

O2 Czech Republic a.s.

AMENDMENT TO 2017 HALF-YEAR REPORT

Corrective information based on a call by Czech National Bank

This version is a translation from the original which was prepared in the Czech language. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the Czech version takes precedence over this translation.

Note:

*O2 Czech Republic a.s., further below also as "O2 CZ" or "Company".
O2 Group comprises the parent company O2 CZ and its subsidiaries; for the full list, please refer to the Interim Consolidated Financial Statements for the six months ended 30 June 2017 (Note 13 of the Notes to the Interim Consolidated Financial Statements), which forms an annex to 2017 Half-Year Report.*

On 31 August, O2 CZ published its [Half-Year Report for the six months ended 30 June 2017](#) (hereinafter „2017 Half-Year Report“). Then it has been notified by the Czech National Bank (hereinafter “CNB”) of the alleged shortcomings of the 2017 Half-Year Report and a call to remove them.

The Company states that information in the 2017 Half-Year Report is materially correct and gives a true and faithful reflection of the financial situation, business and the results of the Company and its consolidated whole for the first six months 2017, and of the outlook on the future development of the financial situation, business and results. The CNB's notice and the amendment to the 2017 Half-Year Report made in accordance with requirements of CNB does not make any change.

Thus, below the Company publishes a corrective information to the 2017 Half-Year Report in accordance with requirements of CNB. Specifically, it amends the new text with a detailed information on alternative performance measures; this text is being amended to Chapter 2 - Financial and operating highlights.

Alternative performance measures

In chapter 2 of 2017 Half-Year Report (Financial and operating highlights), O2 CZ published some alternative performance measures, which are not reported as standard in the consolidated financial statements prepared in accordance with International Financial Reporting Standards (IFRS). Such measures represent supplementary information in respect of financial data, providing report users with additional information for their assessment of the financial position and performance of O2 Group. In accordance with the ESMA Guidelines on Alternative Performance Measures, O2 CZ provides more detailed information on these alternative performance measures at this point, although some of the performance measures are disclosed directly in the financial statements or derived directly from financial statements.

Measure	Definition	Purpose	Reconciliation to financial statements
EBITDA	Earnings before tax, depreciation and amortization	Shows operating performance of the company	see Interim consolidated statement of total comprehensive income on page 35 of the 2017 Half-Year Report: 1H 2016: CZK 5,093m, 1H 2017: CZK 5,093m
EBITDA margin	EBITDA/Revenues	Measures operating profitability of the company	see Interim consolidated statement of total comprehensive income (Revenues and EBITDA) on page 35 of the 2017 Half-Year Report: 1H 2016: 5,053/18,223 = 27.7% 1H 2016: 5,093/18,487 = 27.5%
ROA	Profit for the period/Total assets	Shows, how effectively assets are used for profit generation	see Interim consolidated statement of total comprehensive income on page 35 of the 2017 Half-Year Report and Consolidated statement of total comprehensive income on page 72 of the 2016 Annual report (Profit for the period), respectively Interim consolidated balance sheet on page 36 of the 2017 Half-Year Report and Consolidated balance sheet on page 74 of the 2016 Annual Report (Total assets): 1H 2016: 5,259/33,306 = 15.8% 1H 2017: 2,632*2/31,671 = 16.9%
ROE	Profit for the period/Total equity	Ratio measure of the reported profit and	see Interim consolidated statement of total comprehensive income on page 35 of the

		capital invested by the shareholders to the company	2017 Half-Year Report and Consolidated statement of total comprehensive income on page 72 of the 2016 Annual report (Profit for the period), respectively Interim consolidated balance sheet on page 36 of the 2017 Half-Year Report and Consolidated balance sheet on page 74 of the 2016 Annual Report (Total equity): 1H 2016: $5,259/17,505 = 30.0 \%$ 1H 2017: $2,632*2/13,104 = 40.8 \%$
Gross gearing	Borrowings/Total equity	Shows, how big share of borrowings to total equity the company uses for its operation	see Interim consolidated balance sheet on page 36 of the 2017 Half-Year Report and Consolidated balance sheet on page 74 of the 2016 Annual Report (Total equity, Long/short-term borrowings): 1H 2016: $(6,976+1)/17,505 = 39.9 \%$ 1H 2017: $(10,457+20)/13,104 = 80.0 \%$
Net debt/EBITDA	(Borrowings less Cash and cash equivalents)/EBITDA	Measures company's ability to pay its debts; roughly reflects what time the company needs to repay all its debts from its standard operating cash flow	see Interim consolidated statement of total comprehensive income on page 35 of the 2017 Half-Year Report and Consolidated statement of total comprehensive income on page 72 of the 2016 Annual report (EBITDA), respectively Interim consolidated balance sheet on page 36 of the 2017 Half-Year Report and Consolidated balance sheet on page 74 of the 2016 Annual Report (Cash and cash equivalents, Long/short-term borrowings): 1H 2016: $(6,976+1-4,137)/10,451 = 0.27$ 1H 2017: $(10,457+20-2,884)/(5,093*2) = 0.72$
Capital expenditures/ Revenues	Capital expenditures/Revenues	Expresses, what level of investments the company spends into its future development	see Interim consolidated statement of total comprehensive income on page 35 of the 2017 Half-Year Report (Revenues) and its note 1. Segment information on pages 45 and 46 (Fixed assets additions): 1H 2016: $1,129/18,223 = 6.2 \%$ 1H 2017: $1,232/18,487 = 6.7 \%$