CETIN Finance B.V.

Annual report for the year ended 31 December 2017

Contents

Directors' report

Introduction

We, the Board of Directors (the "Management Board") of CETIN Finance B.V. (the "Company"), are pleased to present to you this director's report as part of the Company's Annual report for the financial year 2017.

History and purpose

The Company was incorporated on 7 September 2016 as a financing vehicle for the issuance of Eurobonds to provide financing to its parent Česká telekomunikační infrastruktura a.s. The Company does not have any other activities. The Company has a one-tier Board of Directors. The Board consists of two Managing directors.

The ultimate parent company is PPF Group N.V.

The Company issued Eurobonds on 6 December 2016 in three tranches, with total value corresponding to EUR 916 million and maturity ranging from 1 to 7 years. Eurobonds are admitted to trading on Main Securities Market of the Irish Stock Exchange. On the 7 December 2016 the Company provided the funds raised in a form of intra-group loan to Česká telekomunikační infrastruktura a.s. ("CETIN").

Developments during the financial year

The first tranche of the Eurobonds, corresponding to CZK 3 billion, has been paid back in December 2017 and interest payments have been paid to all bond holders, using funds collected from CETIN.

Financial position

The total assets amount to CZK 20,853,744 thousand as at 31 December 2017 (31 December 2016: CZK 24,81,323 thousand). The Company has a positive working capital in the amount of CZK 71,192 thousand (31 December 2016: CZK 67,124 thousand) and positive cash flow from operations totalling CZK 18,876 thousand (2016: negative CZK 72,523 thousand).

Financial instruments and risk management

The Management Board is aware that the Company is exposed to certain risks and threats when conducting business primarily connected to its financial instruments. The directors of the Company believe that the current systems in place provide suitable tools for mitigating and controlling risks. For additional details on risks exposure and risk management of the Company, refer to note 14 in the financial statements.

Environmental and employment influences

The operations of the Company described above did not (to the best knowledge of the Management Board) have a significant impact on the environment. The Company did not employ any staff during 2017.

Research and development

The Company did not engage in any research and development activities during 2017.

Composition of the Board of Directors

The size and composition of the Board of Directors and the combined experience and expertise of their members should reflect the best fit for the profile and strategy of the Company. This aim for the best fit, in combination with the availability of qualifying candidates, has resulted in the Company currently having a Board of Directors in which all members are male. In order to increase gender diversity on the Board of Directors, in accordance with article 2:391 paragraph 7 of the Dutch Civil Code, the Company pays close attention to gender diversity in the process of recruiting and appointing new members of the Board of Directors. The Company will retain an active and open attitude as regards selecting female candidates. For changes in Board of Directors please refer to Note 1 of the financial statements.

Audit Committee

An audit committee has been established at higher level within the PPF Group (specifically at PPF Group N.V.) in compliance with all conditions of the Dutch transposition of Article 39 (3) (a) of Directive 2006/43/EC, as a result of which the Company as a public interest entity in the meaning of Article 2 (13) (a) of Directive 2006/43/EC and as PPF Group N.V.'s subsidiary is entirely exempt from obligations in respect of an audit committee. Due to the application of the aforementioned exemption, the audit committee of PPF Group N.V. follows all obligatory responsibilities in relation to the Company as the public interest entity.

Outlook 2018

The Company expects that it will continue to operate in a similar way as in 2017. The Management Board is not aware of any specific influences or developments that will negatively impact the operating structure, business activities or net result of the Company in 2018 in a direct manner.

The Company does not have the intent to make significant investments or divestments in 2018 or to change its primary business activities.

The Management Board assumes that the economic developments in general in Europe will not impact the performance of the Company directly. The Management Board anticipates that the Company's operation result for 2018 will remain at a level comparable with the preceding year.

Amsterdam, 23 April 2018

On behalf of the Board of Directors of CETIN Finance B.V.

