Annual Report 2018

orange™

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Chapter 1

Orange Slovensko

We have a clear goal which we are following

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

It entered the Slovak market in 1997. As of 31 December 2018, Orange Slovensko, a.s. registered 2,799 million active customers in its mobile network and further 203,000 customers were using its fixed Internet and digital TV. As of 31 December 2018, revenues of Orange Slovensko, a.s. represented EUR 561,2 million.

Orange Slovensko, a.s. is a member of the global Orange Group, which is one of the largest mobile network operators and broadband Internet providers in Europe. As of 31 December 2018, revenues of the Orange Group were EUR 41 billion, with 264 million customers using its services in 27 countries of the world.

Orange is the leading mobile broadband Internet provider, offering 3G and 4G networks. High-speed mobile Internet is available to 98% of the Slovak population, whereby the Orange 4G network is available to 93% of the Slovak population.

Orange Slovensko, a.s. is the first telecommunication operator in Slovakia, which launched the most up to date fixed next generation FTTH network (Fiber to the Home), which is currently available in 466 thousand households in 56 cities and towns in Slovakia. Orange Slovensko, a.s. also offers fixed Internet and digital TV using the DSL technology, which is available in most of Slovakia.
The quality of Orange Slovensko, a.s. services meets the criteria of the ISO 9001:2000 certificate. Additionally, the company holds an Environmental Management Certificate, based on the ISO14001:2004 standard. Orange Slovensko, a.s. is the leader in the field of corporate social responsibility and corporate philanthropy in Slovakia, which is managed through the Orange Foundation.

The Orange Group owns 100% of shares of Orange Slovensko, a.s., using Atlas Services Belgium.

Company Bodies

Board of Directors

Chairman
Pavol Lančarič

Members
Ivan Golian
Vladislav Kupka
Zuzana Nemečková
Reza Samdjee

Supervisory Board

Chairman
Bruno Duthoit

Vice-Chairman
Christophe Naulleau

Members
Jean-Marie Culpin (since 30 July 2018)
Ľuboš Dúbravec
Francis Gelibter
Štefan Hronček
Marián Luptovský
Ladislav Rehák
Marc Ricau
Mai de La Rochefordiere (until 30 July 2018)
Jean-Marc Vignolles (since 26 June 2018)

Company Management

Chief Executive Officer
Pavol Lančarič

Director of Human Resources Department
Ivana Braunsteinerová

ITN Director and Deputy CEO
Ivan Golian

Director of Customer Services Department
Vladislav Kupka

Director of Communications and Brand Department
Miloš Lalka

Director of Strategy, Legal and Regulatory Affairs Department
Ivan Marták

Director of Commercial Department and Deputy CEO
Zuzana Nemečková

Chief Financial Officer and Deputy CEO
Reza Samdjee

Pavol Lančarič
Chief Executive Officer and Chairman of the Board

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

Ivana Braunsteinerová
Director of Human Resources

Born in 1974. She achieved her master's degree at the Faculty of Arts of Comenius University in Bratislava. She has been working in the field of human resources management since 2002 and had been active in several automotive companies and retail businesses. Since 2011 she had been working as HR Country Manager at Lidl Slovak Republic, v.o.s. She started in the position of the Human Resources Director at Orange Slovensko, a.s., in 2018.

Ivan Golian
ITN Director and Deputy CEO

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

Vladislav Kupka
Director of Customer Service Department

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

Miloš Lalka

Director of Communications and Brand Department

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

Ivan Marták

Director of Strategy, Legal and Regulatory Affairs Department

Born in 1964. He completed his studies of journalism at the Faculty of Philosophy of the Comenius University in Bratislava. He accquired his technical education in the telecommunications field 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. Since 1993, he had fulfilled various managerial functions at Slovenské telekomunikácie, š.p. and since 2001 he has been the Director of Strategies and Regulatory Affairs Department at Orange Slovensko, a.s.

Zuzana Nemečková

Director of Commercial Department and Deputy CEO

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

Reza Samdjee

Chief Financial Officer and Deputy CEO

Born in 1974. He obtained 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 in Orange France where he held several positions, the position of the Controlling Director for the B2B market in France was his last one in the company. In Orange Slovensko, a.s., he has been in the position of Chief Financial Officer since 2017.

Chapter 2

Letter from the CEO

With a good navigation we cannot get lost

Letter from the CEO

Ladies and gentlemen,

the year 2018 was essential for us and also our future direction. We went through a lot of important activities, which we were able to successfully implement in the dynamic telecommunications market, as well as events we had to face.

