Annual Report 2019

orange™

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Orange Slovensko, a.s.

We all are pulling in the
same direction

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

Registered Office
Metodova 8, 821 08 Bratislava,
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 the Bratislava I District Court
Commercial Register Section: Sa, Insert No.: 1142/B

Description of the Company

Orange Slovensko, a.s. is a leader in providing comprehensive telecommunications services, and the largest mobile network operator in Slovakia. It has been operating on the Slovak market since 1997. As at 31 December 2019, Orange Slovensko, a.s. had 2,776 million active mobile network customers, 200 thousand fixed Internet customers, and 108 thousand digital TV customers. As at 31 December 2019, the revenues of Orange Slovensko, a.s. amounted to EUR 556 million.

Orange Slovensko, a.s. is a member of the international Orange Group, which is one of the world's leading telecommunications operators. As at 31 December 2019, revenues of the Orange Group amounted to EUR 42 billion, with 266 million customers using its services in 26 countries around the world.

Orange is the leading mobile broadband Internet provider, offering 3G and 4G networks. Its high-speed mobile Internet coverage exceeded 98% of the Slovak population, and Orange's 4G network with a maximum speed of up to 300 Mbit/s is available to 96% of the Slovak population. Fixed Internet from Orange, whether via FTTH, DSL or fixed LTE, is the most accessible Internet in Slovakia, with access for almost 1.7 million households, while the fibre-optic network from Orange is available to nearly 516 thousand households in 61 towns.

The quality of services provided by Orange Slovensko, a.s. is compliant with the ISO 9001:2000 certificate criteria; in addition, Orange Slovensko, a.s. holds an environmental management certificate pursuant to the ISO 14001:2004 standard. In Slovakia, Orange is a leader in CSR and corporate philanthropy. This area is covered by the Orange Foundation, which public surveys have been identified as the most trusted corporate foundation in Slovakia.

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

Company Bodies

Board of Directors

Chairman
Federico Colom Artola

Members
Ivan Golian
Vladislav Kupka
Zuzana Nemečková
Reza Samdjee

Supervisory Board

Chairman
Pavol Lančarič

Vice-Chairman
Christophe Naulleau

Members
Jean-Marie Culpin
Gilles Deloison
Bruno Duthoit
Ľuboš Dúbravec
Štefan Hrončék
Marián Luptovský
Marc Ricau
Jean-Marc Vignolles

Company Management

Chief Executive Officer
Federico Colom Artola

Director of Residential Customers Sales Department
Radoslav Barka

Director of Human Resources Department
Ivana Braunsteinerová

Director of Information Systems and Networks and Deputy CEO
Ivan Golian

Marketing Director for Residential Customers
Martin Hromkovič

Director of Customer Service Department
Vladislav Kupka

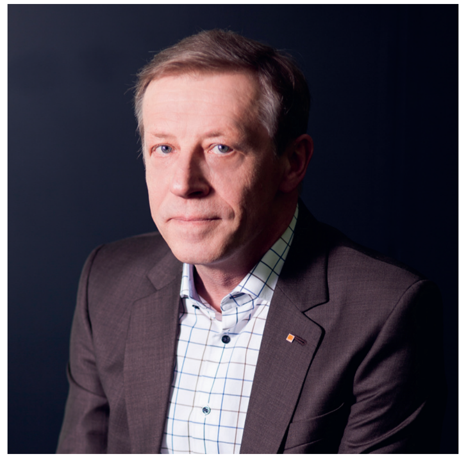
Director of Sales and Marketing for Business Customers and Deputy CEO
Zuzana Nemečková

Chief Financial Officer and Deputy CEO
Reza Samdjee

Director of Strategy, Legal and Wholesale Department
Luis de Torres Iglesias

Federico Colom Artola
Chief Executive Officer and Chairman of the Board of Directors (since May 2019)

Born in 1969. He has a degree in economics from the University of Valencia and an MBA from EOI – Manchester Business School. He has worked in the telecommunications sector for over 23 years and held various positions in business operations, finance and customer service. From 2007 to 2016, he was CFO in Orange Spain and from 2016 he was an Executive Vice-President and Financial Controlling Director in the Orange Group. Since 2019, he has been CEO of Orange Slovensko, a.s. and the Chairman of the Board of Directors.



Pavol Lančarič
Chief Executive Officer and Chairman of the Board of Directors (until April 2019)

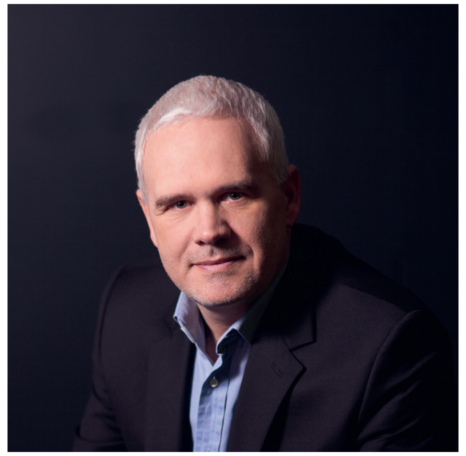
Born in 1963. He graduated from the Faculty of Commerce at the University of Economics in Bratislava, where he received his Csc. title in 1991. Between 1990 and 1992, he was a member of the Advisory Committee of Slovakia's Prime Minister at the Government Office of the Slovak Republic. Since 1993, he has held management positions in various multi-national companies. He has worked at Orange Slovensko, a.s., since 1997, when he joined the company as the Sales Director. From 1999 he held the office of CEO of Orange Slovensko, a.s. and the Chairman of the Board of Directors. At present, he is the Chairman of the Board of Directors of Orange.

Radoslav Barka
Director of Residential Customers Sales Department (since July 2019)

Born in 1980. He graduated from the University of Economics in Bratislava and from INSEAD Business School in Paris in 2018. His professional career started at GfK Slovakia as a marketing analyst in 2004. He has joined Orange Slovensko, a.s. in 2005 and from 2009 he worked as the marketing manager and deputy of the Sales Director. In 2019, he became the Residential Customers Sales Director of Orange Slovensko, a.s.

Ivana Braunsteinerová
Director of Human Resources Department

Born in 1974. She received her master's degree from the Faculty of Arts of Comenius University in Bratislava. She has been working in the field of human resources management since 2002 and worked in a number of automotive companies and retail businesses. From 2011 she worked as HR Country Manager at Lidl Slovak Republic, v.o.s. She joined Orange Slovensko, a.s., in 2018 as the Human Resources Director.



Ivan Golian
Director of Information Systems and Networks and Deputy CEO

Born in 1964. He completed his university studies at the Slovak University of Technology in Bratislava and achieved his Csc. title at the Department of Applied Informatics and Automation at FMT STU. From 1993 he worked at the Department of Electronics and Automation of KIHO in Ghent, Belgium and two years later he joined 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 as the CIO/CTO/COO. He was appointed Deputy CEO in 2005. From 2006, he was a board member at VUB Bank and Director of Information Technologies and Operations. Since January 2009, he has held the office of ITN Director, Deputy CEO and Member of the Board of Directors at Orange Slovensko, a.s.

Martin Hromkovič
Marketing Director for Residential Customers (since July 2019)

Born in 1974. He graduated from the Faculty of Commerce at the University of Economics in Bratislava. In 1998, he joined Slovnaft as a marketing consultant and franchise specialist. Since 2000 he has held various marketing positions at Orange Slovensko, a.s., first as a marketing analyst and then as a marketing expert and strategist. In 2019, he became Marketing Director for Residential Customers and Brands.

Vladislav Kupka
Director of Customer Service Department

Born in 1974. He completed his studies at the Faculty of Arts of University of Ss. Cyril and Methodius in Trnava. He started working in sales in 1994, and joined Orange Slovensko, a.s. in 1996. He started his career as a customer centre employee, and one year later he continued as the Back Office trainer, and then as deputy manager. He worked as Back Office manager between 2001 and 2006, later as B2C Department manager, and since July 2008 he has been Director of the Customer Service Department at Orange Slovensko, a.s.

Miloš Lalka
Director of Communications and Brand Department (until December 2019)

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, when he joined as an advertising manager. He became Deputy Director of the Communications and Brand Department in 2012 and from 2013 he held the office of Director of Communications and Brand at Orange Slovensko, a.s.

Ivan Marták

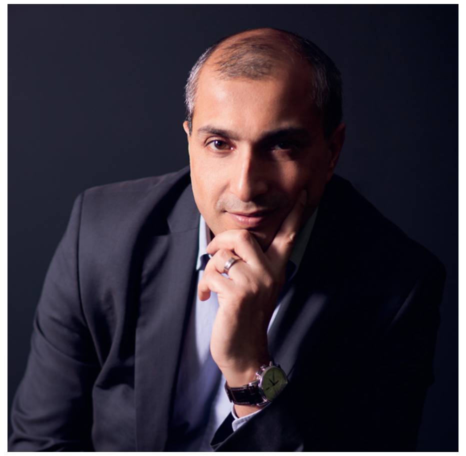
Director of Strategy and Regulatory Affairs (until June 2019)

Born in 1964. He studied journalism at the Faculty of Arts of Comenius University in Bratislava. He received his technical education in 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. From 1993, he held various management positions at Slovenské telekomunikácie, š.p. He worked at Orange Slovensko, a.s. since 2001 as Director of Strategy and Regulatory Affairs.

Zuzana Nemečková

Director of Sales and Marketing for Business Customers (since July 2019) and Deputy CEO

Born in 1970. She graduated from the Faculty of Commerce at the University of Economics in Bratislava. She started working as an assistant in 1993 and later as marketing manager at Tchibo Slovensko, spol. s r.o. In 1996, she became director of Sales, Marketing and Communication Department at Rajo a.s. From 2001, she worked as director of the Sales Department at Orange Slovensko, a.s. and in 2019 she became Director of Sales and Marketing for Business Customers.



Reza Samdjee

Chief Financial Officer and Deputy CEO

Born in 1974. He received his master’s degree at the Sorbonne University. From 1998 to 2000, he worked as a financial controller for CROWN CORK & SEAL in Oxford. From 2000 to 2017 he worked at Orange France, where he held several positions, with the most recent being the controlling director for the B2B market in France. At Orange Slovensko, a.s., he has held the office of Chief Financial Officer since 2017.

Luis de Torres Iglesias

Director of Strategy, Legal and Wholesale Department (since July 2019)

Born in 1963. He has a degree in economics from Universidad Complutense in Madrid and a degree in law from Universidad Europea in Madrid, and he holds an MBA from Instituto de Empresa in Madrid. He has extensive management experience from various executive and senior positions in the international telecommunications sector. Between 2001 and 2006, he was the deputy CFO in Vodafone Spain. From 2008, he held various financial executive positions at Orange Spain, most recently as a director for audit, internal controlling and risk management, and previously as a CFO. He joined Orange Slovensko, a.s. in 2019 as Director of the Strategy, Legal and Wholesale Department.

