

MANDATORY TAKEOVER BID FOR TELEFÓNICA CZECH REPUBLIC, A.S. MADE BY PPF ARENA 2 B.V.

PPF Arena 2 B.V., a company incorporated in accordance with the laws of the Netherlands, having its registered office at Strawinskyiaan 933, 1077 XX Amsterdam, the Netherlands, registered in the Commercial Register of the Chamber of Commerce in Amsterdam under No. 59029765 (the “**Offeror**”), makes this mandatory takeover bid in accordance with Act No. 104/2008 Coll., on Takeover Bids, as amended (the “**Takeover Bids Act**” or the “**TBA**”), addressed to all of the owners of shares of Telefónica Czech Republic, a.s. (during the acceptance period, the trade name will be changed to O2 Czech Republic a.s.), ID No.: 601 93 336, having its registered office at Prague 4 - Michle, Za Brumlovkou 266/2, Postal Code 140 22, Czech Republic, registered in the Commercial Register administered by the Municipal Court in Prague, Section B, Insert No. 2322 (the “**Company**”), in accordance with Section 35(1) of the Takeover Bids Act (the “**Bid**”), this as the obligation to make this bid has arisen.

Based on the Share Purchase Agreement dated 5 November 2013, effective as of 28 January 2014, the Offeror became the owner of a total of 208,113,328 shares of the Company with a nominal value of CZK 87 per one share and of 1 share of the Company with a nominal value of CZK 870 (the “**Transaction**”), which together represent an approximately 65.93% share in the Registered Capital of the Company and (with regard to the shares owned by the Company) a 67.08% share of the voting rights in the Company.

1. PERSONS ACTING IN CONCERT WITH THE OFFEROR

1.1. The following persons are, in accordance with Section 2(8) and Section 10(1)(a) of the TBA, persons acting in concert with the Offeror (“**Cooperating Parties**”):

- a) PPF Arena 1 B.V., a company incorporated in accordance with laws of the Netherlands, having its registered office at Strawinskyiaan 933, 1077 XX Amsterdam, the Netherlands, registered in the Commercial Register of the Chamber of Commerce in Amsterdam under No. 59009187 (“**PPF Arena 1**”), owns the 100% share in the Registered Capital of the Offeror and is, therefore, the person controlling the Offeror. PPF Arena 1 owns no shares in the Registered Capital of the Company;
- b) PPF Group N.V., a company incorporated in accordance with laws of the Netherlands, having its registered office at Strawinskyiaan 933, 1077 XX Amsterdam, the Netherlands, registered in the Commercial Register of the Chamber of Commerce in Amsterdam under No. 33264887 (“**PPF Group**”), owns the 100% share in the Registered Capital of PPF Arena 1 and, thereby, indirectly controls the Offeror. PPF Group owns no shares in the Registered Capital of the Company.

1.2. Information regarding other companies forming a part of the group that includes the Offeror is available on the website of PPF Group (<http://www.ppfbanka.cz/cz/servis-pro-investory-a-analytiky/informacni-povinnosti/finan-cni-konglomerat.html>).

2. SECURITIES TO WHICH THE BID EXTENDS

- 2.1. The Bid extends to all of the ordinary shares issued by the Company, type: registered, form: book-entry, in the nominal value of CZK 87 per one share, ISIN: CZ0009093209, the issuing price of which was fully-paid (the “**Shares**”).
- 2.2. No lien, encumbrance, right of first refusal or any other factual or legal burden or restriction of any nature may encumber the Shares being transferred to the Offeror by persons accepting the Bid. The Shares must be transferred together with all of the rights which are or should be related to them in accordance with the relevant legal regulations and/or the Articles of Association of the Company.
- 2.3. The Shares are registered in the central register of registered securities administered by Centrální depozitář cenných papírů, a.s., having its registered office at Prague 1, Rybná 14, Postal Code 110 00 Czech Republic, ID No.: 250 81 489 (the “**Central Register**” and the „**Central Depository**“).

