of the competition rules and intervenes to prevent practices distorting competition, such as an abuse of dominant position. The Antitrust Office allows businesses to remedy any anti-competitive conduct which has not yet significantly affected the market. The Antitrust Office also presents its opinion on each of the CTO's relevant market analyses (as described below).

Market Supervision by the CTO

The CTO supervises the electronic communications industry and determines and analyses particular relevant markets to ensure such markets are effectively competitive, taking into account any decisions, recommendations and instructions of the European Commission. Depending on the result of its relevant market analysis, the CTO may conclude that an entity has significant market power within that market and impose one or more obligations on such entity to remedy the situation, such as transparency obligations, non-discriminatory access, separate accounting for costs and revenues, provision of access to specific network elements and associated facilities, or pricing obligations.

If the CTO determines that an entity has significant market power in a particular relevant market, it may also require that such entity publish information about access to the electronic communications network or about the interconnection of such networks, including accounting information, contractual conditions, technical specifications, network characteristics and prices. Further, the CTO is entitled to impose on such entity an obligation to publish a reference offer for access to, or interconnection of, electronic communications networks. The scope of such reference offer is determined by the CTO and may include a description of the individual offers itemised by the market needs and the associated contractual conditions, including prices. The Guarantor has previously published several reference offers pursuant to its regulatory obligations. In the event that the published offer does not adequately reflect the required conditions, the CTO may impose relevant amendments to the reference offer.

The CTO has determined a new set of markets as relevant in its latest decision of 2015 the 4th round of market analyses but has not yet imposed any obligations in relation to these newly determined relevant markets. The Guarantor does not expect the recent market analyses to result in a significant change to the scope of remedies and prices.

The obligations based on the previous (3rd) round of the CTO's market analyses are still binding. Pursuant to the 3rd round of the market analyses, eight relevant markets were determined and the Guarantor (or O2 Czech Republic as its legal predecessor) was defined as an entity with significant market power on markets 2, 3, 4, 5 and 6. The Guarantor is subject to the obligations imposed by the CTO set out in the following table.

| Relevant Market | CTO Resolution | Imposed Obligations |
|--|--|--|
| 2 Call origination on the public telephone network at a fixed location | <i>A/2/09.2013-4; SMP/2/12.2013-4; REM/2/03.2014-32; CEN/2/03.2014-33</i> | (i) Obligation of transparency, specifically to publish information relating to access and interconnection; (ii) obligation of non-discrimination, specifically to grant equal conditions in equal circumstances and to all entrepreneurs and to provide equal services and information in the same quality as it provides to its own services; (iii) obligation of separate accounting for costs and revenues in such a manner, which proves that there is no cross financing between wholesale and retail level and that there is documentation of costs and revenues available for every service on the wholesale and retail market; (iv) obligation of access to specific network elements and associated facilities, specifically to enable access and interconnection and fulfil all reasonable requests relating thereto in compliance with the respective reference offer; and (v) obligations related to pricing regulation, i.e. setting forth a maximum price for call origination. This relevant market was fully deregulated in September 2016. |
| 3 Call Termination on Individual Public Telephone Networks Provided at a Fixed Location | <i>A/3/12.2013-8; SMP/3/03.2014-19; REM/3/05.2014-61; CEN/3/05.2014-87</i> | (i) Obligation of transparency; (ii) obligation of non-discrimination; (iii) obligation of separate accounting for costs and revenues; (iv) obligation of access to specific network elements and associated facilities; and (v) obligation related to pricing regulation setting for a maximum price for call termination. The above obligations are in other aspects similar to obligations imposed on market No. 2. |
| 4 Wholesale (Physical) Network Infrastructure Access (including Shared or Fully Unbundled Access) at a Fixed Location | <i>A/4/10.2014-8; SMP/4/03.2015-1; REM/4/08.2015-6; CEN/4/08.2015-4</i> | (i) Obligation of access to specific network elements and associated facilities for the purpose of access to LLU; (ii) obligation of transparency; (iii) obligation of non-discrimination; (iv) obligation of separate accounting for costs and revenues; and (v) price regulation of LLU and co-location services by setting forth maximum prices. |
| 5 Wholesale Broadband Access on Electronic Communications Networks | <i>A/5/10.2014-9; SMP/5/03.2015-2; REM/5/08.2015-7</i> | (i) Obligation of access to specific network elements and associated facilities for the purpose of access to wholesale broadband service in electronic communications networks; (ii) obligation of transparency; (iii) obligation of non-discrimination; and (iv) obligation of separate accounting for costs and revenues. |
| 6 Wholesale Terminating Segments of Leased Lines, irrespective of Technology Used to Provide Leased or Dedicated Capacity | <i>A/6/12.2014-11; SMP/6/05.2015-3; REM/6/08.2015-5</i> | (i) Obligation of access to specific network elements and associated facilities; (ii) obligation of transparency; (iii) obligation of non-discrimination; (iv) obligation of separate accounting for costs and revenues. The above obligations are related only to a sub-market of the wholesale terminating segments of leased lines with speeds not exceeding 2 Mbit/s. |

Recent and upcoming regulation

The recently adopted EU Broadband Cost Reduction Directive (2014/61/EU) on measures to reduce the cost of deploying high-speed electronic communications networks aims to facilitate and incentivise the roll-out of high-speed electronic communications networks by reducing its cost. It includes measures such as the sharing and reuse of existing physical infrastructure, which are expected to create conditions for a more cost efficient network deployment.

A review of the EU regulatory framework beyond 2019 is also underway. In its first draft, the European Commission proposed changes to network access regulation, in order to foster investments in high capacity networks. This may be supplemented by a redefined universal service obligation to ensure basic broadband coverage in remote areas, which may present further business opportunities for the Guarantor. In addition, the European Commission has presented a proposal to co-ordinate the use of the 700 MHz band for mobile services, to improve internet access in the EU and develop cross-border applications.

Intellectual Property

The Guarantor has registered some of its most important trademarks such as “CETIN” (verbal trademark), “CETIN ČESKÁ TELEKOMUNIKAČNÍ INFRASTRUKTURA” (combined trademark), “CETIN – Česká telekomunikační infrastruktura” (verbal) and “Česká telekomunikační infrastruktura (CETIN)” (verbal) with the Czech Intellectual Property Office in the Czech Republic. The Guarantor does not own any registered patents or copyrights. The Guarantor’s business is not dependent on intellectual property rights.

Environmental Matters

The Guarantor is subject to a broad range of environmental laws and regulations. These laws and regulations impose stringent environmental obligations regarding, among other things, emissions, zoning, the protection of employees’ health and safety, noise levels and the preservation of historical and cultural sites. The Guarantor complies in all material respects with applicable environmental and health control laws, and all related permit requirements.