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Letter from the CEO

When everyone pulls at the right end, great results are achieved

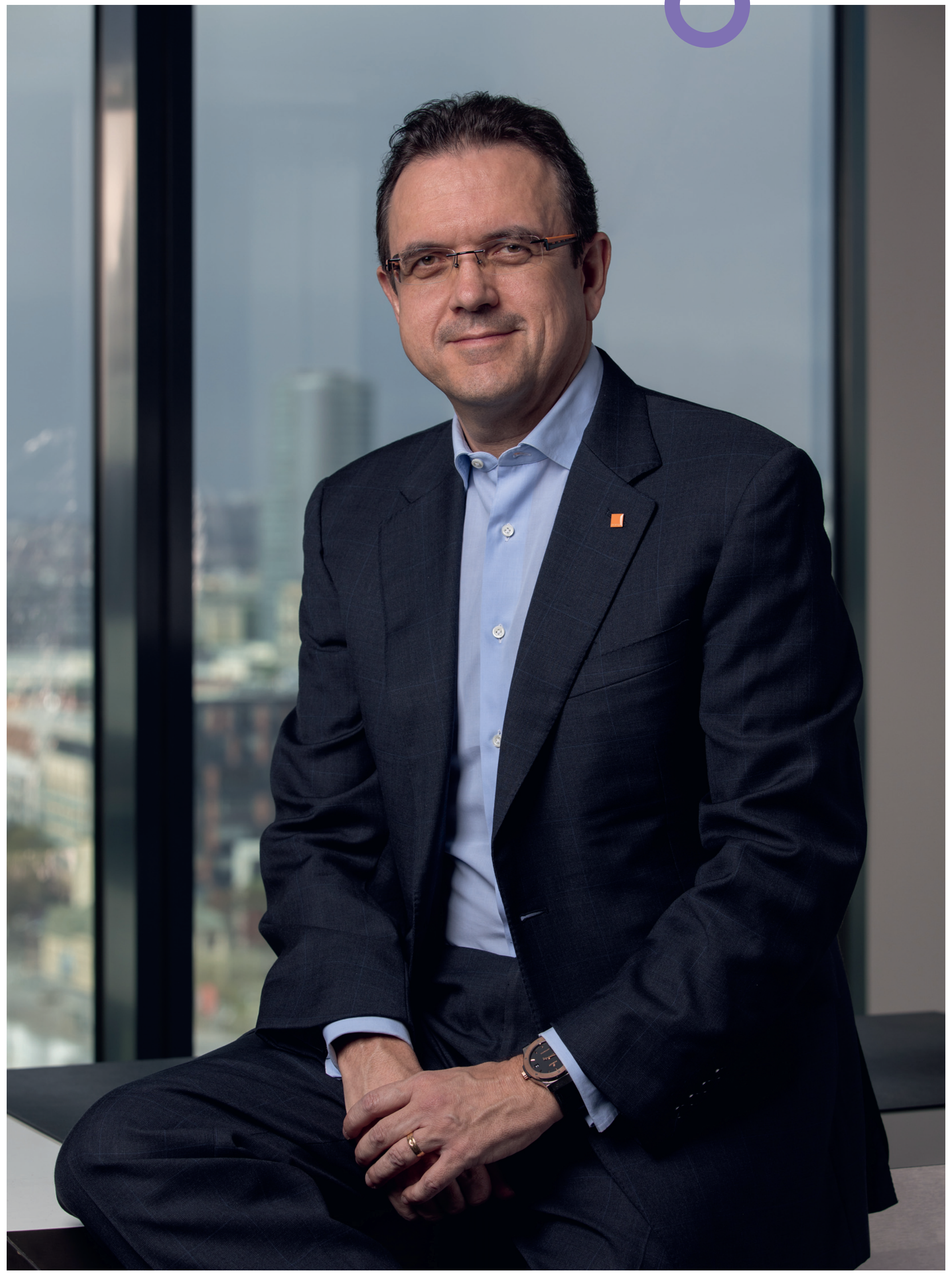
Letter from the CEO

Dear Ladies and Gentlemen,

let me present to you the Annual report 2019 with great pleasure and respect. 2019 was an eventful year that brought many changes. Internally, we initiated organisational changes and transformation processes. All these actions were a completely natural response to better satisfy the needs of the telecommunications market, with a promise of even better meeting the customers´ expectations and ensuring our continual growth. With our long-term objective to continue in providing the best value for money, we are able to respond flexibly to any market development. We successfully carried out numerous important activities within a dynamic telecommunications market, but also faced many challenges. It is an honour to share them with you in the following lines.

We focused intensively on our higher purpose: connecting people & business with the best in the class of digital services for human progress, while achieving shared sustainable growth. Our ambition is to continue developing a successful story as the market leader among mobile players in Slovakia's telecommunications market, and to continue growing in the area of fixed broadband, convergence and digital services. In line with this strategy, we brought out a number of innovations for convergent service customers as well as various other surprises to make communication even easier.

Although 2019 was not an easy year, it ended on a positive note for us. We achieved a major turnaround in key areas, namely an increase in the number of customers of fixed and, above all, convergent services. This was also facilitated by a significant increase in the availability of fixed Internet, via both VDSL and FTTH technologies, which I consider the most important event for our customers in 2019. Fixed Internet from Orange is currently the most accessible Internet in Slovakia with access for almost 1.7 million households, while Orange's fibre-optic network is available to more than 525 thousand households in 62 towns and our partners' fibre-optic network offered to our customers in another 250 thousand households. As of 31 December 2019, Orange had 200 thousand customers of fixed Internet via FTTH, DSL or fixed LTE, which is a 7% year-on-year increase. The highest increase (26%) was recorded for fixed LTE Internet, which was being used by 38 thousand customers at the end of the year. The num-



ber of digital TV customers also grew to 108 thousand at the end of the year, which was 43% more than in the same period the year before.

Our long-term effort to offer our customers everything they need for communication and entertainment in one package is bearing fruit. I am very happy that customers are increasingly preferring more services from a single operator. Customers are gradually beginning to see the benefits of having all their services together – prepaid mobile phone services, fixed Internet, and digital television. In long term, we have thus focused on the sale of convergent services, i.e. several services in one package, and we saw a significant year-on-year increase in this respect. As at the end of 2019, the number of customers using convergent services exceeded 84 thousand, which is 70% more than in the same period last year. Our activities, appreciated by 34,870 new customers, also contributed to the increase. Last year the Love service package, the best-seller in our offering, became even more affordable to our customers – now customers who only use fixed Internet in addition to their prepaid voice services, i.e. a combination of the two services, can also use its benefits. An automatic part of the Love package, even with a combination of two rather than only three services, is extra data or additional discounts on a wide range of devices. At the same time, we extended the benefits of the Love service package to customers of the DSL Internet service. It's not only high-quality and affordable fixed Internet, but also attractive TV content that are an incentive for customers to choose the Love package. Last year, Orange became the only operator on the market to provide its customers with the best sports content of all football leagues exclusively – the UEFA Champions League, Fortuna League and Premier League, throughout Slovakia.

It is true that nowadays the differences in mobile operator offers are not as significant as before. Customers are no longer primarily interested in just gigabytes and minutes, now differences lie more in complementary services, customer approach, individual satisfaction of customer needs, and overall approach to developments in society as a whole. Today, customers expect the easiest possible access to the operator, simple, transparent and fair offers, and the simplest possible solutions. Last year, we again fulfilled our mission to give a helping hand to our customers by introducing offers that make their lives easier. We are happy that our competitors' customers also see this effort. The number of customers who decided to transfer their number from other operators to Orange increased year-on-year to more than 67 thousand. On the other hand, the number of customers who switched their number from Orange to other operators decreased by 7.5%, to 83 thousand. At the end of 2019, Orange had 2,775 million mobile service customers, of which more than 2.2 million are customers of mobile invoiced services. Although the number of mobile service customers decreased by 24,600 in 2019, with our market share of 37% we remain the mobile market leader. This decrease was mainly due to a decrease in the number of prepaid service customers. Their number decreased by 32 thousand, to 379,100. The number of customers developed in line with our expectations as a natural response to our activities, which we carried out to fulfil our philosophy of offering all customers simple, fair and transparent services. One important step was the cancellation of the 50% discount on the Go €30 post-pay tariff. This was an important signal of our transparency and fairness to existing customers, who did not qualify for the discount. We want to be consistent and fair in our offers to both new and existing customers, regardless of the sales channel through which they were addressed. On the other hand, some other post-pay tariffs have been supplemented, whether with an increased data volume or a higher device subsidy. We added data to the Go €20 post-pay tariff, which now includes 1 GB of data. These activities also contributed to increased customer satisfaction, which naturally makes us happy, because a satisfied customer is our greatest satisfaction and the purpose of our work. We increased overall customer satisfaction as measured by the MRS index, reaching 78 points. Satisfaction with invoiced services, fibre-optic services, and our customer approach contributed most to the increase in overall customer satisfaction.

We live in a digital era that brings ever-increasing customer demands for connectivity, fast, and high-quality Internet connection and related services. Customers want to be online all the time and everywhere. This is enabled not only by a high-quality network and a large selection of high-end devices, but also by the data services offering. We improved our offering of mobile Internet services, introducing 5 new data tariffs with optimal data volumes for various life situations. And we supplemented them with the most suitable devices. In addition, we expanded our offering of popular Nonstop data packages, with additional options for unlimited data and mobile applications use. In addition to the four existing packages – Nonstop Chat, Nonstop Social Media, Nonstop Music and Nonstop Video – we added the two new packages Nonstop Navigation and Nonstop Games. The Nonstop data packages became Orange's most popular complementary service ever. By the end of the year, almost 220 thousand Nonstop data packages had been activated.

The continuous increase in data traffic is not only because of the Internet's availability, but also its users' digital habits. Data traffic increased 32% year-on-year, with more than three quarters of the total volume of 31.4 million GB transmitted via the 4G network. These data also prove that the Internet has quickly become an integral part of the lives of adults as well as teenagers and children. We understand that digital technologies are an essential part of everyday life and contribute to the development of our society. Moreover, with customers' constant need to be online everywhere, the growing number of users of digital technologies, and their presence in people's lives, we are focusing even more on making sure their use during the year is wise and safe. In this sense, we introduced a new strategy as regards socially responsible business: We all have great power, we all have great responsibility, and we focused a number of activities on education in the responsible use of technology and the traps of the virtual world. On the other hand, there is a large group of customers who are struggling to jump on the wave of modern online services, and may feel left out. Since there are still large gaps between various customers' digital skills, education and digital inclusion are priorities for us.

The digital era we live in today creates a need to be online not only for people, but increasingly also for things. During the first half of 2019, we began testing another low-power network suitable for operating IoT solutions – the LTE-M network, available in a licensed band. The launch of the LTE Cat-M technology is another planned step in our Internet of Things strategy, which is to provide comprehensive IoT solutions – on our own infrastructure, and with our own data collection, analysis and evaluation platform. LTE-M is a good addition to the already-launched LoRa network, and further expands the options of providing our applications for the Internet of Things.

As communication knows no borders, since entry into force of the EU roaming regulation, customer consumption in the EU has substantially increased. We saw a sevenfold increase in data traffic, and more than a 200% increase in voice traffic. We are still witnessing increases, primarily in data traffic and related costs. It also still holds true that more Slovaks travel abroad than foreigners to Slovakia, so the proportion of Slovaks using roaming is much greater than the number of foreigners using our network. Orange customers generate almost twice as much data traffic and three times more voice traffic while roaming than foreigners in Slovakia.

None of our achievements would have been possible without the support and initiative of our 1,147 employees. The current transformation and gradual changes are also aimed at helping us work better, faster, and more efficiently, as we seek to become an even more attractive and agile employer. The Top Employer award, which we again received last year, is a confirmation that Orange is applying the highest standards in human resources management. Our employees appreciated the new fairer and more transparent system of benefits introduced last year.

Revenues of Orange Slovensko as of at 31 December 2019 reported under IFRS 15 totalled EUR 556 million, which is a year-on-year decrease of 0.6%. The decrease in total revenues was mainly due to a drop in revenues from sales of devices, which decreased by 5% year-on-year to EUR 124 million. On the other hand revenues from provided services, which Orange as a telecommunications service provider considers to be key, increased by almost 1% year-on-year to EUR 432 million. This result is also an indication of what our customers consider important. Our main mission is to connect them with the best digital services, and I am pleased that we have successfully grown in this area in the long term.

Despite the decrease in revenues, we understand the importance of investments, which we increase every year, to ensure our continued growth in the future. In 2019, we made investments of EUR 103 million, 7.7% more than in the previous year. Nearly EUR 80 million were invested in our networks, both mobile and fibre-optic. The priority was a network upgrade project, with a view to the later deployment of 5G, with most investments channelled into this project. Nokia became our technology supplier to upgrade the radio network in preparation for introducing a 5G network. This technology investment will help increase network capacity, offer customers an even better user experience, and enable the introduction of new innovative services in the 5G network. Currently, more than 1,200 of the total 2,356 base stations have been upgraded, and are ready to launch 5G once the necessary frequencies have been obtained.

Despite growing revenues from services, EBITDAaL fell by 1.7% year-on-year to EUR 198 million. The decrease is caused by increased costs of premium content. However, it helped us increase our commercial performance in fixed broadband connection and television, which is a key prerequisite for our future growth. Despite the overall decrease, in the second half of 2019 EBITDAaL changed its trend, increasing by 1.5% year-on-year.

Despite a slight decrease in revenues and EBITDAaL, I consider 2019 to be a successful year, especially due to the fact that even during the ongoing transformation and reorganisation of our company we launched new activities and made efficient and meaningful investments, particularly in the content and networks that promise our continual growth in the future.

Dear ladies and gentlemen, let me take this opportunity to thank the shareholder for the trust without which we would not have been able to offer new, inspiring and relevant products and services to our customers. My thanks also goes to our employees, our most valuable asset, for their daily work effort and contribution to our joint achievements, and last but not least, to our customers for the trust they give us. I also look forward to new challenges in 2020. I believe they will bring us a great deal of inspiration, thanks to which we will be able to connect people with all the things that matter to them every day.

Federico Colom Artola

Chief Executive Officer
and Chairman of the Board of Directors
Orange Slovensko, a.s.