We are no longer just a mobile operator. We are constantly looking for and improving ways how to serve all of the customers' needs. Our convergence activities are our strategic priority. While our continual leadership in the mobile services market is the key prerequisite of our success in the convergence market, it is not sufficient. After we were able to acquire the premium TV content, we have started the TV match of the year. Our customers can enjoy the atmosphere of the best football matches at home in the highest quality on TV or from any place using their PC, tablet or mobile phone, since in addition to our exclusive sports content we introduced a new ways of TV watching. Thanks to the continuous building of our optical network, we are able to offer it in 480,000 households via satellite or the Internet; it is available almost to everyone in Slovakia. We have successfully launched the TV match of the year, but we are still just in the beginning and there are many challenges ahead. If we successfully master them, we manage not only to score, but be the winners in the end. We are able to follow the positive trends in the fixed Internet market, since we are becoming the number one choice also in this segment. Our value share keeps growing. More than 45% of our fixed Internet customers use an optical connection, but the number of people opting for a fixed LTE connection is constantly growing. This is due the expansion of our 4G network available for 93% of the Slovak population.

At the same time we are not forgetting about our DNA and we are pleased we are still able to surprise our customers with new and better services in the field of mobile communication. Today, people are using data services increasingly and classic calling gave way to other forms of communication. Our new product from last year, the Non-stop Data packages, became the most successful complementary service in the history of Orange Slovensko, a.s. and the Together for Free service is still at the forefront, even after 4 years of its existence. Also thanks to this, we are able to keep our position as the sole operator in 37% of Slovak households.

All of these are strategic activities leading us to our main goal. To offer a service package containing everything the customers need for their communication. The Love service package represents the best convergent offer in the market, which is available almost to everyone in Slovakia thanks to using different technologies.

Naturally, we have also focused on technological innovation. The innovations we have introduced are a compass, which determines the direction of the entire telecommunications market. The introduction of the eSIM card was a Slovak premiere. Activities in the field of Internet of things, such as smart parking or waste management, are some of the novelties that show the customers new ways of using technologies in everyday life.

Our long-term priority commitment is to keep the trust of our customers. Their satisfaction is our biggest reward. It is the customers and their loyalty that sets a mirror for us and our activities, which will not hide anything from the observer. I am proud to say that we do not have to be ashamed when looking in it, quite the contrary. We were able to improve the overall customer satisfaction, measured by using the MRS index. Our loyalty program with benefits, along with all the activities, also contributed to this. We are interested in it even more, despite the fact that we have recorded growth. In the past year, we have implemented Staffino, a popular tool for getting customer feedback, in all of our stores. The overall satisfaction of our customers with the services offered by our contact points is almost 88%. I would especially like to point your attention to the retail stores, where the customer satisfaction is at 92%, whereby the world benchmark is at 85%. We have also improved the customer satisfaction using the improved My Orange app. This application offers the customers an even better customer experience, using a more intuitive and streamlined form, which is in line with the latest trends in mobile applications. By using this application, the customers can check their used data, pay for

invoices, activate services directly through it or get more information on current campaigns and sales of Orange Slovensko, a.s. This was another step that brought us closer to our customers and facilitated their contact with us.

We would not have been able to achieve any of this without the support and the initiative of our 1,161 employees. The aim of the currently starting transformation and subsequent changes is for us to be able to work better, faster and more effectively, since we want to become an even more attractive and agile employer. The Top Employer reward we received last year is yet another proof for Orange Slovensko, a.s. that it implements the highest standards in the field of human resources management.

Ladies and gentlemen, we have witnessed a breaking point this year. I am proud to say that the company is consolidated. We have experienced growth again last year and it looks like good times are ahead. The company was able to defend its market position and we are able to keep top people among us. This was reflected also in the financial indicators for the last year. Revenues as of 31 December 2018 reached EUR 561.2 million, which is a 1.2% year on year growth. Up to 23.1% of the mobile services revenues consisted of the mobile data services, which were EUR 93.8 million. The fixed services revenues are becoming a more important part of our revenues. They represent almost 6% participation on our total revenues and their year on year growth was 14.5%, which represented EUR 31.7 million..

Please allow me to take the time to thank our shareholders for their trust, without which we would not be able to bring new, inspiring, and relevant products and services to our customers. Furthermore I would like to thank our employees, who are our most treasured capital, for their day-to-day commitment and contribution to our success. And last but not least, I would like to thank our customers for dedicating their trust to us. I look forward to the challenges of the year 2019. I believe they will present as much as possible inspiration, which we can use to connect people with what they care for on a daily basis.