Jan Cornelius Jansen

Statement of financial position

TCZK	Note	31 December 2017	31 December 2016
Non-current assets			
Loan receivables	4	20,760,324	21,683,937
Total non-current assets		**20,760,324**	**21,683,937**
Current assets			
Loan receivables	4	21,879	3,020,746
Other receivables	6	205	48,215
Cash at banks	5	71,336	66,425
Total current assets		**93,420**	**3,135,386**
Total assets		**20,853,744**	**24,819,323**
Capital and reserves			
Issued capital	7	3	3
Share premium		55,418	67,583
Retained earnings		3,872	(1,273)
Total equity		**59,293**	**66,313**
Non-current liabilities			
Debt securities	8	20,772,223	21,684,748
Total non-current liabilities		**20,772,223**	**21,684,748**
Current liabilities			
Debt securities	8	20,513	3,020,206
Other liabilities	9	1	48,056
Income tax liability	11	1,714	-
Total current liabilities		**22,228**	**3,068,262**
Total liabilities		**20,794,451**	**24,753,010**
Total liabilities and equity		**20,853,744**	**24,819,323**

Statement of comprehensive income

TCZK	Note	For the year ended 31 December 2017	7.9.2016 - 31.12.2016
Interest income	4	321,723	22,545
Interest expense	8	(313,139)	(22,817)
Net interest income		**8,584**	**(272)**
General administrative expenses	10	78	(978)
Net operating result		**8,662**	**(1,250)**
Foreign exchange result		(1,803)	(23)
Profit/(loss) before taxation		**6,859**	**(1,273)**
Income tax expense	11	(1,714)	-
Net profit/(loss) for the period		**5,145**	**(1,273)**
Other comprehensive income		**-**	**-**
Total comprehensive income/(loss) for the period		**5,145**	**(1,273)**
Profit/(loss) attributable to:			
Owner of the company		**5,145**	**(1,273)**
Non-controlling interest		**-**	**-**
Total comprehensive profit/(loss) attributable to:			
Owner of the company		**5,145**	**(1,273)**
Non-controlling interest		**-**	**-**

Statement of changes in equity

TCZK	Issued capital	Share premium	Retained earnings	Total
Balance at 31 December 2016	**3**	**67,583**	**(1,273)**	**66,313**
Transaction with the owner of the Company				
Distribution to the owner	-	(12,165)	-	(12,165)
Total comprehensive loss				
Net profit for the period	-	-	5,145	5,145
Other comprehensive income	-	-	-	-
Balance at 31 December 2017	**3**	**55,418**	**3,872**	**59,293**

Statement of changes in equity

TCZK	Issued capital	Share premium	Retained earnings	Total
Balance at 7 September 2016	**3**	**-**	**-**	**3**
Transaction with the owner of the Company				
Contributions from the owner	-	67,583	-	67,583
Total comprehensive loss				
Net (loss) for the period	-	-	(1,273)	(1,273)
Other comprehensive income	-	-	-	-
Balance at 31 December 2016	**3**	**67,583**	**(1,273)**	**66,313**

Statement of cash flows

TCZK	Note	For the year ended 31 December 2017	7.9.2016 - 31.12.2016
Net profit/(loss) for the period		**5,145**	(1,273)
Adjustments for:			
Interest income		(321,723)	(22,545)
Interest expense		313,139	22,817
Other non-cash adjustments		(1,387)	-
Tax expense		1,714	
Net operating cash flows before changes in working capital		**(3,112)**	**(1,001)**
Change in other receivables and payables		(45)	(159)
Cash flows used in the operations		**(3,157)**	**(1,160)**
Interest paid		(300,355)	(71,363)
Interest received		322,388	-
Cash flows from/(used in) the operating activities		**18,876**	**(72,523)**
Providing of loan receivable	4	-	(24,682,137)
Repayments on loan receivable	4	2,998,200	-
Cash flows from/(used in) investing activities		**2,998,200**	**(24,682,137)**
Proceeds from share capital and premium		-	67,585
Distribution of share premium		(12,165)	-
Proceeds from bonds issue	8	-	24,753,500
Repayments on bonds issue	8	(3,000,000)	-
Cash flows from/(used in) financing activities		**(3,012,165)**	**24,821,085**
Change in cash and cash equivalents		**4,911**	**66,425**
Cash and cash equivalents at beginning of the period		66,425	-
Cash and cash equivalents at end of the period		**71,336**	**66,425**

NOTES TO THE FINANCIAL STATEMENTS

1 General information

The Company was incorporated with limited liability under the Dutch law on 7 September 2016. The registered office of the Company is in Amsterdam, the Netherlands. The address of the Company is Strawinskylaan 933, Amsterdam, the Netherlands. The main activity of the Company is to act as a financing company.

The Company is a fully owned subsidiary of Česká telekomunikační infrastruktura a.s. ("CETIN") having its seat at Olšanská 2681/6, Prague, Czech Republic.

These financial statements comprise Company's stand-alone financial statements.

