

# APPROVAL OF THE SEPARATION PROJECT AND COMPLETION OF NEGOTIATIONS ON PROVISION OF FINANCIAL ASSISTANCE

February 27, 2015

## I. Announcement of the decision approving the separation project

O2 Czech Republic a.s. announces that it proceeded to formal steps leading towards a separation of the company through a spin off with formation of one new company pursuant to Section 243(1)(b)(1) of the Transformation Act.

### *The basic process steps*

On February 27, 2015 the Board of Directors of O2 Czech Republic a.s. has approved the separation of the company through a spin off with formation of one new company pursuant to Section 243(1)(b)(1) of the Transformation Act and drawn up and approved for this purpose a spin-off project (hereinafter “**Project**” and “**Spin-Off**”) including related accounting documents. The Spin-Off has been approved by the Supervisory Board of O2 Czech Republic a.s. on the same date. The decision on the Spin-Off must be made by the company's shareholders meeting. The decisive date of the Spin-Off is set to 1.1.2015. The legal effect of the Spin-Off will take place on the date of recording the Spin-Off in the Commercial Register.

### *New joint-stock company*

As a result of the Spin-Off, a new company is to be established with the business name: Česká telekomunikační infrastruktura a.s., registered office: Olšanská 2681/6, Praha 3, postal code 130 00, legal form: joint-stock company (hereinafter “**Successor Company**”).

The Successor Company will have two authority bodies: Board of Directors and Supervisory Board. The Board of Directors of the Successor Company will have the following three initial members: Ing. Petr Slováček, Michal Frankl, Ing. Ladislav Chvátal. The Supervisory Board of the Successor Company will have the following three initial members: Ing. Robert Ševela, Ing. Kateřina Jirásková, Mgr. Lubomír Král.

### *The parent company and its registered capital*

O2 Czech Republic a.s. (hereinafter “**Parent Company**”) does not cease to exist as a result of the Spin-Off. As part of the Spin-Off, the Parent Company will reduce its registered capital. The registered capital of the Parent Company will be reduced from its current amount CZK 27,461,384,874 to CZK 3,102,200,670. The nominal value of each share with current nominal value of CZK 87 will newly be CZK 10 and the nominal value of the share with current nominal value of CZK 870 will be reduced to CZK 100. As part of the reduction of the registered capital of the Parent Company will be cancelled also all own shares, that the Parent Company will own as at the date of recording the Spin-Off in the Commercial Register. The purpose of reducing the registered capital is to optimise the Parent Company's equity capital structure in such a manner so that the equity capital recognized in the Parent Company's opening balance sheet will not be lower than the registered and so that the company will have sufficient amount of freely redistributable funds in the future, which the Parent Company will be able to use at its discretion.

### *New shares and their allocation to shareholders*

Each of the Successor Company's shares shall be issued as a book-entered security of ordinary share type, in the form of a registered share with unlimited transferability. The nominal value of one share will be CZK 10. The shares of the Successor Company will not be accepted for trading on the European regulated market.

An equal share distribution ratio has been set for the Spin-Off, i.e. the share of the individual shareholders of the Parent Company in the Successor Company shall be the same as their

share in the Parent Company as of the date of recording the Spin-Off in the Commercial Register. Parent Company's shareholders shall be allocated 1 share in the Successor Company for each share in the Parent Company with the current nominal value of CZK 87. Every shareholder of the Parent Company will be entitled to allocate the Successor Company's shares according to the number of the Parent Company's shares owned by him/her as of the date of recording the Spin-Off in the Commercial Register.

With regard to the fact that an equal share distribution ratio has been determined and that the decrease in the fair value of the shares in the Parent Company will be compensated by the fair value of the Successor Company's shares, no supplementary payment has been set forth. The right to a share of all profits of the Successor Company shall be attached to the Successor Company's shares as of the date when the company was incorporated and that under the conditions set forth by legal regulations or within the limits set forth by the Successor Company's Articles of Association and decisions of its bodies.

