2016 Annual Report

orange™

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1 Orange Slovensko

To achieve all of our goals,
we strive to keep looking ahead

Orange Slovensko, a.s.,
A Member of the Global Orange Group

Registered Office
Metodova 8, 821 08 Bratislava, The Slovak Republic

Company Identification Number (IČO)
35697270

Date of Entry in the Commercial Register of the Slovak Republic
3 September 1996

Legal Form
Joint-stock Company

Identification of the Entry in the Commercial Register
Registered in Bratislava I District Court Commercial Register,
Section: Sa, Insert No.: 1142/B

Description of the Company

Orange Slovensko, a.s. is the leading telecommunications company and biggest mobile network operator in Slovakia.

It started its commercial operation on the Slovak market in 1997. As of 31 December 2016, Orange Slovensko, a.s. registred 2.883 million of active mobile network customers and another 189 thousand fixed Internet and digital television customers. As of 31 December 2016, the revenue of Orange Slovensko, a.s. was EUR 551.9 million.

Orange Slovensko, a.s. is a member of the global Orange Group, one of the biggest mobile network operators and broadband internet providers in Europe. As of 31 December 2016, the Orange Group had revenues of EUR 40.9 billion, with 263 million customers using its services in 29 countries of the world.

Orange is the leading mobile broadband Internet provider, using 3G and 4G networks. High-speed mobile Internet coverage exceeded 95% of Slovakia's population, and Orange's 4G network is now available to more than 80 % of Slovaks.

Orange Slovensko, a.s. was the first telecommunications operator in Slovakia to launch a state-of-the-art new generation fixed network on the basis of FTTH (Fiber To The Home – optics for home), which currently covers over 349 thousand households across 22 towns in Slovakia. Orange also provides fixed internet and digital television through DSL which is available across most of Slovakia.

The quality of services of Orange Slovensko, a.s. complies with the ISO 9001:2000 certification criteria, and the company also holds the Environmental Management Certificate pursuant to ISO 14001:2004. With its Orange Foundation, Orange Slovensko, a.s. is a leader in the field of corporate social responsibility and corporate philanthropy in Slovakia.

The 100 % shareholder of Orange Slovensko, a.s. is the Orange Group through Atlas Services Belgium.

Company Bodies

Board of Directors

Chairman	Pavol Lančarič
Vice Chairman	Ladislav Rehák
Members	Ivan Golian
	Antoine Guillaume Guilbaud
	Zuzana Nemečková
	Marc Ricau

Supervisory Board

Chairman	Bruno Duthoit
Vice Chairman	Christophe Naulleau
Members	Ľuboš Dúbravec
	Francis Gelibter
	Štefan Hronček
	Mai Céline Pavret de La Rochefordiere

Company Management

Pavol Lančarič
Chief Executive Officer

Andrea Danielová
Director of Human Resources Department

Ivan Golian
ITN Director and Deputy CEO

Antoine Guillaume Guilbaud
Chief Financial Officer and Deputy CEO

Vladislav Kupka
Director of Customer Service Department

Miloš Lalka
Director of Communications and Brand Department

Ivan Marták
Director of Strategy, Legal and Regulatory Affairs Department

Zuzana Nemečková
Director of Commercial Department and Deputy CEO

Pavol Lančarič

Chief Executive Officer

Born in 1963. He graduated from the Faculty of Commerce at the University of Economics in Bratislava and received his PhD in 1991. Between 1990 and 1992, he was a member of the Advisory Committee of the Prime Minister at the Slovak Government Office. Since 1993, he has taken management positions in various multi-national companies. Since 1997, he has been working at Orange Slovensko, a.s., where he started as Sales Director. Since 1999, he has been the CEO of Orange Slovensko, a.s., also serving as a Board member.

Ivan Golian

ITN Director and Deputy CEO

Born in 1964. He completed his university education at the Slovak Technical University in Bratislava and achieved his PhD at the Department of Applied Informatics and Automation at FMT STU. Beginning in 1993, he worked at the Department of Electronics and Automation KIHO in Gent, Belgium, and around two years later he began to work at Digital Equipment Corporation as a project manager for the banking and telecommunications sectors. In 1997, he joined Orange Slovensko, a.s., where he worked for more than eight years as a member of the senior management, ITN Director and Chief Operations Officer (CIO/CTO/COO). In 2005, he became the Deputy Chief Executive Officer. Beginning in 2006, he was the VUB Bank´s board member and also worked as Director of Information Technologies and Operations there. Since January 2009, he has been the ITN Director at Orange Slovensko, a.s. and he is also the Deputy CEO and a Board member.

Andrea Danielová

Director of Human Resources Department

Born in 1967. She completed her studies at the University of Economics in Bratislava. She has worked in human resources since 1991. Since 1996, she had worked as Deputy Director of Human Resources Department at Globtel GSM, later Globtel, a.s., and Orange Slovensko, a.s.. Since 2003, she has also worked as Director of Human Resources Department at Orange Slovensko, a.s..

Antoine Guillaume Guilbaud

Chief Financial Officer and Deputy CEO

Born in 1972. He completed his university studies at the Paris Institute of Political Studies and was awarded a master's degree. He worked in an executive position at the Financial Department of France Telecom between 1998-2000, later at Orange, Paris, where his duties involved controlling and network cost modelling. Since 2006, he had also worked as a manager and later Director of Control at Mobistar, Brussels. He has worked at Orange Slovensko, a.s. since 2012 as Director of the Financial Department.

Vladislav Kupka

Director of Customer Service Department

Born in 1974. He completed his studies at the Faculty of Philosophy of the University of St. Cyril and Methodius in Trnava. He started working in sales in 1994 and has worked at Orange Slovensko, a.s. since 1996. He started as a customer centre employee, continued as Back Office adviser a year later, and then he worked as Deputy Manager. He worked as Back Office Manager between 2001-2006, later as Manager of the B2C Department, and has worked as Director of Customer Service Department at Orange Slovensko, a.s. since July 2008.

Miloš Lalka

Director of Communications and Brands Department

Born in 1975. He completed his studies in 1998 at the Faculty of Management of Comenius University in Bratislava. He has worked at Orange Slovensko, a.s. since 2003, starting as Advertising Manager. He became Deputy Director of Communications and Brands Department in 2012. He has worked as Director of Communications and Brands Department at Orange Slovensko, a.s. since 2013.

Ivan Marták

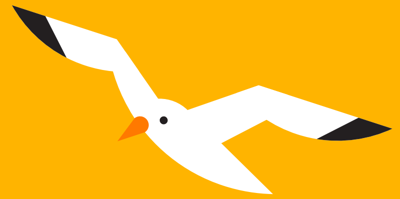
Director of Strategy, Legal and Regulatory Affairs Department

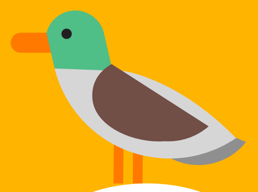
Born in 1964. He completed his studies of journalism at the Faculty of Philosophy of the Comenius University in Bratislava. He acc--quired his technical education in the field of telecommunications at the Slovak University of Technology in Bratislava. He worked at the International Telecommunication Union from 1992 and at the Telecommunications Executive Management Institute of Canada in Montreal in 1995. He has fulfilled various managerial functions at Slovenské telekomunikácie, š.p. since 1993. He has worked as Director of Strategies and Regulatory Affairs Department at Orange Slovensko, a.s. since 2001.

Zuzana Nemečková

Director of Commercial Department and Deputy CEO

Born in 1970. She completed her studies at the Faculty of Commerce of the University of Economics in Bratislava. She started working as an Executive Assistant in 1993 and later as Marketing Manager at Tchibo Slovensko spol. s r.o. She became Director of Sales, Marketing, and the Communication Department at Rajo a.s. in 1996. She has worked as Director of the Commercial Department at Orange Slovensko, a.s. since 2001.





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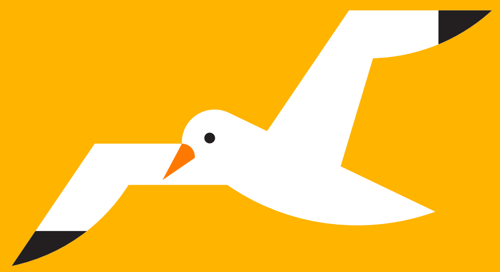
Letter from the CEO

With the right captain at the wheel, the course is always clear



2016 Annual Report
Letter from the CEO

Ladies and gentlemen, dear shareholders, customers and employees

Orange has retained a stable position in its 20th year of commercial operation, and closed the year 2016 as number one in the mobile market. It is an honour for me to share the results of the past year which we have achieved, with you.

We have had a very rewarding year - rich in changes and activities in which we tried to get even closer to our customers. In the 20 years we have been operating on the market, communications amongst people have greatly changed. Technological development is progressing by leaps and bounds, whilst the needs of the people are changing. Today, more than 65 % of customers use smart phones, and calling ranks 6th place amongst the features that customers use on their phones. Communication as we knew it, is changing its form and being transferred to the Internet.

Orange is also being developed to fulfil the requirements of people and bring them useful services. I am very pleased, that last year we were able to introduce a new role for Orange in Slovakia which responds to new customer needs brought by the digital age. We want the digital era services to be more accessible and easier to understand for customers, we want to deliver useful services to make life easier. An example of this approach is the new portfolio of plans, including the data-oriented packages, Max and Data Max. Further evidence of fulfilling the brand promise to help customers exploit the benefits of technology was the introduction of new service types such as the Internet for cars, glucometer in smart phone or the GPS locator. At first sight, these are not standard telecom services, however they are an example of how technology can help people in their daily lives. I am proud to draw attention to the new concept of inspirational stores, so called Smart Stores. We opened 13 of them last year. We want to inspire consumers to use new services, increase their comfort and bring a whole new experience at the point of sale. At Orange, we all are aware that only a unique customer experience with Orange can differentiate us from the competition.

We have confirmed our profile as a comprehensive telecommunications provider, by the introduction of new concepts of convergent offers with Orange Mix, which I think was a key commercial activity last year. These are new type of packages with unique benefits relevant to specific types of customers, who choose to use mobile and fixed services at Orange.

Also thanks to the real proof of fulfilling the brand promise to bring customers useful services that are relevant to them and facilitate their lives, most customers decided to sign a contract right with Orange. By the end of 2016 there were more than 640,000 of them. Overall, we registered 2,883,000 active mobile customers and 189,000 customers within the fixed service, including 74,000 digital TV customers, as of 31 December 2016. The number of customers of mobile data services grew by 7 % to 1.35 million customers and the number of fixed Internet customers increased to 161,000.

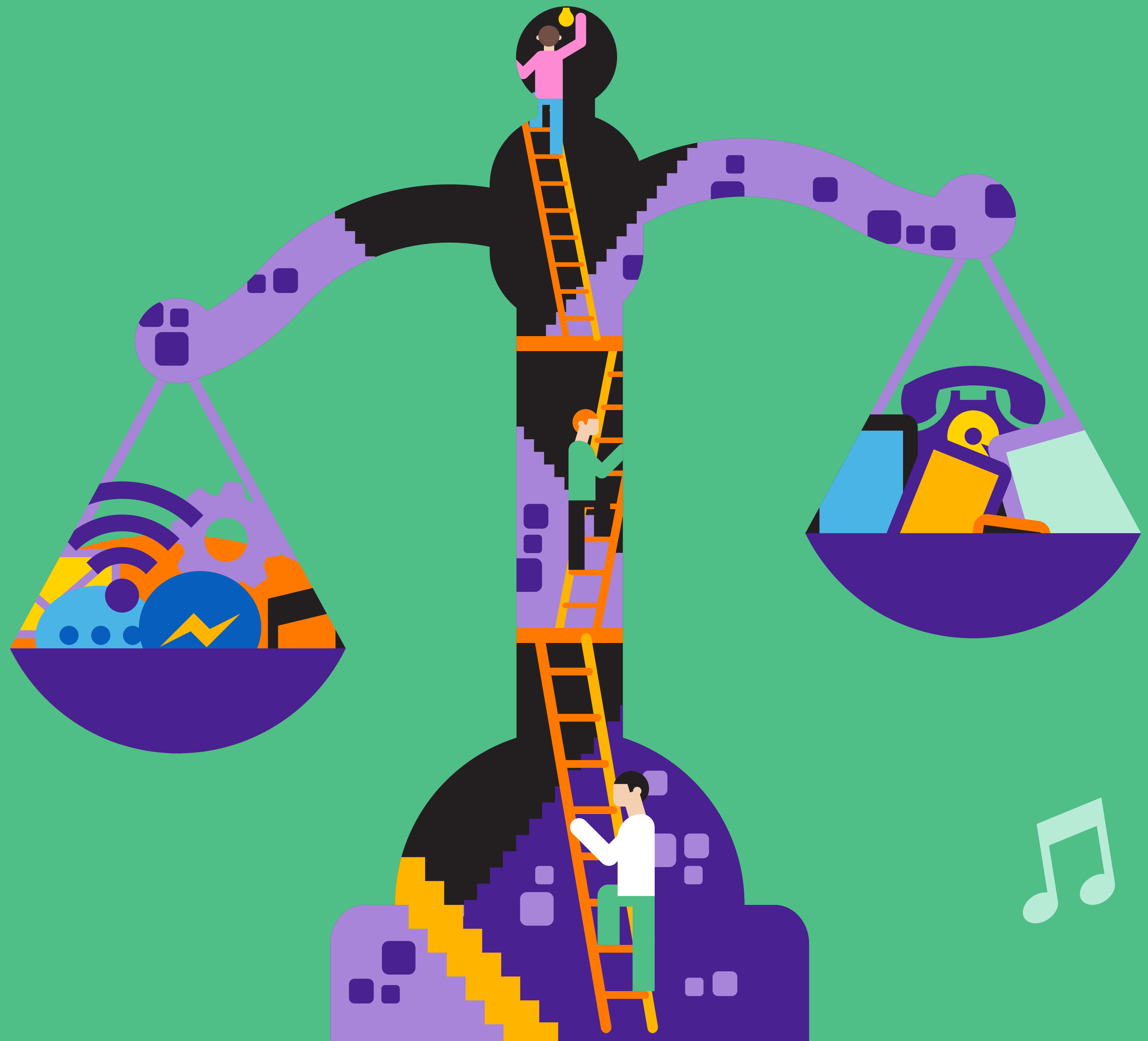
So that our customers can fully and without restriction, enjoy all the benefits of digital services provided by Orange, we expanded the availability of our high-speed Internet to more people. Already today, we provide the widest coverage of mobile broadband Internet amongst all operators in Slovakia, available for more than 95% of the Slovak population. The importance of quality and network availability is confirmed by the ever growing volume of data transferred over mobile networks. Last year, Orange customers transferred more than 15.3 million GB of data in total, 25 % more than in 2015, out of which more than 42 % were transferred within the 4G network. Thanks to an intense expansion in last year, the network is already available for 80 % of the Slovak population, and the speed of mobile Internet up to 225 Mbit/s can be enjoyed by more than a fifth of Slovaks.

I am grateful that our strategy of convergent offers and profiling as a comprehensive provider is also supported by our shareholder. In 2016, we were able to announce one of our largest investment projects of recent years, the 35 million EUR investment, into the coverage of Slovakia by optical network from Orange. It will result in 38 new locations in which households will be able to use the fixed optical Internet or digital television through optics from Orange. There are 3 more cities with the most modern Orange optical network in Slovakia since last year.

The economic results that we have achieved, have been developing in line with our expectations. They naturally mimic the situations in the telecommunications market, as well as the changing communication behaviour of people. Revenues from traditional telecommunications services have long been in decline. The fastest growing component of revenues have traditionally been the revenues from mobile data services. Their growth, however, was not enough to compensate for the development of revenues from mobile voice services. Total revenues from mobile data services accounted for 22.6 %, with a year on year increase of 3 %. More and more of significant proportion of the incomes are the fixed service revenues, with a year-on-year increase of 9 %, their share in total revenues was almost 5 %. The overall decline in revenues has stabilized, year on year total revenues decreased by 2 %, and as of 31 December 2016, they amounted to EUR 551.9 million.