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

Chapter 3

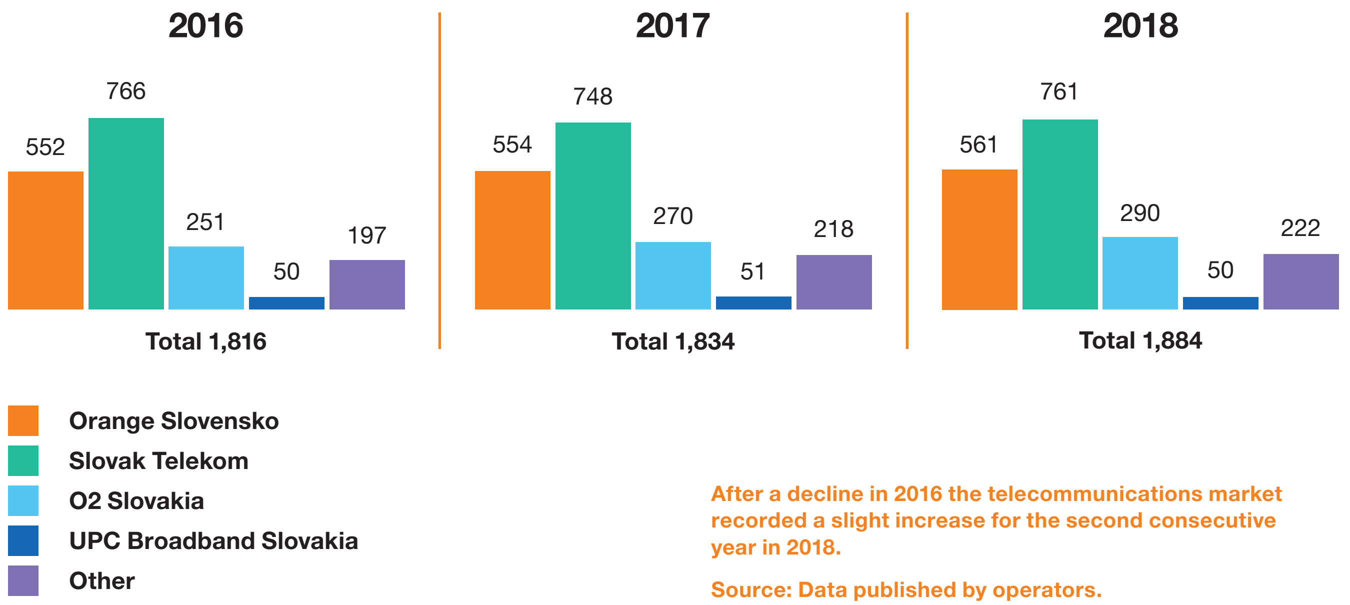
Slovak Telecommunications Market

Requirements of the market
are a challenge for us
we are not afraid of

Slovak Telecommunications Market in 2018

The strong competitive environment causing price erosion, as well as an ongoing regulation, are the factors the Slovak telecommunications market has been facing for several years by now. Despite these factors, which significantly impact the activities of all players, and hence the market, we recorded growth over the past two years. Compared to the previous year, the total value of the telecommunications market in 2018 increased by approximately 2.3% and reached EUR 1,884 million. Also in this year, we saw an increase of the number of telecommunication operators' customers in all segments. Compared to the previous year, this number increased by 2% and reached 11.3 million active customers.