3. BID PRICE

- 3.1. The Offeror offers that, under the conditions stipulated in this bid document, it will purchase the Shares for the price of CZK 295.15 per one Share (the “**Bid Price**”).
- 3.2. The average price pursuant to the provisions of Section 43(3) of the Takeover Bids Act is CZK 302.76 per one Share. The average price for the Shares was calculated as a weighted average of the prices for which trades with the Shares were conducted on Burza cenných papírů Praha, a.s (Prague Stock Exchange) and RM-SYSTÉM, česká burza cenných papírů a.s. within the period of the six (6) months prior to occurrence of the bid obligation of the Offeror (i.e. in the period from 28 July 2013 to 28 January 2014).
- 3.3. The Bid Price is determined on the basis of a premium price that, pursuant to the provisions of Section 43(3) of the Takeover Bids Act, is CZK 295.15. The premium price is based on the highest price for which the Offeror acquired the Shares in the last twelve (12) months prior to the bid obligation occurrence. The only such case was the acquisition of 208,113,328 Shares by the Offeror within the Transaction for CZK 305.625 per one Share, while the first part of the purchase price in the amount of CZK 255,625 per one Share was due and payable as of the date of the Transaction settlement and the second (deferred) part of the purchase price in the nominal value of CZK 50 per one Share is due and payable in eight equal installments over a period of four (4) years following the settlement of the Transaction.

The premium price was determined in accordance with the opinion of the expert institute Deloitte Advisory s.r.o. such that the deferred maturity date of the part of purchase price is taken into account pursuant to the provisions of Section 43 of the TBA. The deferred part of the purchase price of the Shares within the Transaction shall be converted to a contemporary value as of the date of the Transaction settlement, while the discount rate used to convert the deferred part of the purchase price to the contemporary value was determined as the value of the cost of equity of the group of companies consisting of the Company, the Offeror and PPF Arena 1, using the Capital Asset Pricing Model. The price was further increased by the present value of the payments for a letter of credit provided for

the deferred payments. The cost of equity capital are the sum of the risk-free rate of return, the product of the beta coefficient and the market risk premium, a country risk premium and a premium for low market capitalization. The cost of equity capital is different for each installment and varies within a range that results from the different maturity dates. The calculation is based on the information known as of the date of the signing of the Shares Purchase Agreement, i.e. 5 November 2013.

- 3.4. The Offeror may change the amount of the Bid Price during the Acceptance Period so that the changed amount of the Bid Price will be more advantageous for recipients of the Bid. Such more advantageous change of the Bid Price shall also be reflected in Agreements (as defined below), which have already been concluded pursuant to the Bid.

4. ACCEPTANCE PERIOD, RECEIVING AND SETTLEMENT AGENT

- 4.1. The Bid is open for acceptance within the period of four (4) weeks following its publication, i.e., from 2 June 2014 to 30 June 2014, which may be extended in accordance with the Takeover Bids Act (the “**Acceptance Period**”).
- 4.2. The Offeror has instructed PPF banka a.s., a securities dealer, ID No.: 471 16 129, having its registered office at Prague 6, Evropská 2690/17, Postal Code 160 41, Czech Republic (the “**Agent**”), to act on behalf of the Offeror in the process of accepting the Bid and to act as a participant in the Central Depository in respect of the settlement of the transfers of the Shares and payment of the corresponding consideration.
- 4.3. The Agent shall not be bound by any obligations arising out of or relating to the Agreements (as defined below). For the avoidance of doubt, it is expressly provided that the Agent does not assume or guarantee any obligation or liability of the Offeror under or in connection with the Bid.
- 4.4. The Agent is entitled (but not obligated) to give advice on the mechanics of acceptance.