Board of Directors:
Jan Cornelius Jansen
Marcel Marinus van Santen
Filip Cába (until 31 January 2017)

2 Basis of preparation

2.1 Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code, including International Accounting Standards ("IASs"), promulgated by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") of the IASB.

2.2 Basis of measurement

The financial statements are prepared at the historical cost convention and are presented in Czech Koruna ("CZK"), and rounded to the nearest thousand. Assets and liabilities are stated at nominal value, unless stated otherwise.

2.3 Functional and presentation currency

The financial statements are presented in Czech Koruna, which is the Company's functional currency.

2.4 Use of judgement and estimates

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

2.5 Going concern

These financial statements have been prepared on the basis of the going concern assumption.

2.6 Changes in Accounting policies and accounting pronouncements adopted since 1 January 2017

The following revised standards effective from 1 January 2017 are mandatory and relevant for the Company and have been applied by the Company since 1 January 2017.

Amendments to IAS 7 Statement of Cash Flows (effective from 1 January 2017)
The amendments are part of the IASB's disclosure initiative project and introduce additional disclosure requirements intended to address investors' concerns that financial statements do not currently enable them to understand the entity's cash flows; particularly in respect to the management of financing activities. A reference is made to Note 8 for the reconciliation of cash-flow from financing activities.

2.7 Standards, interpretations and amendments to published standards that are not yet effective and are relevant for the Company's financial statements

A number of new Standards, amendments to Standards and Interpretations were not yet effective as of 31 December 2017, and have not been applied in preparing these financial statements. Of these pronouncements, potentially the following have and will have an impact on the Company's financial statements. The Company will adopt these pronouncements when they become effective. The Company is in the process of analysing the likely impact on its financial statements.

IFRS 9 Financial Instruments (effective from 1 January 2018)
IFRS 9, published in July 2014, replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement, and includes requirements for classification and measurement of financial instruments, impairment of financial assets and hedge accounting.

Classification and measurement:
IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

Impairment:
IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' model. The new impairment model applies to financial assets measured at amortized cost and FVOCI, lease receivables, certain loan commitments and financial guarantee contracts. The new impairment model generally requires to recognise expected credit losses in profit or loss for all financial assets, even those that are newly originated or acquired.

The classification and measurement and impairment requirements are generally applied retrospectively (with some exemptions) by adjusting the opening retained earnings and reserves at the date of initial application, with no requirement to restate comparative periods.

This standard is not expected to have significant impact on the Company's financial statements.

IFRS 15 Revenue from Contracts with Customers (effective from 1 January 2018)
In May 2014 IASB and the Financial Accounting Standards Board (FASB), responsible for US Generally Accepted Accounting Principles (US GAAP) jointly issued a converged Standard on the recognition of revenue from contracts with customers. IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. This standard is not expected to have significant impact on the Company's financial statements.

IFRIC 22 Foreign Currency Transactions and Advance Consideration (effective from 1 January 2018)
The IFRIC 22 clarifies the transactions date used to determine the exchange rate for foreign currency transactions involving an advance payment or receipt: the transaction date is the date on which the company initially recognises the prepayment or deferred income arising from the advance consideration. For transactions involving multiple payments or receipts, each payment or receipt gives rise to a separate transaction date. This interpretation has not yet been adopted by the EU. These amendments are not expected to have significant impact on the Company's financial statements.

IFRS 16 Leases (effective from 1 January 2019)
In January 2016 IASB issued a new Standard on leases. The Standard requires companies to bring most leases on-balance sheet, recognising new assets and liabilities. The Company has no leases and thus this standard is not expected to have any impact on the Company's financial statements.

Annual Improvements 2015-2017 Cycle (effective from 1 January 2019)
In February 2018 the IASB published Annual Improvements to IFRSs 2014-2016 Cycle as part of the annual improvements process to make non-urgent but necessary amendments to IFRS. The new cycle of improvements contains amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23. These Annual Improvements have not yet been adopted by the EU. These amendments are not expected to have significant impact on the Company's financial statements.

3 Significant accounting policies

3.1 Foreign currency transactions

A foreign currency transaction is a transaction that is denominated or requires settlement in a currency other than functional currency. The functional currency is the currency of the primary economic environment in which an entity operates. For initial recognition purposes, a foreign currency transaction is translated into the functional currency using the foreign currency exchange rate ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated into Czech Koruna at rates of exchange prevailing at the reporting date (31 December 2017: CZK/EUR 25.54 and 31 December 2016: CZK/EUR 27.02). Transactions denominated in foreign currencies are translated at rates prevailing at the time the transaction occurred. Translation differences are recorded in the statement of profit or loss. Non-monetary items denominated in foreign currencies that are measured in terms of historical cost are translated using the exchange rate at the date of transaction. The share capital is recalculated by the closing foreign exchange rate through Currency translation reserve at each reporting date.

