CETIN Finance B.V.

Financial statements for the period from 7 September 2016 to 31 December 2016

Contents

Directors' report

Introduction

We, the board of managing 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 financial statements for the financial year 2016.

The Company has a one-tier governance structure.

History and purpose

The Company was incorporated on 7 September 2016. In December 2016 it issued Eurobonds and has provided financing to its parent Česká telekomunikační infrastruktura a.s. The Company currently does not have any other activities.

The ultimate parent company is PPF Group N.V.

Developments during the financial year

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.

Risk exposure

The Management Board is aware that the Company is exposed to certain risks and threats when conducting business. 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 number of employees working for the Company did not change significantly during 2016 and remained at nil.

Research and development

The company did not engage in any research and development activities during 2016.

Outlook 2017

The Company expects that it will continue to operate in a similar way as in 2016. 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 2017 in a direct manner.

The Company does not have the intent to make significant investments or divestments in 2017 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 2017 will improve in comparison with the preceding year.

Amsterdam, 4 April 2017

On behalf of the board of managing directors of CETIN Finance B.V.

Jan Cornelius Jansen

Statement of financial position

TCZK	Note	31 December 2016
Non-current assets		
Long-term loan	4	21,683,937
Total non-current assets		**21,683,937**
Current assets		
Short-term loan	4	3,020,746
Other receivables	6	48,215
Cash at banks	5	66,425
Total current assets		**3,135,386**
Total assets		**24,819,323**
Capital and reserves		
Issued capital	7	3
Share premium		67,583
Retained earnings		(1,273)
Total equity		**66,313**
Non-current liabilities		
Long-term debt securities	8	21,684,748
Total non-current liabilities		**21,684,748**
Current liabilities		
Short-term debt securities	8	3,020,206
Other liabilities	9	48,056
Total current liabilities		**3,068,262**
Total liabilities		**24,753,010**
Total liabilities and equity		**24,819,323**

Statement of comprehensive income

TCZK	Note	7.9.2016 - 31.12.2016
Interest income	4	22,545
Interest expense	8	(22,817)
Net interest (expense)		**(272)**
General administrative expenses	10	(978)
Net operating (loss)		**(1,250)**
Foreign exchange result		(23)
(Loss) before taxation		**(1,273)**
Income tax expense	11	-
Net (loss) for the period		**(1,273)**
Other comprehensive income		**-**
Total comprehensive (loss) for the period		**(1,273)**
(Loss) attributable to:		
Owner of the company		**(1,273)**
Non-controlling interest		**-**
Total comprehensive (loss) attributable to:		
Owner of the company		**(1,273)**
Non-controlling interest		**-**

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 of the Company for the period	-	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	7.9.2016 - 31.12.2016
Net (loss) for the period		(1,273)
Adjustments for:		
Interest income		(22,545)
Interest expense		22,817
Operating cash flow before working capital changes		**(1,001)**
Working capital adjustments:		
Change in other receivables and payables		(159)
Net cash from operating activities		**(1,160)**
Loans provided	4	(24,697,738)
Net cash used in investing activities		**(24,697,738)**
Proceeds from share capital and premium		67,585
Proceeds from bonds issue	5	24,697,738
Net cash from financing activities		**24,765,323**
Net increase in cash and cash equivalents		**66,425**
Cash and cash equivalents at beginning of the period		-
Cash and cash equivalents at end of the period		**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.

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 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 2016, and have not been applied in preparing these financial statements. Of these pronouncements, potentially the following will have an impact on the Company's operations. The Company plans to adopt these pronouncements when they become effective. The Company is in the process of analysing the likely impact on its financial statements.

<u>Amendments to IAS 7 Statement of Cash Flows (effective from 1 January 2017)</u>
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. These Amendments have not yet been adopted by the EU.

<u>Amendments to IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses (effective from 1 January 2017)</u>
In January 2016 IASB issued amendments to IAS 12 Income Taxes. The amendments clarify how to account for deferred tax assets related to debt instruments measured at fair value. These Amendments have not yet been adopted by the EU.

<u>Annual Improvements 2014-2016 Cycle (effective from 1 January 2017 and from 1 January 2018)</u>
In November 2015 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 1, IFRS 12 and IAS 28. These Annual Improvements have not yet been adopted by the EU.

<u>IFRS 9 Financial Instruments (effective from 1 January 2018)</u>
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 recognize 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.