5. ACCEPTANCE OF THE BID AND CONCLUSION OF THE AGREEMENT

- 5.1. A holder of Shares registered in the Central Register that is willing to accept the Bid relating to its Shares (the “**Interested Shareholder**”), shall declare its acceptance of the Bid by the due execution of a written notice form containing all of the essential elements listed in Sections 5.3. and 5.4. below, which is available to the Interested Shareholders either at the Agent’s branch at the address of PPF banka a.s., Klientské centrum Praha, Office Park Kavčí Hory, Na Hřebenech II 1718/10, Prague 4, Postal Code 140 00, Czech Republic, or by electronic download at the Offeror’s website: www.ppfarena2.eu (the “**Notice of Acceptance**”), and by delivery of the Notice of Acceptance to the Agent in the way and under the terms stipulated in Section 5.6. below.
- 5.2. To complete the Notice of Acceptance, the Interested Shareholders are recommended to use the editable form on the Offeror's website: www.ppfarena2.eu, which may then be printed out after its completion.

5.3. The Notice of Acceptance must contain at least the following:

- a) clear expression of the Interested Shareholder's will that it unconditionally and without reservation accepts the Bid;
- b) identification data of the Interested Shareholder, i.e.:
 - (i) in the case of individuals: name and surname, birth certificate number or, for persons who are not Czech citizens, passport number and date of birth, substitute identification number (SIN) (if assigned by the Central Depository), address, telephone and/or fax number and/or e-mail address;
 - (ii) in the case of legal entities: business name, identification number (ID No.), substitute identification number (SIN) (if assigned by the Central Depository), registered office, names of persons authorized to act on behalf of the Interested Shareholders who signed the Notice of Acceptance, telephone and/or fax number and/or e-mail address);
- c) for cases in which the Interested Shareholder itself is not a participant in the Central Depository, name and code of the Participant (as it is defined below in Section 6.2.);
- d) number and identification (ISIN) of the Shares held by the Interested Shareholder over which the acceptance of the Bid relates.

5.4. The Notice of Acceptance must be accompanied by the following attachments:

- a) in the event that the Bid is accepted and the Notice of Acceptance is made by a proxy, an original or certified copy of the power of attorney with a certified signature of the principal;
- b) in the event that the Interested Shareholder or the proxy pursuant to the provisions of (a) above is a legal entity, an original or certified copy of the current extract from the Commercial Register of the Interested Shareholder and/or the proxy pursuant to the provisions of (a) above (as appropriate) or instruments of a similar nature (which are relevant pursuant to the provisions of applicable law) that confirm that the person who signed the Notice of Acceptance or, as the case may be, the power of attorney pursuant to the provisions of (a) above is authorized to act on behalf of and bind the Interested Shareholder and/or the proxy pursuant to the provisions of (a) above. At the time of its delivery to the Agent, such extract may not be older than three (3) months; and
- c) confirmation of the Participant regarding receipt of the instruction to deliver the Order to the Central Depository (as the Participant and Order are defined below in Section 6.2.), signed by the person authorized to represent the Participant (the "**Confirmation**").

The date of obtaining the extract from the Commercial Register or similar instruments must precede the date of the signing of the Notice of Acceptance. The extract from the Commercial Register and other documents must, in the case of foreign (other than Czech) legal entities, bear an apostille or super-legalization clause (unless a relevant international agreement entered into by the Czech Republic provides otherwise) such

that they are of the nature of public documents in the Czech Republic.