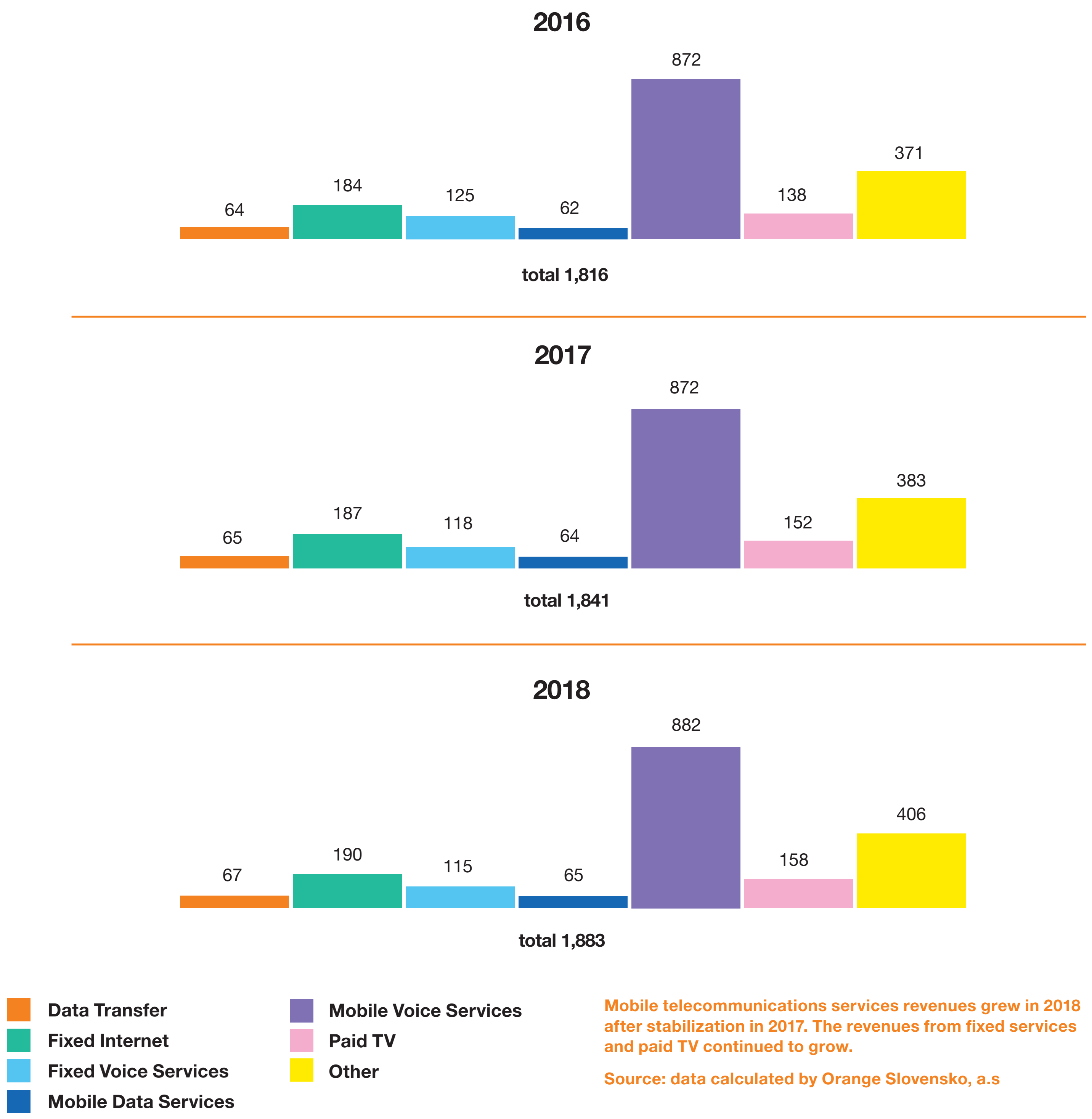
The development of the value of the telecommunications market in Slovakia and the share of individual operators (in million EUR)



After a decline in 2016 the telecommunications market recorded a slight increase for the second consecutive year in 2018.

Source: Data published by operators.

The development of the value of the telecommunications market in Slovakia based on services (in milion EUR)



Mobile telecommunications services revenues grew in 2018 after stabilization in 2017. The revenues from fixed services and paid TV continued to grow.

Source: data calculated by Orange Slovensko, a.s

The segment of mobile services continues to hold the dominant share on the value of the telecommunications market, valued at EUR 947 million, which represents 51% of the total market value. The value of mobile voice and SMS continues its long-term decline, which is only partially compensated by an increase of the mobile data revenues. The stabilization of the mobile voice data revenues is mainly influenced by the changing structure of the voice flat rates with an emphasis on the value of the Internet in the mobile phone, as well as a migration of prepaid services to billed services. The segment of paid TV as well as the segment of fixed Internet recorded a major year on year growth. It represented 2.3% for the fixed Internet and more than 5.6% for the paid TV.