Dear ladies and gentlemen, I am proud that together we were able to build one of the strongest brands of the past 20 years. A brand that daily connects people with everything that matters to them. We have succeeded in this because we listened to customers and brought the relevant services to them. Let me use this space here to thank the shareholders for their trust without which we could not bring new inspirational and useful products and services to our customers, let me thank our employees for their daily hard work and contribution to our common success and also, to our customers for their trust in us. I look forward to new challenges in 2017, which I believe, will bring many new ideas on how we can be the most useful to our customers through our services.

Pavol Lančarič
CEO and Chairman of the Board
Orange Slovensko, a.s.



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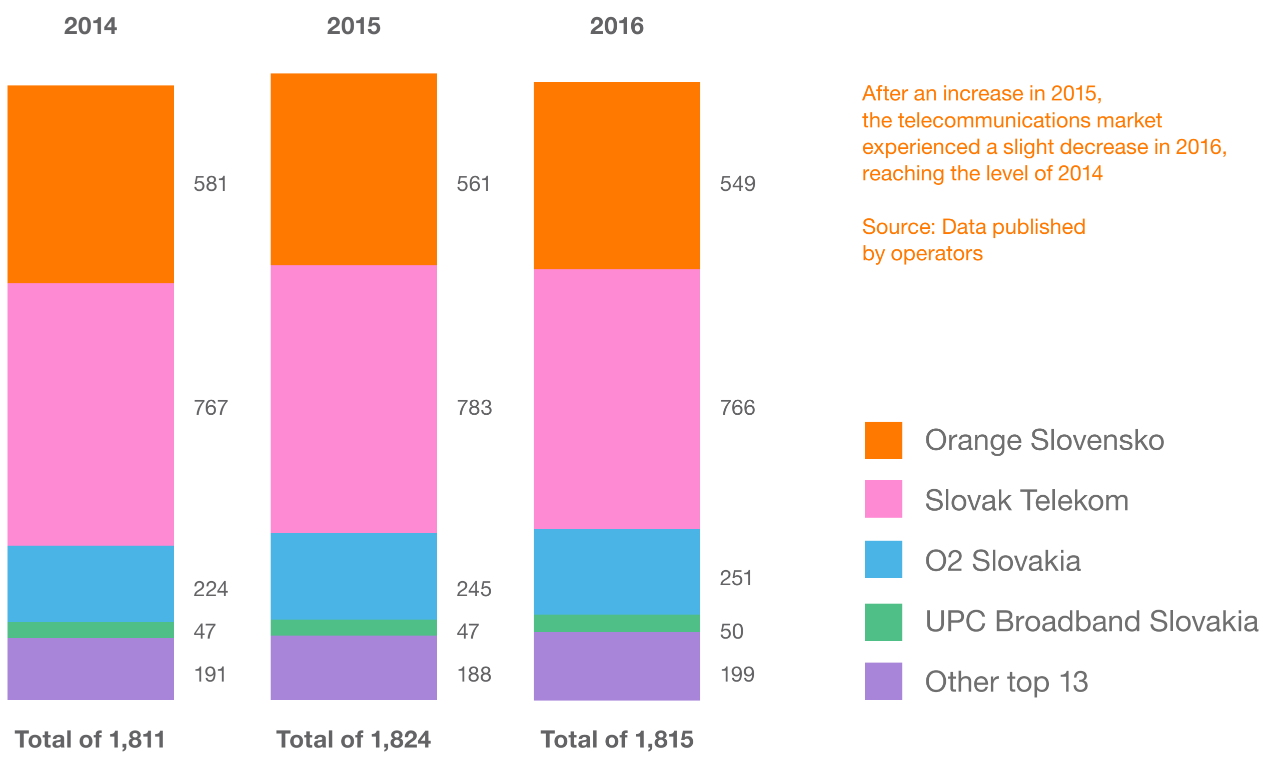
Slovak Telecommunications Market

With our common effort and perseverance, we can tip the balance of things to our side

Slovak Telecommunications Market in 2016

A strong competitive environment causing price erosion, as well as continuing regulation, have been the factors faced by the Slovak telecommunications market for several years. In 2016, these factors caused further, albeit slight decline in the value of the telecommunications market. The total value of the telecommunications market in 2016 decreased by 0.5 percent compared to previous year and amounted to EUR 1.815 million. The market decline occurred despite the growth in number of customers of telecom operators. The number of customers in all segments has increased in the telecommunications market. Compared to last year it increased by 2.4 % to nearly 11 million active customers.

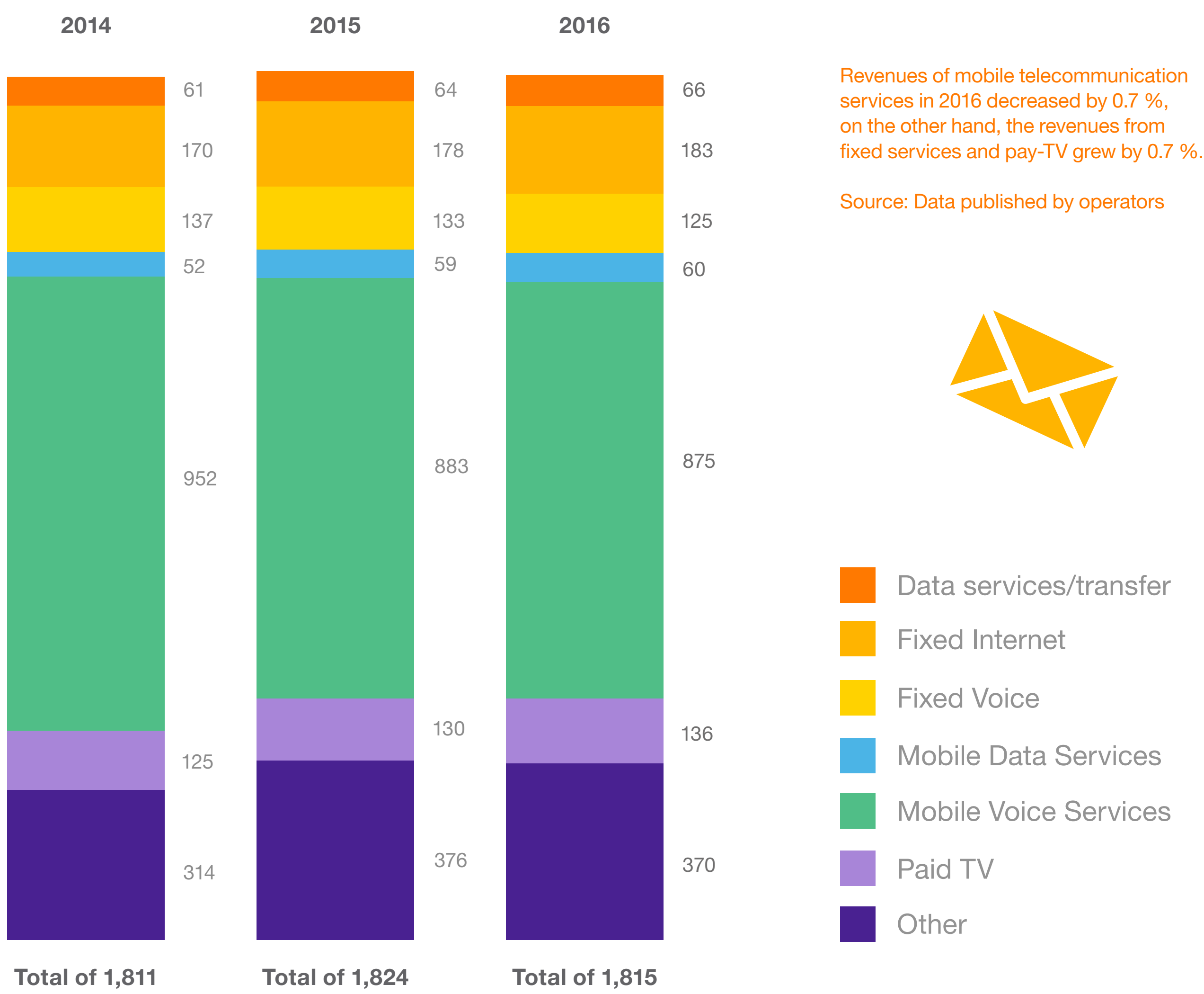
Development of the value of the telecommunications market in Slovakia and the share of each operator (in million EUR)



After an increase in 2015, the telecommunications market experienced a slight decrease in 2016, reaching the level of 2014

Source: Data published by operators

Value of the telecommunications market in Slovakia by service (in million EUR)



Revenues of mobile telecommunication services in 2016 decreased by 0.7 %, on the other hand, the revenues from fixed services and pay-TV grew by 0.7 %.

Source: Data published by operators

The dominant share in the value of the telecommunications market is still kept by the segment of mobile services, amounting to EUR 935 million, representing 51.6 % of the total market value. The value of mobile voice and SMS has long been in decline, which is only partially offset by an increase in revenues from mobile data. Decline in revenues from mobile telecommunications services is still unable to stop, but the pace of decline has slowed significantly. Over the last year the decrease was 0.7 %. The pay-TV segment, as well as the fixed Internet segment recorded a significant annual growth. In the case of fixed Internet by 2.7 % and in the case of pay-TV by as much as 5 %.

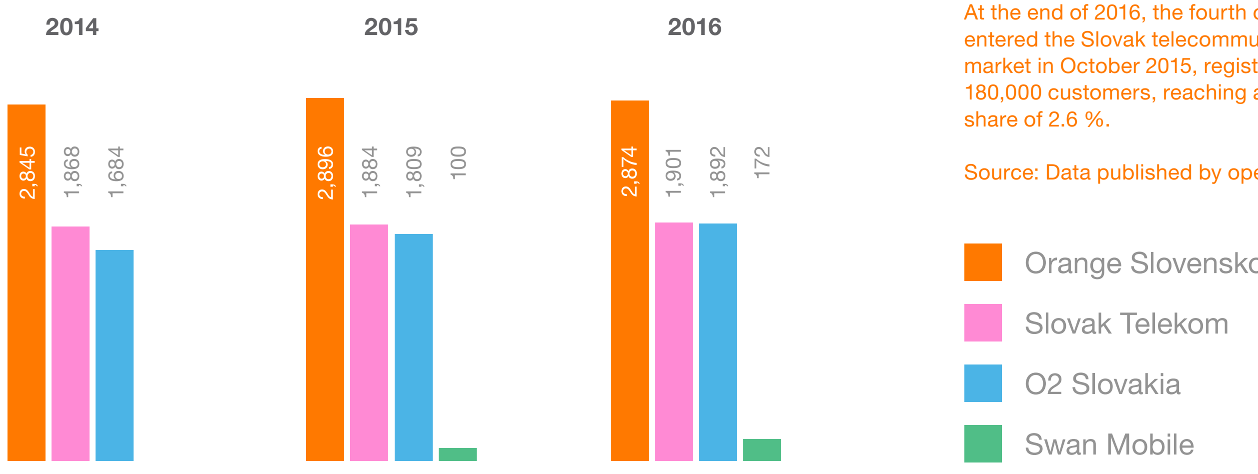
2016 again confirmed the growing appetite of Slovaks for data services. A significant dynamic in the rate of growth in the number of customers and in the revenue was recorded in the market for mobile data and fixed Internet. The fixed Internet segment recorded a 5.1 % year-on-year increase in the number of connections, thus achieving a penetration of fixed Internet of 70 % in Slovakia. In this segment, Orange Slovensko, a.s. company grew at a rate of 5.8 %.

The number of subscribers in the pay-TV segment increased year-on-year by 2.4 %. Pay-TV services are now used by nearly 93 % of households that have a choice of more and more programs, quality content and additional services such as TV archive, rental service, or access to TV on multiple devices via the Internet. The use of packages combining multiple services from one provider (voice + Internet + TV) is becoming increasingly popular.

The only segment in which we, long-term see the reduction in users is the fixed voice service segment. The main reason for this is the substitution of fixed lines by mobile voice services and voice over IP.

The total number of customers using mobile services grew by 2.4 % and reached 6.85 million active customers, representing an increase of almost 160,000 customers. Penetration of active SIM cards reached 127 %, while up to 11 % of this number consists of mobile Internet customers, whose number increased by 2.6 % year-on-year.

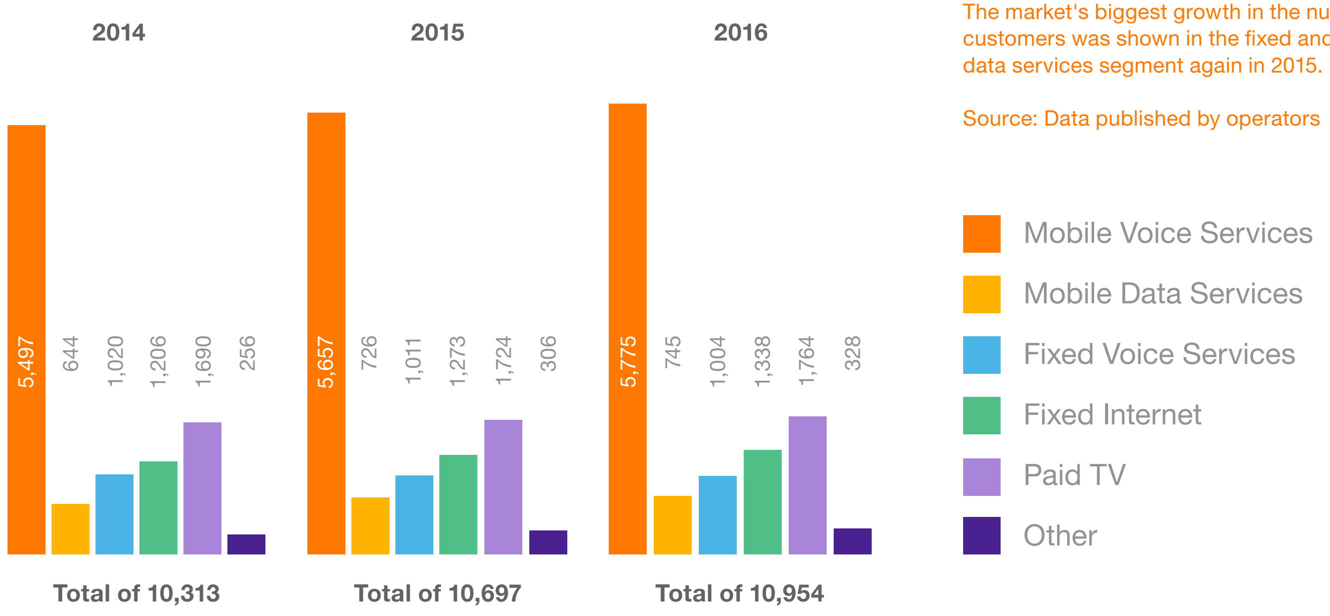
Development of the number of customers in the mobile telecommunications market (in thousands)



At the end of 2016, the fourth operator who entered the Slovak telecommunications market in October 2015, registered nearly 180,000 customers, reaching a market share of 2.6 %.

Source: Data published by operators

Development of number of customers in the telecommunications market (in thousands)



The market's biggest growth in the number of customers was shown in the fixed and mobile data services segment again in 2015.

Source: Data published by operators

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Orange Slovensko on Telecommunications Market

By joining forces we can always
get to the desired goal

Focusing on a Unique Customer Experience was the Top Priority for Orange in 2016

Last year, in line with the main telecom offerings, Orange focused to help customers orient themselves in the digital age, thanks to useful and understandable services that freed them from the technology and to facilitate such things with ease into their life. Especially, thanks to the real fulfillment of the brand promise to bring customers the human benefit of technologies and services useful in other areas, such as basic communication services, for example, telephony and Internet access, most customers decided to sign a contract with Orange in 2016. At the end of the year there were more than 640,000 of customers. By 31 December 2016, Orange registered 2.883 million active customers of the mobile service by which it retained the biggest share of the mobile market, in fact 42 %. Fixed services from Orange were used by 189,000 customers, including more than 74,000 digital TV customers.