The Guarantor has implemented an environmental management system in accordance with international standard ISO 14001 and re-certification was successfully completed in June 2016. In 2015, the Guarantor focussed mainly on reducing the consumption of electricity at its central offices, as well as launching an energy management certification process in accordance with international standard ISO 50001.

The Guarantor encourages the open exchange of information in relation to its environmental policy with its customers, employees, suppliers, public authorities, local governments, environmental organisations and other interested parties. The Guarantor works to increase employees’ awareness of environmental issues and promote the importance of reducing energy consumption, providing its employees with regular updates on the fulfilment of the Guarantor’s environmental policy and the impact of its activities on the environment. The Guarantor monitors the operation of its telecommunications networks and assesses its new technologies and products in terms of their impact on the environment and their energy consumption, in order to minimise potential environmental impact.

Insurance

The Guarantor maintains insurance coverage that it considers consistent with its risk management policies, including protection against material damage to its business assets caused by, among other things, fire, explosions, earthquakes, flooding and theft. The Guarantor also maintains insurance coverage against business interruption. The Guarantor has a third party liability policy covering liability for personal damage and/or property damage, liability of the lessor, liability for accidents at work and liability for damages resulting from sudden and accidental environmental pollution. The Guarantor also maintains vehicles and motorists’ third party liability insurance and civil liability insurance for the members of the Guarantor’s Supervisory Board, the Board of Directors and other managers.

Material Legal Proceedings

Save as disclosed herein, the Guarantor is not party to any lawsuit or arbitration proceedings that might significantly affect the financial standing or profitability of the Guarantor or the Group. There are several preliminary investigations pending before relevant regulatory bodies, such as the Antitrust Office. These preliminary investigations relate inter alia to certain aspects of the Guarantor’s Mass Market Offer.

On 25 October 2016, the European Commission announced that it has opened formal antitrust proceedings to investigate the network sharing co-operation between O2 Czech Republic, the Guarantor and T-Mobile Czech Republic. The European Commission will examine whether the co-operation restricts competition in the Czech Republic and thereby harms innovation, in breach of EU antitrust rules. The investigation before the European Commission relates to the Network Sharing Agreements and their compatibility with EU competition laws. See “*Risk Factors – The Guarantor’s activities may be considered anti-competitive*”. The Guarantor is fully co-operating with the investigation and there has been no indication of a negative response from the European Commission. In its announcement, the European Commission stated inter alia that the investigation does not

signify that a definitive finding of an infringement was made, but merely signifies that the European Commission will deal with the case as a matter of priority.

The Guarantor is not a party to any business disputes that might have a material adverse effect on the Guarantor's financial condition.

Summary Financial Information

The figures set out below in the Consolidated Statement of Financial Position, Consolidated Statement of Total Comprehensive Income and Consolidated Statement of Cash Flow are derived from the audited consolidated interim financial statements, prepared in accordance with IFRS, as at and for the nine month period ended 30 September 2016.

Consolidated Statement of Financial Position

| <i>in CZK millions</i> | As at | | |
|--|----------------------|------------------|----------------|
| | 30 September 2016 | 31 December 2015 | 1 January 2015 |
| Non-current assets | 51,267 | 85,062 | 55,370 |
| Property, plant and equipment | 50,088 | 51,705 | 54,322 |
| Intangible assets | 1,119 | 1,097 | 981 |
| Long term loan | - | 32,200 | - |
| Other assets | 60 | 60 | 67 |
| Current assets | 6,343 | 3,890 | 1,572 |
| Inventories | 45 | 48 | 27 |
| Receivables | 3,576 | 2,946 | 1,490 |
| Short-term loan | - | 228 | - |
| Income tax receivable | - | 12 | - |
| Cash and cash equivalents | 2,722 | 656 | 55 |
| Non-current assets held for sale | 4 | 13 | - |
| TOTAL ASSETS | 57,614 | 88,965 | 56,942 |
| Equity | 17,893 | 48,180 | 46,236 |
| Share capital..... | 3,102 | 3,102 | 3,102 |
| Reserves | (1) | (1) | - |
| Other funds | 14,770 | 10,929 | 43,134 |
| Reserve funds..... | - | 32,200 | - |
| Retained earnings..... | 22 | 1,950 | - |
| Liabilities | 39,721 | 40,785 | 10,706 |
| Non-current liabilities | 34,745 | 35,198 | 7,192 |
| Long-term financial debts | 27,700 | 28,137 | - |
| Deferred tax liability | 5,978 | 6,246 | 6,525 |
| Non-current provisions for liabilities and charges | 168 | 185 | 236 |
| Non-current other liabilities | 899 | 630 | 431 |
| Current liabilities | 4,976 | 5,587 | 3,514 |
| Short-term financial debts | 18 | 794 | - |
| Trade and other payables | 4,697 | 4,741 | 3,481 |
| Income tax liability | 162 | - | - |
| Provisions for liabilities and charges | 99 | 52 | 33 |
| TOTAL EQUITY AND LIABILITIES | 57,614 | 88,965 | 56,942 |

Consolidated Statement of Total Comprehensive Income

| <i>in CZK millions</i> | For the nine months ended | | For the year ended |
|---|---------------------------|-------------------|--------------------|
| | 30 September 2016 | 30 September 2015 | 31 December 2015 |
| Revenues | 15,324 | 14,350 | 19,097 |
| Other income and capitalisation of own work..... | 369 | 373 | 482 |
| Expenses..... | (9,713) | (8,676) | (11,638) |
| Earnings before impairment loss, interest, tax, depreciation and amortization (EBITDA) | 5,980 | 6,047 | 7,941 |
| Depreciation and amortisation | (3,175) | (4,229) | (5,544) |
| Impairment loss | (476) | (10) | (13) |
| Operating profit (EBIT) | 2,329 | 1,808 | 2,384 |
| Finance income | 459 | 88 | 229 |
| Finance costs | (290) | (86) | (202) |
| Profit before tax..... | 2,498 | 1,810 | 2,411 |
| Corporate income tax | (489) | (333) | (466) |
| PROFIT FOR THE PERIOD | 2,009 | 1,477 | 1,945 |
| Other comprehensive income | | | |
| Items that may be reclassified subsequently to profit or loss | | | |
| Translation differences | - | (1) | (1) |
| Total other comprehensive income, net of tax | - | (1) | (1) |
| Total comprehensive income, net of tax | 2,009 | 1,476 | 1,944 |
| Profit attributable to: | | | |
| Equity holders of the Company..... | 2,009 | 1,477 | 1,945 |
| Total comprehensive income attributable to: | | | |
| Equity holders of the Company..... | 2,009 | 1,476 | 1,944 |