3.2 Financial instruments

a) Recognition and derecognition

Financial assets and liabilities are recognised in the statement of financial position when the Company becomes a party to the contractual provisions of the instrument. Sales and purchases of financial assets are accounted for on the trade date.

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such derecognised financial assets that is created or retained by the Company is recognised as a separate asset or liability.

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

b) Measurement

A financial asset or liability is initially measured at its fair value plus, in the case of a financial asset or liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or liability.

All financial liabilities, other than those designated at fair value through profit are measured at amortised cost using effective interest rate method.

For financial assets and liabilities carried at amortised cost, a gain or loss is recognised in the statement of comprehensive income when the financial asset or liability is derecognised or impaired, and through the amortization process.

c) Fair value measurement principals

The fair value of financial instruments is based on their quoted market price at the end of the reporting period without any deduction for transaction costs. If a quoted market price is not available, the fair value of the instrument is estimated using pricing models or discounted cash flow techniques.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate is a market related rate at the end of the reporting period for an instrument with similar terms and conditions. Where pricing models are used, inputs are based on market related measures at the end of the reporting period.

d) Offsetting

Financial assets and liabilities are permitted to be set off and the net amount presented in the statement of financial position when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted by the accounting standards, or for gains and losses arising from a group of similar transactions. No amounts were offset up to reporting date.

3.3 Cash and cash equivalents

The Company considers cash in hand, current accounts and balances with banks and other financial institutions due within one month to be cash and cash equivalents.

3.4 Other assets and liabilities

Other receivables and payables arise when the Company has a contractual obligation to receive or deliver cash or another financial asset. Other receivables and payables are measured at amortised cost, which is normally equal to their nominal or repayment value.

3.5 Equity

Share capital represents the nominal value of shares issued by the Company.

Dividends on share capital, share premium decreases and other capital distributions are recognised as a liability provided that they are declared before the end of the reporting period. Dividends, share premium decreases and other capital distributions declared after the end of the reporting period are not recognised as a liability but are disclosed in the notes.

3.6 Income tax

There are no differences between tax accounts and the financial statements. Taxation is calculated on the fiscal profit before tax shown in the annual accounts, taking into account tax allowable deductions, charges and exemption.

3.7 Income and expense recognition

Interest income and interest expense are recognised in the income statement on an accrual basis, taking into account the effective yield of the asset or liability, or the applicable floating rate. Interest income and interest expense includes the amortization of any discounts or premiums of other differences between the initial carrying amount of an interest-bearing instrument and its amount at maturity calculated using the effective interest rate method.

Other income and expense items are recognised in profit or loss when the corresponding service is provided.

3.8 Operating expenses

Operating expenses are accounted for in the period in which these are incurred. Losses are accounted for in the year in which they are identified.

3.9 Impairment

The carrying amounts of the Company's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the assets recoverable amount is estimated.

The recoverable amount of the Company's loans and receivables is calculated as the present value of expected future cash flows, discounted at the original effective interest rate inherent in the asset. Receivables with a short duration are not discounted. Loans and receivables are reported net of allowance for loan losses to reflect the estimated recoverable amounts. Receivables are stated at their cost less impairment losses.

An impairment loss in respect of loan or receivable is reversed through the income statement (up to the amount of amortised cost) if the subsequent increase in recoverable amount can be attributed objectively to an event occurring after the impairment loss was recognised.

In respect of other assets, an impairment loss is reversed through the income statement if there has been an increase in the recoverable amount and increase can be objectively related to an event occurring after the date of the impairment. An impairment loss is reversed only to the extent that the assets carrying amount does not exceed the carrying amount of the asset that would have been determined, net of depreciation or amortization, if no impairment loss had been recognised.

4 Loan receivables

The Company provided the following loans to the parent company CETIN.