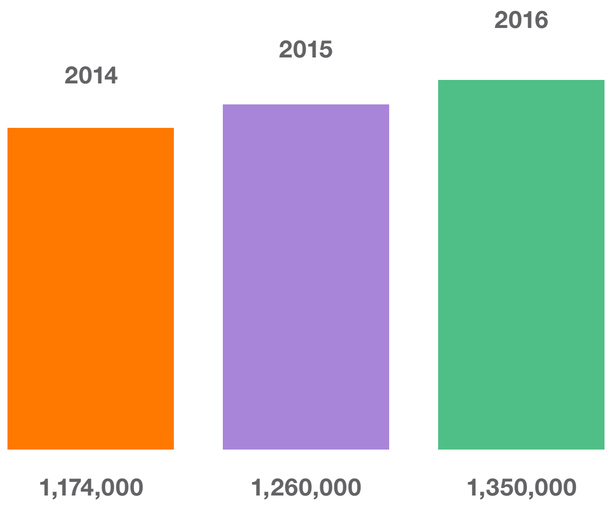
Development of the number of Orange Slovensko customers

Year	2014	2015	2016
Mobile Service Customers	2,844,611	2,896,496	2,882,606
Fixed Service and Digital TV including Lite TV Customers	214,891	200,657	189,244
Total	3,059,502	3,097,153	3,071,850

A slight decrease of the customer base was primarily caused by intense competition activities

Source: Internal data from Orange

Developments in the Number of Mobile Data Services Customers



More and more customers are interested in mobile data services of the largest and fastest Orange mobile network. Their number increased by 7 % year-on-year.

Source: Internal data from Orange

Orange recorded an increase in the number of customers of data services. The number of customers of mobile data services grew by 7 % to 1.35 million customers and the number of fixed Internet customers increased to 161,000. This increase included the increase of the number of customers of DSL Internet for home and of fixed Internet over optic.

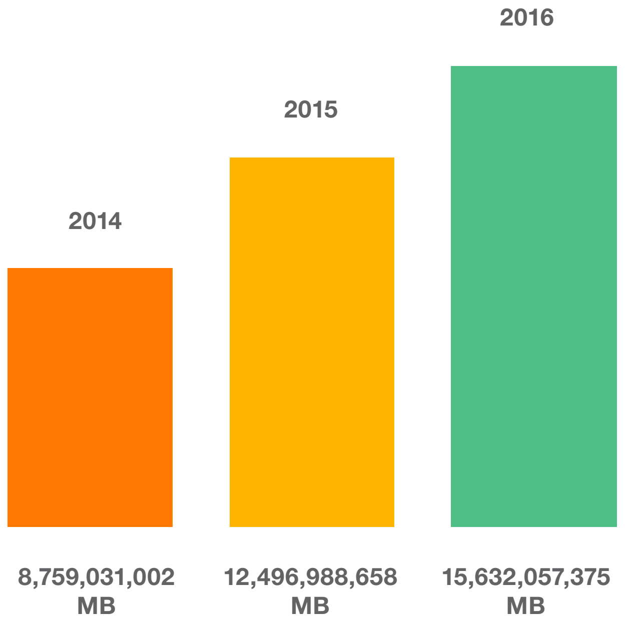
Customer Experience Always Comes First

Central to Orange ambition is to succeed in the market with a unique customer experience. It is made up of every single experience that customers have with Orange. Orange creates a Unique customer experience via its investments in networks, innovations in customer service, investment in new types of customer service, as well as, via investment in the digital skills of employees. Operating results of 2016 show that the fulfilling of the Orange strategy succeeds and Orange orientation for the best possible customer experience is correct.

We Offer Our Customers Extensive Connectivity Options

We live in a digital age that delivers on an unprecedented customer demand for connectivity, speed and quality of Internet connections and services. Technological developments change also to meet the needs of people as well as their communication behaviour. Mobile telephony is now in 6th place in the order of the functions that people use on their mobile phones. Communication of people is shifting to the Internet. People have fun, work and phone more and more through the Internet and send more messages. Customers want to be online at any time and perhaps anywhere they are, with the highest possible quality on all devices. This is confirmed by the amount of data traffic, which is constantly growing. Compared with 2015 Orange customers transferred 25 % more data within the mobile data network, whilst half of the total volume of 15.63 million of GB data was transferred within the 4G network.

Development of Data Traffic on the Mobile Network



Last year, up to 42 % of the total mobile data transferred in Orange 4G

Source: Internal data from Orange

Therefore, out of the total investment volume of over EUR 84 million. Orange directed almost EUR 58 million to networks. The availability of high-speed mobile Internet in 4G network in 2016 was extended by Orange to 80 % of the population. In addition to building the LTE network, Orange continued to expand in the 3G network. The availability of the highest supported speed of 225 Mbit/s available for 25 % of Slovakia's population was also increased. At the end of year, the Orange high-speed mobile Internet coverage, i.e. 3G and 4G networks together, exceeded 95 % of the population.

In the second half of 2016, Orange announced one of its largest investment projects, and soon started a massive, more than EUR 35 million, investment into the expansion of optical networks. Thanks to that, the number of places with available Orange optics will triple by 2018. The result will be 38 new locations in which households will be able to use the fixed optic Internet or digital television through optics from Orange. First, new locations were covered even by the end of 2016. Optical Orange Network Orange was available in 22 towns for about 345 thousand households at the end of 2016.

Innovation in Customer Services

When creating each and every service Orange gets inspired by customers' needs and keeps the basic principles: the relevance and usefulness. Last year, Orange focused on every service to really meet customers' needs, to be helpful in their everyday lives and simplify things to them.

An exceptional activity last year, Orange considers launching a new convergent Orange Mix offer. This offer has brought a fundamental change to the market in the aspect, that the content of the package is aimed at the needs of specific target groups and at the same time, each offer actually has benefits for both, mobile and fixed services. Through this concept of convergence offers, Orange responded to new customers' needs that are more than just a desire for a discount, which is the same for all. Just a discount is not enough for customers. They want something extra, additional value that meets their needs and those differ with the target groups. Every customerhas got different expectations of what they want from communication and digital services. At the end of 2016 over 340,000 customers used a combination of at last two services from Orange.

During the past year, once again, Orange succeeded in making its long-term most successful service "Together for Free" more attractive and brought the customers, using this unlimited communication within the group, the additional benefit of 1 GB of data per month for free. Almost 100,000 customers activated this service in 4 months.

Another important activity of 2016 was the adjustment plan offers which provided the customers with useful services that are relevant to them. The new offer includes two groups of programs that differ in focusing on a particular customer. Although the data services are a clear trend, there are still customers who are faithful to the traditional forms of communication, favoring calls and SMS messages. On the other hand, for customers who do not want to be limited and care about being online for the maximum possible time, Orange has introduced data-oriented packages, the benefits of which, were appreciated by nearly 120,000 customers.

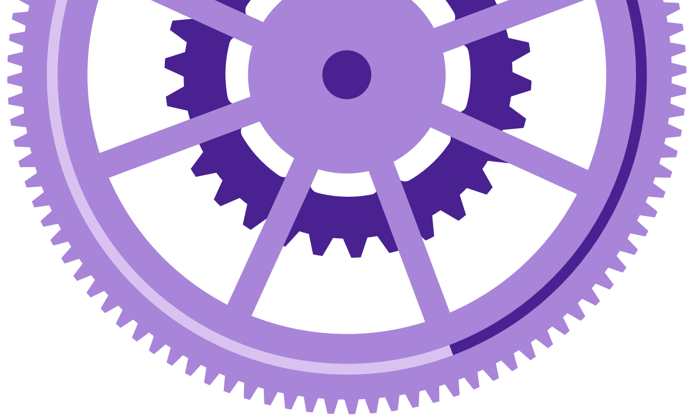
In the fixed service area, Orange has brought not only the optics to new locations, but also new products of the fast optical Internet – and started to offer its customers connection speeds of up to 500 Mbit/s. In the field of television services, Orange has also implemented several changes. The most striking was the change of approach in the provision of thematic packages of television stations. Now, the customers can choose from a larger number of smaller packages, which brings them a more flexible option to set up the programming offer, according to their preferences. In addition, when activating several packages, the customer obtains more favorable terms.

With the new types of services introduced in 2016, Orange wants the benefits of digitization to be more accessible to customers, to help them fully exploit the possibilities of technology and thus simplify their lives. Such innovations of last year include, Internet for the car or the "My Glucometer" service, which brought customers the glucometer directly to their smart phones and, the GPS locator that allows location accessibility.

However, not only services, but also the actual approach to customers is one of the key components affecting the customer experience. The new concept of stores launched in 2016, Orange improves comfort for its customers, inspires them to new experiences and brings a whole new experience at the point of sale. Orange stores become places of interaction where customers can discover new possibilities and find out how their digital services can make life easier. In addition, they offer a friendly atmosphere, and relaxing areas. During 2016, 13 stores were opened in 11 cities, and there is a plan to open all stores within the new concept by 2020. The new digital invoice provides the customer with transparent information about their monthly consumption and services used, as well as the option of immediate payment and a set up of regular payments. The digital invoice is easily and directly accessible in mobile phones so that it can be used and is available to every customer.

We Support Our Business Customers

Orange has long been a major provider of telecommunications services to business customer sectors in the Slovak market. Last year, Orange brought a number of innovations that supported its corporate customers businesses. Security and access checks to corporate data is a high priority in this business. Therefore, Orange has enhanced its range of services with the "Mobile Device Management Service". It enables the customer to remotely manage the mobile devices of their employees, if necessary, for example, to lock, or erase the device remotely, use secure browsing to access the internal corporate network, to determine which applications can be installed and used in a particular device. Amongst a number of additional functionalities it also has controlled access to corporate email and other useful

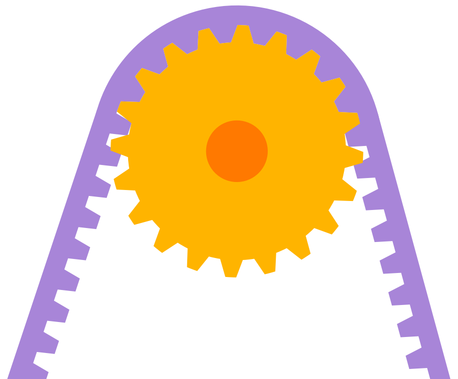


options. Even with employee access to corporate data from other devices, such as a working desktop, the required level of security is retained. Thanks to this, customers can better protect their business against loss or misuse of sensitive information and data, customers can set their own rules for access to the internal network and to corporate data, and generally, can determine the necessary level of safety at work for their employees.

The portfolio of services for business clients also offers an additional tool enabling highly targeted mobile advertising. “Market Locator Service” allowing the user to reach potential customers via targeted mobile advertising, and bringing the opportunity to carry out their own campaigns through targeted SMS messages. A company can, by setting up the required criteria such as demographics or location parameters, very accurately reach its target group at the right time and place and then contact the customer for whom the product is truly relevant. The potential of targeted advertising via this innovative service, only previously available mostly, large in corporations, is at Orange now and available to small businesses and tradesmen.

A Unique Customer Experience across Borders

Orange customers can happily say goodbye to borders, as it has long been beyond the EU roaming regulations and, in addition to the possi-

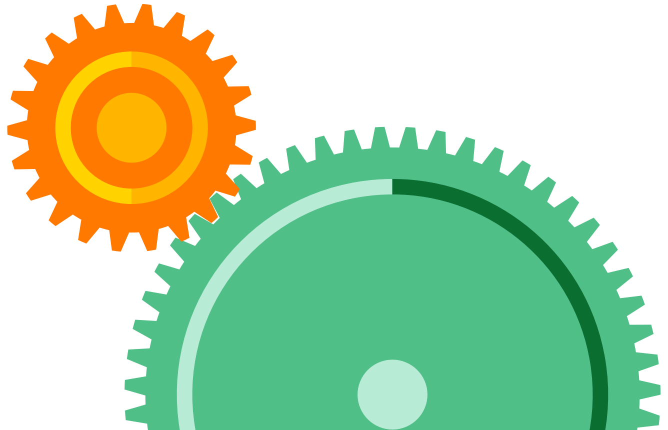


bility of roaming calls for the same prices as at home, Orange always brings its customers something extra. Last year it was the “Max Roaming Service” with which customers can get unlimited communication within the EU and in other countries around the world they communicate for 49 cents per minute using either SMS or MB.

While the appetite of users for mobile communications without borders increases, the decrease in roaming prices and favourable services is evident. Last year, more than two million customers actively used voice and data roaming by Orange. More than 350,000 customers activated one of the advantageous roaming packages which represents an increase of 30 %. In addition to an increasing number of users, the roaming traffic of our customers grew as well. Roaming voice traffic of outgoing calls increased thanks to the Max Roaming Service by 60% and data traffic by more than 150 %.

In addition to the roaming packages, Orange automatically offers a free practical bonus service in the form of travel insurance abroad, thanks to which, customers can save considerable fees. Because of the great success in the past year, Orange expanded this service of insurance cover for the whole family.

Orange customers mostly use their mobile in the Czech Republic, Austria and Germany.



5

Customer Care

We grow deep relationships with our customers, and we grow together

Customer Care and Simplification of Customer's Lives

Orange wants to deliver useful services to its customers, to provide them with superior care in every area, and also bring improvements so the customers' contact with Orange is as pleasant as possible, and life as a customer is as simple as possible thanks to this approach from Orange.

Simplify Life and Inspire

Orange in 2016 welcomed its first customers in the Orange stores arranged in the new concept. Its aim in the spirit of the brand promise is to bring customers the benefits of digital services. In the course of 2016, Orange increased comfort for customers through 13 new stores in different parts of Slovakia. New stores are the response to Orange's new communication needs of customers that are in today's digital age, much broader than just the telecommunications ones. The new concept of the stores is not only about their new design, but above all about the introduction of technology to all people in an understandable manner. Facilities and services offered in the stores, are presented in a transparent manner in the context of ordinary people's needs. In addition, the customers can try them and gain an authentic experience with the facilities and services of Orange before they decide to buy them. The first Orange store of this kind was opened in March in Aupark, Bratislava.

New digital services associated with the sales process bring many benefits of digitization. Orange, for example, notifies the customer about the current order number via SMS. Convenience in stores is enhanced via the electronic readers of identification data, digitized signatures of customers and tablets in the hands of sales staff that accelerate dealings with customers. Orange stores are in their own way an experience, where customers can discover new possibilities and find out how digital services can make their lives easier.

In order to improve the customers' experience and increase their comfort, Orange brought for customers another useful innovation in 2016 - the digital invoice. It streamlines the information, it is easily and directly available in their phone so that it can be used by everybody, and it was always available for the customer. Orange wants the digital service times to be more accessible and easier to understand for customers. With a new digital invoice, customers do not have to open a separate file as with a normal electronic invoice, each invoice is interactive, and has the character of a simple microsite. In each digital invoice, customers will find comprehensive information on their monthly consumption, use of services, as well as the option of immediate payment or set up of regular payments. The customer gets a direct link to the digital invoice to his/her smart phone via SMS.

Provide Superior Support

In order to communicate with customers, Orange always applied the highest standards and provided maximum support to its customers while constantly working on new processes, support for employees in direct contact with customers. Orange is coming up with new solutions and in meeting customer needs, they instill more and more comfort and ease. From Orange points of sale through Customer Line 905, which is available around the clock, guidance and assistance at our Facebook profile, and our Internet customer zone or Expert Line - all of these communication channels are points where the customers can get valuable advice in setting services or devices.

Fast and Quality Service

In 2016, Customer Line 905 received almost 1,200,000 calls. Year-on-year, there was a reduction in the number of calls managed, by 5.6 %. This result is not only thanks to continuously good customer awareness, but also to quality training and skills of staff at points of sale or the ever-growing number of customers using electronic channels to solve their problems or enquiries. With an index of over 80 points, our helpline retained a high level of satisfaction.

The Section of customer care solved about 52 thousand customer e-mails in the past year. The majority of them were resolved in less than 24 hours. We also responded to nearly 15 thousand customer requests through Facebook. The average response to customer enquiries took less than 8 hours. Thanks to the quality of our communication with customers on social networks we regularly manage to defend our “Socially Devoted” title, awarded on a regular basis, every quarter of the year by the Socialbakers company. They evaluate the ratio of answered questions to the total number of questions addressed by visitors of social networks to individual companies through the Facebook pages. Orange has thus been doing very well in this area in 2016.