Consolidated Statement of Cash Flows

in CZK millions

| | For the nine months ended | | For the year ended |
|---|---------------------------|-------------------|--------------------|
| | 30 September 2016 | 30 September 2015 | 31 December 2015 |
| Profit for the period..... | 2,009 | 1,477 | 1,945 |
| Non-cash adjustments for: | | | |
| Depreciation and amortisation..... | 3,175 | 4,229 | 5,544 |
| Impairment loss | 476 | 10 | 13 |
| Profit on sale of property, plant and equipment | (57) | (29) | (29) |
| Net finance revenues | (170) | (18) | (48) |
| Foreign exchange losses (net)..... | 1 | 15 | 15 |
| Other non-cash adjustments..... | 7 | - | - |
| Tax expense | 489 | 333 | 466 |
| Operating cash flow before working capital changes..... | 5,930 | 6,017 | 7,906 |
| Working capital adjustments: | | | |
| Change in trade and other receivables | (638) | (1,753) | (1,417) |
| Change in inventories | 3 | (22) | (21) |
| Change in trade and other payables | 485 | 789 | 918 |
| Cash flows from operating activities | 5,780 | 5,031 | 7,386 |
| Income tax paid | (584) | (566) | (756) |
| Net cash flow from operating activities..... | 5,196 | 4,465 | 6,630 |
| Cash flows from investing activities | | | |
| Purchase of property, plant and equipment and intangibles..... | (2,283) | (2,032) | (2,701) |
| Proceeds from sales of property, plant and equipment and intangible assets..... | 58 | 126 | 134 |
| Net cash used in investing activities | (2,225) | (1,906) | (2,567) |
| Cash flows from financing activities | | | |
| Interest paid | (399) | (9) | (31) |
| Interest received..... | 593 | - | - |
| Other finance charges received..... | 147 | - | - |
| Repayments of loans..... | (1,150) | (975) | (4,325) |
| (Grant)/Repayment of loan | 32,200 | (32,200) | (32,200) |
| Proceeds from loans..... | - | 33,107 | 33,107 |
| Distribution of other capital funds | (28,359) | - | - |
| Dividends paid..... | (3,937) | - | - |
| Net cash used in financing activities..... | (905) | (77) | (3,449) |
| Net increase in cash and cash equivalents | 2,066 | 2,482 | 614 |
| Cash and cash equivalents at beginning of year | 656 | 55 | 55 |
| Effect of foreign exchange rate movements on cash and cash equivalents | - | (11) | (13) |
| Cash and cash equivalents at the year end | 2,722 | 2,526 | 656 |

DESCRIPTION OF THE PPF GROUP

General Introduction

The PPF Group is an international investment group founded in 1991 in the Czech Republic and is one of the largest investment groups in Central and Eastern Europe. The PPF Group's corporate ownership and management structure is domiciled in the Netherlands, with PPF Group N.V. as the parent and key holding company, making strategic decisions and conducting the principal activities of the PPF Group. PPF Group N.V. is registered in Amsterdam and its issued and paid up capital was EUR 624,010 as of 31 December 2015.

As of 31 December 2015, the PPF Group had assets in excess of EUR 21.6 billion and had 81,300 employees.

The table below shows selected key financial indicators of the PPF Group for 2014 and 2015:

| <i>in EUR millions</i> | 31 December 2015 | 31 December 2014 |
|--------------------------------------|-------------------------|-------------------------|
| Total assets | 21,611 | 21,893 |
| Equity | 5,163 | 4,879 |
| Total revenues and other income..... | 5,941 | 7,007 |
| Profit after tax..... | 315 | 356 |

Source: Annual Report 2015 of PPF Group

Background and History

The PPF Group was founded by Mr. Petr Kellner as an investment fund and participated in the privatisation of the economy of the Czech Republic.

In 2014, the PPF Group acquired a majority stake in O2 Czech Republic, one of the largest telecommunications operators in the Czech Republic and the owner of one of the major mobile operators in Slovakia. In January 2016, the PPF Group completed the acquisition of 100 per cent. shares of the Guarantor. See "*Description of the Guarantor-General Introduction*".

The PPF Group takes a long-term approach to developing key portfolio investments, in particular banking and non-banking financial sectors, real estate, retail, metal mining and most recently telecommunications and biotechnology. See "*Description of the PPF Group-Principal Markets*".

Corporate Structure

The PPF Group acquired 100 per cent. of the shares of the Guarantor in January 2016. The Guarantor has been fully integrated into the structure of the PPF Group and is considered to be a strategic long-term investment. The Guarantor is a key business partner of O2 Czech Republic and their business relationship is based on the O2 Agreements, which will contribute to almost 80 per cent. of the Guarantor's EBITDA for the following six years and beyond. See "*Description of the Guarantor-Customers and Material Commercial Agreements*".

Principal Markets

The PPF Group is active on various markets and spans from Europe to Russia, the USA and across Asia. The PPF Group's principal markets are the Czech Republic, Slovakia, the Netherlands, Germany, Great Britain, Russia, Ukraine, Kazakhstan, China, Vietnam, the Philippines, India, Indonesia and the USA. The PPF Group's principal markets are shown in the diagram below:



| | | | | | | | |
|------------|--|---|---------------------------------|---|--|---|--------------------------------------|
| PPF | FINANCE PPF banka CZ Home Credit CZ, SK, RU, BY, CN, VN, KZ, IN, ID, PH, USA Air Bank CZ | INSURANCE PPF Life Insurance RU HC Insurance RU, BY (part of Home Credit Group) | RETAIL Eldorado RU | TELECOM O2 CZ, SK CETIN CZ | REAL ESTATE PPF Real Estate CZ, RU, UA, DE, NL, UK | BIOTECH SOTIO CZ, RU, CN, US OrlBase Pharma FR Cytune Pharma FR Accord Research CZ | MINING Polymetal RU, KZ |
|------------|--|---|---------------------------------|---|--|---|--------------------------------------|

Source: Annual Report 2015 of PPF Group

Principal Shareholders

The shareholding structure of the PPF Group is as follows:

| Name | Shareholding |
|------------------------------|--------------|
| Petr Kellner | 98.92% |
| Ladislav Bartoníček | 0.54% |
| Jean-Pascal Duvieusart | 0.54% |

Petr Kellner – Founder and majority shareholder

Petr Kellner was born in 1964. He graduated from the Faculty of Industrial Economics at the University of Economics in Prague in 1986. He is one of the founders of the PPF Group and was Chairman of the Board of Directors of PPF a.s. from January 1998 until March 2007. He was also a Member of the Board of Directors of an Italian insurance company, Assicurazioni Generali S.p.A. from April 2007 until March 2013. Petr Kellner oversees the PPF Group's strategic development and its future direction.

Ladislav Bartoníček – Shareholder

Ladislav Bartoníček was born in 1964. He graduated from the Czech Technical University in Prague's Faculty of Electrical Engineering. He joined PPF investiční společnost a.s. in 1991 as Executive Director and was awarded an MBA by the Rochester Institute of Technology, New York, in 1993. He served as Chief Executive Officer of Česká pojišťovna a.s. insurance company and until March 2013 he was the CEO and a Member of the Board of Directors of Generali PPF Holding N.V. (GPH), which was established as a joint venture between the PPF Group and Assicurazioni Generali S.p.A. In March 2014, he was appointed CEO of SOTIO a.s., the PPF Group's biotechnology company. Ladislav Bartoníček has been a shareholder of the PPF Group since 2007.