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Key Milestones in 2019

Hand in hand with clear direction and right motivation, our progress goes on

Key Milestones in 2019

February

Orange introduces TV Stick
Orange improves the TV viewing experience. Thanks to the new Orange TV Stick gadget, all viewers can fully enjoy the best sports broadcasts on big screen, and watch a premium content comfortably anywhere – at home, at a cabin, at a friend's place, or on the road.

Orange becomes the Top Employer of 2019
Thanks to its HR approach, Orange received the Top Employer award for the sixth time. This year, Orange retained its significant awards – Top Employer Slovakia, Top Employer Europe, and Top Employer Global. Orange believes that the Top Employer award confirms that it applies the highest standards in its HR management.

New possibilities in unlimited data use
Orange expands its offering of popular Nonstop data plans and brings about further possibilities for unlimited data and mobile applications use. In addition to the four existing packages – Nonstop Chat, Nonstop Social Media, Nonstop Music and Nonstop Video – we added two new packages of Nonstop Navigation and Nonstop Games.

March

Nadácia Orange (Orange Foundation) celebrates its 20th anniversary
For 20 years, through its charity activities, Nadácia Orange (Orange Foundation) has helped to shape a responsible and thoughtful society, supported active individuals, and inspired, motivated and changed Slovakia to be a better place. Over the two decades, Nadácia Orange (Orange Foundation) has allocated a total amount of EUR 11 million through its activities, which supported thousands of projects and good ideas.

Orange received Apple eSIM official certification
Customers with Apple devices are now also able to fully enjoy eSIM benefits. After Orange received certification from Apple, it has become the first certified operator in Slovakia that provides eSIMs for Apple devices. As a result, customers are guaranteed the highest quality and ensured that an eSIM will function properly in their Apple devices.

April

Orange offers new mobile Internet plans and extends the range of 4G Internet plans
Orange has replaced its existing mobile Internet portfolio by a new one, from which customers can choose according to their key preferences – safety of their children or older people, endless entertainment, and Internet access on the road or for work. Orange included into its portfolio five new mobile Internet prepaid plans with prepaid data volume of up to 55 GB, which customers can use every day to make their lives easier. In addition to the existing Home 4G Internet plans, Orange has added a new Home Basic 4G plan.

May

Love service package becomes available to DSL Internet customers
Customers with DSL Internet can now enjoy the benefits of the Love package. After Orange modified and simplified its DSL fixed Internet plan, it is responding to the needs of customers who want to have all home services from one provider in one package available, and now includes it in its Love package. The Love package has become available for everyone thanks to all the technologies Orange currently provides.

June

Wi-Fi calls become available also abroad
Orange is now the first operator in Slovakia to enable customers to make phone calls via Wi-Fi in EU countries. The Wi-Fi Calls service enables customers to make phone calls and send text messages (SMS) via any Wi-Fi network, even in places and locations with no mobile signal coverage, whether in Slovakia or anywhere in the EU.

July

Orange's fibre-optic network available for more than 500 thousand Slovak households
It has been Orange's long-term objective to provide customers in Slovakia with a fibre-optic network. Orange achieved another major milestone in July 2019, and more than half a million Slovak households now have access to these modern digital services. Thus, Orange has significantly contributed to development and extension of the Slovak fibre-optic network and has fulfilled its convergent strategy.

August

Premier League became part of Orange TV
Orange adds another great sports content to its TV offering. In addition to the exclusive Champions League and Fortuna League, it now also broadcasts the top English football league – the Premier League. Orange TV provides its sports fans with all the leagues that Slovaks find most interesting.

September

Mobile 4G Internet is available to 95% of Slovakia's population
Fast mobile 4G Internet is now available to 95% of the population in all Slovak towns and in more than 1,800 smaller municipalities. As much as 18.5% of Slovaks can enjoy 4G+ coverage, with speed of up to 300 Mb/s. Combined 3G and 4G data connection is available for as much as 98.7% of the population

Orange has the most accessible broadband Internet in Slovakia
Fast and reliable fixed Internet provided by Orange, whether via a fibre-optic network, DSL or 4G, is now available to almost 1.7 million households in Slovakia.

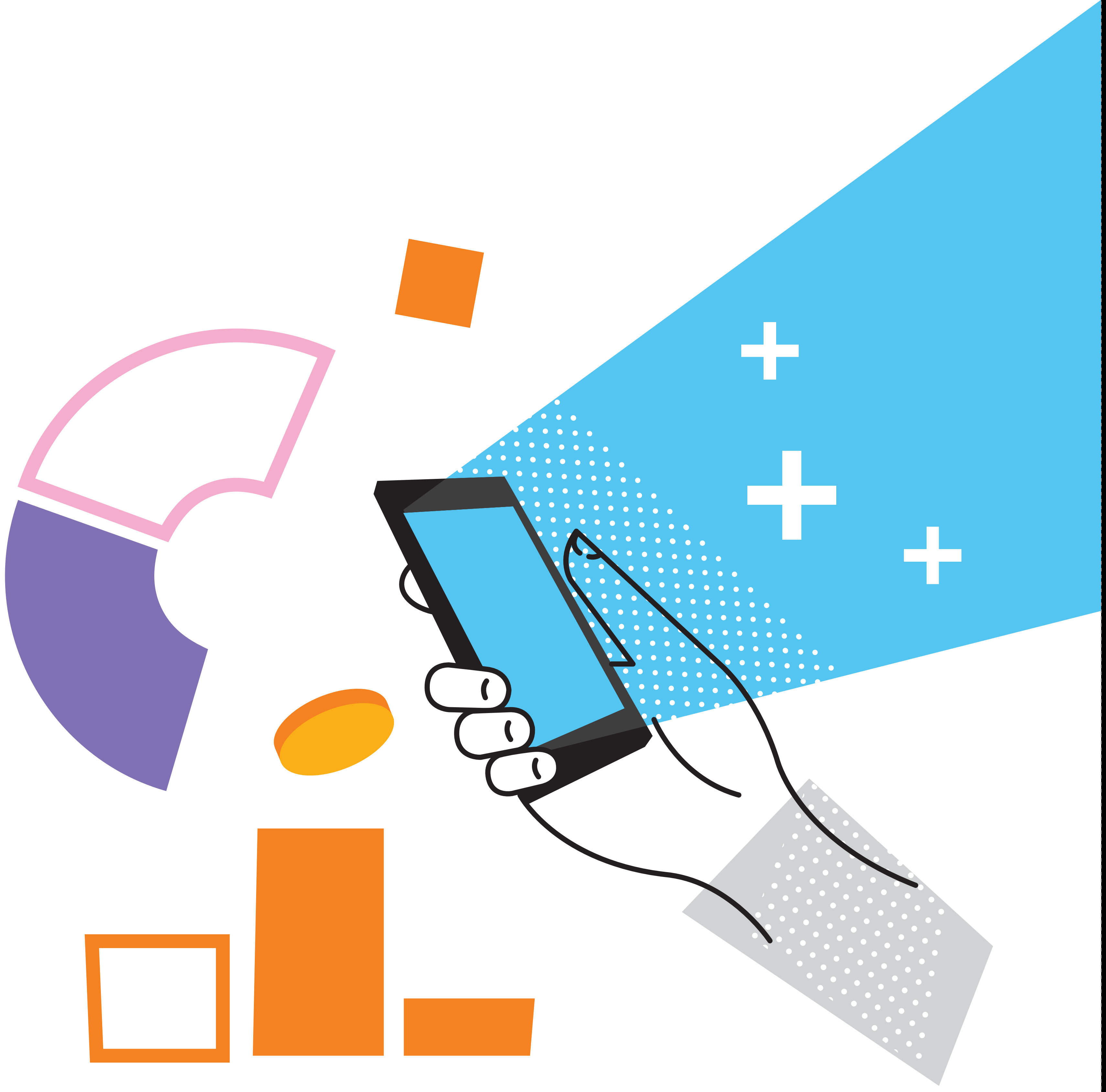
October

Orange offers an option to customise its Love package with only two services
The benefits that customers may enjoy with the Love package are now also available to customers who customise their Love package using only two services: the Go voice service prepaid plan and fixed Internet.

Orange encourages its customers to donate their unused data
Orange introduced a unique Christmas activity called "Donate Your Data" – it encourages its customers to donate their unused data and help selected families. Orange converted the donated unused data of its customers to the Love package, and provided it to 100 families.

December

vMME: Virtualisation that will bring more flexibility and even automation in the future
Orange becomes the first entity in the Orange Group and the first operator in Slovakia to successfully virtualise the mobility management entity (MME), launching it for the actual customer base in standard operations. This functionality ensures the authentication of mobile customers and their mobility, and administration of 4G customers using roaming in Slovakia. The virtualised mobility management entity (vMME) is currently launched in the Orange 4G network for mobile broadband services in the Central Slovakia region and serves 50 thousand customers.



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Financial Statement

In our company, professional work goes hand in hand with excellent results

Orange Slovensko, a.s.

Indepedent Auditor´s Report
and Separate Financial Statements
(Prepared in accordance with International
Financial Reporting Standards as adopted by the EU)
Year ended 31 December 2019

Company identification number: 35 69 72 70
Tax identification number: SK2020310578

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Independent Auditor's Report

KPMG Slovensko spol. s r. o.
Dvořákovo nábrežie 10
P. O. Box 7
820 04 Bratislava 24
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Fax: +421 (0)2 59 98 42 22
Internet: www.kpmg.sk

Translation of the Auditors' Report originally prepared in Slovak language

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 2019, statements of profit or loss and other 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 2019, 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 and Those Charged with Governance 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.

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

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.

Those charged with governance are responsible for overseeing the Company´s financial reporting process.

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.

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

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 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.

With respect to the Annual Report of the Company, we consider whether it includes the disclosures required by the Act on Accounting.

Based on the work undertaken in the course of the audit of the financial statements, in our opinion:

- the information given in the Annual Report for the year 2019 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 to this, in light of the knowledge of the Company and its environment obtained in the course of audit, we are required to report if we have identified material misstatement in the Annual Report that we have obtained prior to the date of this auditors' report. We have nothing to report in this respect.

20 May 2020
Bratislava, Slovak Republic

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

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

Responsible auditor:
Peter Nemečkay
License UDVA No. 1054

Separate Statement of Financial Position as at 31 December 2019

In thousands of EUR	Note	31 December 2019	31 December 2018
ASSETS			
Non-current assets			
Property, plant and equipment	4	401,757	373,608
Intangible assets	5	124,475	127,991
Right-of-use assets	6	99,035	-
Investments in unconsolidated subsidiaries	7	306	306
Non-current receivables	10	14,642	12,259
Contract assets	11	9,482	12,345
Cost to obtain contract	11	2,135	1,951
Other non-current assets		540	31
		652,372	528,491
Current assets			
Inventories	9	19,686	23,867
Trade and other receivables	10	83,460	75,777
Contract assets	11	45,611	48,403
Cost to obtain contract	11	7,970	7,167
Other assets		8,272	8,448
Current financial assets	12	36,283	28,132
Cash and cash equivalents	13	5,444	6,519
		206,726	198,313
Total assets		**859,098**	**726,804**

In thousands of EUR	Note	31 December 2019	31 December 2018
EQUITY AND LIABILITIES			
Equity	**14**		
Share capital		39,222	39,222
Reserves		15,260	15,260
Retained earnings		233,027	208,416
Profit for the year		72,897	74,297
		360,406	337,195
Non-current liabilities			
Provisions	16	39,816	29,831
Long-term debt/loan	15	-	100,000
Lease liabilities	6	89,231	-
Deferred tax liabilities	8	8,822	10,396
Non-current payables	16	11,824	13,492
		149,693	153,719
Current liabilities			
Current income tax payable	22	3,675	10,080
Short-term debt/loan	15	210,000	110,000
Trade payables and other liabilities	17	99,652	93,997
Lease liabilities	6	11,269	-
Contract liabilities	11	22,102	21,713
Deferred income		2,301	100
		348,999	235,890
Total equity and liabilities		**859,098**	**726,804**

Separate Statement of Comprehensive Income for the Year Ended 31 December 2019

In thousands of EUR	Note	2019	2018
Revenues	**18**	**556,045**	**559,583**
External purchases	19	(293,220)	(299,421)
Other operating expenses	20	(16,716)	(14,824)
Other operating income	20	11,517	5,718
Wages and contributions	21	(50,374)	(47,463)
Impairment loss on trade receivables and contract assets	10	889	(2,585)
Depreciation and amortization of right-of-use assets	6	(10,834)	-
Amortisation and depreciation expenses	4,5	(98,421)	(99,296)
Operating profit		**98,886**	**101,712**
Interest income		60	16
Interest expenses		(1,983)	(2,204)
Interests on lease liabilities		(985)	-
Other finance expenses		(32)	(55)
Other finance income		17	28
Profit before tax		**95,963**	**99,497**
Income tax	22	(23,066)	(25,200)
Profit for the year		**72,897**	**74,297**
Other comprehensive income		-	-
Total comprehensive income for the year		**72,897**	**74,297**
Total comprehensive income attributable to:			
Owners of the Company		72,897	74,297