6

Employees

We support team spirit
and, individual strength
of our employees

We Care about Employees

Being a digital and caring employer and thus creating conditions for our employees in line with their daily needs and life, this is the aim of the Human Resources Department in Orange. It means to allow them to develop, and so fully participate in the company's success, and the entire Orange Group's success, since the employees are the main implementers of the Orange ambition - to provide customers with unique experiences. Our employees are the face and voice of Orange Group, because of their day-to-day commitment to make our network, service or experience to the customer of the highest level.

To support our commitment to be a caring, and digital employer, we have set ourselves three priorities - ensuring the right skills for tomorrow, developing flexible ways of working and promoting the involvement of our employees. These priorities are not only a promise, but we have been fulfilling them with real activities throughout the year.

The corporate social networking application "Plazza" has brought flexible communication options and access to information. It provides a platform for fast and efficient communication, the organization of working time and sharing documents between colleagues, all in all, a streamlined graphic interface. Actively used by more than 80% of OSK employees.

To increase the flexibility of work in 2016, we also made the company's intranet available to our employees, outside the company - from their mobile devices. Everyone has then gained access to the necessary information practically anywhere, and whenever they need it.

Education

For the employees to have the opportunity to constantly develop in their work area, we implement various development and training activities for them, contributing to completing and expanding of their knowledge and skills. Among the support of staff development activities in 2016, we have invested EUR 817,000 and we have registered 49,997 training hours completed. With the number of 1,104 trained employees, this means that on average, each employee spent 5.5 days on a variety of educational activities supported by Orange.

Health Care and High-quality Human Resources Management

Also in 2016, the internal program "Orange Healthier" continued to focus on activities supporting health, and healthy life styles of our employees, including sport and leisure activities for the second year. Thanks to our "healthy" activities for employees, our company can boast of second place in the "Healthy Company Competition" in the category of non-manufacturing business. The contest has been annually announced by the Union Insurance company since 2010, within the framework of "Initiative for Healthier Slovakia" project. This is also a proof of that we really care about promoting a healthy life style.

In addition, we were doing well also in the field of human resources management in 2016. We retained our position and won the exclusive certificate of "Top Employer". This prestigious award can only be obtained by companies that undergo an independent review by the "Top Employers" Dutch Institute in human resources management. The Institute regularly compares and evaluates the leading employers in terms of corporate culture, job condition preparation, development and remuneration of employees, and the opportunity for career development. Orange Slovensko was awarded all three certifications - "Top Employer Slovakia", "Top Employer Europe" and the "Top Employer Global".

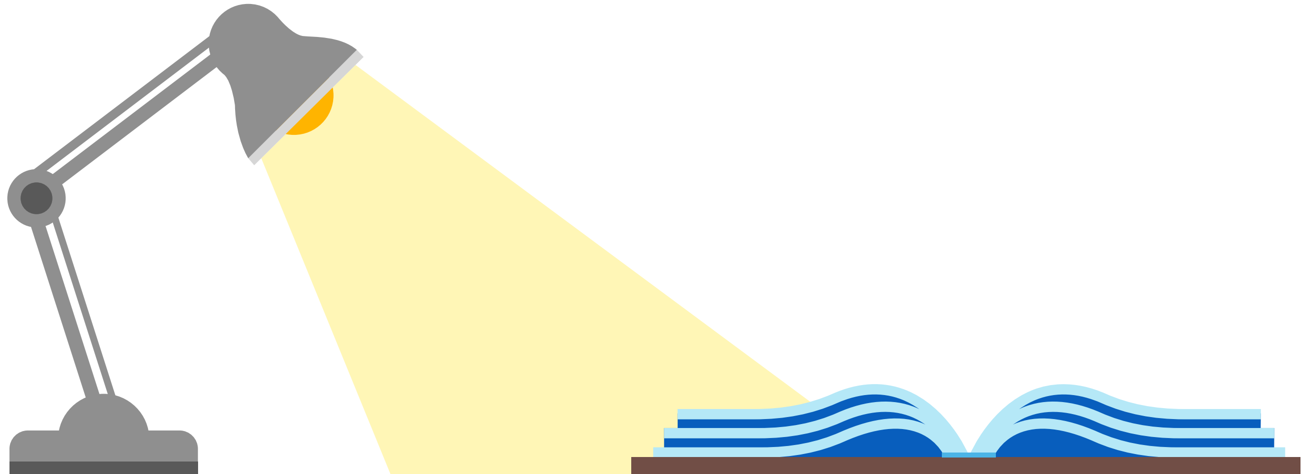
Benefits

In addition to all these activities, we have continued in providing a wide range of benefits. Our benefit and social policy has been long very highly appreciated by the employees at Orange.

The goal of all our human resources management activities is to make the number of employees who positively speak of the company and associate their future with it, as great as possible.

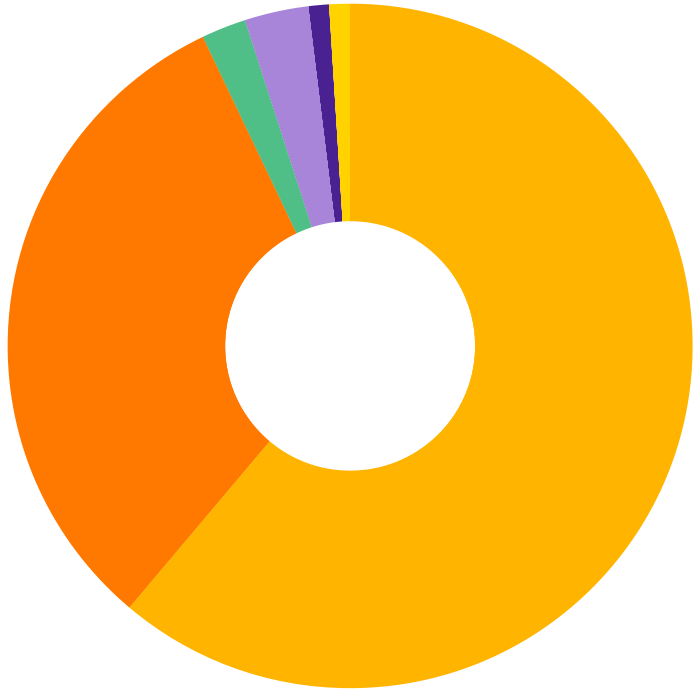
Diversity Policy

The equality of gender opportunities is becoming an increasingly discussed topic. We at Orange, consider it important to pay attention to this issue and to focus on this area through specific activities and access to our employees. We are therefore pleased that we have obtained the International European Certificate of Gender Equality. Orange also became part of the initiative of Orange Group called GEE & IS Audit - The Gender Equality European and International Standard. The objective of the audit was to examine whether we are an employer contributing to a culture that supports gender equality and diversity in terms of age or gender. The audit assessed the equality in the areas of wage policies, career opportunities, education, the balance between private and working life and other initiatives that promote the fair treatment of all groups of employees.



Employee Placement

- Bratislava 61 %
- Banská Bystrica 32 %
- Košice 2 %
- Ivanka pri Dunaji 3 %
- Nitra 1 %
- Prievidza 1 %



In 2016, on average, 1,101 employees has been working at Orange, within the branch offices.

7

Corporate Social Responsibility

We feel the need to protect what we care about and to develop what is beautiful

Corporate Social Responsibility

Orange is one of the leaders in the telecommunications market applying the principles of corporate social responsibility to customers, employees, partners and communities. The strategy of the corporate social responsibility of Orange is to create a balance between the needs of partners, the company, its customers, shareholders and employees, and implement changes that support the long-term sustainability of our business. We believe, only that way of doing business which respects and balances the business goals of the company and its impact on society, is sustainable.

We are a founding member of the Business Leaders Forum association which brings together leaders to promote corporate social responsibility principles in Slovakia. It is important for us to promote the involvement of companies and spread the ideas of corporate social responsibility. Therefore, we again became a major partner of the Via Bona Slovakia Award in 2016, rewarding the small and large businesses for corporate social responsibility and corporate philanthropy.

Orange as a Trustworthy Entity

One of the most important pillars of corporate social responsibility of Orange, is a system of auditing and reporting. It sets the “mirror” in which we can reflect how we operate in individual areas. Regular monitoring and evaluation allows us to examine the functions and compliance with business principles in practice. For each principle we have a defined framework of factors, so called indicators that have been developed in accordance with the rules of best practice and based on our practical experience. In co-operation with the Orange Group, we have successfully implemented a comprehensive software tool – INDICIA, that allows us to efficiently input, control and assess the specified indicators of corporate social responsibility. We implement the gathering of environmental indicators quarterly, and gathering of social indicators on an annual basis.

Policy of quality, environment, health and safety at work is a basic document to which we commit in control and management of the development of our business activities, in providing quality services and networks to our customers. In practice, we are able to implement this policy, also thanks to the introduction and continual improvement of the quality management system, environmental management system and occupational health and safety management. All of that in accordance with international standards ISO 9001, ISO 14001 and OHSAS 18001, and with the active participation of all employees.

We have implemented and certified occupational safety and health (OSH) management in line with the OHSAS 18001 standard since 2011. We have gained the opportunity to effectively identify and assess the risks of health and safety in our workplaces and subsequently manage and eliminate risk, as well as to improve performance and achieve compliance with OSH legal requirements. All this with one goal, to achieve maximum safety and health at work for each of our employees. One of the inseparable areas of OHS management is the involvement of our suppliers in the system to ensure such protection, but also the application of measures on those who are present on the company's premises, or just visiting. That is why we introduced new rules on health and safety, also fire protection for visitors and suppliers of works and services.

Ethical principles are not just a set of rules that are described in the Code of Ethics or on the company intranet, but they are strictly applied in practice. We regularly educate employees on ethics, we try as widely as possible to encourage ethical thinking. New employees are required to familiarise themselves with the Code of Conduct and Ethics and undertake e-learning. If the employee wishes to draw attention to a violation of ethics, he/she, in addition to the standard contacts, such as a superior or the ethics counsellour, can also anonymously contact directly the parent Orange company via letter or email within the so-called “anonymous whistle-blowing mechanism”.

For the purpose of verifying of complaints, Board of Orange Slovakia, a.s. appointed a responsible person. A process for reporting complaints and the conditions of their screening is also regulated by company-wide procedure. The Code of Ethics also makes it clear Orange does not tolerate corruption. A procedure called "Control environment to prevent fraud and the anti-fraud policy" emphasizes the zero tolerance of our society to fraud and contains a section dealing with corruption. Following the Code of Ethics of Orange Group our company approved the document of the Anti-corruption Policy back in 2012.

The working group for "Compliance" within the Orange Group aims to keep an oversight of our obligations related to the policy of combating fraud, corruption, ethics, money laundering and other risks that could have an impact on business operations, values, good name and the reputation of our company. In each country, a special committee for compliance (Compliance Committee) is appointed for the enforcement of these rules and policies. Similarly, we care about the ethics in business with our business partners. We prefer partners certified in their field. Of course, we prefer them to comply with regulations and standards applicable in the European Union and that their business is ethical and in compliance with applicable laws of the Slovak Republic.

In addition, however, we perform an extended assessment of selected suppliers with a focus on safety and the environmental impact of their business activities, as well as on some aspects of the business that are sensitively perceived by a global community (for example, abuse of child labour). The suppliers Code of Conduct applies to all purchasing activities managed by Orange. We expect our suppliers to comply with, and enforce these basic principles throughout its sphere of competence, in accordance with the Annex to the Contract stipulating to comply with all applicable legislation in Slovakia, EU and international standards for ethical and responsible behaviour, in particular the rules, concerning human rights, environmental protection, sustainable development, bribery and corruption.

We Support Green Activities

In contributing to long-term sustainable development, environmental activities are an integral part of our business. Although as a telecommunications operator we do not have such a significant impact on the environment, as in some other sectors, the energy consumption is an area which has the most significant impact, amongst our activities. Therefore we implement systematic changes and projects that allow us to reduce energy consumption. In 2006, we have committed that by 2020 we will reduce CO_2 emissions by 20 %. CO_2 largely has to do with power consumption. To achieve this goal, we conduct various activities, from the introduction of automatic shutdown of computers after working hours, to the optimizing of technological areas. Solutions that contribute to this objective are applied in the operation of our networks , there are new base stations using solar energy for their operation, currently we have 34 of them Slovakia, and that number will continue to increase. The introduction of online monitoring of energy networks helps to achieve the stated objective. Within this, we follow the energy parameters of each device. By optimization of the air conditioner for base stations for example, we saved around 1.4 GWh of electricity.

Minimum of Paper

Digitization of the greatest possible amount of work is also one of the areas through which we support the fulfillment of our commitments in the environmental field. In the past year we have achieved, that more than three quarters of a million of our customers with a plan, use the benefits of electronic invoices. Their share reached more than 68 % of the customer base. In addition to the benefits for the customer of comfortable and clear archiving, and searches in invoices, we also reduce the amount of paper consumption.

Through innovative solution, our customers can use the electronic biometric signature “eSign” to sign contracts and validate other documentation. The technology is capable of capturing all the data guaranteeing the uniqueness of the signatory and the safety of the process, from the signing recognized by your own hand on an electronic pad. The result of this solution is a significant reduction in the cost of scanning, processing and archiving of documentation, mailing costs, and the like. Customers are sent signed documents by e-mail and plus is a clear acceleration of equipment requirements at any point of sale. A solution that delivers greater comfort and faster customer equipment, also increased security, and considerable environmental benefits. In 2016 the branch digitally signed nearly 2.5 million documents. In the summer of last year, 2016, we also launched the digital signature courier delivery service. The customer can confirm receipt of the consignment delivered, directly by the signature on the tablet. In less than six months, this option was used by more than 5,000 customers and it represents approximately 200,000 saved pages in print.

We Collect and Dispose in an Environmentally Friendly Manner

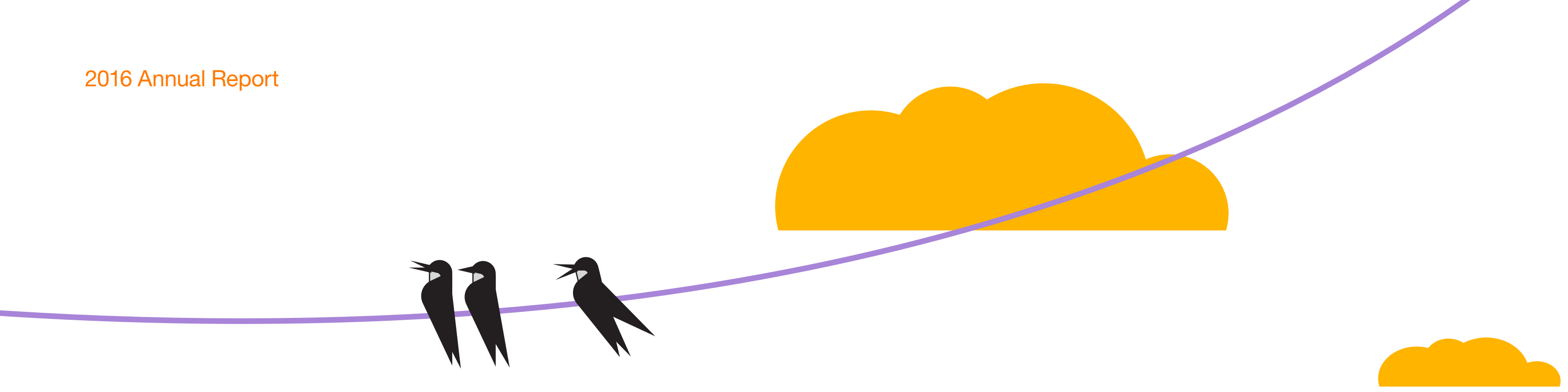
Since the connection of Orange and mobile phones is very tight, it is logical for us that we are interested in where the equipment will finish after the end of its life and use. Therefore, we have long implemented collections of mobile phones which we connect with other socially beneficial activities. Overall, in 2016 we collected 58,493 mobile phones, accounting for 15.86 % of total mobile phones we put on the Slovak market. Achieving that result, we managed to avoid about 5.8 tons of electrical waste ending up in municipal waste. In 2016, we also managed to take back about 1.05 tons of batteries from mobile phones, and their ecological destruction has an equally positive impact on the environment. One of the most important activities in this area, is the traditional competition in collecting old mobile phones. One useful project combines the environmental and charitable elements. For each mobile phone handed in, Orange dedicated 50 cents to selected non-profit organizations. So, thanks to its customers, Orange donated about 30 thousand EUR to non-profit organizations.