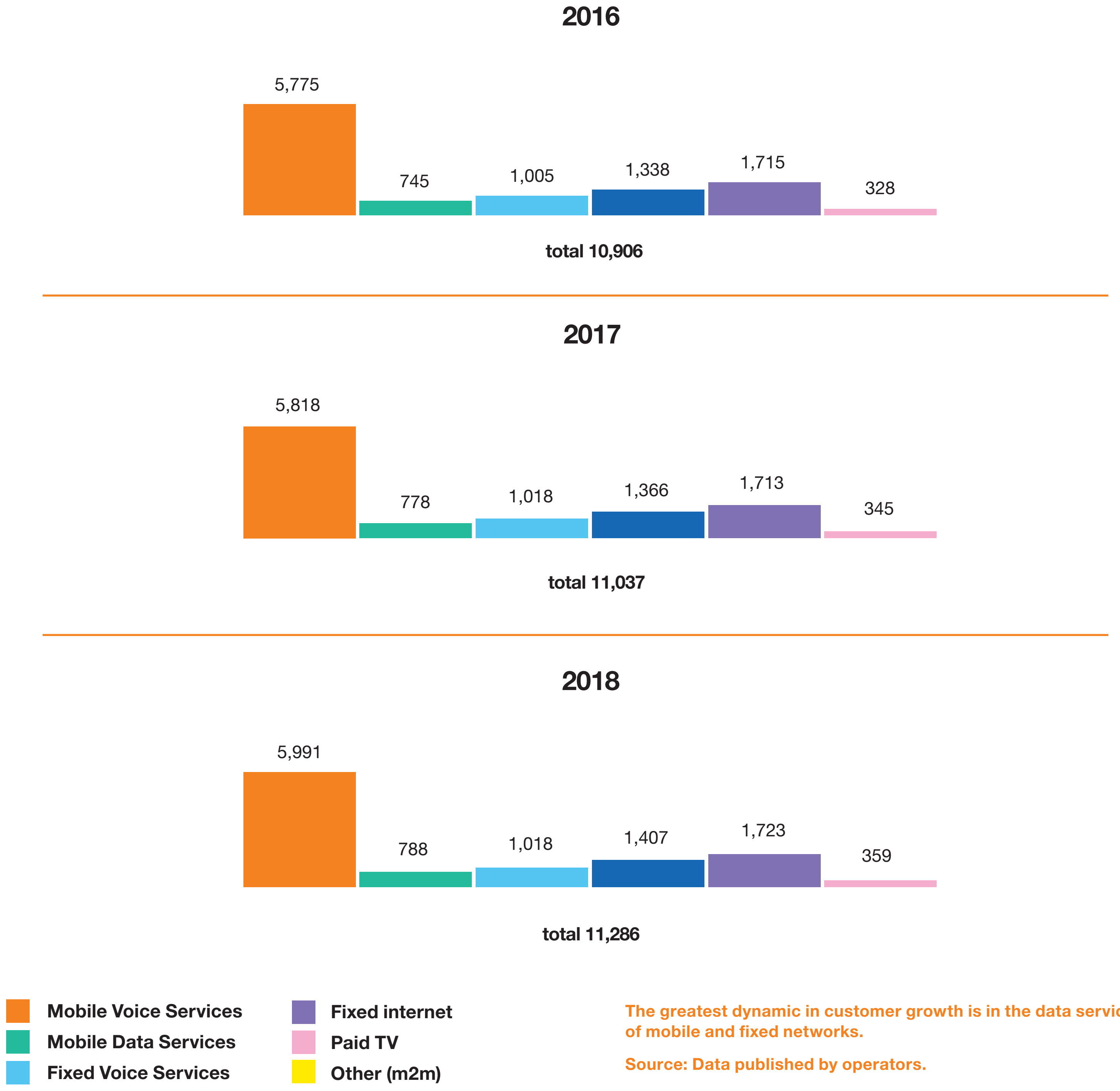
2018 confirmed the growing demand of the Slovak population for data services. The mobile data and the fixed Internet markets saw an increasingly dynamic growth of customers. The fixed Internet segment recorded a 3% year on year growth in the number of connections, which increased the penetration of the fixed Internet in Slovakia to 72%. Orange Slovensko, a.s. recorded a 5% growth in this segment.

The number of paid TV subscribers grew by 1% year on year. Today, the services of paid TV are used by almost 93% of households, which can now choose from a growing offer of channels, quality content and complementary services, such as the TV archive, rental or TV access on different devices using the Internet. Packages combining different services from the same provider (voice + Internet + TV) are becoming more popular. These packages are now used by more than 1/5 of all Slovak households.

The fixed voice services are the only segment where we record a long-term decrease in the number of users. The main reason for this is the substitution of fixed connections by mobile voice services and voice over IP.

The total number of mobile services users grew by 2.8% to 7.14 million active customers, which is an increase by almost 200,000 customers. We still have a dominant share in this market with a 39% market share. The penetration of active SIM cards reached 132%, whereby 11% of these are mobile Internet customers, the number of which grew by 1.5% year on year.

The development of the number of customers in the telecommunications market (in thousands EUR)



The greatest dynamic in customer growth is in the data services of mobile and fixed networks.

Source: Data published by operators.

Chapter 4

Orange Slovensko Telecommunications Market

We are pleased to be able to bring our customers more and more entertainment

Also in 2018, Orange Slovensko, a.s. continued in its strategy of providing families with everything they need for their communication.

We have introduced several new products to our customers in 2018, whereby all of them were aimed towards the main goal to offer families, households and customers everything they need for communication and entertainment in a single package. 2018 was marked by convergence and active content, since after launching the satellite and Internet TV, expansion of the optical network and acquisition of exclusive and not only sports content, we have been able to provide a convergent offer to almost everyone in Slovakia.