Separate Statement of Changes in Equity for the Year Ended 31 December 2019

In thousands of EUR	Note	Share capital	Reserves	Retained earnings	Total
Balance as at 1 January 2018		**39,222**	**15,260**	**280,023**	**334,505**
Total comprehensive income for the year					
Profit for the year		-	-	74,297	74,297
Share based plan		-	-	393	393
Transactions with shareholders					
Dividends paid		-	-	(72,000)	(72,000)
Balance as at 31 December 2018		**39,222**	**15,260**	**282,713**	**337,195**
Balance as at 1 January 2019		39,222	15,260	282,713	337,195
Profit for the year		-	-	72,897	72,897
Share based plan		-	-	314	314
Transactions with shareholders					
Dividends paid		-	-	(50,000)	(50,000)
Balance as at 31 December 2019		**39,222**	**15,260**	**305,924**	**360,406**

Separate Statement of Cash Flows for the Year Ended 31 December 2019

In thousands of EUR	Note	2019	2018
Profit for the year		**72,897**	**74,297**
Taxes	22	23,066	25,200
Interest expenses		1,983	2,203
Interest income		(60)	(16)
Depreciation and amortisation of tangible and intangible assets	4,5	98,421	99,296
Depreciation and amortisation of right-of-use - leased assets *	6	10,834	-
Increase / (Decrease) in provisions	16	9,931	2,954
Increase / (Decrease) in value adjustment to receivables	10	(2,937)	(409)
Increase / (Decrease) in value adjustment to inventories	9	(379)	(641)
Gain on sale of property, plant and equipment	20	(833)	(223)
Share based compensation		**314**	**392**
Profit from operating activities before changes in working capital		213,237	203,053
Increase / (Decrease) in trade and other receivables, contract assets, costs to obtain the contract and other assets		(2,626)	5,223
Decrease / (Increase) in inventory		4,559	(4,090)
Increase / (Decrease) in trade liabilities, contract liabilities (including accruals / deferrals of liabilities)	**16,17**	**7,130**	**(1,403)**
Cash generated from operations		222,300	202,783
Interest received		2	2
Interest paid		(1,255)	(1,319)
Taxes paid		(31,046)	(35,434)
Cash flows from operating activities		**190,001**	**166,032**

In thousands of EUR	Note	2019	2018
INVESTING ACTIVITY			
Purchase of property, plant and equipment and intangible assets	4,5	(123,376)	(98,199)
Proceeds from sale of non-current assets		905	283
(Increase) / decrease in financial assets		(8,152)	1,582
Net cash outflow from investing activities		**(130,623)**	**(96,334)**
FINANCING ACTIVITY			
Repayment of lease liabilities interests		(985)	
Repayment of lease liabilities		(9,469)	
Dividends paid	14	(50,000)	(72,000)
Net cash outflow from financing activities		**(60,454)**	**(72,000)**
Net increase / (decrease) in cash and cash equivalents		**(1,076)**	**(2,302)**
Cash and cash equivalents at the beginning of the year	**12**	**6,519**	**8,820**
Cash and cash equivalents at the end of the year	**12**	**5,444**	**6,519**

* The effects of IFRS 16 is described in Note 2.

1.
Basis Of Preparation

(a) Reporting entity's 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 2018 financial statement

On 24 June 2019, the General Meeting approved the Company's 2018 financial statements (Notary Deed No. N 335/2019, Nz 19943/2019, NCR1s 20398/2019).

Members of the Company's Bodies

Body	Function	Name
Board of Directors	Chairman and Chief Executive Officer (since 1 May 2019)	**Federico Colom Artola**
	Chairman and Chief Executive Officer (until 30 April 2019)	**Pavol Lančarič**
	Member/CEO deputy	**Ivan Golian**
	Member/CEO deputy	**Zuzana Nemečková**
	Member	**Vladislav Kupka**
	Member/CEO deputy	**Reza Samdjee**
Supervisory Board	Chairman (since 1 May 2019)	**Pavol Lančarič**
	Member	**Christophe Naulleau**
	Member (since 1 May 2019)	**Gilles Deloison**
	Member	**Jean-Marie Culpin**
	Member	**Marc Ricau**
	Member	**Marian Luptovský**
	Member	**Bruno Duthoit**
	Member	**Ľuboš Dúbravec**
	Member	**Jean-Marc Vignolles**
	Member	**Štefan Hrončke**
	Member (until 30 April 2019)	**Francis Gelibter**
	Member (until 30 April 2019)	**Ladislav Rehák**

Employees

Body	31 December 2019	31 December 2018
Number of employees as at	**1,131**	**1,147**
Of which: managers	113	116
Average number of employees	**1,146**	**1,031**

(b) Basis of accounting

The financial statements were prepared for the reporting period from 1 January 2019 to 31 December 2019 in accordance with IFRS as adopted by the EU. The financial statements include the impact of initial application of the new standards and notably IFRS 16 "Leases". These impacts are presented in Note 2(a).

These financial statements are the Company's separate financial statements prepared under the Act on Accounting No. 431/2002 Coll. on Accounting, as amended. 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 subsidiaries Orange Corpsec s.r.o. and Orange Finančné služby 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) Functional and presentations currency

The financial statements are presented in euro, which is the Company's functional currency. All amounts have been rounded to the nearest thousand.

2. Adoption of New and Revised Standards

In the current year, the 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 2019, except for the standards described in 2.a below.

(a) Standards and interpretations adopted by EU effective in 2019 and applied as of 1 January 2019

Initial application of IFRS 16 "Leases"

IFRS 16 defines the new accounting model for a lease by a lessee, where the lease is defined as a contract that conveys to the lessee the right to control the use of an identified asset. The impact of adoption of the new standards has significantly influenced the financial statements.

The standard introduces a single lessee model for the recognition of leases, comprising the recognition in assets of a right-of-use asset, and in liabilities of a lease liability equal to the present value of future lease payments. The distinction between finance leases and operating leases under the former standard, IAS 17, is removed and replaced with this new model from 1 January 2019.

In addition to the impact on the presentation of the statement of financial position, the income statement is also impacted. The current operating expense is replaced by a depreciation expense as well as an interest expense resulting from unwinding of discount of the lease liability. In the statement of cash flows, interests continue to be recorded in operating cash flows. Investing activities are not impacted, while the repayment of the lease liability is included with cash flows from financing activities.

Lease recognition rules for lessors are unchanged compared with IAS 17.

The Company has defined these major categories of lease contracts:

- **Buildings:** these contracts mainly concern operational and commercial activities leases (offices and head office, warehouse, points of sale), as well as leases of technological premises not owned by the Company.
- **Land and rooftops:** these contracts mainly concern the lease of land and rooftops for the installation of radio access and transmition equipment. The Company considers in particular the economic importance of the leased assets and the legal environment supporting te-

lecommunication companies acting in public interest, when setting the lease term.

- **Other:** these contracts primarily concern leases of routers, racks and servers in datacenters. Leases are also entered into as part of fixed wireline access network activities. These leases mainly concern access to the local loop where Orange is a market challenger (total or partial unbundling), as well as the lease of land transmission cables.

The Company elected to adopt the modified retrospective method for first-time application and applies the following authorized practical expedients:

- Exclusion of leases with a residual term expiring within 12 months of the first application date.
- Exclusion of leases of low-value assets.
- Exclusion of initial direct costs from the measurement of the right-of-use asset at the date of first-time application.
- The enforceable term of open-ended leases with a notice period of less than or equal to 12 months may be longer than the notice period, depending on the lease circumstances.

The Company has chosen to apply IFRS 16 using the modified retrospective method and accordingly the 2017 and 2018 comparative periods have not been restated.

The following table summarises the impacts of adopting IFRS 16 on the Company's statement of financial position:

In thousands of EUR	Note	31 December 2018, historical data	IFRS 16 application effect	1 January 2019 (restated)
Right-of-use assets	6	-	99,956	99,956
Total non-current assets		**528,491**	**99,956**	**628,447**
Total current assets		**198,313**	**-**	**198,313**
TOTAL ASSETS		**726,804**	**99,956**	**826,760**
Equity		**337,195**	**-**	**337,195**
Lease liabilities	6	-	89,633	89,633
Deferred tax liabilities	8	10,396	-	10,396
Total non-current liabilities		**153,719**	**89,633**	**243,352**
Trade payables and other liabilities		93,997	(1,086)	92,911
Lease liabilities	6	-	11,409	11,409
Total current liabilities		**235,890**	**10,323**	**246,213**
TOTAL EQUITY AND LIABILITIES		**726,804**	**99,956**	**826,760**

Reconciliation of operating lease off-balance sheet commitments presented according to IAS 17 as of 31 December 2018 and lease liabilities recognized according to IFRS 16 as of 1 January 2019

Reconciling items mainly concern the application scope, the lease payment measurement method and other impacts presented below:

In thousands of EUR	
Operating lease commitment at 31 December 2018	**107,163**
Operating lease discounted using the discount rate in range 0.12% to 1.06% at 1 January 2019	-7,165
Short-term leases up to 12 months recognised on a straight-line basis over the lease term	-42
Leases of low-value assets recognised on a straight-line basis over the lease term	0
Extension and termination options reasonably certain to be exercised	0
Lease liabilities recognised at 1 January 2019	**99,956**

(b) Standards and interpretations adopted by EU effective in 2019 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 2019 but do not have any significant impact on the Company's financial statements:

- IFRIC 23 "Uncertainty over Income Tax treatments" (effective for annual periods beginning on or after 1 January 2019)
- Amendments to IAS 19 "Employee benefits Plan Amendment, Curtailment or Settlement" (effective for annual periods beginning on or after 1 January 2019)
- Amendments to IFRS 9 "Prepayment Features with Negative Compensation" (effective for annual periods beginning on or after 1 January 2019)
- Amendments to IAS 28 "Long-term interests in Associates and Joint ventures" (effective for annual periods beginning on or after 1 January 2019)
- Annual Improvements to IFRS Standards 2015 – 2017 Cycle Amendments to IFRS 3 "Business Combination", IFRS 11 "Joint Arrangements", IAS 12 "Income Taxes" and IAS 23 "Borrowing Costs" (all effective for annual periods beginning on or after 1 January 2019)

(c) 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:

- Amendments to IAS 1 "Presentation of Financial Statements" and IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" (effective for annual periods beginning on or after 1 January 2020)
- Amendments to IFRS 4 - Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (Effective for annual periods beginning on or after 1 January 2021)
- Amendments to IFRS 9, IAS 39 and IFRS 7, Interest Rate Benchmark Reform (the amendments address issues affecting financial reporting in the period leading up to IBOR reform)
- Revised Conceptual Framework for Financial Reporting - no changes will be made to any of the current accounting standards. However, entities that rely on the Framework in determining their accounting policies for transactions, events or conditions that are not otherwise dealt with under the accounting standards will need to apply the revised Framework from 1 January 2020. These entities will need to consider whether their accounting policies are still appropriate under the revised Framework.

The Company anticipates that adopting most of 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.

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

- Amendments to IFRS 3 "Business Combinations" (Effective for annual periods beginning on or after 1 January 2020)
- IFRS 17 "Insurance Contracts" (effective for annual periods beginning on or after 1 January 2021)
- 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)

The Company anticipates that adopting most of 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.)

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 effective as of the balance sheet date.

(b) 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.

(c) 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, set top boxes 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:

	2019	2018
Mobile RAN equipment	6 to 9 years	6 to 9 years
RAN CW & shelters, power connection	10 years	10 years
RAN CW & tower, pylons, constructions	20 to 28 years	20 to 28 years
Transmission equipment	5 to 10 years	5 to 10 years
Transmission optical fibres	15 years	15 years
Transmission CW & poles, terrestrian cables	20 to 30 years	20 to 30 years
Switching	5 to 10 years	5 to 10 years
Data network	4 to 5 years	4 to 5 years
Dedicated platforms	5 years	5 years
Other network	5 to 10 years	5 to 10 years
IT non-network hardware & infrastructure	3 to 5 years	2 to 5 years
Buildings	10 to 30 years	10 to 30 years
Other non-network equipment	2 to 10 years	2 to 10 years
Optical fibre control equipment	10 years	10 years
Optical fibre cables	15 years	15 years
CW & poles	28 to 30 years	28 to 30 years
SIM cards	5 years	5 years
Set top boxes	2 years	2 years

* CW – Civil works
RAN – Radio access network

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 were not significant changes in the accounting estimates during the period.