*The right of shareholders to shares buy-out by the Successor Company*

By issuing the Successor Company's shares, the Successor Company's shares that have not been accepted for trading on the European regulated market will be allocated in accordance with the share distribution ratio to the Parent Company's shares that have been accepted for trading on the European regulated market. With regard to the fact that such allocation of the Successor Company's shares will constitute an exchange of shares within the meaning of Section 308(2)(b) of the Transformation Act (see point 0), the Successor Company shall be obliged to buy out its own shares from its shareholders in compliance with the relevant legal regulations.

Persons who will have fulfilled all of the following conditions will be entitled to have the Successor Company buy from them all their shares in the Successor Company: (i) persons who will have been entitled to exercise the voting right at the Parent Company's General Meeting as of the date when the General Meeting that approved the Spin-Off took place; (ii) persons who will have been present at the Parent Company's General Meeting that approved the Spin-Off or will have been considered to be present in accordance with the Parent Company's Articles of Association; and (iii) persons who will have voted against the Spin-Off. These persons shall have the right to have the Successor Company buy from them all their shares in the Successor Company that will have been allocated to the Parent Company's shares in the amount corresponding with the number of shares with which they will have voted against the Spin-Off.

*Assets passing over to the Successor Company*

As a result of the Spin-Off, a defined portion of the Parent Company's assets and liabilities are to pass over to the Successor Company. The part that is a subject to Split-Off comprises all assets and liabilities relating to the Infrastructure and Wholesale Division. The following assets shall pass over to the Successor Company:

(a) **fixed public communications network**, in particular transmission systems or connected or routing equipment and other means, including network elements that are not active and

that enable signal transmission via lines by radio, optical or other fixed network electromagnetic means, including the following

- (i) network aerial or underground communications lines, support points of aerial communications lines or marker points of underground communications lines and connected communications lines, as well as related electrical connections;
  - (ii) PSTN exchanges (i.e. technical means for providing fixed telecommunication services including all means for signalization and synchronization);
  - (iii) information and computer systems and databases, security, safety, recording, detection and surveillance systems which record existing networks, network failures or protection and status documentation;
  - (iv) allocated means, such as allocated services, physical infrastructure means and other physical infrastructure means and other equipment or elements connected with a fixed public communications network which allow or support providing services through such network or are capable of providing such services and include inter alia buildings or entrances into buildings, distribution cables in buildings, aerials and other supporting constructions, cable ducts, piping, masts, main shafts and distribution boxes;
    - i) except for public payphones and telephone boxes and the rights attached to the placement and operation thereof;
    - (v) other assets that are intended and used to procure, operate, adjust, repair, transfer and restoration of a fixed electronic communications network; and
    - (vi) easements (easement rights), lease, sub-lease or user rights attached to such network and elements thereof;
- (b) **physical infrastructure of a public mobile communications network**, including
- (i) aerial masts, including radio equipment of a public mobile communications network, related electronic communications equipment of such network and related electrical connections, aerial communications lines of such network;
  - (ii) aerial or underground communications lines of such network, support points of communications lines or marker points of underground communications lines, and connected communications lines of such network as well as related electric connections;
  - (iii) transmission systems, or connecting or routing equipment and other means, including network elements that are not active or that allow signal transmission through the lines or by radio, optical or other electromagnetic network means;
    - i) except for mobile exchanges;
    - (iv) information and computer systems and databases, security, safety, recording, detection and surveillance systems intended to record physical network elements, such elements failures or protection thereof and status documentation;
    - (v) allocated equipment, such as allocated services, physical infrastructure and other equipment or elements connected with the physical infrastructure of a public communications network that enable or support or are capable of enabling or supporting the provision of services through such network or services and include inter alia buildings or buildings entrances, cabling in buildings, aerials, towers and other supporting structures, cable ducts, piping, masts, main shafts and distribution boxes;

- (vi) other assets intended and used to procure, operate, extend, adjust, repair, transfer and restore an electronic communications mobile network; and
  - (vii) easements (easement rights), lease, sublease or use rights attached to such network and elements thereof.
- (c) **Data Centres**, including:
- (i) Datacenter buildings, any part of the datacenter infrastructure e.g. building modifications, power distribution, UPS systems for AC/DC, diesel generators, fire detection system, security system, extinguishing system, building management system, temperature and power consumption measurement system, access control and camera systems, structured cabling, inhouse fiber cables, meet me rooms etc.,
  - (ii) Active technologies, such as network switches, servers etc. used for monitoring, data collection and datacenter operation,
  - (iii) Lease agreements for datacenter space, maintenance contracts, contracts with utility suppliers (power, water, gas, etc.);
- (d) **all documentation** (contents of physical and electronic archives and databases, plans, schemes, construction permits, contracts, etc.) that relates to the Part of the Assets.
- (e) **relevant contracts and rights and obligations arising from them**, necessary for the future independent activity of the Successor Company