Jean-Pascal Duvieusart – Shareholder

Jean-Pascal Duvieusart was born in 1966. He graduated from the University of Chicago (MBA) and Catholic University of Louvain, Belgium, with a degree in Commercial Engineering. He joined McKinsey in 1992 and worked initially in Brussels and New York and later in Central Europe. He was a Managing Partner at McKinsey Prague from 1999 to 2005 and then led McKinsey's business for the CIS and Central European region. He has worked as an advisor to various banks, insurers and industrial companies in Russia, the Czech Republic, Slovakia, Hungary, Poland and Romania. Jean-Pascal Duvieusart has been a shareholder of the PPF Group since 2010.

TAXATION

The following is a general description, *inter alia*, of certain Dutch and Czech Republic tax considerations relating to the Notes. It does not purport to be a complete analysis of all tax considerations relating to the Notes, whether in those countries or elsewhere. This summary does not take into account specific double taxation treaties, the individual circumstances, status and financial situation or investment objectives of a purchaser. Prospective purchasers of Notes should consult their own tax advisers as to which countries' tax laws could be relevant to acquiring, holding and disposing of Notes and receiving payments of interest, principal and/or other amounts under the Notes and the consequences of such actions under the tax laws of those countries. This summary is based upon the law as in effect on the date of this Base Prospectus and is subject to any change in law that may take effect after such date.

The Netherlands Taxation

This summary solely addresses the principal Dutch tax consequences of the acquisition, ownership and disposal of Notes issued on or after the date of this Base Prospectus and does not purport to describe every aspect of taxation that may be relevant to a particular holder. Tax matters are complex, and the tax consequences of the Programme to a particular holder of Notes will depend in part on such holder's circumstances. Accordingly, a holder is urged to consult his own tax advisor for a full understanding of the tax consequences of the Programme to him, including the applicability and effect of Dutch tax laws.

Where in this summary English terms and expressions are used to refer to Dutch concepts, the meaning to be attributed to such terms and expressions shall be the meaning to be attributed to the equivalent Dutch concepts under Dutch tax law. Where in this summary the terms "the Netherlands" and "Dutch" are used, these refer solely to the European part of the Kingdom of the Netherlands.

This summary is based on the tax law of the Netherlands (unpublished case law not included) as it stands at the date of this Base Prospectus. The tax law upon which this summary is based, is subject to changes, possibly with retroactive effect. Any such change may invalidate the contents of this summary, which will not be updated to reflect such change.

The summary in this Dutch taxation paragraph does not address the Dutch tax consequences for a holder of Notes who:

- (i) is a resident or is deemed to be a resident in the Netherlands for purposes of Dutch tax law;
- (ii) is a person who may be deemed an owner of Notes for Dutch tax purposes pursuant to specific statutory attribution rules in Dutch tax law;
- (iii) is, although in principle subject to Dutch corporation tax, in whole or in part, specifically exempt from that tax in connection with income from Notes;
- (iv) is an investment institution as defined in the Dutch Corporation Tax Act 1969;
- (v) owns Notes in connection with a membership of a management board or a supervisory board, an employment relationship, a deemed employment relationship or management role; or
- (vi) has a substantial interest in the Issuer or a deemed substantial interest in the Issuer for Dutch tax purposes. Generally, a person holds a substantial interest if (a) such person – either alone or, in the case of an individual, together with his partner or any of his relatives by blood or by marriage in the direct line (including foster-children) or of those of his partner for Dutch tax purposes – owns or is deemed to own, directly or indirectly, 5% or more of the shares or of any class of shares of the Issuer, or rights to acquire, directly or indirectly, such an interest in the shares of the Issuer or profit participating certificates relating to 5% or more of the annual profits or to 5% or more of the liquidation proceeds of the Issuer, or (b) such person's shares, rights to acquire shares or profit participating certificates in the Issuer are held by him following the application of a non-recognition provision.

Withholding tax

All payments under the Notes may be made free from withholding or deduction of or for any taxes of whatever nature imposed, levied, withheld or assessed by the Netherlands or any political subdivision or taxing authority of or in the Netherlands, except where Notes are issued under such terms and conditions that such Notes are capable of being classified as equity of the Issuer for Dutch tax purposes or actually function as equity of the Issuer within the meaning of article 10, paragraph, 1 letter d of the Dutch Corporation Tax Act 1969.

Taxes on income and capital gains

Non-resident holders of Notes

Individuals

If a holder of Notes is an individual who is neither resident nor deemed to be resident in the Netherlands for purposes of Dutch income tax, he will not be subject to Dutch income tax in respect of any benefits derived or deemed to be derived from or in connection with Notes, except if:

- (i) he derives profits from an enterprise, whether as an entrepreneur or pursuant to a co-entitlement to the net value of such enterprise, other than as a shareholder, and such enterprise is carried on, in whole or in part, through a permanent establishment or a permanent representative in the Netherlands, and his Notes are attributable to such permanent establishment or permanent representative; or
- (ii) he derives benefits or is deemed to derive benefits from or in connection with Notes that are taxable as benefits from miscellaneous activities performed in the Netherlands.

Corporate entities

If a holder of Notes is a corporate entity, or an entity, including an association, a partnership and a mutual fund, taxable as a corporate entity, which is neither resident nor deemed to be resident in the Netherlands for purposes of Dutch corporation tax, it will not be subject to Dutch corporation tax in respect of any benefits derived or deemed to be derived from or in connection with Notes, except if:

- (i) it derives profits from an enterprise directly which is carried on, in whole or in part, through a permanent establishment or a permanent representative which is taxable in the Netherlands, and to which permanent establishment or permanent representative its Notes are attributable; or
- (ii) it derives profits pursuant to a co-entitlement to the net value of an enterprise which is managed in the Netherlands, other than as a holder of securities, and to which enterprise its Notes are attributable.

General

A holder of Notes will not be deemed to be resident in the Netherlands for Dutch tax purposes by reason only of the execution and/or enforcement of the documents relating to the issue of Notes or the performance by the Issuer of its obligations under such documents or under the Notes.

If a holder of Notes is neither resident nor deemed to be resident in the Netherlands, such holder will for Dutch tax purposes not carry on or be deemed to carry on an enterprise, in whole or in part, through a permanent establishment or a permanent representative in the Netherlands by reason only of the execution and/or enforcement of the documents relating to the issue of Notes or the performance by the Issuer of its obligations under such documents or under Notes.