In addition to these activities, we have not forgotten about our main mission, which is to connect people, wherever they are, and offer them the most useful and suitable form of communication in the digital age.

Of all the operators in 2018, the largest number of customers, more than 632,000, decided to sign a contract with Orange Slovensko, a.s., which represents a 4% year on year growth and it also proves that our strategic direction is correct.

As of 31 December 2018, Orange Slovensko, a.s. had 2,799 million active customers of its mobile services and 203,000 customers of its fixed services, including 75,000 customers of the digital TV, which represents a 12% year on year growth. The number of customers of mobile data services grew by 3% to 1.44 million customers and the number of customers of the fixed Internet grew by 5% to 185,999. In addition to the increase of the number of data and fixed services customers, Orange Slovensko, a.s. also saw an increase of the combined base of customers, i.e. customers, who - in addition to using a voice plan - use at least one more service. The number of these customers grew by 3% year on year to 355,000.

Development of the Number of Orange Slovensko, a.s. Customers

Year	2016	2017	2018
Mobile services customers	2,882,606	2,834,436	2,799,427
Fixed services and digital TV, including LiteTV customers	189,244	192,854	203,352
Total of	**3,071,850**	**3,027,290**	**3,002,779**

The number of mobile services customers in 2018 declined by 35,000. This decline was caused primarily by the decline of the prepaid services customers. The number of these customers has declined by 40,000 to 410,000.

Source: Orange Slovensko, a.s. internal data

We Have Made the Portfolio of Plans More Clear and Attractive

In the past year we have introduced six new Go plans, starting at 5 Euros/month. The new, innovated and more attractive portfolio of plans contains everything the Orange Slovensko, a.s. customers need and actively use. Unlimited calls and messages to all networks are available starting at 20 Euros/month and the Together for Free group can be created at monthly payments of 15 Euros. Since the customers want to have a fast Internet directly in their mobile phones, we have added data to those plans, which did not contain them in the past, and we have significantly increased them in most of the rest of them, up to 20 GB.

More than half a million users is a proof that our customers appreciate the changes of plans we have made. Most of the customers, almost a quarter of them, opted for the Go 30 plan.

Together for Free is long-term one of our most successful services. As of 31 December 2018, it was used by as many as 614,640 customers, whereby 38% of the groups consist of at least 5 members. One for Free group makes calls of 278 minutes on average and sends 83 SMSs. We frequently reward individual group members. In the past year, we have donated extra data to each member of the groups. The popularity of this service is proven also by the fact that the number of groups has grown by 13,000 year on year and the total number of customers has grown by 32,000.

Our Clients Fully Experience the Data Age

We live in a digital age, which witnesses an ever-growing customer demand for connectivity, fast, and quality Internet connection, as well as its services. The customers want to be online any time and any place. Orange Slovensko a.s. facilitates this through its quality network and rich offer of top devices and data services. Today, 85% of smartphone users use Internet in their mobile phones and their usage keeps growing. Smartphones made up almost 90% of all phones sold in the past year.

Towards the end of the year, we have introduced four unique Nonstop data packages, namely Chat, Social Networks, Music and Video, for customers who take advantage of the online world by using their smartphones and they spend their time on social networks, streaming videos, listening to music or chatting. The packages allow for unlimited access to certain types of mobile apps. The Non-stop data packages enjoy increasing popularity. Towards the end of 2018, only a couple of weeks after their introduction, they were used by almost 40,000 plan and mobile Internet customers, starting at 15 Euros/month.

Development of the Number of Mobile Data Services Customers

More and more customers are interested in mobile data services in the largest and fastest mobile network from Orange Slovensko, a.s. Their number increased by 44,000 year-on-year.

Source: Orange Slovensko, a.s. internal data

Last year, 8,700 new customers appreciated the quality, stability and performance of the new fixed Internet. Customers using optical connection can enjoy a higher speed of up to 1 Gbit/s since last year and we have made the fixed 4G Internet more attractive by adding new complementary services.

Development of the Number of Customers Using Fixed Internet of Orange Slovensko, a.s.

The number of customers using fixed Internet increased by 5% year-on-year. The Home 4G Internet experienced the biggest growth of up to 78%. 30,000 customers used this type of connection by the end of the year.

Source: Orange Slovensko, a.s. internal data

The yearly increase of data consumption reflects customer behaviour. Towards the end of the year, Orange Slovensko, a.s. customers using mobile data networks transferred 17% more data than in the same period of the previous year, whereby almost 70% of the total volume of 23.7 mil. GB of data was transferred using the 4G network. This volume of data transferred using the 4G network represents a 1.7 times year on year increase of data traffic. We expect this trend to continue and we will continue to meet our customers' expectations with our products.