#### *Valuation of the part being spun off*

In compliance with the applicable provisions of the Transformation Act, the Parent Company had the Part of the Assets valued by a court-appointed expert: Deloitte Advisory s.r.o., with its registered office in Prague 8, Karolinská 654/2, postal code 186 00, Identification No. (IČO): 27582167, who prepared an expert opinion. The Expert Opinion was prepared according to the status as of 31 December 2014, and the relevant part of the Parent Company's assets materially corresponding to the assets designated as passing over was valued at CZK 46.9 billion.

#### *Transfer of employees to the Successor Company*

As a result of the Spin-Off, employees assigned to the Infrastructure and Wholesale Division will be transferred to the Successor Company. As at the date of the approval of the Project, there are 1241 such employees.

#### *Transfer of shareholdings to the Successor Company*

As a result of the Spin-Off, the shareholdings in the following subsidiaries shall be transferred to the Successor Company - CZECH TELECOM Germany GmbH, with its registered office in Frankfurt am Main, Federal Republic of Germany; and CZECH TELECOM Austria GmbH, with its registered office in Vienna, Republic of Austria. Shareholdings in other subsidiaries shall remain in the Parent Company.

#### *Radio frequencies*

Rights to use telephone numbers or radio frequencies (450, 800, 900, 1800, 2100 and 2600 MHz) intended to operate a public mobile communications network or any rights to use such frequencies established by legal regulations, general measures or individual administrative acts or any juridical acts. These rights remain with the Parent Company. To the Successor Company shall however pass over individual rights to use microwave links.

## **II. Announcement of termination of negotiations on the provision of the financial assistance**

In connection with the approval of the Spin-Off project and with regard to the related change of circumstances on the part of O2 Czech Republic a.s. the company further announces that the negotiations related to the provision of the financial assistance, requested by PPF Arena 2 B.V. on October 13, 2014 and approved by the company's shareholders meeting on December 17, 2014, have been terminated.

PPF Arena 2 B.V. has expressed its consent with this course of action and informed the Parent Company that it assumes that the provision of the financial assistance to PPF Arena 2 B.V. in a similar amount will take place from the Parent Company or the Successor Company (or both) after the date of recording the Spin-Off in the Commercial Register and following the meeting of all legally required conditions.

### **Contacts**

Investor Relations  
O2 Czech Republic a.s.  
[investor\\_relations@o2.cz](mailto:investor_relations@o2.cz)  
t +420 271462076

### **About O2 Czech Republic**

O2 Czech Republic is the largest integrated telecommunications provider in the Czech market. At present the Company operates close to eight million mobile and fixed accesses, which places it among the market leaders in fully converged services in Europe. To the users of mobile services in the Czech Republic O2 offers state-of-the-art HSPA+ and LTE technology. O2 has the most comprehensive proposition of voice and data services in the Czech Republic, and actively exploits the growth potential of its various business lines, especially ICT. O2 data centres, with total floor area of 7,300 square metres, rank O2 among the leaders in hosting, cloud and managed services. O2 data centres are the only centres in the Czech Republic and in Central Europe with TIER III certification. With the O2 TV the Company is also the largest IPTV service provider in the Czech Republic. The Company is present on the mobile market in Slovakia since 2007, through its 100% subsidiary O2 Slovakia. In January 2014, O2 Czech Republic became a member of the Czech investment group PPF.

### **About PPF Group**

PPF Group invests into multiple market segments such as banking and financial services, telecommunications, real estate, retail, insurance, metal mining, agriculture and biotechnology. PPF's reach spans from Europe to Russia, the USA and across Asia. PPF Group owns assets of EUR 24 billion (as at 30 June 2014).