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

(d) 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 as incurred.

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:

	2019	2018
Software	3 to 10 years	3 to 10 years
Licence	6 to 14 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.

(e) Lease agreements

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Company considers a contract to be a lease in case that all following conditions are met:

- the contract involves the use of an identified asset, this may be specified explicitly or implicitly, and
- the Company has the right to obtain substantially all of the economic benefits from use of asset, and
- the Company has the right to direct the use of the asset.

This policy is applied to contracts entered into on or after 1 January 2019.

On transition to IFRS 16, the Company elected to apply the practical expedient to grandfather the assessment of which transactions are leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after 1 January 2019.

The Company applies a practical expedient not to deduct the non-lease component from the contract lease payments.

Leases (Company as a lessee)

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred less any lease incentives received. Any obligation regarding the costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located after the end of lease period is recognized as ARO provision according to the IAS 37. The costs for ARO obligation are recognized in the plant and equipment.

In determining the lease term, the Company considers the length of the lease term and early termination or extension option of contract. In assessing the likelihood of exercise extension or early termination option of the lease term the Company consider all relevant facts and circumstances that provide economic impulse to exercise (not to exercise) those options. The period by which the contract can be extended (or the period which follows after early termination option of contract) will be included in the lease term only if the Company is reasonably certain that the extension will be exercised.

For lease contracts where the Law on electronical communication is applicable, the lease period is defined by taking into account the economic importance of sites on which telecommunication equipment is installed and the Slovak legal environment protecting telco operators as providers of public services. For those types of contracts the lease term is set for ten years regardless of the lease terms contractually agreed. In determining this enforceable period the company takes into account technological and strategic predictability in telco industry.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term. If the lease contains transfer of ownership or call option, the right-of-use asset is depreciated using the straight-line method during the useful life of the asset. Depreciation begins on the date of commencement of the lease. The impairment assessment of the right-of-use asset is carried out in a similar way as the impairment assessment of property, plant and equipment described in accounting policy f).

The lease liability is initially measured on the date when the leased asset is made available to the lessee (the lease commencement date). The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the Company's incremental borrowing rate.

The Company´s incremental borrowing rate was determined based on available financial information relating to the Company. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero (so that the final right-of-use asset will amount to zero). During the accounting period the Company did not recognise the remeasurement of the lease liability due to the above mentioned changes.

The Company has elected not to recognise right-of-use assets and lease liabilities for short-term leases for all types of leases that have a lease term of 12 months or less. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

The Company has also elected not to recognise right-of-use assets and lease liabilities with low values. The estimated value of asset is based on the assumption that the asset is new. If the value of the asset cannot be reliably measured, the optional exception is not applied.

The Company recognises right-of-use asset as a part of property, plant and equipment and lease liabilities as a part of short-term and long-term loans and borrowings in the Statement of financial position. The Company recognises the lease transactions in the Statement of cash flows as follows:

- principal lease payments as a part of financing activities,
- interest payments on lease liabilities as a part of operating activities (application of requirements for interest paid in accordance with IAS 7),
- payments relating to the short-term leases, leases of low-value assets and variable lease payments that are not included in the measurement of lease liabilities within cash flow from operating activities.

After the lease commencement date, the amount of the lease liability may be reassessed to reflect changes introduced in the following main cases;

- a change in term resulting from a contract amendment or a change in assessment of the reasonable certainty that a renewal option will be exercised or a termination option will not be exercised;
- a change in the amount of lease payments, for example following application of a new index or rate in the case of variable payments;
- a change in assessment of whether a purchase option will be exercised;
- any other contractual change, for example a change to the scope of the lease or the underlying asset.

Leases – IAS 17

Leases (Company as a lessee - (comparative period)

In the comparative period, as a lessee the Company classified leases that transfer substantially all of the risk and rewards of ownership as finance leases. When this was the case, the leased assets were measured initially at the amount equal to the lower of their fair value and the present value of the minimum lease payments. Subsequently, the assets were accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases were classified as operating leases and were not recognised in the Company's Statement of financial position.

Lease payments

Payments made under operating leases were recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received were recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments for finance lease were allocated between finance costs and reduction of the outstanding liability. Finance costs were allocated to each period during the lease term in order to ensure a constant interest rate on the remaining amount of liability.

(f) Impairment

Financial assets

The Company measures loss allowances for trade receivables, non current receivables and contract assets at an amount equal to lifetime expected credit losses (hereinafter referred to as "ECL") the Company measures loss allowances at an amount equal to lifetime ECLs.

To determine the credit risk of financial assets when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment including forward-looking information.

The Company assumes that the credit risk on a financial asset from domestic customers has increased significantly if it is more than 35 days past due, when the Company initiates the termination of the future service deliveries.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

Measurement of ECL's

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive).

ECLs are not discounted as the financing component is not considered significant.

All impairment losses are recognized in profit or loss.

Non-financial assets

The carrying amounts of the Company's assets, other than property, plant and equipment, intangible assets, inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognized whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that are largely independent from other assets and groups.

Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units (group of units) and then, to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

The recoverable amount of other assets is the greater of their fair value less costs to sell and 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.

In respect of other assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had been recognized. Impairment loss is never reversed in case of goodwill.

(g) Investments in subsidiaries

Investments in subsidiaries represent investments in 3 wholly-owned subsidiaries: Orange CorpSec, spol. s r.o., Nadácia Orange ("the Foundation"), and Orange Finančné služby, s.r.o. – all three with the seat on Metodova 8, 821 08 Bratislava. The Company's investments have been accounted for at acquisition costs, less impairment if any.

(h) 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.

(i) Trade Receivables

The trade receivables are mainly short-term with no stated interest rate and are measured at transaction price, 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 initially recognised at fair value and discounted and classified according to their remaining maturities. For impairment provision to receivables refer to Note 10.

(j) Contract assets and contract liabilities

The timing of revenue recognition may differ from the customer invoicing.

Trade receivables presented in the statetement of financial position represent an unconditional right to receive consideration (primarily cash), i.e. the services and goods promised to the customer have been transferred.

Conversely, contract assets mainly concern amounts allocated pursuant to IFRS 15 to consideration for goods and services transferred to a customer, where the unconditional right to collect is subordinate to the transfer of other goods or services under the same contract. This is the case in a bundled offering combining the sale of a mobile phone and mobile communication services for a fixed period, where the mobile phone is invoiced at a subsidised price leading to the reallocation of a portion of amounts invoiced for telephone communication services to the supply of the mobile phone. The excess of the amount allocated to the mobile phone over the price invoiced is recognized as a contract asset and transferred to the trade receivables as the service is invoiced.

Contract assets, like trade receivables, are subject to the impairment for credit risk. Upon recognition of contract assets, the related impairment loss is recognized at the credit default rate.

Contract liabilities represent amounts paid by customers to the Company before receiving the goods and/or services promised in the contract. This is typically the case for advances from customers or amounts invoiced and paid for goods or services not yet transferred, such as contract payable in advance or prepaid packages (previously recorded in deferred income).

Cost of obtaining a contract

Where a telecommunications services contract is signed via a third-party distributor, this distributor is entitled to receive the remuneration, generally paid in the form of a commission for each contract or invoiced-indexed commission. Where the commission is incremental and would not have been paid in absence of the contract, the commission cost is capitalised in the balance sheet. The Company has adopted the simplification measure authorized by IFRS 15 to recognize the costs of obtaining contracts as an expense when they are incurred if the amortization period of the asset would otherwise be twelve months or less. The costs of obtaining fixed-period mobile service contracts are capitalized and released to profit and loss on a straight-line basis over the enforceable contract term.

(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 as measured at: amortised cost; fair value through other comprehensive income "FVOCI" or fair value through profit or loss "FVTPL". The Company has only financial assets classified at amortised costs.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The classification depends on the nature and purpose of the financial assets and is determined at the time of the initial recognition.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

As at 31 December 2019, the Company holds trade receivables, bank accounts and current cash-pool account held by parent company Orange SA categorised as 'measured at amortised costs'.

(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 (ZERO balance as at 31 December 2019) and long term loan received from the parent company.

(n) Borrowing costs

All borrowing costs are recognised in profit or loss in the period in which they are incurred.

(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 16).

(p) Trade and other payables

Trade and other payables are recognized initially at fair value. Subsequent to initial recognition they are stated at amortized cost.

(q) Revenues

Revenue falls within the application scope of IFRS 15 "Revenue from contracts with customers". Our products and services are offered to customers under service contracts only and contracts combining the equipment used to access services and/or other service offerings. Revenue is recognized net of VAT.

Standalone service offerings (mobile service only, fixed service only, convergence service)

The Company proposes to Mass market and Corporate markets customers a range of fixed-line and mobile telephone services, fixed-line and mobile Internet access services and content offerings (TV, video, media, added-value audio service, etc.). Certain contracts are for a fixed term (generally 12 or 24 months), while others may be terminated at short notice (i.e. monthly arrangements or portions of services).

The service fees are usually billed upfront in 12 different bill days over the month. The Company grants predominantly 14 days payment terms to its customers. Service revenues are recognized over time when the service is rendered, the billed service fees are proportionally split to correct period either based on use (e.g. minutes of traffic) or the period (e.g. monthly service costs).

In minor cases some customers uses the prepaid cards, which are recorded as service revenues at the time of actual use (i.e. minutes of traffic). Under certain content offerings, The Company may act solely as an agent enabling the supply by a third-party of goods or services to the customer and not as a principal in the supply of the content. In such cases, revenue is recognized net of amounts transferred to the third-party. The Company does not obtain the control over the content prior to selling it to the customers.

Contracts with customers generally do not include a material right, as the price invoiced for contracts and the services purchased and consumed by the customer beyond the specified scope (e.g. additional consumption, options, etc.) generally reflect their standalone selling prices. Service obligations transferred to the customer at the same time are treated as a single obligation.

The initial service connection in the context of a service contract is not considered to be a distinct service and it is recognized as revenue over the average term of the expected contractual relationship.

Convergent services are considered to be revenues, where the customers do not have mobile services and purchase additional services with a convergent discount, i.e. fixed-line internet services. In case the customer purchase both services with a convergent discount, the whole revenue is classified as a convergent sale, i.e. the convergent discount is accounted within revenues from convergent sales together with all services in convergent offer.

Equipment sales

The Company proposes to Mass market and Corporate markets customers several ways to buy their equipment (primarily mobile phones): equipment sales may be separate from or bundled with a service offering. When separate from a service offering, the amount invoiced is recognized in revenue on delivery and receivable immediately or in instalments usually over a period of up to 24 months. Where payment is received in instalments, the offering comprises a financial component and interest is calculated and deducted from the amount invoiced and recognized over the payment period in net finance costs. When the equipment sale is combined with a service offering, the amount allocated to the equipment (bundled sale – see below) is recognized in revenue on delivery and collected over the service contract. In this case, the Company does not calculate interest based on the contractual analysis of offers and the current level of interest rates, as it was considered not material. This judgement could subsequently be amended in the event of a change in commercial offers or interest rates.

Where the Company purchases and sells equipment to indirect channels, the Company generally retains control until sale to the end-customer (the distributor acts as an agent). Sales proceeds are therefore recognized when the end-customer takes possession of the equipment (on activation). The consideration for the equipment sale is collected either immediately on the transfer of control over the equipment or the consideration is collected via instalments in the period up to 24 months. The instalments are billed to the customers together with the monthly service fees.

Bundled equipment and service offerings

The Company proposes numerous offerings to its Mass market and Corporate markets customers comprising equipment (e.g. a mobile terminal) and services (e.g. a communications contract). The bundled contracts have a contractual period with a significant termination penalty.

Both Equipment sale and service revenue are considered as a separate performance obligation from the customer contract, as both equipment sale and service revenues are distinct. The total consideration from the customer contract is allocated to each individual performance obligation based on proportion of stand alone selling prices. To determine the stand alone selling prices the Company uses an observable price, where the individual selling price of the equipment is considered equal to its purchase cost and logistics expenses plus a commercial margin based on market inputs.

The supply of a set-top box (Internet proprietary box) is neither a separate performance obligation of the Internet access service nor a finance lease, as the Company retains the control of the box during the whole customer contract.