3 Significant accounting policies

3.1 Foreign currency transactions

Assets and liabilities denominated in foreign currencies are translated into Czech Koruna at rates of exchange prevailing at the reporting date (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. The share capital and share premium are recalculated by the closing foreign exchange rate (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 31 December 2016.

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 are recognised as a liability provided that they are declared before the end of the reporting period. Dividends 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

In December 2016 The Company provided the following loans to the parent company CETIN.

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

Provided Loans Analysis

In TCZK			**31 December 2016**	
Utilization date	Maturity	Currency	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	16,862,169	16,879,356
7 December 2016	6 December 2023	CZK	4,821,768	4,826,560
Total			**24,682,137**	**24,704,683**

Provided loans bear interest rates of 0.2759% to 1.4881%.

All interest income is intercompany 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 2016**
Bank balance in EUR	66,417
Bank balance in CZK	8
Total	**66,425**

Cash is freely available.

6 Other receivables

The amount of TCZK 48,215 relates to certain charges for the issuance of bonds in December 2016. All these charges will be recharged to the parent company CETIN, in 2017.

7 Equity

7.1 Share capital

In EUR	**31 December 2016**
Authorised capital (100 shares)	100
Issued and fully paid up (100 shares)	100
Nominal value	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 an non-distributable reserve

The share capital was translated from EUR to CZK using year-end exchange rate CZK/EUR 27.02 (7 September 2016: 27.02).

8 Debt securities

In December 2016 the Company issued following debt securities:

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

Issued Bonds Analysis

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 emission were met as at 31 December 2016. Certain bonds issue related costs were amortized and are part of effective interest rate.

Issued bonds have stated interest rates of 0.2% to 1.423%.

During 2016 CETIN has granted to the Company a guarantee for non-fulfilment of Company's liabilities in connection with bonds issued. Net proceeds received by CETIN Finance B.V. from bonds emission were granted in full amount to CETIN as loan (see Note 4).

9 Other liabilities

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

Accounts payable contains liabilities to PPF Group companies in total amount of TCZK 62.

10 General administrative expenses

In TCZK	**7.9.2016 - 31.12.2016**
Professional services	967
Other financial services	11
Total	**978**

Professional services represents mainly accrual for audit fee and other consulting fees. Part of this item is a service fee charge from group company PPF Group N.V. in amount of TCZK 62.

Other financial services relates to bank charges.

11 Income tax

Reconciliation of effective tax rate

In TCZK	**2016**
(Loss) before tax	(1,273)
Tax using the Company's domestic tax rate (25%)	318
Not recognized deferred tax asset	(318)
Tax expense	**-**

Deferred tax asset (TCZK 318) arising from unutilised tax losses is not recognised as its future utilisation is uncertain.

12 Employees and directors

During the period under review the Company did not employ any personnel. The company had three directors as at 31 December 2016. During 2016 directors of the company were not entitled to any remuneration.

13 Related parties

The Company has a related party relationship with its parent. All transactions with related parties are disclosed in the individual sections 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.

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.

The only significant exposure to currency risk is due to cash and cash equivalents denominated in EUR in the amount of TCZK 66,417.

As a result a reasonable possible strengthening (weakening) of the euro against Czech Koruna by 5% at 31 December 2016 would have affected the measurement of financial instruments denominated in a foreign currency and affected equity and profit or loss by TCZK +/- 3,321.

(ii) Interest rate risk

As at 31 December 2016 the Company has not been exposed to interest rate risk arising from financial assets nor financial debts as all these financial instruments carry fixed interest rate.

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

(iii) Liquidity risk

Liquidity risk represents the risk of being unable to fund assets using instruments with appropriate maturities and rates, the risk of being unable to liquidate an asset sufficiently quickly and in the appropriate amount and 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 2016 based on contractual undiscounted payments. Amounts include projections of future interests.

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 66,425 at 31 December 2016. 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.

During the reporting period ending 31 December 2016, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

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 2016				
	Note	**Level 1**	**Level 2**	**Level 3**	**Fair value**	**Carrying amount**
Financial assets						
Cash and cash equivalents	5					66,425
Loan receivable	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

The fair value of bonds has been determined using market price as bonds are traded on the public market. 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

On 24 January 2017 Filip Cába resigned from the Board of Directors. The resignation took effect on 31 January 2017.

17 Profit appropriation for 2016

No dividend has been proposed for the financial year ended 31 December 2016.

Date: 4 April 2017	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 operating offices in 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 23.