In TCZK	31 December 2017	31 December 2016
Loans in CZK	4,821,768	7,819,968
Loans in EUR	15,938,556	16,862,169
Accrued interest	21,879	22,546
Total loans	**20,782,203**	**24,704,683**
Repayable:		
Within one year	21,879	3,020,746
Between one and five years	15,938,556	16,862,169
More than five years	4,821,768	4,821,768
Total loans	**20,782,203**	**24,704,683**

Provided Loans Analysis

In TCZK			31 December 2017		31 December 2016	
Utilization date	Maturity	Currency	Nominal amount	Net carrying amount	Nominal amount	Net carrying amount
7 December 2016	6 December 2017	CZK	-	-	2,998,200	2,998,767
7 December 2016	6 December 2021	EUR	15,938,556	15,955,451	16,862,169	16,879,356
7 December 2016	6 December 2023	CZK	4,821,768	4,826,752	4,821,768	4,826,560
Total			**20,760,324**	**20,782,203**	**24,682,137**	**24,704,683**

Provided loans bear fixed interest rates in the range from 1.451% to 1.4881% (31 December 2016: 0.2759% to 1.4881%).

All interest income is from parent company CETIN.

The terms and conditions of these loans were no more favourable than those available, or which might reasonably be expected to be available, in similar transactions with non-related companies on an arm’s length basis.

5 Cash at banks

In TCZK	31 December 2017	31 December 2016
Bank balance in EUR	17,329	66,417
Bank balance in CZK	54,007	8
Total	**71,336**	**66,425**

Cash is freely available.

Cash in amount of TCZK 61,513 (2016: 0) is held at PPF Banka a.s. (related party). The interest income from the related party amounts to TCZK 2 (2016: 0) and general administrative expenses charged by the related party amount to TCZK 2 (2016: 0).

6 Other receivables

In 2016 Other receivables in amount of TCZK 48,215 related to certain charges for the issuance of bonds. These charges were recharged to the parent company CETIN in 2016 and fully paid in 2017.

7 Equity

7.1 Share capital

In EUR	31 December 2017	31 December 2016
Authorised capital (100 shares)	100	100
Issued and fully paid up (100 shares)	100	100
Nominal value	1	1

The holder of ordinary shares is entitled to receive dividends as declared from time to time and is entitled to one vote per share at meetings of the Company.

The Netherlands Civil Code article 2.373.5 requires the Company to translate its issued share capital from its registered currency to presentation currency at the exchange rate effective on the reporting date. Effect of this translation is presented in the Foreign Currency Translation reserve, which is a non-distributable reserve.

The share capital was translated from EUR to CZK using historical exchange rate CZK/EUR 27.02.

7.2 Share premium

In October 2017 the Company's shareholder decreased the Company's share premium by TCZK 12,453.

In November and December 2016 the Company's shareholder increased the Company's share premium by TCZK 54,070 and TCZK 13,523, respectively.

8 Debt securities

The Company issued following debt securities:

In TCZK	**31 December 2017**	**31 December 2016**
Bonds in CZK	4,828,537	7,820,546
Bonds in EUR	15,943,686	16,862,530
Accrued interest	20,513	21,878
Total debt securities	**20,792,736**	**24,704,954**
Repayable:		
Within one year	20,513	3,020,206
Between one and five years	15,943,686	16,862,530
More than five years	4,828,537	4,822,218
Total debt securities	**20,792,736**	**24,704,954**

Issued Bonds Analysis

In TCZK				**31 December 2017**	
Date of issue	Maturity	ISIN	Currency	Nominal value	Net carrying value
6 December 2016	6 December 2021	XS1529934801	EUR	15,962,500	15,959,866
6 December 2016	6 December 2023	XS1529936335	CZK	4,866,000	4,832,870
Total				**20,828,500**	**20,792,736**

In TCZK				**31 December 2016**	
Date of issue	Maturity	ISIN	Currency	Nominal value	Net carrying value
6 December 2016	6 December 2017	XS1529936251	CZK	3,000,000	2,998,756
6 December 2016	6 December 2021	XS1529934801	EUR	16,887,500	16,879,648
6 December 2016	6 December 2023	XS1529936335	CZK	4,866,000	4,826,550
Total				**24,753,500**	**24,704,954**

All conditions resulted from bonds issues were met as at 31 December 2016 and 2017. Certain bonds issue related costs were amortized and are part of effective interest rate.

Issued bonds have stated fixed interest rates in the range from 1.25% to 1.423% (31 December 2016: 0.20% - 1.423%).

During 2017 and 2016 CETIN has granted to the Company a guarantee for non-fulfilment of Company's liabilities in connection with bonds issued. The guarantee constitutes a direct and unconditional obligation of CETIN which is at all times rank *pari passu* with all other present and future unsecured obligations of CETIN, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.

Net proceeds received by CETIN Finance B.V. from bonds emission were granted in full amount to CETIN as loan (see Note 4).