- 5.5. The Notice of Acceptance and all other required documents must be delivered to the Agent in the original form or as authenticated copies. The signatures of the Interested Shareholders or persons acting on their behalf on the Notice of Acceptance must be officially authenticated and, if the Interested Shareholder is not a Czech person (individual or legal entity), such authentication must be apostilled, or, as the case may be, super-legalized, unless a relevant international agreement entered into by the Czech Republic provides otherwise, such that it is considered an official authentication of signature in the Czech Republic. All of the documents that the Interested Shareholder is obliged to deliver to the Agent, must be either in Czech or in English or an authenticated translation thereof into Czech or English language must be provided.
- 5.6. The Notice of Acceptance together with all of the required documents must be delivered to the Agent as follows: (i) if the Interested Shareholder is an individual, to the address MTO, PO Box 333, Prague 6, Evropská 2690/17, Postal Code 160 41, Czech Republic, and (ii) if the Interested Shareholder is a legal entity, to the address MTO, PO Box 288, Prague 6, Evropská 2690/17, Postal Code 160 41, Czech Republic, by registered mail in an envelope containing the word “TELEFONICA” so that the Notice of Acceptance is delivered to the Agent no later than on the last day of the Acceptance Period by 16:00 pm.
- 5.7. Upon delivery of a duly completed Notice of Acceptance to the Agent, together with all of the required documents within the Acceptance Period, an agreement on the transfer of the related Shares (the “**Agreement**”) shall be concluded between the Offeror and the Interested Shareholder.
- 5.8. Delivery to the Agent of an incomplete and/or incorrect Notice of Acceptance and/or Notice of Acceptance with any of the required documents missing and/or a Notice of Acceptance, in which the acceptance of the Bid is subject to a condition (as relevant), might be considered invalid and not a true and effective acceptance of the Bid at the sole discretion of the Agent if (i) the Agent will notify the Interested Shareholder, in accordance with Section 10.1. below, of this discrepancy not later than one (1) month after the expiration of the Acceptance Period at the address or fax number or e-mail address provided in the relevant Notice of Acceptance (if any), and (ii) the Interested Shareholder does not remedy the defect in the Notice of Acceptance within the Acceptance Period despite the fact that it was requested by the Agent to do so, whereas, such condition pursuant to the provisions of (ii) shall apply only if the Agent was obliged to request that the Interested Shareholder remedy the defect in the Notice of Acceptance pursuant to the provisions of this Section 5.8.

The Agent shall request the Interested Shareholder to remedy the defect in the Notice of Acceptance if it receives such defective Notice of Acceptance no later than 7 days prior to the end of the Acceptance Period.

For the avoidance of doubt, it is expressly stated that the requirements for the conclusion of an Agreement set down in Section 5.7. above are deemed to be satisfied and the Agreement is deemed to be duly concluded when the Interested Shareholder is informed about the

conclusion of the Agreement in accordance with Section 10.1. hereof. A Notice of Acceptance that contains an amendment or deviation from the terms and conditions of the transfer of Shares Agreement as determined by the Bid, shall not result in an acceptance of the Bid.

- 5.9. The Agent is also entitled to approach Interested Shareholders with a request that the Notice of Acceptance and/or the documents required to be attached thereto be rectified and/or re-submitted by the Interested Shareholder (when relevant).
- 5.10. If the Notice of Acceptance is delivered to the Agent after the end of the Acceptance Period and, at the same time, such Notice of Acceptance meets the other requirements for the proper conclusion of the Agreement, such Notice of Acceptance shall be deemed to be an offer for the conclusion of the Agreement by the Interested Shareholder that may be accepted by the Offeror or by the Agent, based on the Offeror's instruction, within ten (10) Working Days following the receipt of the such Notice of Acceptance.
- 5.11. The Interested Shareholder shall bear all of its own expenses incurred in connection with the acceptance of the Bid and the transfer of Shares and shall not be entitled to require their reimbursement from the Offeror.
- 5.12. For the avoidance of any doubt, it is expressly stipulated that this bid document shall form an integral part of each Agreement.

6. TRANSFER OF THE SHARES AND SETTLEMENT

- 6.1. The transfers of the Shares will be carried out through the Central Depository according and pursuant to the valid version of the Rules of Settlement System of the Central Depository and pursuant to the other rules and regulations of the Central Depository (the "**Rules**"). An Interested Shareholder that is not a participant in the Central Depository and, at the same time, has not concluded a required agreement with a participant in the Central Depository, must conclude such agreement in order to accept this Bid.
- 6.2. The transfers of the Shares under the Agreements shall be settled in the Central Depository per a settlement cycle upon the matching and settlement of an order for such transfer (the "**Order**"), entered into the Central Depository by the relevant securities trader or other participant in the Central Depository of the relevant Interested Shareholder (the „**Participant**“), with the corresponding purchase order of the Shares to be transferred to the Central Depository by the Agent. Interested Shareholders who are direct participants in the Central Depository may submit the Order themselves. In such case, the provisions set down herein for Participants shall accordingly apply to such Interested Shareholders.
- 6.3. The Interested Shareholder shall deliver the instructions to its Participant for submitting the Order to the Central Depository not later than at the time when the Confirmation of its acceptance could form an attachment of the Notice of Acceptance duly and timely delivered to the Agent pursuant to the provisions of Section 5.4. The matching of the Order with an order of the Agent (acting on the instructions of the Offeror) to buy the Shares shall commence in the settlement system of the Central Depository after the due conclusion of