Gift and inheritance taxes

No Dutch gift tax or Dutch inheritance tax will arise with respect to an acquisition or deemed acquisition of Notes by way of gift by, or upon the death of, a holder of Notes who is neither resident nor deemed to be resident in the Netherlands for purposes of Dutch gift tax or Dutch inheritance tax except if, in the event of a gift whilst not

being a resident nor being a deemed resident in the Netherlands for purposes of Dutch gift tax or Dutch inheritance tax, the holder of Notes becomes a resident or a deemed resident in the Netherlands and dies within 180 days after the date of the gift.

For purposes of Dutch gift tax and Dutch inheritance tax, a gift of Notes made under a condition precedent is deemed to be made at the time the condition precedent is satisfied.

Value Added Tax

No Dutch value added tax will arise in respect of any payment in consideration for the issue of Notes or with respect to any payment by the Issuer of principal or interest on Notes.

Registration taxes and duties

No Dutch registration tax, transfer tax, stamp duty or any other similar documentary tax or duty, other than court fees, is payable in the Netherlands in respect of or in connection with the execution and/or enforcement (including by legal proceedings and including the enforcement of any foreign judgment in the courts of the Netherlands) of the documents relating to the issue of Notes, the performance by the Issuer of its obligations under such documents or under Notes, or the transfer of Notes.

Czech Republic Taxation

Interest

In the event that the Guarantor would be required under the guarantee constituted by the Trust Deed to make a payment of interest income from the Notes instead of the Issuer which would be realised by an individual who is not treated for tax purposes as a resident of the Czech Republic or by a person other than an individual who is not for tax purposes treated as a resident of the Czech Republic (together, “**Non-Czech Holders**”), such payment would be subject to 15 per cent. withholding tax in the Czech Republic and the Guarantor would be required to make such a withholding on any payment of interest to Non-Czech Holders. This taxation may be modified by a double taxation treaty between the country of residence of the Non-Czech Holder and the Czech Republic

In the above mentioned event interest income from the Notes realised by a person other than an individual who is treated for tax purposes as a resident of the Czech Republic or by an organisational unit of the State (together, “**corporate Czech Holders**”) will not be subject to any Czech withholding tax and will be payable by the Guarantor to corporate Czech Holders free from any deduction or withholding for or on account of Czech tax.

However, corporate Czech Holders are generally obliged to declare such income in their annual tax returns on a self-assessment basis. The ordinary Czech corporate income tax rate will apply: 19 per cent. for taxpayers other than individuals.

If the Guarantor will be required under the guarantee constituted by the Trust Deed to make a payment of interest income on the Notes to individuals tax residents in the Czech Republic holding, such amounts received will be subject to taxation in the Czech Republic pursuant to the Czech Income Tax Act. The interest (which is also understood as the difference between the principal value of the Note and its issue price at the time of issue pursuant to Section 8(2) of the Czech Income Tax Act) is subject to a withholding tax of 15 per cent. in 2016.

Czech tax law is unclear in respect of a situation in which the Guarantor distributes the difference between the principal value of a Note and its issue price at the maturity to corporate Non-Czech Holders. Such difference may be subject to Czech withholding tax of 15 per cent.

Where standardly a 15 per cent. withholding tax applies, a 35 per cent. withholding tax rate would apply instead of the 15 per cent. rate in case of a Non-Czech Holder who is not regarded as a tax resident of an EU Member State or a state belonging to the EEA, a country with which the Czech Republic has an effective double tax treaty, a country with which the Czech Republic has an effective international treaty or tax information exchange agreement with respect to taxes on income, or a country which is a contractual party to a multilateral agreement

governing the exchange of tax information with respect to taxes on income which is also applicable to the Czech Republic.

If the Notes are repurchased before maturity and the redemption amount is distributed to an individual, the difference between such amount and the issue price is generally subject to Czech withholding tax of 15 per cent. For other than individual Holders, the Czech tax law is unclear if the difference between such amount and the issue price is subject to withholding tax of 15 per cent. or if other than individual Holders must declare such income in their annual tax return on a self-assessment basis. The ordinary Czech corporate income tax rate will apply: 19 per cent. for taxpayers other than individuals. If the latter applies, the difference between such amount and the issue price may be also subject to tax security at a rate of 1 per cent. (please see below). These taxes may be modified by a double taxation treaty between the country of residence of the Non-Czech Holder and the Czech Republic.

Where the above income is subject to withholding tax and flows to residents of states of the EU or the EEA, the income may be included in their Czech income tax returns (in order to utilise related tax deductible costs) and the tax withheld can then be credited against the overall Czech tax liability self-assessed in such tax returns.

Capital Gains

Income realised by a Non-Czech Holder who does not hold the Notes through a permanent establishment in the Czech Republic from the sale of such Notes to another Non-Czech Holder who does not acquire the Notes through a permanent establishment in the Czech Republic, will not be subject to Czech income tax. Income realised by a Non-Czech Holder who does not hold the Notes through a permanent establishment in the Czech Republic from the sale of the Notes to (a) a Czech Holder; or (b) a Non-Czech Holder who acquires the Notes through a permanent establishment in the Czech Republic, will be subject to taxation in the Czech Republic unless:

- (a) the Non-Czech Holder who realizes the income is resident in a country within the meaning of a double taxation treaty between that country and the Czech Republic, pursuant to the terms of which the right to tax that income is conferred exclusively to the former country; or
- (b) in the case of Non-Czech Holders who are individuals, such income is exempt from tax under Czech law (see below for the criteria for an exemption from tax which is available to holders of the Notes who are individuals).

Income realised by a Non-Czech Holder who holds the Notes through a permanent establishment in the Czech Republic from the sale of such Notes will generally be subject to taxation in the Czech Republic.

If income realised by a Non-Czech Holder from the sale of the Notes is subject to taxation in the Czech Republic (as discussed in the foregoing paragraphs), the Czech Holder or the Non-Czech Holder acquiring the Notes through a permanent establishment in the Czech Republic paying the income will be obliged to withhold an amount of 1 per cent. on a gross basis representing tax security, unless the Non-Czech Holder realizing the income is for tax purposes a resident of an EU Member State or a country of the EEA, or unless such obligation to withhold security has been waived pursuant to a decision of Czech tax authorities. Such tax security may subsequently be under certain conditions credited against the final Czech tax liability of the Non-Czech Holder as per the self-assessment in its annual Czech tax return.

Income realised by Czech Holders from the sale of the Notes is generally subject to Czech corporate (19 per cent.) or personal (15 per cent.) income tax at the rates specified above. In the case of individuals who hold the Notes as part of their business property, that part of all business income (i.e., also including other income than from the sale of the Notes) which, after deduction of costs but including salary, exceeds 48 times the average monthly salary in the Czech Republic (i.e., CZK 1,296,288 for 2016) is additionally subject to a solidarity surcharge tax of 7 per cent.