Development of Mobile Network Data Traffic

The increase of data traffic was driven by the quality of the network, sufficient number of available devices, the data volume we have added to the plans, as well as complementary services, so the customers do not have to compromise.

Source: Orange Slovensko, a.s. internal data

Also because of this, EUR 70 million of the EUR 96 million total investment volume was invested in the field of networks. Primarily, we invest in customer satisfaction - in other words - in expanding the coverage, skeletal networks and modernization of mobile networks with the aim of increasing capacities, providing new services and coverage. Last but not least, a major part of investments are technology innovations. We have introduced the eSIM technology in Slovakia and we have made it possible for our customers also to use the RCS communication. The availability of the fast 4G mobile Internet increased in 2018 by 3.1% to 93% of the total population coverage. 93.1% of the Slovak population in 140 cities and 1,714 towns had coverage of the 4G network towards the end of 2018. In addition to expanding the LTE network, the company has continued to build the optical network, which it expanded to 20 new towns.

Football Transfer of the Year and New TV Options

2018 was full of major events for Orange Slovensko, a.s., especially in the field of TV. We strengthened our market position in the field of TV content through different activities, such as expanding our sports content and introducing new ways of watching Orange TV.

In the first half of the year, we have announced one of the biggest transfers of the year on the Slovak TV market. We were able to acquire the broadcasting rights for the UEFA Champions League for Slovakia. We will broadcast it exclusively at least for the next three seasons, until the summer of 2021. For the sports fans, we have also launched a new TV network called Orange Sport, where we broadcast the above mentioned premium football as well as other rich content, such as the Slovak Fortuna football league, Slovak and Czech ice hockey, MMA matches, basketball and other sports content.

In August we have introduced new ways of watching our TV services, when Orange TV became available via the satellite and the Internet. Rich and exclusive sports content, as well as content for movie fans and children, offered by Orange Slovensko, a.s. is thus definitely available practically for everyone in Slovakia. Furthermore, we have made it possible to purchase short-term sports content, for a day or for a month, also available for customers of our competitors – it is sufficient to send a SMS and Orange Sport becomes available on the customer´s tablet or smartphone.

Improved Love Service Packages Available for Almost Everyone

An improved and clearer convergent offer of the Love service packages was a natural answer to the new offer of the Go voice plans as well as improved TV. The Love service packages are currently available at four price levels in order to suit all customers and their specific needs. These packages contain everything the customers need for their communication. All of our activities were aimed to be able to provide the best combination of mobile and fixed services in one package from one operator to the customers, such ones that will cover the needs of the entire household at bargain prices with many other benefits.

If the customers opt for the Go voice plan with unlimited calls and extra data, they will also get a fixed Internet and digital TV with exclusive content using the best technology available at their address. For customers not covered by the optical network the Love and Orange TV package is available via satellite and using a fixed 4G Internet.

Internet of Things Using Own Infrastructure

Over the past year, we have intensely focused on the area of Internet of things (IoT) in Orange Slovensko,a.s. We have commercially launched our own low-energy LoRa network in cooperation with the Unicorn Company and together with the students of the Slovak Technical University in Bratislava we have launched ZAPARKUJ.TO - a commercial solution of city parking. Our ambition in the area of Internet of things is to provide our customers not only Internet connection, but a complete solution, from sensors and devices, connectivity and network connection, management platforms of connected devices, data processing and analysis, up to their evaluation and visualization.

Communication Knows No Boundaries

Since the roaming rates have been cancelled, the customers communicate significantly more than they have before the regulation entered into force, even though also at those times they were able to communicate abroad for the same costs as at home. This year witnessed also an increase of communication in roaming; however, it is slightly lower when compared to the previous year. Voice traffic increased by 50% and data almost by 200%.

It is still true that more Slovaks go abroad than foreigners come to Slovakia, so there are more Slovaks, who use roaming compared to the number of foreigners, who use our network. Orange Slovensko, a.s. customers generate almost two times higher data traffic and three times higher voice traffic in roaming than foreigners do in Slovakia.