Reconciliation of movements of liabilities to cash flows arising from financing activities:

	Liabilities	**Equity**	**Total**
In TCZK	**Debt securities issued**	**Share premium**	
Balance as at 1 January 2017	24,704,954	67,583	**24,772,537**
Changes from financing cash-flows			
Distribution of share premium	-	(12,165)	**(12,165)**
Repayment on bond issue	(3,000,000)	-	**(3,000,000)**
Total changes from financing cash flows	**(3,000,000)**	**(12,165)**	**(3,012,165)**
Other changes			
Interest expense	313,139	-	**313,139**
Interest paid	(300,355)	-	**(300,355)**
Effect of changes in FX rates	(925,002)	-	**(925,002)**
Total Other changes	**(912,218)**	**-**	**(912,218)**
Balance as at 31 December 2017	**20,792,736**	**55,418**	**20,848,154**

9 Other liabilities

In TCZK	31 December 2017	31 December 2016
Accounts payable	1	29,246
Accrued expenses	-	18,810
Total	**1**	**48,056**

In 2016 the accounts payable contained liabilities to related parties (PPF Group companies) in total amount of TCZK 62.

10 General administrative expenses

In TCZK	2017	7.9.2016 - 31.12.2016
Professional services	(107)	967
Other financial services	29	11
Total	**(78)**	**978**

Professional services represent mainly consulting and audit fees. Due to reversal of over accrual, 2017 figures are negative.

In 2017 Professional services contain service expenses charged by PPF Group N.V. (ultimate parent entity) in amount of TCZK 69 (2016: TCZK 79).

11 Income tax

Reconciliation of effective tax rate

In TCZK	2017	7.9.2016 - 31.12.2016
Profit/(Loss) before tax	6,859	(1,273)
Tax using the Company’s domestic tax rate (25%)	(1,714)	318
Not recognised deferred tax asset	-	(318)
Tax expense	**(1,714)**	**-**

Deferred tax asset in the amount of TCZK 318 arising from unutilised tax losses for 2016 is not recognised as its future utilisation is uncertain.

12 Employees and directors

The Company did not employ any personnel in 2017 (2016: none). The Company had two directors as at 31 December 2017 (31 December 2016: three). During 2017 and 2016 directors of the Company were not entitled to any remuneration.

13 Related parties

The Company has a related party relationship with its parent and other related parties (PPF Group entities). All transactions with related parties are disclosed in the individual disclosures above.

Furthermore, the key management personnel of the Company, plus the close family members of such personnel and other parties which are controlled, jointly controlled or significantly influenced by such individuals and entities in which the individuals hold significant voting power are also considered related parties. The Company did not conclude any transaction with these related parties in 2016 and 2017.

14 Financial risk management

The Company is exposed to a variety of financial risks, including the effects of changes in debt market prices, foreign currency exchange rates and interest rates as a result of debt taken. Management of the risk arising financial instruments is fundamental to the Company's business and is an essential element of the Company's operations. The Company's overall risk management focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance of the Company. The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The risks are managed in the following manner:

(i) Foreign currency risk

The Company's exposure to foreign currency risk arising from currency exposures at euro ("EUR") is limited. Foreign currency risk arising from issued bond denominated in EUR is mitigated by the provided loan in almost same conditions (currency, amount, interest rate, maturities) as the issued bond. Remaining foreign currency risk resulting from slightly different amounts between EUR denominated loan and nominal amount of issued bond is not significant.

(ii) Interest rate risk

As at reporting date, the Company has not been exposed to interest rate risk arising from any interest rate gap as maturities and nominal amounts of interest bearing financial assets are almost the same as of interest bearing financial liabilities.

The Company does not account for any financial assets or financial liabilities at fair value through profit or loss and for any available-for-sale financial assets. Therefore, a change in interest rates at the reporting date would not affect profit or loss or equity of the Company.

(iii) Liquidity risk

Liquidity risk represents the risk of being unable to meet obligation as they become due. The Company continually assesses its liquidity risk with PPF Group treasury by identifying and monitoring changes in the funding required to meet the business goals. The Company is funded by equity and issued bonds.

The table below summarizes the maturity profile of the Company's financial and other liabilities at 31 December 2017 and at 31 December 2016 based on contractual undiscounted payments. Amounts include projections of future interests.