the related Agreement and the transaction shall be settled on 14 August 2014 (the “**Settlement Date**”), i.e. forty five (45) days after the supposed Acceptance Period has elapsed. The Interested Shareholder shall ensure that the Order (i) contains all of the data necessary for the due and timely settlement of orders in the Central Depository (including but not limited to (a) ISIN: CZ0009093209, (b) code of the Agent in the Central Depository: 871, (c) date 14 August 2014 as the Settlement Date, and (d) identification data of the Interested Shareholder (i.e. when it is an individual: name and surname, birth certificate number or, for non-Czech citizens, passport number and date of birth; when it is a legal entity: trade name and identification number or its equivalent under foreign law if it concerns a non-Czech entity; and when assigned by the Central Depository, also the substitute identification number (SIN)); (ii) was executed in compliance with this bid document; (iii) was executed in full compliance with the Notice of Acceptance; (iv) was submitted to the settlement system of the Central Depository such that it would match the already submitted respective order of the Agent (i.e. the Agent submits the order first and the Participant submits it on behalf of the Interested Shareholder second); and (v) was, until being matched with the order of the Agent or settlement of the transaction formed by these matched orders, not cancelled.

- 6.4. The Agent is entitled to submit the order for the transfer of Shares to the Central Depository immediately after the conclusion of the relevant Agreement pursuant to Section 5.7. The Agent shall, in the order referred to in the previous sentence, include all of the necessary data for the due and timely settlement of the orders in the Central Depository (including but not limited to (a) ISIN: CZ0009093209; (b) code of the Participant, which was indicated in the Notice of Acceptance by the Interested Shareholder; (c) date 14 August 2014 as the Settlement Date; and (d) identification of the Interested Shareholder (i.e. when it is an individual: name and surname, when it is a legal entity: trade name).
- 6.5. If the Interested Shareholder breaches any of the obligations stipulated in Section 6.3. above, the Offeror shall have the right (but is not obliged) to instruct the Agent not to submit the respective order to buy the Shares from the Interested Shareholder or, alternatively, the Agent shall be entitled to refuse to submit such order. The Interested Shareholder shall be liable for damages incurred by the Offeror as a result of the breach of any obligation stipulated in Section 6.3., or any incompleteness or incorrectness of an Order or an Order not being fully compliant with the Notice of Acceptance.
- 6.6. The Interested Shareholder is recommended to verify that the Shares, to which its Notice of Acceptance applies, are ready to be transferred to the Offeror on the appropriate account by one (1) Working Day directly precede the Settlement Date . The Offeror shall take the corresponding steps to ensure that the finances necessary for the payment for transfer of Shares in the volume of all of the concluded Agreements are ready one (1) Working Day directly preceding the Settlement Date. The corresponding monetary remuneration for the transfer of Shares shall be paid against the delivery of Shares in accordance with the Rules
- 6.7. The settlement details for the Offeror in the Central Depository are as follows: Participant: PPF banka a.s; Code of the Participant in the Central Depository: 871.