Income realised by individuals from the sale of the Notes is exempt from Czech personal income tax if the holding period of the Notes exceeded three years and the Notes have not been held as part of the business property of such individual (or if they have been held as part of business property, then they will not be sold earlier than upon the expiry of a three year period following the termination of that individual's business activities).

Furthermore, income from the sale of the Notes realised by individuals is exempt from taxation if the annual (worldwide) income (including tax-exempt income) of that individual from the sale of all securities (including the Notes and any other securities) does not exceed the amount of CZK 100,000.

Losses incurred upon the sale of the Notes by Czech Holders who keep accounting books and hold the Notes as part of their business property (i.e., generally, all legal entities and certain individuals), will generally be tax deductible. By contrast, losses incurred upon the sale of the Notes by Czech Holders who are individuals (other than those mentioned in the previous sentence) are in most cases non-deductible.

Czech Holders who are subject to Czech GAAP for entrepreneurs or to Czech GAAP for financial institutions may be required to revalue the Notes to fair value for accounting purposes, whereby the unrealised gains and losses would be accounted for as revenue or expense, respectively. Such revenue is generally taxable and the corresponding expense is generally tax deductible for Czech tax purposes.

Other Taxes

No Czech stamp duty, VAT, registration, transfer or similar taxes will be payable in connection with the acquisition, ownership, sale or disposal of the Notes by Czech Holders or Non-Czech Holders.

The proposed financial transactions tax (“FTT”)

On 14 February 2013, the European Commission published a proposal (the “**Commission’s proposal**”) for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the “**participating Member States**”). However, Estonia has since stated that it will not participate.

The Commission’s proposal has very broad scope and could, if introduced, apply to certain dealings in Notes (including secondary market transactions) in certain circumstances. The issuance and subscription of Notes should, however, be exempt.

Under the Commission’s proposal, FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in Notes where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, “established” in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

However, the FTT proposal remains subject to negotiation between participating Member States. It may therefore be altered prior to any implementation, the timing of which, remains unclear. Additional EU Member States may decide to participate.

Prospective holders of Notes are advised to seek their own professional advice in relation to the FTT.

FATCA

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a “**foreign financial institution**” may be required to withhold on certain payments it makes (“**foreign passthru payments**”) to persons that fail to meet certain certification, reporting, or related requirements. The Issuer is a foreign financial institution for these purposes. A number of jurisdictions (including the Czech Republic) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA (“**IGAs**”), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required

to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Notes, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, such withholding would not apply prior to 1 January 2019 and Notes issued on or prior to the date that is six months after the date on which final regulations defining “foreign passthru payments” are filed with the U.S. Federal Register generally would be “grandfathered” for purposes of FATCA withholding unless materially modified after such date. However, if additional notes that are not distinguishable from previously issued Notes are issued after the expiration of the grandfathering period and are subject to withholding under FATCA, then withholding agents may treat all Notes, including the Notes offered prior to the expiration of the grandfathering period, as subject to withholding under FATCA. Holders should consult their own tax advisors regarding how these rules may apply to their investment in the Notes. In the event any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Notes, no person will be required to pay additional amounts as a result of the withholding.

SUBSCRIPTION AND SALE

Notes may be sold from time to time by the Issuer to any one or more of, Banca IMI, BNP Paribas Citigroup Global Markets Limited, Erste Group Bank AG, HSBC Bank plc, ING Bank N.V., London Branch, KBC Bank N.V., PPF banka, a.s. and Société Générale (the “**Dealers**”). The arrangements under which Notes may from time to time be agreed to be sold by the Issuer to, and subscribed by, Dealers are set out in a Dealer Agreement dated 17 November 2016 (the “**Dealer Agreement**”) and made between the Issuer, the Guarantor and the Dealers. If in the case of any Tranche of Notes the method of distribution is an agreement between the Issuer, the Guarantor and a single Dealer for that Tranche to be issued by the Issuer and subscribed by that Dealer, the method of distribution will be described in the relevant Final Terms as “Non-Syndicated” and the name of that Dealer and any other interest of that Dealer which is material to the issue of that Tranche beyond the fact of the appointment of that Dealer will be set out in the relevant Final Terms. If in the case of any Tranche of Notes the method of distribution is an agreement between the Issuer, the Guarantor and more than one Dealer for that Tranche to be issued by the Issuer and subscribed by those Dealers, the method of distribution will be described in the relevant Final Terms as “Syndicated”, the obligations of those Dealers to subscribe the relevant Notes will be joint and several and the names and addresses of those Dealers and any other interests of any of those Dealers which is material to the issue of that Tranche beyond the fact of the appointment of those Dealers (including whether any of those Dealers has also been appointed to act as Stabilising Manager in relation to that Tranche) will be set out in the relevant Final Terms.

Any such agreement will, *inter alia*, make provision for the form and terms and conditions of the relevant Notes, the price at which such Notes will be subscribed by the Dealer(s) and the commissions or other agreed deductibles (if any) payable or allowable by the Issuer in respect of such subscription. The Dealer Agreement makes provision for the resignation or termination of appointment of existing Dealers and for the appointment of additional or other Dealers either generally in respect of the Programme or in relation to a particular Tranche of Notes.

United States of America: *Regulation S Category 1; TEFRA D or TEFRA C as specified in the relevant Final Terms or neither if TEFRA is specified as not applicable in the relevant Final Terms.*

The Notes have not been, and will not be, registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States, and Bearer Notes are subject to U.S. tax law requirements. The Notes may not be offered, sold or (in the case of Bearer Notes) delivered within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S) except in certain transactions exempt from the registration requirements of the Securities Act. Each of the Dealers has agreed that, except as permitted by the Dealer Agreement, it will not offer, sell or, in the case of Bearer Notes, deliver the Notes within the United States or to U.S. persons.

In addition, until 40 days after the commencement of any offering, an offer or sale of Notes within the United States by any Dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

United Kingdom

Each Dealer has represented, warranted and agreed, and each future Dealer appointed under the Programme will be required to represent, warrant and agree, that:

- (a) **No deposit-taking:** in relation to any Notes having a maturity of less than one year:
 - (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business; and
 - (ii) it has not offered or sold and will not offer or sell any Notes other than to persons:
 - (A) whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses; or

- (B) who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses,

where the issue of the Notes would otherwise constitute a contravention of Section 19 of the FSMA by the Issuer;

- (b) **Financial promotion:** it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuer or the Guarantor; and
- (c) **General compliance:** it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

The Netherlands

Specific Dutch selling restriction for exempt offers

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will not offer, sell, transfer or deliver the Notes which are the subject of any offering contemplated by this Base Prospectus as completed by the Final Terms in relation thereto to the public in the Netherlands in reliance on Article 3(2) of the Prospectus Directive unless:

- (i) such offer is made exclusively to legal entities which are qualified investors (as defined in the Dutch Financial Markets Supervision Act (*Wet op het financieel toezicht*, the “FMSA”) in the Netherlands and which includes authorised discretionary asset managers acting for the account of retail investors under a discretionary investment management contract) in the Netherlands;
- (ii) standard logo and exemption wording are incorporated in offer documents, advertisements and documents in which the offer is announced, as required by Article 5:20(5) of the FMSA; or
- (iii) such offer is otherwise made in circumstances in which Article 5:20(5) of the FMSA is not applicable,

provided that no such offer of Notes shall require the Issuer, the Guarantor or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of the abovementioned paragraphs, the expression an “offer of Notes to the public” in relation to any Notes in the Netherlands means the announcement or communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes and the expression “Prospectus Directive” means Directive 2003/71/EC (as amended, including by Directive 2010/73/EU), and includes any relevant implementing measure in the Netherlands.