With the same objective, to be responsible to the environment, we also expanded the separate collection of paper and plastic bottles in our own stores, office buildings and archives. In 2016, this amounted to 67.6 tons of separated paper and 1.5 tons of plastic bottles.

We Educate and Support

Technologies are no longer just an everyday part of our business, but also part of the lives of our customers. They bring users a number of positives to life, but also they mean new risks that were not there before. It is therefore very important that people can use the most advanced digital technologies responsibly. For many years, we have focused on training for parents, teachers as well as children themselves in this area. In particular, parents are a target group, and we help them overcome the digital gap between them and their children as well as how to recognize and avoid risks that technology brings.

Since 2006, we have devoted intensive promotion of safe and responsible use of information and communication technology /ICT/. In co-operation with many experts we carry out free workshops and information and educational activities to help parents, teachers and children to find their own ways to use the benefits of ICT



and, at the same time, protect children from the dangers of the online world. The website www.detinanete.sk is the platform for a comprehensive approach to information, tips, advice from professionals, various playful tests, inspiration and advice from a child psychologist. We continued to discuss this topic in the free workshops program in schools in which professional instructors provided 318 lectures and 5,770 students and 595 parents were trained through them in Slovakia last year. At the end of 2016 we helped our customers by introducing the "Family Safety Package" that includes the Parental Control application from ESET.

We Get Involved

Orange, in addition to its main business, is interested, and gets involved in where it can be helpful. Whether through fundraising, various support activities or through the Orange Foundation.

In 2016, we again helped, via mobile fundraising, through which we managed to collect more than 720 thousand EUR. With our long-term partners, Friends of Unicef Children, Magna - Children in Need, and Good Angel, by way of the DMS system or through one-off donors' contributions in collections, which we implemented in 2016 with 22. The money always migrates to the aid foundations in full.

Orange continues to provide individual special discounts for services to customers with severe disabilities or non-profit organizations.

Support from Our Own Sources

The fact that Orange has always been eager to help is evidenced by the desire of employees to engage in charitable activities, for example, the collection of clothes, donating blood or the implementation of their own projects and ideas. Again, we joined our forces with the National Transfusion Centre and 115 of our employees donated more than 40 litres of blood last year. In carrying out their projects supported through the "Employee Grant Program" 22 colleagues dedicated their time and effort for a good cause. This gave rise to a number of inspirational tools for children, and the playgrounds or community spaces got the long expected new "coat", etc. Through collections of clothing carried out by Orange in 2016, employees devoted more than 400 kg of clothes. Collected clothing thus supported five non-profit organizations that care for people in need. Every year, we get also involved in the largest corporate volunteer event in Central Europe "Our City" which could be attended by the active employees during their working hours.

Nadácia Orange (Orange Foundation) - Changing the World to a Better Place

Nadácia Orange systematically and long-term directs its support in the areas of education, community development and support of less well of groups. Therefore, in addition to grant programs it develops long-term partnerships with NGOs and with their help it fulfills its mission and helps make the world a better place for all. The foundation reallocated more than 700 thousand EUR last year and supported 553 community projects. There were grant programs implemented to promote useful ideas to help community development, volunteering and finding common solutions to local or social problems. Through program "e-Schools for the Future" it supported projects to promote responsible and safe use of ICT by children, implemented in primary and secondary schools. Under the popular program "Give Christmas" the foundation reallocated EUR 86,892 between requests for Christmas support, and again with the contribution of Orange customers. For each plan, Internet, TV or other service that the customer bought in Orange from 28 October to 28 November 2016, Orange contributed 50 cents to the “Give Christmas” grant program.

In co-operation with the Aliancia Stará tržnica, civic association, Connect and Orange Foundation, we inaugurated a new creative community space "Lab" powered by Nadácia Orange on March 14, 2016, where students, young professionals, and the general public can meet and gather new digital skills. Since its opening and the end of last year, there were 76 workshops on various topics carried out attended by 212 people in total. The Lab has so far 146 members, who regularly create there, and provide a base for the general public, who comes there for lectures.

In 2016, the Orange Foundation Award, which is a unique appreciation of its kind in Slovakia, was awarded for the seventh time. Its aim is to acknowledge the work of non-governmental organizations for their outstanding contributions. A total of nine of such organizations received the award, annually awarded in the fields of education, community development and social inclusion. An independent evaluation committee awarded three organizations in each category, not only morally but, also financially. The foundation re-allocated a total financial support amounting to EUR 53,000 amongst the winners. Last year, an exceptional award along with a cash prize was given to the organization dealing with, for example, improving the social skills of children in primary schools (League for Mental Health Slovakia, civic association) or creating inspiring public spaces designed to implement various community activities (Truc sphérique, civic association) or for providing comprehensive, integrated social services targeting mainly the Roma community (ETP Slovakia - Centre for sustainable development, civic association). The special award called "The Prize for Personality for Civic Engagement" went to Mr Ivan Ježík for long-term operation and search for innovative solutions in the field of education. The public was involved in the vote for the first time and announced the winner of the Prize of Public – STROM (The Tree – civic association).

More information about Corporate Social Responsibility activities of Orange and Nadácia Orange (Orange Foundation) can be found on www.orange.sk and www.nadaciaorange.sk.

8 Financial Statement

We work to make
our results speak for us

Orange Slovensko, a.s.

INDEPENDENT AUDITOR'S REPORT AND SEPARATE FINANCIAL STATEMENTS

(prepared in accordance with International Financial Reporting Standards as adopted by the EU)

Year ended 31 December 2016

Company identification number: 35 69 72 70

Tax identification number: SK2020310578

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Independent Auditor's Report

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Internet www.kpmg.sk

<u>Translation of the Auditors' Report originally prepared in Slovak language</u>

Independent Auditors' Report

To the Shareholder, Supervisory Board and Board of Directors of Orange Slovensko, a. s.:

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Orange Slovensko, a. s. ("the Company"), which comprise the statement of financial position as at 31 December 2016, statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes to financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2016, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section. We are independent of the Company in accordance with the ethical requirements of the Act No. 423/2015 Coll. on statutory audit and on amendments to Act No. 431/2002 Coll. on accounting as amended ("the Act on Statutory Audit") including the Code of Ethics for an Auditor that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Statutory Body for the Financial Statements

The statutory body is responsible for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as the statutory body determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the statutory body is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the statutory body either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

KPMG Slovensko spol. s r.o., a Slovak limited liability company and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Obchodný register Okresného súdu Bratislava I, oddiel Sro, vložka č. 4864/B
Commercial register of District court Bratislava I, section Sro, file No. 4864/B

IČO/Registration number: 31 348 238
Evidenčné číslo licencie audítora: 96
Licence number of statutory auditor: 96

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain 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.
- Obtain 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the statutory body.
- Conclude on the appropriateness of the statutory body'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 auditors' 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 auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Report on Other Legal and Regulatory Requirements

Reporting on Information in the Annual Report

The statutory body is responsible for the information in the Annual Report prepared in accordance with the Act No. 431/2002 Coll. on Accounting as amended ("the Act on Accounting"). Our opinion on the financial statements, mentioned above, does not cover other information in the Annual Report.

In connection with our audit of the financial statements, our responsibility is to read the Annual Report and, in doing so, consider whether the other information is materially inconsistent with the audited financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

The Annual Report was not available to us as of the date of this auditors' report.

When we obtain the Annual Report of the Company, we will consider whether it includes the disclosures required by the Act on Accounting, and, based on the work undertaken in the course of the audit of the financial statements, we will express an opinion as to whether:

- the information given in the Annual Report for the year 2016 is consistent with the financial statements prepared for the same financial year; and
- the Annual Report contains information according to the Act on Accounting.

In addition, we will report whether we have identified any material misstatement in the Annual Report in light of the knowledge and understanding of the Company and its environment that we have acquired during the course of the audit of the financial statements.

12 April 2017
Bratislava, Slovak Republic

Auditing company:
KPMG Slovensko spol. s r.o.
License SKAU No. 96

Slovenská komora audítorov
SKAU
Č.licencie 96
KPMG Slovensko spol. s r.o.

Responsible auditor:
Peter Nemečkay
License UDVA No. 1054

Separate Statement of Financial Position as at 31 December 2016

In thousands of EUR	Note	31 December 2016	31 December 2015
Assets			
Non-current assets			
Property, plant and equipment	4	342,830	338,701
Intangible assets	5	162,243	179,992
Investments in unconsolidated subsidiaries	6	106	106
Non-current receivables		8,869	6,889
Other non-current assets		31	84
Total		**514,079**	**525,772**
Current assets			
Inventories	8	15,691	20,493
Trade and other receivables	9	65,715	57,944
Other assets		4,293	5,205
Current financial assets	10	21,834	-
Current income tax receivable		3,347	3,766
Cash and cash equivalents	11	6,090	5,509
Total		**116,970**	**92,917**
Total assets		**631,049**	**618,689**

In thousands of EUR	Note	31 December 2016	31 December 2015
Equity and liabilities			
Equity	12		
Share capital		39,222	39,222
Reserves		15,260	15,260
Retained earnings		128,896	155,565
Profit for the year		81,700	88,249
Total		**265,078**	**298,296**
Non-current liabilities			
Provisions	14	28,626	29,624
Long-term debt/loan	13	210,000	110,000
Deferred tax liabilities	7	5,689	4,358
Non-current payables	14	17,050	18,616
Total		**261,365**	**162,598**
Current liabilities			
Current financial liabilities	10	-	36,582
Trade payables and other liabilities	15	83,721	101,000
Provisions	14	1	1
Deferred income	16	20,884	20,212
Total		**104,606**	**157,795**
Total equity and liabilities		**631,049**	**618,689**

Separate Statement of Comprehensive Income for the Year ended 31 December 2016

In thousands of EUR	Note	2016	2015
Revenues	**17**	**551,898**	**560,623**
External purchases	18	(293,464)	(289,392)
Other operating expenses	19	(16,174)	(16,586)
Other operating income	19	14,926	7,962
Wages and contributions	20	(46,354)	(45,779)
Amortisation and depreciation expenses		(97,622)	(95,814)
Operating profit		**113,210**	**121,014**
Interest income		73	128
Interest expenses		(2,162)	(1,602)
Other finance expenses		(174)	(212)
Other finance income		26	37
Profit before tax		**110,973**	**119,365**
Income tax	21	(29,273)	(31,116)
Profit for the year		**81,700**	**88,249**
Other comprehensive income		-	-
Total comprehensive income for the year		**81,700**	**88,249**
Total comprehensive income attributable to:			
Owners of the Company		81,700	88,249

Separate Statement of Changes in Equity for the Year ended 31 December 2016

In thousands of EUR	Note	Share capital	Reserves	Retained earnings	Total
Balance as at 1 January 2015		39,222	15,260	363,191	417,673
Application of new accounting policy on capitalization of SIM cards		–	–	2,374	2,374
Balance as at 1 January 2015 adjusted		39,222	15,260	365,565	420,047
Total comprehensive income for the year					
Profit for the year		–	–	88,249	88,249
Transactions with shareholders					
Dividends paid		–	–	(210,000)	(210,000)
Balance as at 31 December 2015		**39,222**	**15,260**	**243,814**	**298,296**
Balance as at 1 January 2016		39,222	15,260	243,814	298,296
Total comprehensive income for the year					
Profit for the year		–	–	81,700	81,700
Share based plan		–	–	82	82
Transactions with shareholders					
Dividends paid		–	–	(115,000)	(115,000)
Balance as at 31 December 2016		**39,222**	**15,260**	**210,596**	**265,078**

Separate Statement of Cash Flow for the Year Ended 31 December 2016

In thousands of EUR	Note	2016	2015
Profit for the year		**81,700**	**88,249**
Taxes		29,273	31,116
Financial income		-	-
Interest expenses		2,163	1,601
Interest income		(72)	(127)
Depreciation and amortisation of tangible and intangible assets		97,621	95,814
(Decrease)/Increase in provisions		(1,260)	927
Decrease in value adjustment to receivables		(8,445)	(2,246)
(Decrease)/Increase in value adjustment to inventories		(16)	316
Gain on sale of property, plant and equipment		(8,322)	(865)
Other		-	-
Share based compensation		83	-
Profit from operating activities before changes in working capital		192,725	214,785
(Increase)/Decrease in trade and other receivables (including accruals/deferrals of assets)		(413)	1,351
Decrease/(Increase) in inventory		4,818	(9,031)
Increase/(Decrease) in trade liabilities (including accruals/deferrals of liabilities)		(18,740)	(20,155)
Cash generated from operations		178,390	186,950
Interest received		3	5
Interest paid		(1,193)	(551)
Taxes paid		(27,523)	(33,132)
Cash flows from operating activities		**149,677**	**153,272**

In thousands of EUR	Note	2016	2015
Investing Activity			
Purchase of property, plant and equipment		(84,203)	(85,903)
Proceeds from sale of non-current assets		8,523	1,147
(Increase) in financial assets		(21,834)	-
Net cash outflow from investing activities		**(97,514)**	**(84,756)**
Financing Activity			
Changes in current financial liabilities	10	(36,582)	30,132
Increase in long-term loan net of arrangement fees	13	100,000	109,286
Dividends paid	12	(115,000)	(210,000)
Net cash outflow from financing activities		**(51,582)**	**(70,582)**
Net increase /(decrease) in cash and cash equivalents		**581**	**(2,066)**
Cash and cash equivalents at the beginning of the year		**5,509**	**7,575**
Cash and cash equivalents at the end of the year	**11**	**6,090**	**5,509**

Notes to the Separate Financial Statements for the Year Ended 31 December 2016

1. General Information

Orange Slovensko, a.s. (hereinafter also referred to as the "Company") is a joint stock company established on 29 July 1996 and incorporated on 3 September 1996 with its registered office at Metodova 8, 821 08 Bratislava, Slovak Republic. In August 2008, Atlas Services Belgium, S.A. acquired all the shares held by Wirefree Services Nederland B.V., which had been the major shareholder since November 2005, when it acquired all the shares held by minority shareholders and became the 100% shareholder of Orange Slovensko, a.s. The Company's principal activity is the establishment and operation of public mobile telecommunication networks at assigned frequencies as well as the operation of fibre-optic cable networks. The Company is not an unlimited guarantor in any other entity.

Approval of the 2015 Financial Statements

On 3 June 2016, the General Meeting approved the Company's 2016 financial statements (Notary Deed No. N 108/2016, Nz 20000/2016, NCR1s 20577/2016).

Members of the Company's Bodies

Body	Function	Name
Board of Directors	Chairman and Chief Executive Officer	Pavol Lančarič
	Deputy Chairman	Ladislav Rehák
	Member and ITN Director/CEO deputy	Ivan Golian
	Member and CFO/CEO deputy	Antoine Guillaume Guilbaud
	Member	Zuzana Nemečková
	Member	Marc Ricau
Supervisory Board	Member	Christophe Naulleau
	Member	Mai Céline Pavret de La Rochefordiere
	Member (until 13 June 2016)	Adela Irinel Savu Guedon
	Member (until 13 June 2016)	Ján Kodaj
	Member (until 13 June 2016)	Rudolf Tesár
	Member (since 14 June 2016)	Bruno Duthoit
	Member (since 14 June 2016)	Ľuboš Dúbravec
	Member (since 14 June 2016)	Francis Gelibter
	Member (since 14 June 2016)	Štefan Hrončec

Employees

	31 December 2016	31 December 2015
Number of employees as at	1,113	1,087
Of which: managers	112	113
Average number of employees	1,099	1,077

2. Adoption of New and Revised Standards

In the current year, International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB have not issued any new or revised standards or interpretations that could be relevant to the Company's operations for accounting periods beginning on 1 January 2016.