7. REPRESENTATIONS AND WARRANTIES OF THE INTERESTED SHAREHOLDER

- 7.1. By signing the Notice of Acceptance, the Interested Shareholder represents and warrants to the Offeror and the Agent, as of the day of the signing of the Notice of Acceptance, as well as on the day on which the Shares are or shall be transferred to the Offeror as provided herein, that: (i) all of the information in the Notice of Acceptance and in the documents required to be delivered to the Agent with such Notice of Acceptance is complete, correct and not misleading in any respect; (ii) the Interested Shareholder legally exists in accordance with the applicable law, has full power and has been duly authorized to accept the Bid, execute the Notice of Acceptance and transfer the Shares in relation to which it accepts the Bid; (iii) the obligations arising for the Interested Shareholder from the Agreement constitute the legal, valid and effective obligations of the Interested Shareholder, are binding on it and enforceable against it; (iv) the Interested Shareholder is a holder of all of the Shares in relation to which it accepts the Bid and, as such, it is shown in the relevant register of registered securities; (v) the Shares in relation to which it accepts the Bid are fully paid and free from any liens, equitable interests, charges, encumbrances, rights of pre-emption or any other third party rights of any nature whatsoever and are transferred together with all of the rights that are or shall be attached to them according to applicable law and/or the Articles of Association of the Company; and (vi) the Order is fully compliant with the Notice of Acceptance (effective on the day on which the Shares are or shall be transferred to the Offeror as provided herein). The Interested Shareholder shall procure that the above representations and warranties will be true, complete and not misleading on each date on which they are made or repeated.
- 7.2. The Interested Shareholder, who has so represented, warranted and agreed as provided in Section 7.1. above, shall indemnify and keep the Offeror and the Agent indemnified from and against all losses whatsoever and howsoever arising out of or in connection with any breach of any of such Interested Shareholder's representations, warranties and/or obligations.

8. CANCELLATION OF ACCEPTANCE OF THE BID, WITHDRAWAL FROM AGREEMENTS BY INTERESTED SHAREHOLDER

- 8.1. Any person who accepted the Bid is entitled to cancel its acceptance, by delivering a cancellation to the Agent no later than simultaneously with the delivery of the Notice of Acceptance in accordance with Section 5.6. above.
- 8.2. Any person who concludes the Agreement by acceptance of this Bid is entitled to withdraw from such Agreement until the end of the Acceptance Period, provided that it will deliver to the Agent, before the end of the Acceptance Period and in accordance with Section 5.6. hereof, a notice of withdrawal per the form available either at the Agent's branch at the address: PPF banka a.s., Klientské centrum Praha, Office Park Kavčí Hory, Prague 4, Na Hřebenech II 1718/10, Postal Code 140 00 Czech Republic, or on the Offeror's website

(www.ppfarena2.eu), which is signed by duly authorized persons with the signatures officially authenticated. Any withdrawal made in conflict with this paragraph shall not be taken into account and affect the validity and effectiveness of the relevant Agreement.

- 8.3. Unless the authorization of the persons who have signed the notice of withdrawal, to act for or on behalf of and bind the person who concluded the Agreement with the Offeror is evidenced, where applicable, in the documents, which have been delivered to the Agent together with the Notice of Acceptance as required herein, the notice of withdrawal shall be accompanied by documents evidencing such authorization of the signatories thereof. Sections 5.4. and 5.5. hereof shall apply accordingly.
- 8.4. In the case of a valid withdrawal from the Agreement, the cancellation of settlement of the transfer of the relevant Shares shall be subject to the Rules. In the event that the settlement of the relevant Shares has already been completed prior to the valid withdrawal from the Agreement or if the cancellation of such settlement is not possible, the Offeror (and/or the Agent on the Offeror's behalf) and the other party to such Agreement that was withdrawn from, shall cooperate to effect the reverse settlement without undue delay; in such case, each of the Offeror and the other party to such Agreement which was withdrawn from shall bear their own expenses arising as a result of any such actions.

9. WITHDRAWAL FROM AGREEMENTS BY THE OFFEROR

- 9.1. The Offeror is entitled to withdraw from each Agreement in the following events:
 - a) if the Agreement comes into effect notwithstanding the incompleteness, incorrectness, conditionality of the Notice of Acceptance and/or absence of any document(s) that are required to be attached to the Notice of Acceptance in accordance herewith and such defects were not remedied even pursuant to the provisions of Section 5.8. (if applicable);
 - b) the Interested Shareholder breaches any of the obligations stipulated in Section 6.3. hereinabove and/or due to a reason on the side of the Interested Shareholder, on the Settlement Date, the transfer of the Shares by the relevant Interested Shareholder shall not take place; or
 - c) any of the Interested Shareholder's representations and warranties stipulated in Section 7.1. hereinabove turns out to be untrue, incomplete or misleading.
- 9.2. Withdrawal from the Agreements by the Offeror shall be made by delivering a written notice thereof to the Interested Shareholder at the address or fax number (if any) contained in the relevant Notice of Acceptance.