Zero Coupon Notes

Zero Coupon Notes in definitive bearer form and other Notes in definitive bearer form on which interest does not become due and payable during their term but only at maturity (savings certificates or *spaarbewijzen* as defined in the Netherlands Savings Certificates Act or *Wet inzake spaarbewijzen*, the “SCA”) may only be transferred and accepted, directly or indirectly, within, from or into the Netherlands through the mediation of either the Issuer or a member of Euronext Amsterdam N.V. with due observance of the provisions of the SCA and its implementing regulations (which include registration requirements). No such mediation is required, however, in respect of (i) the initial issue of such Notes to the first holders thereof, (ii) the transfer and acceptance by individuals who do not act in the conduct of a profession or business and (iii) the issue and trading of such Notes if they are physically issued outside the Netherlands and are not immediately thereafter distributed in the Netherlands.

The Czech Republic

This Base Prospectus has not been and will not be approved by, or notified to, the Czech National Bank (the “**CNB**”) and it does not constitute an offering of any Notes to the public in the Czech Republic. No notification has been made to, and no permit has been sought or obtained from, the CNB in connection with (i) the issue of any Notes, (ii) the admission of Notes for trading on a regulated market in the Czech Republic, or (iii) a public offering of Notes in the Czech Republic.

Accordingly, Notes may be offered, and the Base Prospectus may be distributed, in the Czech Republic only under one or more exemptions from the obligation to publish a prospectus available under the Czech Act No. 256/2004 Coll., on Conduct of Business on Capital Markets, as amended (the “**Capital Markets Act**”), including but not limited to, offering and/or distribution: (i) addressed exclusively to qualified investors as defined in the Capital Markets Act, (ii) addressed to fewer than 150 natural or legal persons (other than qualified investors), (iii) in circumstances where the denomination or minimum investment is at least equal to €100,000 (or its equivalent in another currency), or (iv) pursuant to any other applicable exemption under Czech law.

Republic of Italy

The offering of any Notes has not been registered with the *Commissione Nazionale per le Società e la Borsa* (“**CONSOB**”) pursuant to Italian securities legislation and, accordingly, each Dealer has represented and agreed that it has not offered, sold or delivered, and will not offer, sell or deliver, any Notes in the Republic of Italy (“**Italy**”) in a solicitation to the public, and that sales of the Notes in Italy shall be effected in accordance with all Italian securities, tax and exchange control and other applicable laws and regulations.

Each of the Dealers has represented and agreed that it will not offer, sell or deliver any Notes or distribute copies of the Base Prospectus or any other document relating to the Notes in Italy except:

- (a) to “**qualified investors**” (*investitori qualificati*), as defined pursuant to Article 100 of Legislative Decree No. 58 of 24 February 1998, as amended from time to time (“**Financial Services Act**”) and Article 34-ter, first paragraph, letter b) of CONSOB Regulation No. 11971 of 14 May 1999, as amended (“**Regulation No. 11971**”); or
- (b) in any other circumstances which are exempted from the rules on public offerings pursuant to Article 100 of the Financial Services Act and Article 34-ter of Regulation No. 11971.

Any offer, sale or delivery of any Notes or distribution of copies of the Base Prospectus and any supplement thereto or any other document relating to the Notes in Italy under (a) and (b) above must be:

- (i) made by an investment firm, bank or financial intermediary permitted to conduct such activities in Italy in accordance with the Financial Services Act, CONSOB Regulation No. 16190 of 29 October 2007 (as amended from time to time) and Legislative Decree No. 385 of 1 September 1993, as amended (the “**Banking Act**”);
- (ii) in compliance with Article 129 of the Banking Act, as amended, and the implementing guidelines of the Bank of Italy, as amended from time to time; and
- (iii) in compliance with any other applicable laws and regulations or requirement imposed by CONSOB or other Italian authority.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, (the “**FIEA**”)). Accordingly, each of the Dealers has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Notes in Japan or to, or for the benefit of, a resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, any resident in Japan, except pursuant to an exemption from the

registration requirements of, and otherwise in compliance with, the FIEA and other relevant laws and regulations of Japan.

General

Each Dealer has represented, warranted and agreed, and each future Dealer appointed under the Programme will be required to represent, warrant and agree that, to the best of its knowledge, it has complied and will comply with all applicable laws and regulations in each country or jurisdiction in or from which it purchases, offers, sells or delivers Notes or possesses, distributes or publishes this Base Prospectus or any Final Terms or any related offering material, in all cases at its own expense. Other persons into whose hands this Base Prospectus or any Final Terms comes are required by the Issuer, the Guarantor and the Dealers to comply with all applicable laws and regulations in each country or jurisdiction in or from which they purchase, offer, sell or deliver Notes or possess, distribute or publish this Base Prospectus or any Final Terms or any related offering material, in all cases at their own expense.

The Dealer Agreement provides that the Dealers shall not be bound by any of the restrictions relating to any specific jurisdiction (set out above) to the extent that such restrictions shall, as a result of change(s) or change(s) in official interpretation, after the date hereof, of applicable laws and regulations, no longer be applicable but without prejudice to the obligations of the Dealers described in the paragraph headed “*General*” above.

Selling restrictions may be supplemented or modified with the agreement of the Issuer. Any such supplement or modification may be set out in the relevant Final Terms (in the case of a supplement or modification relevant only to a particular Tranche of Notes) or in a supplement to this Base Prospectus.

GENERAL INFORMATION

Authorisation

1. The establishment of the Programme was authorised by resolutions of the Board of Directors of the Issuer passed/given on 10 November 2016 and acknowledged by resolutions of the Board of Directors of the Guarantor passed/given on 10 November 2016. Each of the Issuer and the Guarantor has obtained or will obtain from time to time all necessary consents, approvals and authorisations in connection with the issue and performance of the Notes and the giving of the guarantee relating to them.

Legal and Arbitration Proceedings

2. Save as disclosed in “*Description of the Guarantor - Material Legal Proceedings*”, there are no governmental, legal or arbitration proceedings, (including any such proceedings which are pending or threatened, of which the Issuer or the Guarantor is aware), which may have, or have had during the 12 months prior to the date of this Base Prospectus, a significant effect on the financial position or profitability of the Issuer or the Guarantor and its Subsidiaries (together, the “**Group**”).