(a) Standards and interpretations adopted by EU effective in 2016 but not relevant to the Company's operation

The following standards, amendments, and interpretations adopted by the EU are mandatory for accounting periods beginning on or after 1 January 2016 but are not relevant to the Company's operation:

- Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures" - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (effective for annual periods beginning on or after 1 January 2016)
- Amendments to IFRS 10 "Consolidated Financial Statements", IFRS 12 "Disclosure of Interests in Other Entities" and IAS 28 "Investments in Associates and Joint Ventures" - Investment Entities: Applying the Consolidation Exception (effective for annual periods beginning on or after 1 January 2016)
- Amendments to IFRS 11 "Joint Arrangements" – Accounting for Acquisitions of Interests in Joint Operations (effective for annual periods beginning on or after 1 January 2016)
- Amendments to IAS 1 "Presentation of Financial Statements" - Disclosure Initiative (effective for annual periods beginning on or after 1 January 2016)
- Amendments to IAS 16 "Property, Plant and Equipment" and IAS 38 "Intangible Assets" - Clarification of Acceptable Methods of Depreciation and Amortisation (effective for annual periods beginning on or after 1 January 2016)
- Amendments to IAS 16 "Property, Plant and Equipment" and IAS 41 "Agriculture" - Agriculture: Bearer Plants (effective for annual periods beginning on or after 1 January 2016)
- Amendments to IAS 27 "Separate Financial Statements" - Equity Method in Separate Financial Statements (effective for annual periods beginning on or after 1 January 2016)
- IFRS 14 "Regulatory Deferral Accounts" (effective for annual periods beginning on or after 1 January 2016)

(b) Standards, interpretations, and amendments to the existing standards and interpretations adopted by the EU but not yet effective

At the date of authorisation of these financial statements, the following standards, revisions, and interpretations adopted by the EU had been issued but were not yet effective:

- IFRS 9 "Financial Instruments" and subsequent amendments (effective for annual periods beginning on or after 1 January 2018)
- IFRS 15 "Revenue from Contracts with Customers" (effective for annual periods beginning on or after 1 January 2018)
- IFRS 16 "Leases" (effective for annual periods beginning on or after 1 January 2019)
- Amendments to IFRS 2 "Classification and Measurement of Share-based Payment transactions" (effective for annual periods beginning on or after 1 January 2018)
- Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures" - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (effective for annual periods beginning on or after a date to be determined)
- Amendments to IAS 7 Disclosure Initiative

(effective for annual periods beginning on or after 1 January 2017)

- Amendments to IAS 12 “Recognition of Deferred tax assets for unrealised losses” (effective for annual periods beginning on or after 1 January 2017)

The Company anticipates that adopting these standards and amendments to the existing standards and interpretations will have no material impact on the Company’s financial statements in the period of initial application except for the standard IFRS 15 and IFRS 16.

IFRS 15 standard relates to revenue recognition and is applicable on a retrospective basis either limited to the cumulative effect of the new method at the opening date of the annual reporting period that includes the date of initial application (January 1, 2018) or by adjusting the reported comparative periods.

For the Company, this standard would mainly impact the accounting for bundled offers which include a handset component with a subsidised price and a communication service component: the cumulative revenue will not change but its allocation between the handset sold and the communication service will differ and thus also revenue split between particular years will change. The resulting acceleration of the device revenue recognition would lead to the recognition of a contract asset in the statement of financial position which would be settled against the communication service revenue during the contract commitment period. Except for this difference in the statement of financial position, the revenue recognition of a bundled offer will be similar to that of a deferred payment equipment sale and a separate communication service.

Commissions (i.e. payments to distributors directly attributable to an obtaning a contract,) will be recognized over the contract commitment period.

The future implication of the standard is currently being evaluated and will be applied in accordance with the requirements in 2018.

IFRS 16 standard relates to the accounting for leases and will be compulsory applicable from January 1, 2019 or on a retrospective basis from January 1, 2018. It is retrospective either at the first application date or at the opening date of the reported comparative period.

This standard will mainly change the lease accounting for lessees with the recognition of an asset and a liability which represents the right of use at the delivery date granted by the lessor.

As a consequence, it will impact the presentation of the income statement (depreciation and interest expense instead of rental expense) and the statement of cash flows (interest expense will only impact the operating cash flows whereas the debt repayment will affect the financing cash flows). In the statement of financial position, the net equity will be reduced at the beginning of the arrangement (due to the acceleration of expenses attributable to the interest component) and the intangible and tangible assets as well as the lease liability will increase.

Thus, the standard introduces a new basis for splitting supplier arrangements based on a new accounting definition of a lease and a service arrangement.

3. Significant Accounting Policies

(a) Statement of Compliance

The separate financial statements have been prepared in accordance with IFRS as adopted by the EU and on the going concern assumption. IFRS as adopted by the EU do not currently differ from IFRS as issued by the IASB, except for certain standards and interpretations that have not been endorsed by the EU as described above.

(b) Legal Framework for Preparing the Financial Statements

These financial statements are the Company’s separate financial statements prepared under Act on Accounting No. 431/2002 Coll. on Accounting, as amended. The financial statements were prepared for the reporting period from 1 January 2016 to 31 December 2016 in accordance with IFRS as adopted by the EU. The Company elected to use the exemption from consolidation in accordance with the 7th Directive of the EU as well as with IAS 27.10 and not to present consolidated financial statements (with its 100 % owned subsidiary Orange CorpSec, spol. s r.o.), which is also incorporated into the Act on Accounting No. 431/2002 Coll. on Accounting, as amended. These financial statements are intended for general use and information; they are not intended for the purpose of any specific user or for the consideration of any specific transaction. Accordingly, users should not rely exclusively on these financial statements when making decisions.

Orange SA (France), the Company's ultimate parent company and the ultimate controlling party, prepares consolidated financial statements in accordance with IFRS as adopted by the EU for a group of companies, which also includes Orange Slovensko, a.s. and its subsidiary Orange CorpSec, spol. s r.o.

The consolidated financial statements of Orange SA are available at its registered office at 6 Place d'Alleray, 75015 Paris, France.

(c) Basis of Preparation

The financial statements are presented in euros, rounded to the nearest thousand. They are prepared on the historical cost basis. The principal accounting policies are included in the paragraphs below.

(d) Foreign Currency

Foreign Currency Transactions

Transactions denominated in foreign currencies are translated into euro using the exchange rate of the day prior to the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate valid on the balance sheet date. The exchange rate differences upon translation are charged to the result for the period. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated into euro at the foreign exchange rates valid on the dates on which the fair value is determined.

(e) Property, Plant and Equipment

Owned Assets

Items of property, plant and equipment are stated at cost, less accumulated depreciation and impairment losses, if applicable. Cost consists of the price at which the asset was acquired plus the costs related to the acquisition (installation and commissioning, transport, assembling cost, etc). The cost of self-constructed assets includes the cost of materials, direct labour, the initial estimate (where relevant) of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads. SIM cards are capitalized as an item of property, plant and equipment.

Items of property, plant, and equipment are accounted for on a component-by-component basis at a level that allows for the depreciation of each component over its expected useful life and allows the proper accounting of asset disposal and withdrawal.

Subsequent Expenditure

The Company recognises in the carrying amount of an item of property, plant, and equipment the additional costs or cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied with the item will flow to the Company and the cost of the item can be measured reliably. All other costs are recognised as an expense when incurred.

Depreciation

Depreciation is charged to the income statement on a straight-line basis over the estimated useful life of each category of an item of property, plant, and equipment. Land is not depreciated. Depreciation starts when the assets are ready for their intended use. The estimated useful lives for the current and comparative periods are as follows:

	2016	2015
Radio Access Network	5 to 28 years	5 to 28 years
Transmission	6 to 30 years	6 to 30 years
Switching	5 to 10 years	5 to 10 years
Data Network	4 to 5 years	5 years
Dedicated Platforms	5 years	5 years
Other Network	5 to 10 years	5 to 10 years
IT Non-Network Hardware & Infrastructure	2 to 5 years	2 to 5 years
Buildings	10 to 30 years	10 to 30 years
Other Non-Network Equipment	2 to 10 years	3 to 10 years
Local Loop	10 to 30 years	10 to 30 years
SIM Cards	5 years	5 years

The useful lives of property, plant and equipment are reassessed annually by Orange SA, which results in changes to the useful lives of certain assets. These changes are recorded as changes in the accounting estimates on a prospective basis.

At the Company level, the revision of an individual asset's useful life is performed when indicators of an earlier end of life exist.

(f) Intangible Assets

Intangible assets acquired separately by the Company are stated at cost less accumulated amortisation and impairment losses if applicable. Intangible assets mainly comprise software and licences for operating the telecommunication network.

Telecommunication licenses

Upon the granting of the telecommunication licenses (GSM, UMTS, LTE) Orange Slovensko, a.s. is obliged to pay to the Telecommunication Office one off license fee and two types of recurrent fees:

- Administrative variable fees
- Spectrum fixed fees

The license fees and the spectrum fees are capitalized as intangible assets and amortized over the license period. The administrative fees are expensed.

Capitalisation of Spectrum Fees

Spectrum fees are the unavoidable payments computed on the principle of allocated bandwidth and fix tariff for the whole period to which a license is granted. Payment is done on a quarterly basis during the whole license period.

The Company discounts the value of future spectrum fees to their present value and recognizes them as other intangible assets. Related future spectrum fees payables are presented as both current and non-current liability.

Subsequent Expenditures

Subsequent expenditures on capitalised intangible assets are capitalised only when they increase the future economic benefits embodied in the specific assets to which they relate. All other expenditures are expensed as incurred.

Amortisation

Intangible assets are amortised from the date they become available for use, using the straight-line method over the following estimated useful lives:

	2016	2015
Software	3 to 10 years	3 to 10 years
Licences	10 to 16 years	10 to 16 years

The useful lives of intangible assets are reassessed annually by Orange SA, which results in changes to the useful lives of certain assets. These changes are recorded as changes in accounting estimates on a prospective basis.

At the Company level, the revision of an individual asset's useful life is performed when indicators of an earlier end of life exist.

(g) Impairment of Assets

The carrying amounts of the Company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement.

The recoverable amount of other assets is the greater of their net selling price and the value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

(h) Investments in Subsidiaries

Investments in subsidiaries represent investments in wholly-owned subsidiaries: Orange CorpSec, spol. s r.o. with the seat on Metodova 8, 821 08 Bratislava, Slovakia and Nadácia Orange ("the Foundation"), having the seat on Metodova 8, 821 08 Bratislava. The Company's investments have been accounted for at cost.

(i) Inventories

Inventories are stated at the lower of cost and the net realisable value. The net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs necessary for completing the sale and selling expenses.

The cost is based on the weighted average principle and includes expenditures incurred in acquiring the inventories and bringing them to their existing location and condition.

(j) Trade Receivables

The trade receivables are mainly short-term with no stated interest rate and are measured at fair value, subsequent to initial recognition they are stated at their amortized costs using the effective interest rate method, less provisions for any impairment of the receivables.

Those receivables which include deferred payment terms over 12 up to 24 months for the benefit of customers who purchased handsets are discounted and classified as according to their remaining maturities. A provision for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables (see Note 9).

Contractual Penalties

The Company recognize the contractual penalties at the moment of collection based on the historical data analysis showing that the probability of contractual penalties collection is low (less than 50 % on average) while the probability is assessed on the basis of an individual contract level. The Company considers contractual penalties as contingent assets.

The application of the new accounting policy has no impact on the reported Statement of Income and retained earnings as the receivables from contractual penalties were offset by a 100 % impairment provision in the past.

(k) Cash and Cash Equivalents

Cash and cash equivalents consist of balances with banks, and highly-liquid investments with insignificant risk of changes in value.

(l) Financial Assets

Financial assets are classified into the following specified categories: financial assets as 'at fair value through profit or loss' (FVTPL), 'held-to--maturity investments', 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of the initial recognition. As at 31 December 2016, the Company holds trade receivables and current cash-pool account held by parent company Orange SA categorised as 'loans and receivables' (2015: only trade receivables categorised as 'loans and receivables').

(m) Financial Liabilities

Financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised costs using the effective interest rate method, with interest recognised on an effective yield basis. The Company's financial liabilities relates to overdraft on the current account held by parent company Orange SA as at 31 December 2015 and long term loan received from the parent company.

(n) Borrowing Cost

All borrowing costs are recognised in profit or loss in the period in which they are incurred. As the Company does not have any loans dedicated to investment activities, there are no borrowing costs eligible for capitalisation.

(o) Provisions

A provision is recognised when the Company has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. The Company records a provision for asset retirement, a provision for retirement benefit cost and a provision for litigations (see Note 14).

(p) Trade and Other Payables

Trade and other payables are stated at cost.

(q) Revenues

The Company provides mobile and non-mobile communication services to individuals and commercial and non-commercial organisations. The Company generates revenue primarily by providing digital wireless services for voice and data as well as value-added services, text, and multimedia messaging. To a lesser extent, Orange Slovensko a.s. generates revenue from the sale of wireless handsets, including laptops and tablet computers.

The Company recognises mobile usage and roaming service revenues based upon the traffic processed or contracted fee schedules when the service is rendered. Revenues due from foreign carriers for international roaming calls are included in revenues in the period in which the call occurs.

Certain prepaid usage services are billed in advance, resulting in deferred income. Related revenues are recognised based on the usage or the expiry of the prepaid vouchers.

The Company enters into multiple element arrangements, which include the sale of handsets, activation fees, and service contracts to customers through Orange-branded shops. These transactions include the sale of a mobile handset, the up-front charge of non-refundable activation fees to connect the customer to the service, and subsequently monthly fees and airtime fees charged during the contract period. The Company considers each element delivered as a separately identifiable component for the purpose of accounting of the transaction, as the handset or mobile service contract can be sold separately. The Company allocates the consideration of all elements based on the relative fair value of each elements and recognize the first element delivered, i.e. the handset up to the price paid by the customer for the handset.

Other service revenues are recognised when delivered and accepted by customers and when services are provided in accordance with the contract terms.

Revenue and related expenses associated with the wholesale of wireless handsets to distributors are recognised when the products are delivered and accepted; as such, sales transactions are separate and distinct from the sale of wireless services to customers.

(r) Expenses

Operating Lease Payments

For operating leases, lease payments are expensed on a straight-line basis over the lease period.

(s) Taxation

Income tax expenses for the year comprise current and deferred tax and special levy.

Current Income Tax

Current tax is the expected tax payable on the taxable profit for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years. Taxable profit differs from profit as reported in the separate income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

Special Levy

Special contribution made by a regulated entity from activities in regulated industries. The base for the levy is the economic result reported for the accounting period. The monthly levy rate is 0.363 % for 2016 (0.726 % starting from 1 January 2017, which will gradually decrease to 0.363 % by 2021) from the operating profit.

Deferred Tax

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using the tax rates enacted or substantially enacted at the balance sheet date including the special levy. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefits will be realised.

(t) Employee Benefits

Long-Term Service Benefits

The Company's net obligation in respect of long-term service benefits is the amount of future benefits that employees have earned in return for their service in prior periods. The obligation is calculated using actuarial methods and discounted to its present value using a risk free interest rate. The Company's employee benefits contain only retirement benefit.