Service offerings to carriers (wholesale)

Three types of commercial agreement are entered into with Operator customers for domestic wholesale activities and International carrier offerings:

- Pay-as-you-go model (PAYG): generally applied where contract services are not covered by a firm volume commitment. Revenue is recognized as revenues from wholesale at point in time when the services are rendered (which corresponds to transfer of control). The billed price for the roaming contracts is decreased for an estimated discount that represents a variable consideration to be given to the customers. The amount of variable consideration is estimated based on the historical experience and expected results of negotiations within a larger group of telecom operators.
- Mixed model: hybrid contract combining the “Pay-as-you-go “ and “Send-or-pay” models, comprising a fixed entry fee providing access to preferential pricing conditions for a given volume (“Send or pay” component) and invoicing of traffic consumption (“Pay-as-you-go” component). Revenue is recognized as revenues from wholesale if it is expected the traffic would not exceed the committed volumes, the revenue is recorded over the contract period.

(r) 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 was 0.545% for 2019 (2018: 0.726%) from the operating profit, which is broadly similar to profit in the financial statements. The levy will gradually decrease to 0.363% by 2021.

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.

(s) 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 statutory retirement benefit.

4. Property, Plant, and Equipment

In thousands of EUR	Land and building	Plant and equipment	Motor vehicles	Fixtures and fittings	Under construction	Total
Cost						
As at 1 January 2018	4,817	820,907	5,481	33,609	44,958	909,772
Additions	-	2,581	-	-	85,150	87,731
Disposals	(106)	(46,642)	(211)	(4,037)	-	(50,996)
Transfer	86	78,370	1,118	1,730	(81,304)	-
As at 31 December 2018	**4,797**	**855,216**	**6,388**	**31,302**	**48,804**	**946,507**
As at 1 January 2019	4,797	855,216	6,388	31,302	48,804	946,507
Additions	-	10,047	-	-	89,977	100,024
Disposals	-	(54,054)	(1,453)	(3,640)	-	(59,147)
Transfer	36	92,875	833	1,173	(94,917)	-
As at 31 December 2019	**4,833**	**904,084**	**5,768**	**28,835**	**43,864**	**987,384**
Accumulated amortisation						
As at 1 January 2018	1,677	524,166	3,117	25,029	-	553,989
Charge for the year	305	65,669	888	2,977	-	69,839
Disposals	(86)	(46,605)	(192)	(4,046)	-	(50,929)
As at 31 December 2018	**1,896**	**543,230**	**3,813**	**23,960**	**-**	**572,899**
As at 1 January 2019	1,896	543,230	3,813	23,960	-	572,899
Charge for the year	302	68,000	954	2,534	-	71,790
Disposals	-	(54,013)	(1,415)	(3,635)	-	(59,063)
As at 31 December 2019	**2,198**	**557,217**	**3,352**	**22,859**	**-**	**585,626**

In thousands of EUR	Land and buildings	Plant and equipment	Motor vehicles	Fixtures and fittings	Under construction	Total
Carrying amount						
As at 1 January 2018	**3,140**	**296,741**	**2,364**	**8,580**	**44,958**	**355,783**
As at 31 December 2018	**2,901**	**311,986**	**2,575**	**7,342**	**48,804**	**373,608**
As at 1 January 2019	**2,901**	**311,986**	**2,575**	**7,342**	**48,804**	**373,608**
As at 31 December 2019	**2,635**	**346,867**	**2,416**	**5,976**	**43,864**	**401,758**

As at 31 December 2019, none of the properties were pledged to secure bank loans.

In 2019, 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 2019, the Company had a disposal in gross value of EUR 59,147 thousand (book value of EUR 84 thousand) relating mainly to old, fully depreciated equipment.

Property and equipment, excluding motor vehicles, is insured to a limit of EUR 783,150 thousand (2018: EUR 734,272 thousand). Each motor vehicle is insured to a limit of EUR 5,000 thousand (2018: EUR 5,000 thousand) for damage on health and expenses related to death and EUR 2,000 thousand (2018: 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 2018	158,485	184,550	18,321	6,201	367,557
Additions				10,480	10,480
Disposals	(37,237)	(5,741)	(300)		(43,278)
Transfer	11,075		475	(11,550)	-
As at 31 December 2018	**132,323**	**178,809**	**18,496**	**5,131**	**334,759**
As at 1 January 2019	132,323	178,809	18,496	5,131	334,759
Additions	-	9,000	-	14,143	23,143
Disposals	(29)	-	(275)	-	(304)
Transfer	13,599	-	162	(13,761)	-
As at 31 December 2019	**145,893**	**187,809**	**18,383**	**5,513**	**357,598**
Accumulated amortisation					
As at 1 January 2018	121,455	90,114	9,008	-	220,577
Charge for the year	15,867	11,905	1,682	-	29,454
Disposals	(37,223)	(5,741)	(299)	-	(43,263)
As at 31 December 2018	**100,099**	**96,278**	**10,391**	**-**	**206,768**
As at 1 January 2019	100,099	96,278	10,391	-	206,768
Charge for the year	15,102	10,162	1,366	-	26,630
Disposals	-	-	(275)	-	(275)
As at 31 December 2019	**115,201**	**106,440**	**11,482**	**-**	**233,123**

In thousands of EUR	Software	Telecom. licences	Other intangible assets	Under construction	Total
Carrying amount					
As at 1 January 2018	**37,030**	**94,436**	**9,313**	**6,201**	**146,980**
As at 31 December 2018	**32,224**	**82,531**	**8,105**	**5,131**	**127,991**
As at 1 January 2019	**32,224**	**82,531**	**8,105**	**5,131**	**127,991**
As at 31 December 2019	**30,692**	**81,369**	**6,901**	**5,513**	**124,475**

In 2019, the addition mainly comprises the purchase of IT applications and software packages.

During 2019, the Company had a disposal in gross value of EUR 304 thousand (book value of EUR 29 thousand) relating mainly to old, mostly fully depreciated messaging service platforms.

6. Lease Agreements

Right-of-Use Assets

In thousands of EUR	Buildings	Lands for sites	Other	Total
Cost				
As at 1 January 2019	21,323	77,337	1,296	99,956
Additions	837	10,337	(1,272)	9,902
As at 31 December 2019	**22,160**	**87,674**	**24**	**109,858**
Accumulated amortisation				
As at 1 January 2019	-	-	-	-
Charge for the year	2,774	8,045	5	10,824
As at 31 December 2019	**2,774**	**8,045**	**5**	**10,824**
Carrying amount				
As at 1 January 2019	**21,323**	**77,337**	**1,296**	**99,956**
As at 31 December 2019	**19,386**	**79,629**	**19**	**99,034**

Lease liabilities

As of 31 December, 2019, lease liabilities total EUR 101,042 thousand, including non-current lease liabilities of EUR 89,231 thousand and current lease liabilities of EUR 11,269 thousand.

Maturity analysis of lease liabilities is shown in the following table:

In thousands of EUR	31 December 2019
Less than one year	11,269
One to five years	44,464
More than five years	44,767
	100,500

Statement of comprehensive income

Overview of lease transactions recognised in the Statement of comprehensive income is shown in the following table:

In thousands of EUR	31 December 2019
Interest of lease liabilities	(985)
Expenses relating to short-term leases	(42)
	(1,027)

Statement of cash flow

Overview of lease transactions recognised in the Statement of cash flows is shown in the following table:

In thousands of EUR	31 December 2019
Total cash outflow for leases	(10,443)
	(10,443)

The cash outflows from the lease liabilities represent lease payments and are presented in the cash flow from financing activities.

Fair values

The liabilities were initially discounted to the fair value at a discount rate that ranges from 0% to 1.06% p.a. The fair value of the liability using the discount rate of 0.591% is by EUR 2.0 million higher compared to its carrying amount as of the balance sheet date.

7. Investments in Subsidiaries

In September 2017, the Company recognized the investment in Orange Finančné služby, s.r.o. at a cost of EUR 200 thousand (100% ownership / 100% of voting rights). As at 31 December 2019 the new subsidiary had limited number of transactions which is immaterial to publish.

Investments in subsidiaries at a cost of EUR 100 thousand represent an investment in the wholly-owned subsidiary Orange CorpSec, spol. s r.o. (100% ownership / 100% of voting rights). 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 2019	630	234	396	1,207	26
As at 31 December 2018	554	185	369	1,080	32

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.

8.
Deferred Tax Assets and Liabilities

The movement in the deferred tax account is as follows:

In thousands of EUR	31 December 2019	31 December 2018
At the beginning of the period – net deferred tax liability	10,396	26,607
Income statement	(1,574)	(16,211)
At the end of the period – net deferred tax liability	**8,822**	**10,396**

Deferred tax assets and deferred tax liabilities are attributable to the items detailed for the current as well as the preceeding period in the table below:

	31 December 2019			31 December 2018		
In thousands of EUR	**Software**	**Telecom. licences**	**Other intangible assets**	**Under construction**	**Total**	**Total**
Property, plant, and equipment	-	26,971	(26,971)	-	26,142	(26,142)
Rights of use of leased assets	-	25,111	(25,111)	-	-	-
Lease liabilities	25,208	-	25,208	-	-	-
Inventories	163	-	163	267	-	267
Receivables	1,595	-	1,595	2,273	-	2,273
Accruals	4,488	-	4,488	4,270	-	4,270
Provisions	11,806	-	11,806	8,936	-	8,936
Net deferred tax	**43,260**	**52,082**	**(8,822)**	**15,746**	**26,142**	**(10,396)**

	31 December 2018			31 December 2017		
In thousands of EUR	**Assets**	**Liabilities**	**Net**	**Assets**	**Liabilities**	**Net**
Property, plant, and equipment	-	26,142	(26,142)	-	24,187	(24,187)
Inventories	267	-	267	479	-	479
Receivables	2,273	-	2,273	1,933	-	1,933
Contract assets (restated)	-	-	-	-	16,820	(16,820)
Cost to obtain the contract (restated)	-	-	-		2,425	(2,425)
Accruals	4,270	-	4,270	5,818	-	5,818
Provisions	8,936	-	8,936	8,595	-	8,595
Net deferred tax	**15,746**	**26,142**	**(10,396)**	**16,825**	**43,432**	**(26,607)**

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 2019 was 21% (2018: 21%) plus the special levy for the regulated industries of 6.534 % of operating profit (2018: 8.712 %). The special levy would gradually reduce to 4.356 % by 2021. The rate effective from 1 January 2020 is 27.534% and was used in the deferred tax calculation.

9.
Inventories

In thousands of EUR	31 December 2019	31 December 2018
Raw materials and consumables	439	488
Merchandise	19,838	24,349
Provision for slow moving merchandise	(591)	(970)
	19,686	23,867

As at 31 December 2019, no inventories were pledged to secure bank loans.

Write-down to NRV for slow moving merchandise are recognised under Note 18, line ”Purchased goods and services”.

10.
Trade and Other Receivables, Net and Non-current Receivables

Non-current receivables

Non-current receivables mostly represent receivables from sales of handset with payment on instalments that are payable in more than 12 months. The receivables are discounted to the fair value at a discount rate of 3.44%. The discount rate must be the prevailing market rate for a type of customers: it is at least equal to the company’s marginal borrowing rate plus the expected customer credit loss. The discount rate used at inception remains unchanged over the instalment period.

Ageing structure of the trade and other receivables is provided in the table below

In thousands of EUR	31 December 2019	31 December 2018
Not past due	75,277	68,916
Past due	**28,665**	**36,166**
Trade and other receivables - gross	103,942	105,082
Provision for impairment	(20,482)	(29,305)
Trade and other receivables - net	**83,460**	**75,777**

Expected credit loss assessment for non-current, trade and other receivables as at 1 January and 31 December 2019

The Company allocates each exposure to a credit risk grade based on data that is determined to be predictive of the risk of loss (including but not limited to audited financial statements, management accounts and cash flow projections and available press information about corporate customers) and applying experienced credit judgement. Credit risk grades are defined using qualitative and quantitative factors that are indicative of the risk of default. Expected credit loss “ECL” rate is calculated on delinquency status and actual credit loss experience over the past two years.