Significant/Material Change

3. Since 7 September 2016 there has been no material adverse change in the prospects of the Issuer nor any significant change in the financial or trading position of the Issuer. Since 30 September 2016 there has been no material adverse change in the prospects of the Guarantor or the Guarantor and its Subsidiaries and since 30 September 2016 there has been no significant change in the financial or trading position of the Guarantor or the Group.

Auditors

4. The consolidated financial statements of the Guarantor have been audited without qualification for the year ended 31 December 2015 and for the nine month period ended 30 September 2016 by KPMG Česká republika Audit, s.r.o., of Pobřežní 1a, 186 00 Praha 8, Czech Republic, independent accountants registered with the Chamber of Auditors of the Czech Republic.
5. The auditors of the Issuer are: KPMG Accountants N.V., of Financial Services, P.O Box 74500, 1070 DB, Amsterdam, the Netherlands.

Financial Statements

6. The audited consolidated interim financial statements of the Guarantor prepared in accordance with IFRS (including the auditors’ report thereon and notes thereto) in respect of the nine month period ended 30 September 2016 includes the restatement of the Czech GAAP figures for the financial year ended 31 December 2015 as set out in note 4 to the audited consolidated interim financial statements of the Guarantor.

Documents on Display

7. Physical copies of the following documents (together with English translations thereof) may be inspected during normal business hours at the offices of the Issuer at Strawinskylaan 933, 1077XX Amsterdam, the Netherlands and the Guarantor at Olšanská 2681/6, 130 00 Praha 3, Czech Republic for 12 months from the date of this Base Prospectus:
 - (a) the constitutive documents of the Issuer;
 - (b) the constitutive documents of the Guarantor;
 - (c) the most recently published audited annual financial statements of the Issuer and the most recently published interim financial statements (if any) of the Issuer (with a direct and accurate

- English translation thereof), in each case together with any audit or review reports prepared in connection therewith;
- (d) the audited consolidated financial statements of the Guarantor for the year ended 31 December 2015 and the audited consolidated interim financial statements of the Guarantor for the nine month period ended 30 September 2016, incorporated by reference into this Base Prospectus;
 - (e) the Trust Deed;
 - (f) the Agency Agreement;
 - (g) the Programme Manual;
 - (h) the Issuer-ICSDs Agreement (which is entered into between the Issuer and Euroclear and/or Clearstream, Luxembourg with respect to the settlement in Euroclear and/or Clearstream, Luxembourg of Notes in New Global Note or NSS form); and
 - (i) a copy of this Base Prospectus together with any supplement to this Base Prospectus or further Base Prospectus, Final Terms or Drawdown Prospectus.

Clearing of the Notes

8. The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The appropriate common code and the International Securities Identification Number in relation to the Notes of each Tranche of Notes will be specified in the relevant Final Terms. The relevant Final Terms shall specify any other clearing system as shall have accepted the relevant Notes for clearance together with any further appropriate information.

Issue Price and Yield

9. Notes may be issued at any price. The issue price of each Tranche of Notes to be issued under the Programme will be determined by the Issuer, the Guarantor and the relevant Dealer(s) at the time of issue in accordance with prevailing market conditions and the issue price of the relevant Notes or the method of determining the price and the process for its disclosure will be set out in the applicable Final Terms. In the case of different Tranches of a Series of Notes, the issue price may include accrued interest in respect of the period from the interest commencement date of the relevant Tranche (which may be the issue date of the first Tranche of the Series or, if interest payment dates have already passed, the most recent interest payment date in respect of the Series) to the issue date of the relevant Tranche.

The yield of each Tranche of Notes set out in the applicable Final Terms will be calculated as of the relevant issue date on an annual or semi-annual basis using the relevant issue price. It is not an indication of future yield.

Dealers transacting with the Issuer

10. Certain of the Dealers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuer and its affiliates in the ordinary course of business. In addition, in the ordinary course of their business activities, the Dealers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer or Issuer's affiliates. Certain of the Dealers or their respective affiliates that have a lending relationship with the Issuer routinely hedge their credit exposure to the Issuer consistent with their customary risk management policies. Typically, such Dealers and their respective affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Notes issued under the Programme. Any such short positions could adversely

affect future trading prices of Notes issued under the Programme. The Dealers and their respective affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

Arthur Cox Listing Services Limited

11. Arthur Cox Listing Services Limited is acting solely in its capacity as listing agent for the Issuer in relation to the Notes and is not itself seeking admission of the Notes to listing on the Official List of the Irish Stock Exchange and to trading on the Main Market for the purposes of the Prospectus Directive.

REGISTERED OFFICE OF THE ISSUER

CETIN Finance B.V.

Strawinskylaan 933
1077XX Amsterdam
The Netherlands

REGISTERED OFFICE OF THE GUARANTOR

Česká telekomunikační infrastruktura a.s.

Olšanská 2681/6
130 00 Praha 3
Czech Republic

DEALERS

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Italy

BNP Paribas

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United Kingdom

Citigroup Global Markets Limited

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United Kingdom

Erste Group Bank AG

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Austria

HSBC Bank plc

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United Kingdom

ING Bank N.V., London Branch

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United Kingdom

KBC Bank N.V.

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Belgium

PPF banka a.s

Evropska 2690/17
160 41, Prague 6
Czech Republic

Société Générale

29 boulevard Haussmann
75009 Paris
France

PRINCIPAL PAYING AGENT

Citibank, N.A., London Branch

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United Kingdom

REGISTRAR

Citigroup Global Markets Deutschland AG

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Germany

TRUSTEE

Citicorp Trustee Company Limited

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United Kingdom

LEGAL ADVISERS

*To the Issuer and the Guarantor
as to English law:*

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5 Old Broad Street
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United Kingdom

*To the Issuer and the Guarantor
as to Dutch law:*

Loyens & Loeff N.V.
Fred. Roeskestraat 100
1076 ED Amsterdam
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*To the Issuer and the Guarantor as
to Czech law:*

BBH, advokátní kancelář, s.r.o.
Klimentská 1207/10
110 00 Prague 1
Czech Republic

*To the Dealers and the Trustee as to
English law:*

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10 Upper Bank Street
London E14 5JJ
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*To the Dealers and the Trustee as
to Dutch law:*

Clifford Chance LLP
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1013 GE Amsterdam
The Netherlands

*To the Dealers and the Trustee as
to Czech law:*

**Clifford Chance Prague LLP,
organizacni slozka**
Jungmannova Plaza
Jungmannova 24
110 00 Prague 1
Czech Republic

LISTING AGENT

Arthur Cox Listing Services Limited

Earlsfort Centre
Earlsfort Terrace
Dublin 2
Ireland

AUDITORS

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The Netherlands

To the Guarantor:

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