10. ANNOUNCEMENT OF RESULT OF THE BID

- 10.1 Information on the conclusion of the Agreement (if it has not been withdrawn from within the Acceptance Period) and any decision of the Agent on an invalid or ineffective acceptance of the Bid hereunder, will be notified by the Agent to the respective Interested

Shareholders or to their representative to the address, fax number or e-mail address (if any) stated in their Notices of Acceptance not later than one (1) month after the end of the Acceptance Period.

- 10.2 Results of the Bid will be announced by the Offeror in accordance with Section 31 of the Takeover Bids Act without undue delay after the end of the Acceptance Period in Czech daily periodical *Hospodářské noviny* and on the Offeror's website (www.ppfarena2.eu)

11. FINANCING OF THE BID

The acquisition of the Shares through the Bid is covered by the means granted to the Offeror by a syndicate of banks led by Société Générale CIB under a syndicated loan with an overall loan framework of EUR 2,288 billion, under which the syndicate of banks is obliged to grant financial means in a sufficient amount for the purposes of the acquisition of the Shares through the Bid. In the case that the Offeror has its own cash resources available at the time of the settlement of the Bid, these resources will be used preferentially.

12. BREAKTHROUGH RULE

Due to the fact that the General Meeting of shareholders of the Company has not approved a decision permitting the use of the breakthrough rule, the compensation for damages incurred as a result of the use of the breakthrough rule does not apply to the Bid.

13. DECISION OF THE EUROPEAN COMMISSION

Following the notice submitted by PPF Group on 9 December 2013, regarding the acquisition of control over the Company, the European Commission has initiated proceedings in accordance with Council Regulation (EC) No. 139/2004 (the “**Merger Regulation**”). After the inspection of this notice, the European Commission issued a decision of 15 January 2014, reg. No. COMP/M.7113, wherein it stated that the subject transaction falls within the scope of the Merger Regulation and within the scope of Art. 5(b) of the Commission Notice on a simplified procedure for treatment of certain concentrations under the Merger Regulation (the “**Commission Notice**”). For the reasons set out in the Commission Notice, the European Commission decided not to oppose the notified transaction and, in accordance with Art. 6(1)(b) of the Merger Regulation, declared it compatible with the internal market and with the Agreement on the European Economic Area.

14. PURPOSE OF THE BID AND OFFEROR'S BUSINESS OBJECTIVES RELATED TO THE COMPANY

- 14.1 The Offeror is a member of PPF Group, which, after long deliberations of options on

entering the telecommunications market, decided to acquire a majority share in the Company, a foremost telecommunications operator operating in the Czech Republic and in the Slovak Republic. The Offeror expects that it will further enhance its influence in the Company through this Bid and thus contribute to its stabilization and development.