The Company uses a provision matrix to calculate expected lifetime credit losses for trade receivable: subscribers, distributors and others. The following table sets the total gross book values at default in payment ("Gross") and the ECL in 2019 calculated with provision matrix for trade receivables:

In thousands of EUR	Weighted-average loss rate in 2019	Gross 31 December 2019	ECL 31 December 2019	Weighted-average loss rate in 2018	Gross 31 December 2018	ECL 31 December 2018
unbilled and not yet due	0,5%	75,278	370	0,5%	67,919	370
Past due 0-30 days	4%	4,876	195	5%	7,420	371
Past due 31-60 days	27%	638	172	33%	773	255
Past due 61-90 days	39%	441	172	53%	398	211
Past due 91-180 days	51%	1,008	514	71%	1,123	797
Past due 181-360 days	63%	2,048	1,290	94%	2,477	2,328
Past due 361 -720 days	68%	3,675	2,499	100%	3,688	3,688
Past due 721 -1080 days	77%	3,081	2,373	100%	2,153	2,153
Past due 1081 and more days	100%	12,897	12,897	100%	19,132	19,132
Total		**103,942**	**20,482**		**105,082**	**29,305**

The Company has grouped trade receivable according to loss patterns observed in the past and the provision rates are based on days past due. The provision matrix is based on the Company's historically observed default rates, which are updated on a yearly basis. During 2019 the Company sold the past due receivables in the category over 2 years to a third party for a net proceeds reaching positive yields. This sale along with management intention to hold the receivables until final maturity and proceed with legal collection was a driver for the change in the estimation of weighted average loss rates updated in 2019. In 2019 new information were considered which change the roll rate model calculation and resulted in reversal of certain amount of impairment provision (refer to movements in the allowance for doubtful debts below).

Loss rates are calculated using a 'roll rate' method based on the probability of a receivable progressing through successive stages of delinquency to write-off. Roll rates are calculated for all customers balances, and the customers are not further segmented, as the collection policy is the same for all customers as well as such management is a view that further segmentation will require undue costs and efforts and will not result in more precise information about the impairment provision.

Movements in the allowance for doubtful debts

In thousands of EUR	31 December 2019	31 December 2018
Impairment allowance to short term receivables		
On 1 January	29,305	29,171
Application of IFRS 9	0	370
Impairment of trade receivables used during the year	(6,182)	0
Impairment of trade receivables reversed during the year	(2,641)	(236)
As at 31 December	**20,482**	**29,305**
Impairment allowance to non current receivables		
On 1 January	57	599
Net creation of provision for impairment of non-current receivables	9	(542)
As at 31 December	**66**	**57**

During 2019 there were no receivables written-off which are still subject to enforcement activity.

Analysis of overdue financial trade and other receivables that are not impaired (Comparative information under IAS 39)

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

- **Statistical method for the retail market:** this is based on historical losses and leads to a separate impairment rate for each ageing balance category.
- **Individual method:** the assessment of impairment probability and its amount is based on a set of relevant qualitative factors (ageing of late payment, other balances with the counterpart). This method is used for carriers and operators (national and international), local buyers, regional and national authorities.

11.
Contract Net Asset and Liabilities

In thousands of EUR	31 December 2019	31 December 2018
Current net contract assets	55,092	60,748
Customer contract assets	55,934	61,895
Impairment provision	(842)	(1,147)
Customer net contract assets	**55,092**	**60,748**
Costs of obtaining a contract	10,105	9,118
Costs of obtaining a contract	**10,105**	**9,118**
Contract liabilities	22,102	21,713
Anticipated spread of subsidy	412	799
Deffered revenue - Prepaid telephone cards	7,094	6,629
Deffered revenue - Monthly service fees	12,838	12,502
Connection fees	1,758	1,783
Customer contract net liabilities	**22,102**	**21,713**

For detailed description of Contract asset and liabilities, see Note 3 (j).

Impairment of contract assets

Contract asset, like trade receivables, are subject to the impairment for credit risk. Upon recognition of contract assets, the related impairment loss is recognized at the credit default rate.

Movements on the provision for impairment of contract asset are as follows:

In thousands of EUR	2019	2018
On 1 January	1,147	1,219
Net creation of provision for impairment	(305)	(72)
On 31 December	**842**	**1,147**

Transaction price allocated to the remaining performance obligations

In vast majority, the contract liability represents the monthly services fees, which will be recorded to revenues in January 2020 and the prepaid telephone cards, which will be recorded to revenues broadly during the first half of 2020.

The Company applies the practical expedient and does not disclose information about remaining performance obligations that have original expected durations of one year or less.

The Company applies the practical expedient and does not disclose the amount of the transaction price allocated to the remaining performance obligations and an explanation of when the Company expects to recognise that amount as revenue as at 31 December 2019.

12.
Current Financial Assets

The balance of EUR 36,283 thousand (2018: EUR 28,132 thousand) represents the receivable on the cash-pooling account of the Company with Orange SA. 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 0.446% as at 31 December 2019 (negative rate 0.356% as at 31 December 2018).

13.
Cash and Cash Equivalents

In thousands of EUR	31 December 2019	31 December 2018
Cash on hand and cash equivalents	118	96
Bank balances and deposits	5,326	6,423
Cash and cash equivalents in the balance sheet	**5,444**	**6,519**

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.

14.
Equity

Share capital

As at 31 December 2019, the authorised share capital comprised 1,181,755 ordinary shares (2018: 1,181,755), with a nominal value of EUR 33.19 each, 1 ordinary share (2018: 1) with a nominal value of EUR 13.78, and 1 ordinary share (2018: 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 (2018: EUR 15,260 thousand) relate to the Legal Reserve Fund. The Company is obliged by Slovak law to create a legal reserve totalling a minimum of 5% of net profit (annually) and up to a maximum of 10% of registered share capital. As the fund's balance has already reached the maximum balance, no further distribution from the Company's profits is required by law.The Legal Reserve Fund 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 2019 profit.

In June 2019, the shareholders approved a dividend payment of EUR 50 million related to undistributed profits from previous years at their annual general meeting. An amount of EUR 25 million was paid in June 2019 and EUR 25 million was paid in December 2019.

15.
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 both Tranches is 30 June 2020. As at 31 December 2018, the maturity of Tranche A was 30 June 2019. The Company paid an arrangement fee 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 0.500% as at 31 December 2019 (0.581% as at 31 December 2018).

The loan is unsecured and the Company may use the funds for the general corporate operation purposes.

16. Provisions and Non-current Payables

Provisions

In thousands of EUR	Provision for asset retirement	Other	Total
Balance at 31 December 2018	27,295	2,536	29,831
Provisions made during the year	10,209	54	10,263
Provisions used during the year	-	(278)	(278)
Provisions reversed during the year	-	-	-
Balance at 31 December 2019	**37,504**	**2,312**	**39,816**

In thousands of EUR	31 December 2019	31 December 2018
Non-current	39,816	29,831
Current	-	-
	39,816	29,831

Provision for asset retirement obligation was recorded in the amount of EUR 37,504 thousand, using the following assumptions based on an expert's study: average costs of site demolition of EUR 10.6 thousand, an average site usage of 15 years, discount rate of 0.591%, dismantling cost index of 3.00% and number of sites of 2,479 (2018: EUR 8 thousand, 15 years, 1.076%, 3.00%, and of 2,479 sites, respectively). The Company records carry an amount of EUR 22,568 thousand (2018: EUR 14,133 thousand) in the asset side of the balance sheet (Note 4).

Other provisions represent a provision for retirement benefit costs EUR 664 thousand and provision for litigations EUR 1,648 thousand.

Non-current payables

Non-current payables of EUR 11,825 thousand (2018: EUR 13,492 thousand) represent long-term liability which resulted from the capitalised unavoidable future spectrum fees payable to the Telecommunication Office. Short-term liability related to spectrum fees is presented within trade payables and other liabilities EUR 2,078 thousand (2018: EUR 2,078 thousand).

The liabilities were initially discounted to fair value at discount rate that ranges from 2.69% to 2.8%. Liability is amortised using the effective interest rate method. Fair value of liability utilizing the 0.591% discount rate is higher by EUR 1.3 million compared to its carrying amount as of the balance sheet date.

17.
Trade Payables and other Liabilities

In thousands of EUR	31 December 2019	31 December 2018
Trade payables	52,084	69,201
Accrued liabilities	31,125	10,484
Tax liabilities (VAT)	6,967	5,284
Liabilities to employees	9,337	8,418
Other current liabilities	139	610
Total	**99,652**	**93,997**

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

Payables within and after maturity

31 December 2019

In thousands of EUR	Within maturity period	Within 360 days overdue	More than 360 days overdue	Total
Trade payables	39,845	12,048	191	52,084
Accrued liabilities	31,125	-	-	31,125
Tax liabilities (VAT)	6,967	-	-	6,967
Liabilities to employees	9,337	-	-	9,337
Other current liabilities	139	-	-	139
Total	**87,413**	**12,048**	**191**	**99,652**

Payables in the category “within 360 days overdue” were paid during January 2019.

31 December 2018

In thousands of EUR	Within maturity period	Within 360 days overdue	More than 360 days overdue	Total
Trade payables	50,190	18,838	173	69,201
Accrued liabilities	10,484	-	-	10,484
Tax liabilities (VAT)	5,284	-	-	5,284
Liabilities to employees	8,418	-	-	8,418
Other current liabilities	610	-	-	610
Total	**74,986**	**18,838**	**173**	**93,997**

Liabilities to employees include social fund liabilities:

In thousands of EUR	2019	2018
As at 1 January	88	187
Additions	348	279
Utilisation	395	378
As at 31 December	**41**	**88**

18. Revenues

Revenues are broken down by product line as follows:

In thousands of EUR	2019	2018
Convergence services	25,147	23,563
Mobile services only	315,136	320,005
Fixed services only	26,622	22,738
IT & integration services	10,208	8,840
Wholesale	43,619	43,454
Equipment sales	124,312	130,904
Other revenues	11,001	10,080
Total revenues	**556,045**	**559,584**

- Convergent services: revenue from convergent Mass market services (Internet + Mobile offerings)
- Mobile services only: mobile service revenue is generated by incoming and outgoing calls (voice, SMS and data), excluding convergent services.
- Fixed services only: revenue from fixed services includes fixed broadband
- IT & integration services: revenue from unified communication and collaboration services (LAN and telephony, advising, integration, project management), hosting and infrastructure services (including Cloud computing), applications services (customer relations management and other applications services), security services, video conferencing offers as well as sales of equipment related to the above mentioned products and services
- Wholesale: roaming revenues from customers of other networks (national and international), revenues from Mobile virtual network operators and from network sharing
- Equipment sales: all equipment sales (mobile phones, broadband equipment, connected objects and accessories), excluding sales of equipment related to integration and information technology (i.e. set top boxes)

19. External Purchases

External purchases are presented in the table below:

In thousands of EUR	2019	2018
Cost of equipment sold	108,366	111,963
Purchased goods and services	82,144	76,917
Service fees and interoperator costs	81,377	80,523
Costs associated with non-current assets	2,109	12,737
Other	19,224	17,281
Total external purchases	**293,220**	**299,421**

20.
Other Operating Expenses / (Income), Net

Other operating expenses are presented in the table below:

In thousands of EUR	2019	2018
Brand royalty and management fees	14,114	12,490
FX differences net	149	21
Other operating expenses	2,453	2,313
Total other operating expenses	**16,716**	**14,824**

Other operating income is presented in the table below:

In thousands of EUR	2019	2018
Property fees	1,125	1,151
Late payment interest on trade receivables	943	1,133
Gain on disposal of property, plant and equipment	800	201
Other operating income	8,649	3,233
Total other operating income	**11,517**	**5,718**

21.
Wages and Contributions

In thousands of EUR	2019	2018
Wages and salaries	25,395	25,833
Bonuses and untaken holiday payroll provision	6,241	5,394
Social contribution	13,756	13,630
Other	4,982	2,606
Total wages and contributions	**50,374**	**47,463**

22.
Income Tax

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

In thousands of EUR	2019	2018
Income tax payable		
from operating activities	24,640	41,411
Deferred income tax		
from operating activities	(1,574)	(16,211)
Total income tax	**23,066**	**25,200**

The Slovak Corporate Tax is 21%, effective from 1 January 2017.

In thousands of EUR	2019	%	2018	%
Profit before tax	95,964		99,497	
Income tax at the rate of 21% (2018: 21%)	20,152	21,0%	20,894	21,0%
Income tax in respect of prior year	(901)	-0,9%	(803)	-0,8%
Special levy 6.54% (2018: 8.712%) for regulated businesses	4,850	5,1%	8,745	8,8%
Impact of adjusting items:				
permanent differences and other differences	(1,035)	-1,1%	(3,636)	-3,7%
Total income tax	**23,066**	**24,0%**	**25,200**	**25,3%**

23.
Financial Instruments

Risk management policies

The Company's activities expose it to a variety of financial risks, mainly including credit risk. The Company's overall risk management programme focuses on unpredictability of financial markets and 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 debt and equity balance.

The capital structure of the Company consists of cash and cash equivalents (Note 13), cash pooling (Note 12), long term and short term debt/loan (Note 15) and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in Note 14.

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 payment of dividends, issue of new debt, or redemption of existing debt.

The Company monitors capital on basis of 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.