As at 31 December 2017 **In TCZK**	**Less than 3 months**	**3 to 12 months**	**1 to 5 years**	**> 5 years**
Financial debts	-	287,971	16,887,239	4,926,825
Other liabilities	1	-	-	-
Total	1	287,971	16,887,239	4,926,825

As at 31 December 2016 **In TCZK**	**Less than 3 months**	**3 to 12 months**	**1 to 5 years**	**> 5 years**
Financial debts	-	3,307,134	18,092,862	4,987,650
Other liabilities	48,056	-	-	-
Total	48,056	3,307,134	18,092,862	4,987,650

(iv) Credit risk

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's loan and other receivables.

The carrying amount of financial assets represents the maximum credit exposure.

Loan and other receivables
The Company is not exposed to any significant credit risk, as almost all credit transactions are made with CETIN which is an investment grade rated and profitable company and trading with it does not represents any significant credit risk for the Company.

Cash and cash equivalents
The Company held cash and cash equivalents of TCZK 71,336 at 31 December 2017. The cash and cash equivalents are held with a reputable bank institution.

(v) Fair values estimation

The Company uses the following hierarchy to determine and disclose the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: techniques which use inputs that have a significant effect on the recorded fair value and that are not based on observable market data.

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value:

In TCZK

				31 December 2017		
	Note	**Level 1**	**Level 2**	**Level 3**	**Fair value**	**Carrying amount**
Financial assets						
Cash and cash equivalents	5	-	-	-	-	71,336
Loan receivables	4	-	21,220,191	-	21,220,191	20,782,203
Other receivables	6	-	-	-	-	205
Financial liabilities						
Debt securities	8	-	21,220,191	-	21,220,191	20,792,736
Other liabilities	9	-	-	-	-	1

In TCZK

				31 December 2016		
	Note	**Level 1**	**Level 2**	**Level 3**	**Fair value**	**Carrying amount**
Financial assets						
Cash and cash equivalents	5	-	-	-	-	66,425
Loan receivables	4	-	25,120,988	-	25,120,988	24,704,682
Other receivables	6	-	-	-	-	48,215
Financial liabilities						
Debt securities	8	25,120,988	-	-	25,120,988	24,704,954
Other liabilities	9	-	-	-	-	48,056

During the current year end, the bonds were not actively traded opposite to 2016. The estimated fair value of issued bonds was derived using valuation technique based on observable market inputs. Therefore, these securities are disclosed in Level 2 of the fair value hierarchy as at 31 December 2017.

The fair value of loan receivable is determined from the bonds market price as conditions of the loan receivable are almost same (currency, amount, interest rate, maturities) as the issued bonds.

The Company does not have any financial instruments reported in the statement of financial position in fair value.

15 Segment reporting

The Company represents one reportable segment that has central management and follows a common business strategy. The revenue is attributable to interest income from a loan provided to Company's parent entity domiciled in the Czech Republic.

16 Events after the reporting period

There were no subsequent events or transactions that required recognition or disclosure in the financial statements.

Date: 23 April 2018	Signature of the Board of Directors:

Other information

Profit appropriation

The allocation of profits accrued in a financial year shall be determined by the General Meeting of Shareholders. Distribution of profits shall be made after adoption of the annual accounts if permissible under the law given the contents of the annual accounts. The General Meeting of Shareholders may resolve at the proposal of the management board to make interim distributions and/or to make distributions at the expense of any reserve of the Company. Distributions may be made only up to an amount which does not exceed the amount of the distributable equity.

Offices

The Company has its operating office in the Netherlands. For details in this respect please refer to Note 1 of the financial statements.

Auditor's report

The auditor's report with respect to the Company financial statements is set out on page 25.

Independent auditor's report

To: the General Meeting of the Shareholder of CETIN Finance B.V.

Report on the audit of the financial statements 2017 included in the annual report

Our opinion

In our opinion the accompanying financial statements give a true and fair view of the financial position of CETIN Finance B.V. as at 31 December 2017 and of its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code.

What we have audited

We have audited the financial statements 2017 of CETIN Finance B.V. ('the Company') based in Amsterdam, the Netherlands.

The financial statements comprise:

1 the statement of financial position as at 31 December 2017;

2 the following statements for 2017: the statements of comprehensive income, changes in equity and cash flows; and

3 the notes comprising a summary of the significant accounting policies and other explanatory information.

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the 'Our responsibilities for the audit of the financial statements' section of our report.

We are independent of CETIN Finance B.V. in accordance with the EU Regulation on specific requirements regarding statutory audits of public-interest entities, the Wet toezicht accountantsorganisaties (Wta, Audit firms supervision act), the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO, Code of Ethics for

Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA, Dutch Code of Ethics).