- 14.2 As the Offeror only acquired the decisive share in the Company on 28 January 2014, and as it has newly entered the telecommunications area, it is currently conducting an analysis of the business activity of the Company and of the conditions under which the Company operates on the telecommunications market in the Czech Republic and in the Slovak Republic. After the completion of this analysis, due in the third quarter of 2014, at the latest, the Offeror shall consider possible changes. The Offeror presumes that such changes would be directed mainly at the effectiveness of the operations of the Company and can lead also to changes in the amount of employees of the Company. However, within the short-term prospects – before the completion of the abovementioned analysis – the Offeror does not anticipate implementing any material changes relating to the business plan or business management strategy of the Company or material changes of its operations relating to the future course of the Company, its employees or members of its corporate organs. The Offeror does not intend to initiate a relocation of the seat or of the main branches of the Company. The Offeror considers its investment in the Company to be long term and shall proceed to increase the value of the Company.
- 14.3 If the Offeror shall acquire such amount of the Shares in connection with the Bid that would grant it a share in the Company that would allow the Offeror to exercise the right to an involuntary transfer of shares to the Offeror pursuant to Section 375 of Act No. 90/2012 Coll., on corporations and co-operatives (act on corporations), the Offeror shall seriously consider exercising this right and shall apply for a calling of the General Meeting of the Company to make an appropriate decision. Notwithstanding the preceding sentence, the Offeror does not intend to actively push for delisting the Company from trading on the regulated markets of the Czech Republic.
- 14.4 The Offeror believes that, with respect to the parameters of the Bid, the Offeror shall acquire a stronger shareholder position in the Company. With the exception of this fact and of the conditions of the financing of the Bid, the Offeror does not presume its activity to be materially affected by the Bid.

15. OPINION OF THE BOARDS OF THE COMPANY

The Offeror has received the common opinion of the Board of Directors and Supervisory Board of the Company, which is available in its full version on the website of the Offeror (www.ppfarena2.eu).

The relevant conclusions of the Board of Directors and Supervisory Board of the Company relating to the adequacy of the Bid Price, conformity of the Bid with the interests of the Company, addressees of the Bid, employees and creditors of the Company and the intentions of the members of the boards of the Company to accept the Bid are as follows:

- a) Pursuant to the expert opinion that the Company had ordered, the Bid Price is financially adequate. Based on the results of this expert assessment, the members of the

Board of Directors and Supervisory Board of the Company are of the opinion that the Bid Price is not lower than the fundamental value of the Shares;

- b) The members of the Board of Directors and Supervisory Board of the Company have thus, based on the information they have available, reached the conclusion that the Bid is in conformity with the interests of the Company, addressees of the Bid, employees and creditors of the Company;

None of the members of the Board of Directors or Supervisory Board of the Company that are addressees of the Bid intend to accept the Bid.

16. RESTRICTION AND TAX ISSUE

- 16.1. The Bid is not being made and the Shares will not be accepted for purchase from within any jurisdiction in which the making or acceptance thereof would not be in compliance with the securities or other laws or regulations of such jurisdiction or would require any registration, approval or filing with any regulatory authority not expressly contemplated by the terms of this Bid. Persons obtaining this document are required to take due note of and observe all such restrictions and obtain any necessary authorisations, approvals or consents. Neither the Offeror nor its advisers accept any liability for any violation by any person of any such restriction.
- 16.2. The Interested Shareholders are advised to seek advice from tax advisors in respect of the tax implications of any acceptance of the Bid and the transfer of the Shares to the Offeror.

17. APPLICABLE LAW, SUPERVISORY AUTHORITY, OTHER PROVISIONS

- 17.1. The internal relations of the Company as well as the Agreements concluded on the basis of this Bid shall be governed by the law of the Czech Republic.
- 17.2. The courts of the Czech Republic shall have exclusive jurisdiction in any disputes arising from or in connection with the Bid.
- 17.3. The Supervisory Authority for the Bid is the Czech National Bank. Further information on the Czech National Bank can be found on its website (www.cnb.cz).
- 17.4. For the purposes of the Bid, Working Day means any day except for Saturday and Sunday when banks in Prague (Czech Republic) are open to the public.
- 17.5. This bid document is executed in Czech and English versions. In the event of any discrepancy between the language versions, the Czech version shall prevail.
- 17.6. The personal data of the Interested Shareholders stated in the Notice of Acceptance or in any other documents shall be processed by the Agent, the Offeror or, as the case may be, the Company only to the extent and for the purposes set out in this Bid and in accordance with applicable laws.
- 17.7. The publication of the bid document was approved by the Czech National Bank decision Ref. No. 2014 / 5104 / 570 as of 20 May 2014. The publishing of the bid document meets

the requirements of the law of the Czech Republic.

PPF Arena 2 B.V.