4. Property, Plant and Equipment

In thousands of EUR	Land and Buildings	Plant and Equipment	Motor Vehicles	Fixtures and Fittings	ARO *)	Under Construction	Total
Cost							
As at 1 January 2015	4,234	780,879	6,856	30,487	20,341	32,508	875,305
Additions	-	-	-	-	2,957	72,708	75,665
Disposals	-	(49,971)	(3,271)	(1,043)	-	-	(54,285)
Transfer	404	62,127	1,867	3,363	-	(67,761)	-
As at 31 December 2015	**4,638**	**793,035**	**5,452**	**32,807**	**23,298**	**37,455**	**896,685**
As at 1 January 2016	4,638	793,035	5,452	32,807	23,298	37,455	896,685
Additions	-	-	-	-	636	69,933	70,569
Disposals	-	(105,192)	(973)	(3,787)	-	-	(109,952)
Transfer	266	61,349	775	3 719	-	(66,109)	-
As at 31 December 2016	**4,904**	**749,192**	**5,254**	**32,739**	**23,934**	**41,279**	**857,302**
Accumulated depreciation							
As at 1 January 2015	917	514,321	4,582	18,777	5,497	-	544,094
Charge for the year	294	60,484	972	4,958	1,185	-	67,893
Disposals	-	(49,885)	(3,075)	(1,043)	-	-	(54,003)
As at 31 December 2015	**1,211**	**524,920**	**2,479**	**22,692**	**6,682**	**-**	**557,984**
As at 1 January 2016	1,211	524,920	2,479	22,692	6,682	-	557,984
Charge for the year	306	59,394	921	4,468	1,149	-	66,238
Disposals	-	(105,000)	(963)	(3,787)	-	-	(109,750)
As at 31 December 2016	**1,517**	**479,314**	**2,437**	**23,373**	**7,831**	**-**	**514,472**

*) Asset Retirement Obligation (ARO) described in Note 14

In thousands of EUR	Land and Buildings	Plant and Equipment	Motor Vehicles	Fixtures and Fittings	ARO *)	Under Construction	Total
Carrying amount							
As at 1 January 2015	3,317	266,558	2,274	11,710	14,844	32,508	331,211
As at 31 December 2015	3,427	268,115	2,973	10,115	16,616	37,455	338,701
As at 1 January 2016	3,427	268,115	2,973	10,115	16,616	37,455	338,701
As at 31 December 2016	3,387	269,878	2,817	9,366	16,103	41,279	342,830

*) Asset Retirement Obligation (ARO) described in Note 14

As at 31 December 2016, none of the properties were pledged to secure bank loans.

In 2016, transfers from assets under construction to property, plant, and equipment mainly comprised investments to upgrade of the existing network, particularly Mobile RAN (Radio Access Network) LTE + 2G/3G equipment & releases and Mobile RAN Infrastructure and increase in IP routers equipment & releases.

During 2016, the Company had a disposal in gross value of EUR 109,952 thousand (book value of EUR 202 thousand) relating mainly to old fully depreciated Mobile RAN equipment.

Property and equipment, excluding motor vehicles, is insured to a limit of EUR 754,826 thousand (2015: EUR 745,147 thousand). Each motor vehicle is insured to a limit of EUR 5,000 thousand (2015: EUR 5,000 thousand) for damage on health and expenses related to death and EUR 2,000 thousand (2015: EUR 2,000 thousand) for damage caused by destroyed, seized or lost items.

5. Intangible Assets

In thousands of EUR	Software	Telecom. Licences	Other Intangible Assets	Under Construction	Total
Cost					
As at 1 January 2015	153,999	185,277	16,524	6,779	362,579
Additions	-	-	-	15,253	15,253
Disposals	(36,125)	(727)	(266)	-	(37,118)
Transfer	13,518	-	669	(14,187)	-
As at 31 December 2015	**131,392**	**184,550**	**16,927**	**7,845**	**340,714**
As at 1 January 2016	131,392	184,550	16,927	7,845	340,714
Additions	-	-	-	13,649	13,649
Disposals	(1,821)	-	-	-	(1,821)
Transfer	13,825	-	749	(14,574)	-
As at 31 December 2016	**143,396**	**184,550**	**17,676**	**6,920**	**352,542**
Accumulated amortisation					
As at 1 January 2015	103,873	60,348	3,056	-	167,277
Charge for the year	18,789	9,925	1,848	-	30,562
Disposals	(36,852)	-	(266)	-	(37,118)
As at 31 December 2015	**85,810**	**70,273**	**4,638**	**-**	**160,721**
As at 1 January 2016	85,810	70,273	4,638	-	160,721
Charge for the year	19,221	9,922	2,241	-	31,384
Disposals	(1,806)	-	-	-	(1,806)
As at 31 December 2016	**103,225**	**80,195**	**6,879**	**-**	**190,299**

In thousands of EUR	Software	Telecom. Licences	Other Intangible Assets	Under Construction	Total
Carrying amount					
As at 1 January 2015	**50,126**	**124,929**	**13,468**	**6,779**	**195,302**
As at 31 December 2015	**45,582**	**114,277**	**12,289**	**7,845**	**179,993**
As at 1 January 2016	**45,582**	**114,277**	**12,289**	**7,845**	**179,993**
As at 31 December 2016	**40,171**	**104,355**	**10,797**	**6,920**	**162,243**

In 2016, the addition mainly comprises the purchase of an IT applications and software packages.

During 2016, the Company had a disposal in gross value of EUR 1,821 thousand (book value of EUR 14 thousand) relating mainly to old mostly fully depreciated messaging service platforms.

6. Investments in Subsidiaries

Investments in subsidiaries at a cost of EUR 100 thousand represent an investment in the wholly--owned subsidiary Orange CorpSec, spol. s r.o. The subsidiary was registered in the Commercial Register on 1 February 2005. The table below summarises the subsidiary's financial information:

In thousands of EUR	Assets	Liabilities	Equity	Revenues	Profit/loss for the Period
As at 31 December 2016	697	175	522	1,080	73
As at 31 December 2015	664	215	449	1,080	262

In 2010, the Company recognised an investment in Nadácia Orange (hereinafter also referred to as the "Foundation") at a cost of EUR 6 thousand, which is considered immaterial for the purpose of these financial statements.

7. Deferred Tax Assets and Liabilities

Movement in the deferred tax account is as follows:

In thousands of EUR	31 December 2016	31 December 2015
At beginning of period – net deferred tax liability	4,358	7,978
Income statement	929	(3,620)
Change in tax rate via income statement	402	-
At end of period – net deferred tax liability	**5,689**	**4,358**

Deferred tax assets and deferred tax liabilities are attributable to the items detailed in the table below:

In thousands of EUR	31 December 2016			31 December 2015		
	Assets	Liabilities	Net	Assets	Liabilities	Net
Property, plant, and equipment	-	23,338	(23,338)	-	19,648	(19,648)
Inventories	420	-	420	377	-	377
Receivables	1,681	-	1,681	1,672	-	1,672
Accruals	5,721	-	5,721	4,351	-	4,351
Provisions	9,827	-	9,827	8,890	-	8,890
Net deferred tax	**17,649**	**23,338**	**(5,689)**	**15,290**	**19,648**	**(4,358)**

Deferred tax assets and liabilities were offset on the grounds that the Company has the legally-enforceable right to offset their current tax assets against current tax liabilities and the deferred taxes relate to the same taxation authority.

The statutory tax rate for 2016 was 22 % (2015: 22 %) plus the special levy for the regulated industries of 4.36 % of operating profit (2015: 4.36 %). Effective from 1 January 2017 the statutory tax rate changed to 21 % and for special levy to 8.72 %. The special levy would gradually reduce to 4.36 % by 2021. The rate effective from 1 January 2017 were used in the deferred tax calculation.

8. Inventories

In thousands of EUR	31 December 2016	31 December 2015
Raw materials and consumables	743	1,027
Merchandise	16,362	20,896
Provision for slow moving merchandise	(1,414)	(1,430)
	15,691	**20,493**

Previously-recognised provisions for slow-moving merchandise were released for assets that were sold or donated.

As at 31 December 2016, no inventories were pledged to secure bank loans.

Changes in provisions for slow moving merchandise are recognised under Note 18 line" Purchased goods and services".

9. Trade and Other Receivables, Net

In thousands of EUR	31 December 2016	31 December 2015
Accounts receivable	93,965	94,676
Allowance for doubtful debts and receivables	(28,250)	(36,732)
	65,715	**57,944**

As at 31 December 2016, no trade receivables were pledged to secure bank loans. The trade receivables are decreased by the allowance for receivables expected to be irrecoverable.

Allowances for doubtful debts are currently determined according to two methods:

- Statistical method for the retail market is based on historical losses and leads to a separate impairment rate for each ageing balance category.
- Individual method based on an examination of specific overdue items for the wholesale market (roaming, interconnect).

Ageing of past due but not impaired trade and other receivables

In thousands of EUR	31 December 2016	31 December 2015
Total receivable	65,715	57,944
Of which: non due	51,759	49,378
past due impaired	6,878	6,486
past due not impaired	7,078	2,080
Less than 180 days	7,078	2,080
Between 180 days and 360 days	-	-
More than 360 days	-	-

Movements in the allowance for doubtful debts

In thousands of EUR	31 December 2016	31 December 2015
Balance at beginning of the year	36,732	39,042
Net charge against bad debt provision	(8,482)	(2,310)
Balance at the end of the year	**28,250**	**36,732**

Aging of impaired trade and other receivables

In thousands of EUR	31 December 2016	31 December 2015
Total impaired	**28,250**	**36,732**
Of which:		
Less than 180 days	1,401	1,261
Between 180 days and 360 days	1,840	1,858
More than 360 days	25,010	33,614

10. Current Financial Assets/Liabilities

The balance of EUR 21,834 thousand (2015: EUR 36,582 thousand liability) represents the receivable on the cash-pooling account of the Company with Orange SA, held in BNP Paribas France. On 15 March 2006, the Company signed a Centralised Treasury Management Agreement with France Telecom S.A (the successor company Orange SA) with the aim of centralisation and optimisation of affiliated companies' cash surplus under the best technical and financial conditions and ensuring a fine-tuning of the liquidity at the Group level.

Cash balances are not subject to any foreign exchange risk as they are denominated in the local currency. Maximum borrowing headroom is EUR 66 million. The balances bear an interest rate calculated as EONIA (EONIA: Euro Overnight Index Average). Interest is accounted for on a monthly basis and capitalised on the Company's current account. In the event of an overdraft, the interest is paid on a monthly basis and is calculated as EONIA plus the fixed rate of interest. The interest rate was negative rate 0.329% as at 31 December 2016 (0.773 % as at 31 December 2015).

11. Cash and Cash Equivalents

In thousands of EUR	31 December 2016	31 December 2015
Cash on hand and cash equivalents	107	108
Bank balances and deposits	5,983	5,401
Cash and cash equivalents in the balance sheet	**6,090**	**5,509**

The Company's cash balance includes current bank accounts and overnight balances with banks. The Company transfers free cash to its current account held by Orange SA, except for reasonable level held for operational reasons.

12. Equity

Share capital

As at 31 December 2016, the authorised share capital comprised 1,181,755 ordinary shares (2015: 1,181,755), with a nominal value of EUR 33.19 each, 1 ordinary share (2015: 1) with a nominal value of EUR 13.78, and 1 ordinary share (2015: 1) with a nominal value of EUR 0.66. Holders of these shares are entitled to dividends as declared from time to time and are entitled to one vote per share at the general meetings of the Company.

Reserves

Reserves of EUR 15,260 thousand (2015: EUR 15,260 thousand) relate to the Legal Reserve Fund, which is not available for distribution and should be used to cover future losses arising from business activities, if any.

Dividends

As at the preparation date of these financial statements the Board of Directors made no decision regarding the amount of dividends to be paid from the 2016 profit.

In June 2016, the shareholders approved a dividend payment of EUR 115 million related to undistributed profits from previous years at their annual general meeting. An amount of EUR 100 million was paid in June 2016 and EUR 15 million was paid in December 2016.

13. Loans and Borrowings

On 30 June 2015 the Company signed a Credit Facility Agreement with Atlas Services Belgium S.A.. The credit facility was drawn down in two tranches: Tranche A in the amount of EUR 110,000 thousand was drawn down as at 30 June 2015 and Tranche B in the amount of EUR 100,000 thousand was drawn down as at 20 June 2016.
The final maturity date for Tranche A is 30 June 2019 and for Tranche B is 30 June 2020. The Company paid an arrangement fees in June 2015 in amount of EUR 714 thousand (0.34 % from the Total Maximum amount of the Facility). Interest is paid on a quarterly basis and is calculated as EURIBOR plus 0.89 % margin. The interest rate was 0.571 % as at 31 December 2016 (0.759 % as at 31 December 2015).
The loan is unsecured and the Company may use the funds for the general corporate operation purposes.

14. Provisions and Non-current Payables

Provisions

In thousands of EUR	Provision for Base Station Dismantling	Other	Total
Balance at 31 December 2015	25,747	3,878	29,625
Provisions made during the year	897	225	1,122
Provisions used during the year	-	-	-
Provisions reversed during the year	-	(2,120)	(2,120)
Balance at 31 December 2016	**26,644**	**1,983**	**28,627**

In thousands of EUR	31 December 2016	31 December 2015
Non-current	28,626	29,624
Current	1	1
	28,627	**29,625**

A provision for asset retirement obligation was recorded in the amount of EUR 26,644 thousand, using the following assumptions based on an expert's study: average costs of site demolition of EUR 8 thousand, an average site usage of 15 years, discount rate of 1.015 %, dismantling cost index of 3.00 % and number of sites of 2,398 (2015: EUR 25,747 thousand, 15 years, 1.18 %, 3.00 %, and of 2,374 sites, respectively). The Company records the carrying amount of EUR 16,102 thousand (2015: EUR 16,616 thousand) in the asset sideof the balance sheet (Note 4).

Other provisions represent a provision for retirement benefit costs and provision for litigations.

Non-current Payables

Non-current payables represent long-term liability resulted from the capitalised unavoidable future spectrum fees payable to Telecommunication Office. The liabilities were initially discounted to the fair value at discount rate that ranges from 1.99 % to 2.25 %. The liability is amortised using the effective interest rate method.

Fair value of the liability using the discount rate of 1.018 % is by EUR 2 million higher compared to its carrying amount at the balance sheet date.

15. Trade Payables and Other Liabilities

In thousands of EUR	31 December 2016	31 December 2015
Trade payables	47,612	54,394
Accrued liabilities	18,862	31,290
Tax liabilities (VAT)	5,741	3,346
Liabilities to employees	10,949	11,359
Other current liabilities	557	611
Total	**83,721**	**101,000**

Accounts payables are classified as current liabilities if the payment is due within one year or less. Trade payables are non-interest bearing and the prevailing credit period on purchases is from one to two months.

Payables within and after maturity

31 December 2016

In thousands of EUR	within maturity period	within 360 days overdue	more than 360 days overdue	Total
Trade payables	44,453	3,071	88	47,612
Accrued liabilities	18,862	-	-	18,862
Tax liabilities (VAT)	5,741	-	-	5,741
Liabilities to employees	10,949	-	-	10,949
Other current liabilities	557	-	-	557
Total	**80,562**	**3,071**	**88**	**83,721**

The payables in category “within 360 days overdue” were paid during January 2017.

31 December 2015

In thousands of EUR	within maturity period	within 360 days overdue	more than 360 days overdue	Total
Trade payables	50,566	3,828	-	54,394
Accrued liabilities	31,290	-	-	31,290
Tax liabilities (VAT)	3,346	-	-	3,346
Liabilities to employees	11,359	-	-	11,359
Other current liabilities	611	-	-	611
Total	**97,172**	**3,828**	**-**	**101,000**

Liabilities to employees include social fund liabilities:

In thousands of EUR	2016	2015
As at 1 January	143	137
Additions	355	324
Utilisation	329	318
As at 31 December	**169**	**143**

16. Deferred Income

In thousands of EUR	31 December 2016	31 December 2015
Prepaid phone cards (Prima cards)	6,233	6,948
Post paid customers	14,442	12,990
Other	209	274
Total	**20,884**	**20,212**

17. Revenues

Revenues are presented in the table below:

In thousands of EUR	2016	2015
Mobile voice services	262,059	280,110
Mobile non-voice services	165,360	164,312
Sale of equipment	55,344	50,316
Other revenues	69,135	65,885
Total Revenues	**551,898**	**560,623**

18. External Purchases

External purchases are presented in the table below:

In thousands of EUR	2016	2015
Cost of equipment sold	101,969	100,768
Purchased goods and services	75,486	75,568
Service fees and interoperator costs	84,693	81,649
Costs associated with non-current assets	12,894	12,767
Other	18,422	18,640
Total external purchases	**293,464**	**289,392**

19. Other Operating Expenses/(Income), Net

Other operating expenses are presented in the table below:

In thousands of EUR	2016	2015
Brand royalty and management fees	13,446	13,759
Bad debt provision	400	270
FX differences net	11	154
Other operating expenses	2,317	2,403
Total other operating expenses	**16,174**	**16,586**

Other operating income is presented in the table below:

In thousands of EUR	2016	2015
Property fees	1,076	1,065
Late payment interest on trade receivables	1,324	2,574
Gain on disposal of property, plant and equipment	8,305	775
Other operating income	4,221	3,548
Total other operating income	**14,926**	**7,962**

20. Wages and Contributions

In thousands of EUR	2016	2015
Wages and salaries	26,168	25,482
Bonuses and untaken holiday payroll provision	6,207	6,445
Social contribution	12,103	11,507
Other	1,876	2,345
Total wages and contributions	**46,354**	**45,779**

21. Income Tax

Reconciliation of the effective tax rate is shown in the table below:

In thousands of EUR	2016	2015
Income tax payable		
from operating activities	27,942	34,736
Deferred income tax		
from operating activities	929	(3,620)
change in tax rate	402	-
Total income tax	**29,273**	**31,116**

The Slovak Corporate Tax is 22 % effective from 1 January, 2014. Effective from 1 January 2017 tax rate changed to 21 %.