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Audit approach

Summary

MATERIALITY
- Materiality of CZK 104 million
- 0.5% of Total assets

KEY AUDIT MATTER
- Valuation of loan receivables

UNQUALIFIED OPINION

Materiality

Based on our professional judgement we determined the materiality for the financial statements as a whole at CZK 104 million (2016: CZK 124 million). The materiality is determined with reference to total assets (0.5 %; 2016: 0.5%). The decrease in the materiality is driven by the decrease in total assets as a result of due and repaid loans. We consider total assets as the most appropriate benchmark because as CETIN Finance B.V. is a financing vehicle that provides financing to its parent Česká telekomunikační infrastruktura a.s. We have also taken into account misstatements and/or possible misstatements that in our opinion are material for the users of the financial statements for qualitative reasons.

We agreed with the Audit Committee and Board of Directors that misstatements in excess of CZK 5.2 million, which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

Our key audit matter

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements. We have communicated the key audit matter to the Audit Committee of PPF Group N.V. The key audit matter is not a comprehensive reflection of all matters discussed.

This matter was addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

Valuation of loan receivables
Description The Company is a financing entity only entering into financing arrangements with its parent entity (Česká telekomunikační infrastruktura, a.s.). The Company's ability to meet its financial obligations depends on the ability of the parent entity to repay the loans including accrued interest. This is highlighted in Note 14 (iv) of the financial statements. Given this pervasive impact on the financial statements of the Company, we consider this a key audit matter.
Our response The Board of Directors of the Company has assessed the financial robustness of the financial position and liquidity of Česká telekomunikační infrastruktura a.s. to meet its obligation regarding the loan receivables. We have assessed Director's analysis and have verified it to the relevant source data, such as the unqualified audit opinion on the consolidated financial statements of the parent for the year ended 31 December 2017 which was issued on 8 March 2018 and external rating agencies' reports (Moody's Investor Services and Fitch Ratings). In addition, we evaluated the adequacy of the Company's disclosure in respect of credit risk in Note 14 (iv) in the notes to the financial statements.
Our observation We found that Director's assessment of the recoverability of the loan receivables from Česká telekomunikační infrastruktura a.s. resulted in a balanced outcome and that the risk is adequately disclosed in Note 14 (iv) of the financial statements.

Report on the other information included in the annual report

In addition to the financial statements and our auditor's report thereon, the annual report contains other information that consists of:

- the Director's report;
- the other information pursuant to Part 9 of Book 2 of the Dutch Civil Code.

Based on the following procedures performed, we conclude that the other information:

- is consistent with the financial statements and does not contain material misstatements;
- contains the information as required by Part 9 of Book 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is substantially less than the scope of those performed in our audit of the financial statements.

The Board of Directors of CETIN Finance B.V. is responsible for the preparation of the other information, including the Directors' report in accordance with Part 9 of Book 2 of the Dutch Civil Code and the other information pursuant to Part 9 of Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements

Engagement

We were engaged by the Board of Directors as auditor of CETIN Finance B.V. on 7 February 2017, as of the audit for the period from 7 September 2016 to 31 December 2016 and have operated as statutory auditor ever since that financial year.

No prohibited non-audit services

We have not provided prohibited non-audit services as referred to in Article 5(1) of the EU Regulation on specific requirements regarding statutory audits of public-interest entities.

Description of responsibilities regarding the financial statements

Responsibilities of the Board of Directors and the Audit Committee for the financial statements

The Board of Directors of CETIN Finance B.V. is responsible for the preparation and fair presentation of the financial statements in accordance with EU-IFRS and Part 9 of Book 2 of the Dutch Civil Code. Furthermore, the Board of Directors is responsible for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, the Board of Directors is responsible for assessing the Company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, the Board of Directors should prepare the financial statements using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so. The Board of Directors should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

The Audit Committee of PPF Group N.V. is responsible for overseeing the Company's financial reporting process.

Our responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not detect all material errors and fraud during our audit.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

A further description of our responsibilities for the audit of the financial statements is located at the website of de ‘Koninklijke Nederlandse Beroepsorganisatie van Accountants’ (NBA, Royal Netherlands Institute of Chartered Accountants) at: http://www.nba.nl/ENG_oob_01. This description forms part of our independent auditor’s report.

Amstelveen, 23 April 2018

KPMG Accountants N.V.

M. Frikkee RA