KPMG

Independent auditor's report

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

Report on the accompanying financial statements for the period from 7 September 2016 to 31 December 2016

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 2016, and of its result and its cash flows for the period from 7 September 2016 to 31 December 2016 in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Netherlands Civil Code.

What we have audited

We have audited the financial statements for the period from 7 September 2016 to 31 December 2016 of CETIN Finance B.V., based in Amsterdam, the Netherlands.

The financial statements comprise:

1 the statement of financial position as at 31 December 2016;
2 the following statements for the period from 7 September 2016 to 31 December 2016: 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

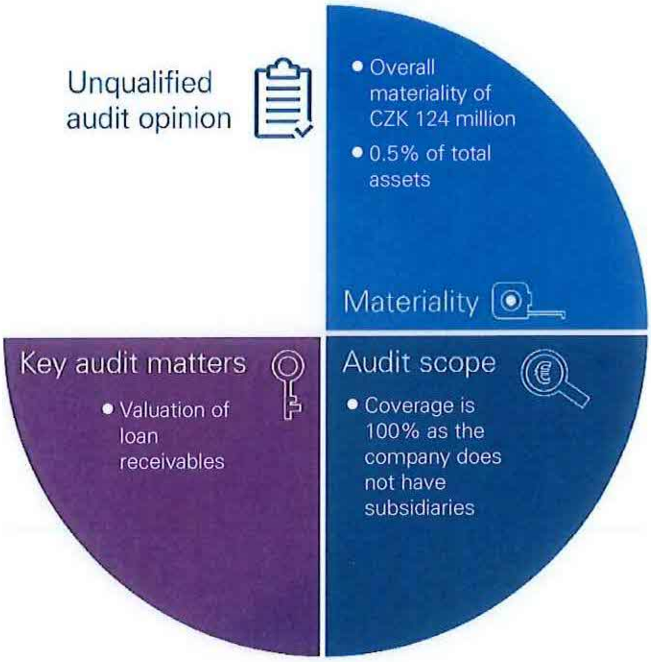
We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the 'Our responsibilities for the audit of the financial statements' section of our report.

We are independent of CETIN Finance B.V. in accordance with the 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 that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Audit approach

Summary



Materiality

Based on our professional judgment we determined the materiality for the financial statements as a whole at CZK 124 million. The materiality is determined with reference to total assets (0.5%). We consider total assets as the most appropriate benchmark 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 qualitative reasons for the users of the financial statements.

We agreed with the Board of Directors that misstatements in excess of CZK 6.2 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 judgment, were of the most significance in our audit of the financial statements. We have communicated the key audit matter to the Board of Directors. 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 financial performance of the Company going forward will be dependent 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 Management 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

Valuation of loan receivables
receivables. We have assessed management's analysis and have verified it to the relevant source data, such as the audited consolidated financial statements of the parent 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 the credit risk related to loans to Česká telekomunikační infrastruktura a.s. has been appropriately taken into account and disclosed in 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 Board of Directors' report;
- other information pursuant to Part 9 of Book 2 of the Netherlands Civil Code.

Based on the below 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 Netherlands 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 Netherlands 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.

Management is responsible for the preparation of the other information, including the Board of Directors' report in accordance with Part 9 of Book 2 of the Netherlands Civil Code and other Information pursuant to Part 9 of Book 2 of the Netherlands Civil Code.

Report on other legal and regulatory requirements

Engagement

We were engaged by 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.

Description of the responsibilities for the financial statements

Responsibilities of Board of Directors of CETIN Finance B.V. for the financial statements

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 with Part 9 of Book 2 of the Netherlands Civil Code. Furthermore, 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 errors or fraud.

As part of the preparation of the financial statements, Board of Directors is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting framework mentioned, Board of Directors should prepare the financial statements using the going concern basis of accounting unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so. 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.

Our responsibilities for the audit of financial statements

Our objective is to plan and perform the audit 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 have detected all material errors and fraud during the audit.

Misstatements can arise from fraud or error and are considered material if, individually or in 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.

For a further description of our responsibilities in respect of an audit of financial statements we refer to the Appendix.

Amstelveen, 4 April 2017

KPMG Accountants N.V.

B.M. Herngreen RA

KPMG

Appendix

We have exercised professional judgment and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included e.g.:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Concluding on the appropriateness of management's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company to cease to continue as a going concern.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures; and
- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit.

We provide Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safegards.

From the matters communicated with Board of Directors we determine key audit matters: those matters that were of most significance in the audit of the financial statements. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.