In thousands of EUR	2016	%	2015	%
Profit before tax	110,973		119,365	
Income tax at the rate of 22%	24,414	22.0 %	26,260	22.0 %
Income tax in respect of prior year	119	0.1 %	1,275	1.1 %
Special levy 4.36% for regulated businesses	4,547	4.1 %	4,883	4.1 %
Impact of adjusting items:				
permanent differences and other differences	193	0.2 %	(1,302)	-1.1 %
Total income tax	**29,273**	**26.4 %**	**31,116**	**26.1 %**

22. Financial Instruments

Risk Management Policies

The Company's activities expose it to a variety of financial risks, including mainly credit risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and the economic environment and seeks to minimise potential adverse effects on its financial performance.

Capital Risk Management

The Company manages its capital to ensure that it will be able to continue as a going concern while maximising the return to shareholders and benefits to other stakeholders through the optimisation of the debt and equity balance.

The capital structure of the Company consists of cash and cash equivalents, cash pooling (Note 11), long term debt/loan (Note 13) and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in Note 12.

The Company reviews the capital structure regularly. Based on the review and the General Meeting's approval, the Company balances its overall capital structure through the payment of dividends, the issue of new debt, or the redemption of existing debt.

The Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total loans (as shown in the separate balance sheet) less cash and cash equivalents.

The gearing ratios as at 31 December 2016 and 2015 were as follows:

In thousands of EUR	31 December 2016	31 December 2015
Cash and cash equivalents	(6,090)	(5,509)
Long term loan	210,000	110,000
Financial (assets)/liabilities	(21,834)	36,582
Net debt	**182,076**	**141,073**
Equity	**265,078**	**298,296**
Net debt to equity	69 %	47 %

Increase in Net debt to equity ratio mainly relates to drawing of a new Long term loan (see Note 13).

In measuring the capital structure management disregards the loans provided by the shareholders or parent company, as these are considered all to be available capital funds allocated to the Company.

Main Categories of Financial Instruments

In thousands of EUR	Note	31 December 2016	31 December 2015
Financial assets			
Cash and cash equivalents	11	6,090	5,509
Trade and other receivables	9	65,715	57,944
Current financial assets	10	21,834	-
Financial liabilities			
Current financial liabilities	10	-	36,582
Long term loan	13	210,000	110,000
Trade payables and other liabilities	15	83,721	101,000

Financial Risk Management

The Company's activities expose it to financial risks in foreign currency exchange rates and interest rates. The Company does not use any official statistical methods for measuring market risk exposures; however, management's assessments of the Company's exposure to those risks are described below:

Foreign Exchange Risk

The Company's exposure is to changes in USD, which represents a minor risk in respect of the US dollar's position to the total amount of liabilities/assets, and therefore no sensitivity analysis was performed.

The carrying amounts of the Company's foreign currency denominated assets and liabilities at the reporting date are as follows:

In thousands of EUR	Liabilities		Assets	
	2016	2015	2016	2015
Currency USD	3,012	1,224	684	378

Interest Rate Risk

The Group's Treasury department exercises the policy of cash pooling of the Company's available funds to maximise economic returns and to manage the cash optimisation and centralisation under the best financial conditions for most of the affiliated companies (see Note 10). Such instruments are not exposed to the risk of interest rate fluctuation. Owing to the character of the financial liabilities/assets, the Company does not assume any risk relating to interest rate movements. Management has entered in to loan contracts which are exposed to floating interest rates in the normal course of business. Management policy is to enter in the variable interest rates borrowings contracts only. Management does not see the need to hedge the interest rates related to these contracts.

An increase or decrease of interest rate (EURIBOR, LIBOR) by 100 basis points, considering all other factors remain unchanged, would cause a decrease or an increase of profitability by EUR 1,882 thousand (2015: EUR 1,465 thousand).

The sensitivities were estimated based on year end balances and the actual results might differ from these estimates.

Fair Values Versus Carrying Amounts

The fair value of trade and other receivables, cash and cash equivalents, finance lease receivables, trade and other payables, except for long term payables (refer to Note 14) loans and interest bearing borrowings with variable interest rate is approximated by their carrying amounts as at 31 December 2016 as well as at 31 December 2015.

Basis for Determining Fair Values

The fair value of trade and other receivables, cash and cash equivalents, finance lease receivables, trade and other payables, including long term payables (refer to Note 14) loans and interest bearing borrowings is estimated as the present value of the future cash flows discounted at market rate of interest at the reporting date.

Credit Risk

Financial instruments that could potentially expose the Company to concentration of counterparty risk consist primarily of trade receivables and cash and cash equivalents.

The Company considers that it has limited concentration in credit risk with respect to trade accounts receivables due to its large and diverse customer base (residential, professional and large business customers) operating in numerous industries and located in many regions. In addition, the maximum value of the counterparty risk on these financial assets is equal to their recognized net book value. An analysis of net trade receivables past due is provided in Note 9. In addition, should a customer fail to pay any due payment for services, the Company will limit the customer's outgoing calls and, thereafter, the provision of services will be disconnected.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. Management monitors risks with rolling 12 - month forecasts of the Company's liquidity reserve (comprising loan facility and cash and cash equivalents) on the basis of expected cash flows.

The Group's Treasury department exercises the policy of cash pooling the Company's available funds to maximise economic returns and to manage the cash optimisation and centralisation under the best financial conditions for most of the affiliated companies (see Note 10).

The following tables detail the Company's remaining contractual maturity for its non-derivative financial liabilities without provisions in which the maturity is unknown. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay. The table includes the principal and interest cash flows if applicable.

2016

In thousands of EUR	Note	Year end effective interest rate	Less than 1 month	1 - 3 months	3 months to 1 year	1-5 years	5+ years	Total
Non-current payables	14	-	134	402	1,073	8,723	6,718	17,050
Non-interest bearing liabilities	15	-	37,685	46,036		-	-	83,721
Financial guarantee contracts		-	-	-	-	-	-	-
Long term loan	13		-	-	-	210,000	-	210,000
Interest and commitment fee from Long term loan	13	0.571 %	-	300	899	2,427	-	3,626
Variable interest rate instruments	10		-	-	-	-	-	-
Total			**37,819**	**46,738**	**1,972**	**221,150**	**6,718**	**314,397**

2015

In thousands of EUR	Note	Year end effective interest rate	Less than 1 month	1 - 3 months	3 months to 1 year	1-5 years	5+ years	Total
Non-current payables	14	-	131	392	1,044	8,493	8,557	18,617
Non-interest bearing liabilities	15	-	28,044	72,940	16	-	-	101,000
Financial guarantee contracts		-	-	-	-	-	-	-
Long term loan	13		-	-	-	110,000	-	110,000
Interest and commitment fee from Long term loan		0.759 %	-	297	732	2,087		3,116
Variable interest rate instruments	10	0.773 %	36,582	-	-	-	-	36,582
Total			**64,757**	**73,629**	**1,792**	**120,580**	**8,557**	**269,315**

The following tables detail the Company's expected maturity for its non-derivative financial assets. The tables have been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets. The inclusion of information on non-derivative financial assets is necessary in order to understand the Company's liquidity risk management as the liquidity is managed on a net asset and liability basis.

2016

In thousands of EUR	Year end effective interest rate	Less than 1 month	1 - 3 months	3 months to 1 year	1-5 years	5+ years
Non-current receivables	-	-	-	-	8,869	-
Non-interest bearing receivables	-	47,261	5,931	12,523	-	-
Cash and cash equivalents	0.02 %	6,090	-	-	-	-
Variable interest rate instruments	-0.329 %	21,834	-	-	-	-
Total		**75,185**	**5,931**	**12,523**	**8,869**	**-**

2015

In thousands of EUR	Year end effective interest rate	Less than 1 month	1 - 3 months	3 months to 1 year	1-5 years	5+ years
Non-current receivables	-	-	-	-	6,889	-
Non-interest bearing receivabless	-	44,808	4,095	9,041	-	-
Cash and cash equivalents	0.30 %	5,509	-	-	-	-
Variable interest rate instruments	-	-	-	-	-	-
Total		**50,317**	**4,095**	**9,041**	**6,889**	**-**

23. Related Party Transactions

The immediate parent company and the ultimate controlling party of the Company are Atlas Services Belgium, S.A., (from August 2008, up to July: Wirefree Services Nederland B.V.) and Orange SA (incorporated in France), respectively. Transactions with related parties have been conducted under standard business conditions. Receivables, liabilities, purchases and sales with related parties are summarised in the following tables:

In thousands of EUR	31 December 2016	31 December 2015
Liabilities - current and unbilled supplies		
Atlas Service Belgium (parent company)	210,003	110,007
Orange SA (ultimate control.party)	1,913	1,706
Orange SA - cash pool account	-	36,582
Orange Brand Services (fellow subsidiary)	1,943	2,044
Mobistar (fellow subsidiary)	1,420	983
Orange CorpSec (subsidiary)	198	90
Orange Polska (fellow subsidiary)	611	119
Other	826	297
	216,914	**151,828**
Trade accounts receivable - current	**31 December 2016**	**31 December 2015**
Orange SA (ultimate control.party)	1,360	1,437
Orange SA - cash pool account	21,834	-
Atlas Service Belgium (parent company)	500	643
Orange Moldova (fellow subsidiary)	122	125
Orange Polska (fellow subsidiary)	203	119
Equant (fellow subsidiary)	97	2,334
Orange Romania (fellow subsidiary)	85	79
Other	196	44
	24,397	**4,781**

In thousands of EUR	2016	2015
Purchases		
Orange SA (ultimate control.party)	9,931	11,844
Atlas Service Belgium (mother company)	1,353	759
Orange Polska (fellow subsidiary)	1,381	198
Orange Brand Services (fellow subsidiary)	7,878	8,120
Orange CorpSec (subsidiary)	1,076	1,078
Mobinil (fellow subsidiary)	971	-
Orange Romania (fellow subsidiary)	633	448
Orange Belgium (ex Mobistar) (fellow subsidiary)	219	673
Other	62	424
	23,504	**23,544**
Sales		
Orange SA (ultimate control.party)	2,772	3,322
Equant (fellow subsidiary)	2,307	2,388
Orange Polska (fellow subsidiary)	1,197	407
Orange Brand Services (fellow subsidiary)	500	-
Orange Romania (fellow subsidiary)	465	386
Orange Moldova (fellow subsidiary)	233	295
Other	228	293
	7,702	**7,091**

The following related party transactions are applicable for the Company:

- Management fees, brand fees – transactions mainly with Orange Brand Services and Orange SA (ultimate parent company);
- Intra-group international telecom services – mobile and other telecom services with other group companies; and
- Shared products – mobile and other telecom services with other group companies.

24. Information on Income and Emoluments of Members of the Statutory Bodies, Supervisory Bodies, and Other Bodies of the Accounting Entity

The income and emoluments of the Company's members of the statutory body, supervisory body and other bodies are summarised in the following table:

In thousands of EUR	2016	2015
Board of directors	32	48
Supervisory body	-	42
Executive Management Board	2,496	2,751
Total	**2,528**	**2,841**

25. Operating Leasing

Leases as the Lessee

The Company is committed under operating leases to terms ranging from 1 to 7 years, which relate primarily to office, retail space, technological premises, and land and rooftops for base stations. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

In thousands of EUR	31 December 2016	31 December 2015
Less than one year	2,874	2,791
Between one and five years	6,478	8,670
After five years	488	542
Total	**9,840**	**12,003**

Total expenses for rent represent EUR 11 million (2015: EUR 11 million) and primarily represent office, retail space, technological premises and land and rooftops for base stations and other equipment. The Company maintains evidence of assets under lease contracts.

26. Commitments and Contingencies

Litigation

The Company is not involved in any legal proceedings outside of the normal course of business except for litigations for which provision was created (see Notes 14, 27). Management does not believe that the resolution of the Company's legal proceedings will have a material adverse effect on its financial position, the result of the operations, or cash flows.

Commitments

The Company has CAPEX commitments in a total amount of EUR 22,191 thousand (2015: EUR 18,773 thousand), of which EUR 12,738 thousand (2015: EUR 10.209 thousand) relate to investment in 2G/3G network and EUR 2,971 thousand (2015: EUR 2,973 thousand) relate to investments in 4G network assets, and the remaining commitments relate to investments in other long-life assets. The Company also has OPEX commitments in the total amount of EUR 27,850 thousand (2015: EUR 31,257 thousand) mainly related to the purchase of handsets in amount of EUR 8,626 thousand (2015: EUR 8.628 thousand) and network maintenance in amount of EUR 8,820 thousand (2015: 12,160 thousand).

Legal Commitments

The Company has not given any guarantees to third parties in 2016 (2015: EUR 0).

Contingent Assets

The Company considers contract penalties as contingent assets as the probability of their collections is very low (below 50 %).

27. Critical Accounting Estimates, Judgements, and Key Sources of Estimate Uncertainty

The preparation of the financial statements in conformity with IFRS as adopted by the EU requires management to make judgments, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses. The estimates and the associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Estimated Useful Lives of Property, Plant, and Equipment

Useful lives, which are described in Note 3 (g) and (h), are determined based on the Company's best estimate of the useful lives of long-term assets and are reviewed annually.

A change in estimated useful lives of assets by 10 % against the actual depreciation as at 31 December 2016 would have increased / (decreased) the property plant and equipment amounts as shown below:

In thousands of EUR	31 December 2016		31 December 2015	
	Increase	Decrease	Increase	Decrease
Estimated useful life in years +/-10 %	6,022	(7,360)	6,172	(7,544)

The sensitivities were estimated based on year end balances and the actual results might differ from these estimates.

Estimated Asset Retirement Obligation

The Company is obligated to dismantle technical equipment and restore technical sites when terminates its operation. The provision is based on dismantling costs (on a per-site basis) incurred by the Company to meet its environmental commitments over the asset dismantling and site restorations planning. The provision is assessed on the basis of the identified costs for the current financial year, extrapolated for future years by using the best estimate for the commitment settlement. It is discounted at a risk-free rate. This estimate is revised annually and the provision is consequently adjusted against the relevant asset where appropriate.

Sensitivity of ARO reserves

A change in discount rate by 1 bps and change in dismantling costs by 10 % against initial assumption as at 31 December 2016 would have increased / (decreased) the Estimated ARO by the amounts shown below:

In thousands of EUR	31 December 2016		31 December 2015	
	Increase	Decrease	Increase	Decrease
Discount rate +/- 1bps	3,660	(4,288)	(3,530)	4,135
Dismantling costs +/- 10 %	2,664	(2,664)	2,574	(2,574)

The sensitivities were estimated based on year end balances and the actual results might differ from these estimates.

28. Subsequent Events

No other events with a material impact on the true and fair presentation of facts as presented in these financial statements occurred after 31 December 2016 up to the preparation date of these financial statements.

29. Authorisation of Financial Statements

The financial statements were authorised for issue by management on 12 April 2017.

Pavol Lančarič

Chief Executive Officer

Antoine Guillaume Guilbaud

Chief Financial Officer and Deputy CEO

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