Gearing ratios as at 31 December 2019 and 2018 were as follows:

In thousands of EUR	31 December 2019	31 December 2018
Cash and cash equivalents	(5,444)	(6,519)
Loan	210,000	210,000
Financial (assets) / liabilities	(36,283)	(28,132)
Net debt	**168,273**	**175,349**
Equity	360,406	337,195
Net debt to equity	**47%**	**52%**

Main categories of finacial instruments

In thousands of EUR	Note	31 December 2019	31 December 2018
Financial assets			
Cash and cash equivalents	12	5,444	6,519
Trade and other receivables	9	83,460	75,777
Current financial assets	11	36,283	28,132
Financial liabilities			
Loan	14	210,000	210,000
Trade payables and other liabilities	16	99,652	93,997
Lease liabilities		100,500	-

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, the 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:

	Liabilities		Assets	
In thousands of EUR	2019	2018	2019	2018
Currency USD	1,852	3,387	732	2,376

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 12). 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 into loan contracts which are exposed to floating interest rates in normal course of business. Management policy is to enter into variable interest rates borrowings contracts only. Management does not see the need to hedge 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 1,737 thousand (2018: EUR 1,819 thousand).

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

Management has lease liabilities for which a fixed interest rate was set.

Fair values versus carrying amounts

The fair value of trade and other receivables, cash and cash equivalents, trade and other payables loans and interest bearing borrowings with variable interest rate is approximated by their carrying amounts as at 31 December 2019 as well as at 31 December 2018. The fair values of non current payables are disclosed in Note 16) and lease liabilities in Note 6).

Basis for determining fair values

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 15) loans and interest bearing borrowings is estimated as present value of future cash flows discounted at market rate as of 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 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.

The Company held cash and cash equivalents of EUR 5,444 thousand at 31 December 2019 (2018: EUR 6,519 thousand). The cash and cash equivalents are held with bank and financial institution counterparties, which are rated AA- to AA+, based on Standard & Poor's ratings.

Impairment on cash and cash equivalents has been measured on a 12-month expected loss basis and reflects the short maturities of the exposures. The Company considers that its cash and cash equivalents have low credit risk based on the external credit ratings of counterparties.

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 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 12).

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

Management plan is to negotiate extension of final maturity of intercompany loan and it is expected extension will be agreed due to historical experience.

2019

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	15		-	-	-	8,969	2,855	11,824
Non-interest bearing liabilities	16		45,727	47,225	-	-	-	92,952
Lease liability and interest	6		950	1,901	8,550	45,003	48,513	104,917
Loan	14		-	-	210,000	-	-	210,000
Interest and commitment fee from Long term loan	14	0.500%	-	305	596	930	-	1,831
Accruals			-		4,270	5,818	-	5,818
Total			**46,677**	**49,431**	**219,146**	**54,902**	**51,368**	**422,120**

2018

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	15		-	-	-	8,196	5,296	13,492
Non-interest bearing liabilities	16		62,195	31,802	-	-	-	93,997
Long term loan	14		-	-	110,000	100,000	-	210,000
Interest and commitment fee from Long term loan	14	0.581%		305	596	930	-	2,427
Total			**62,195**	**32,107**	**110,596**	**109,126**	**5,296**	**319,916**

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

2019

In thousands of EUR	Year end effective interest rate	Less than 1 month	1 - 3 months	3 months to 1 year	1-5 years	Total
Non-current receivables	-	-	-	-	9,482	9,482
Non-interest bearing receivables	-	54,263	6,423	22,774	-	83,460
Cash and cash equivalents	0.02%	5,444	-	-	-	5,444
Variable interest rate instruments	-0.446%	36,283	-	-	-	36,283
Total		**95,990**	**6,423**	**22,774**	**9,428**	**134,669**

2018

In thousands of EUR	Year end effective interest rate	Less than 1 month	1 - 3 months	3 months to 1 year	1-5 years	Total
Non-current receivables	-	-	-	-	12,345	12,345
Non-interest bearing receivables	-	48,311	6,066	21,314	-	75,691
Cash and cash equivalents	0.02%	6,519	-	-	-	6,519
Variable interest rate instruments	-0.356%	28,132	-	-	-	28,132
Total		**82,962**	**6,066**	**21,314**	**12,345**	**122,687**

24.
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 2019	31 December 2018
Liabilities - non current		
Atlas Service Belgium (parent company)		100,000
Liabilities - current and unbilled supplies		
Atlas Service Belgium (parent company)	209,759	110,010
Orange Brand Services (fellow subsidiary)	2,472	1,715
Orange SA (ultimate control party)	1,742	1,149
Orange Polska (fellow subsidiary)	1,374	626
Orange Romania (fellow subsidiary)	567	91
Orange CorpSec (subsidiary)	240	180
Other	93	100,510
	216,247	214,281
Dividends paid		
Atlas Service Belgium (parent company)	(50,000)	(72,000)

In thousands of EUR	2019	2018
Purchases		
Orange SA (ultimate control party)	10,539	10,253
Orange Brand Services (fellow subsidiary)	8,520	6,770
Orange Polska (fellow subsidiary)	3,891	3,100
Atlas Service Belgium (mother company)	1,305	1,355
Orange CorpSec (subsidiary)	1,203	1,077
Orange Romania (fellow subsidiary)	444	463
Orange Global International Mobility (fellow subsidiary)	934	-
Orange Egypt for Telecommunications (fellow subsidiary)	46	433
Other	48	449
	26,930	23,900

In thousands of EUR	31 December 2019	31 December 2018
Trade accounts receivable - current		
Orange SA (ultimate control party)	266	403
Orange SA - cash pool account	36,283	28,132
Orange Polska (fellow subsidiary)	319	159
Orange Romania (fellow subsidiary)	179	155
Atlas Service Belgium (parent company)	71	214
Orange Moldova (fellow subsidiary)	5	114
Other	187	591
	37,310	29,768

In thousands of EUR	2019	2018
Sales		
Orange Polska (fellow subsidiary)	4,033	3,353
Equant (fellow subsidiary)	2,383	2,404
Orange SA (ultimate control.party)	2,534	1,538
Orange Romania (fellow subsidiary)	438	774
Orange Espagna (fellow subsidiary)	175	159
Orange Belgium (ex Mobistar) (fellow subsidiary)	266	408
Medi Telecom (fellow subsidiary)	600	-
Orange Egypt for Telecommunications (fellow subsidiary)	913	23
Other	81	575
	11,423	9,234

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.

All outstanding balances with these related parties are priced on an arm's length basis and are to be settled in cash mostly within 6 months of the reporting date, except for cash pool account and long term debt as these have individual maturities. None of the balances is secured. No expense has been recognised in the current year or prior year for bad or doubtful debts in respect of amounts owed by related parties. No guarantees have been given or received.

25. Information on Income and Emoluments of Members of the Statutory Bodies, Supervisory Bodies, and other Bodies of the Accounting Entity

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

In thousands of EUR	2019	2018
Board of directors	-	-
Supervisory body	-	-
Executive management board	1,782	2,675
Total	**1,782**	**2,675**

26. Operating Leasing

Leases as the lessee

The amount of unrecognized contractual commitments as of 31 December 2019 has been significantly reduced compared to 31 December 2018 as a result of IFRS 16 application (see Notes 2 and 6). The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

In thousands of EUR	31 December 2019	31 December 2018
Less than one year	147	11,388
Between one and five years	0	44,632
After five years	0	51,143
	147	107,163

During 2018, the Company reassessed the period for minimum lease payments for contracts with indefinite as it considered the overall legal environment and telecommunication legislation. According to historical analysis of actual terminations effective in the past, that has been executed during 2018, the Company noted, it continues to rent the land although the rental agreement is formally terminated by the lessor. For contracts with an indefinited period management it is estimated that the lease will take 10 years.

The Company maintains evidence of assets under lease contracts.

27. Commitments and Contingencies

Litigation

The Company is not involved in any legal proceedings outside of normal course of business except for litigations for which provision was created (see Notes 15, 27). Management does not believe that the resolution of the Company's legal proceedings will have a material adverse effect on its financial position, result of operations or cash flows.

Commitments

The Company has CAPEX commitments in a total amount of EUR 54,328 thousand (2018: EUR 66,051 thousand). The rest consists of investment in 2G/3G network in the amount of EUR 12,767 thousand (2018: EUR 6,847 thousand), investments in 4G network assets in the amount of EUR 20,630 thousand (2018: EUR 34,579 thousand) and other less material investments in long-life assets.

The Company also has OPEX commitments in the total amount of EUR 40,834 thousand (2018: EUR 47,069 thousand) mainly related to purchase of handsets in amount of EUR 9,278 thousand (2018: EUR 12,303 thousand) and network maintenance in amount of EUR 3,900 thousand (2018: EUR 6,800 thousand).

Legal commitments

The Company has not given any guarantees to third parties in 2019 (2018: EUR 0 thousand).

Contingent assets

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

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

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which an estimate is revised, if revision affects only that period, or in the period of revision and future periods if this 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. Estimates and assumptions that have a significant risk of causing a material adjustment to 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 (c) and (d), are determined based on the Company's best estimate of 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 2019 would have increased / (decreased) the property plant and equipment amounts as shown below:

	31 December 2019		31 December 2018	
In thousands of EUR	Increase	Decrease	Increase	Decrease
Estimated useful life in years +/-10%	6,526	(7,977)	6,349	(7,760)

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

Sensitivity of ARO reserves

A change in discount rate by 100 bps and a change in dismantling costs by 10% against initial assumption as at 31 December 2018 would have increased / (decreased) the Estimated ARO by the amounts shown below:

	31 December 2019		31 December 2018	
In thousands of EUR	Increase	Decrease	Increase	Decrease
Discount rate +/- 100 bps	5,172	6,063	3,747	(4,390)
Dismantling costs +/- 10%	3,750	(3,750)	2,730	(2,730)
Length +/- 1 year	898	(877)	520	(510),

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

Estimated enforceable period

IFRS 15 requires judgements and assumptions regarding the enforceable period of contract. Determining the enforceable period, the Company takes into account the economic logic of the transaction, and also over which period the contractual terms have made the rights and obligations enforceable through exit options, early renewal options and other other business practices. In developing judgements, management used information from historical behaviour of clients as well as their contractual terms to determine the enforceable period.

Sensitivity of enforceable period

A change in enforceable period by 1 month against initial assumption as at 31 December 2019 would have increased / (decreased) the contract asset with direct impact to equity amount as shown below:

	31 December 2019		31 December 2018	
In thousands of EUR	Increase	Decrease	Increase	Decrease
Enforceable period +/- 1month	4,099	(5,900)	5,348	(5,143)

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

Sensitivity of lease term and discount rate for lease liability

A change in discount rate by 100 bps and change in lease term by 1 year against initial assumption as at 31 December 2019 would have increased / (decreased) the lease liability by amounts shown below:

	31 December 2019	
In thousands of EUR	Increase	Decrease
Discount rate +/- 100 bps	(8,497)	9,433
Length +/- 1 year	9,350	(9,534)

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

29. Subsequent Events

On 11 March 2020, the World Health Organization declared the coronavirus outbreak into a pandemic, and Slovakia's government declared an emergency state on 12 March 2020. While preparing the impact of this subsequent events on this financial reporting, it is impossible to assess all effects on the Company's operations in the future.

Risks related to business operations and business results:

- given the many macroeconomic projections, a slowdown in economic growth and an adverse impact on the new business is probable,
- with regard to increased loss events, it can be expected the quality of the financial assets portfolio may be impacted,
- with regard to limitation of opening hours and/or complete lock-down of certain business sales premises, volume of new business, as well as renewals of the existing ones, relationships may be impacted, even if the company is using all online and call center channels to reduce this impact.

Impact on the liquidity and capital:

- while a decrease in financial asset quality is reasonably possible, the Company currently does not expect significant worsening in collections in one year period.
- the Company has sufficient credit lines and does not expect to have issues in meeting its obligations when they come due, except for the company loan, which management expects to be prolonged in the future.

Operational risks:

- To manage operational risk, the Company follows and observes business continuity protocols. The Company continues to run operations using remote access and taking measures to protect the health of employees working on-site.
- Business premises with direct physical contact with clients operates with introduction of all health measures. However, a significant part of the business was managed by using electronic channels and the Company proceeds with these operations.
- The Company has not experienced shortage of supplies from handset suppliers yet.

Management estimates the impact on business results of current situation, i.e. less new business, travel (impact on roaming i-connect), deterioration of quality of financial assets. The impact would not reach materiality levels that would affect the Company´s current concern.

30. Authorisation of Financial Statements

The financial statements were authorised for issue by the Company´s management on 20 May 2020.

Federico Colom Artola
Chief Executive Officer

Reza Samdjee
Chief Financial Officer

2019

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