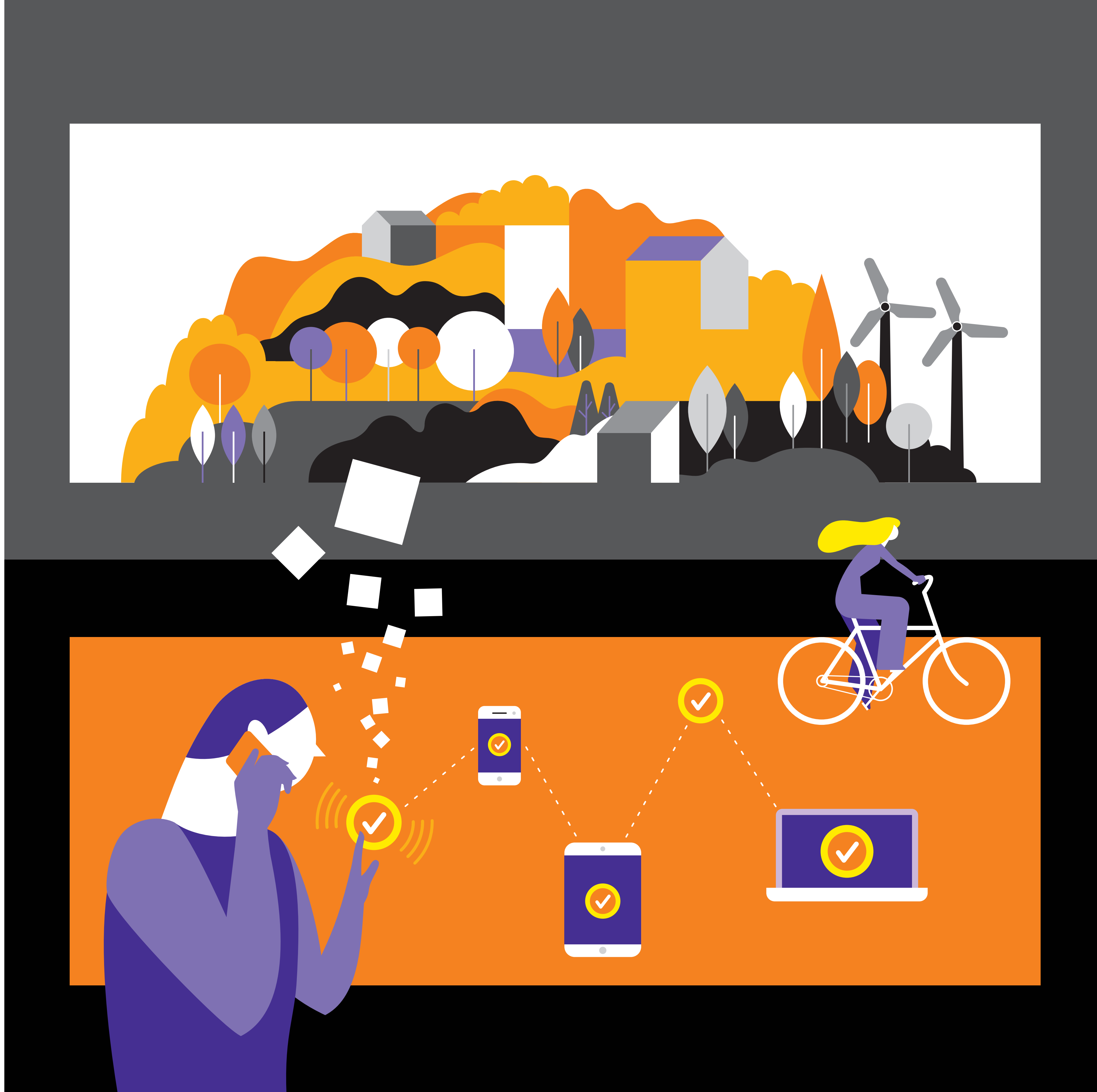
More than 30,000 customers opted for convenient communication using the roaming packages. The most used and the most preferred is the My World package, which is becoming increasingly popular, as well as other packages, designed for communication outside of the EU.

Orange Slovensko, a.s. customers have used their mobile phones mostly in the Czech Republic, Austria and Germany, and outside of the EU in Switzerland, USA, Turkey and the UAE. On the other hand, foreign users from the EU, who were using our network, are mostly from the Czech Republic, Austria, Germany, Poland and the UK. As for customers outside the EU, they were mostly from Switzerland, USA, Israel, Turkey, Russia and China.

Chapter 5

Corporate Social Responsibility

We protect what is dear to us and support what is good



Orange Slovensko, a.s. – the Socially Responsible Company for People, Environment and Business Partners

Socially responsible business is a crucial strategic pillar of Orange Slovensko, a.s. In this regard, we believe that continuously sustainable is only the way of business-making, which balances the commercial goals of the enterprise and their impact on society. The strategy of the socially responsible business of Orange Slovensko, a.s. is based on the system of auditing and reporting. The collection of the environmental indicators is carried out quarterly, and the collection of social indicators is carried out once a year. Regular overview of the environmental data and their evaluation enable us to monitor the following of business principles in practice.

The elementary document used by the development of our business activities, is the Policy of quality, environment, occupational health and safety. In Orange Slovensko, a.s, this policy is implemented by the introduction and continuous improvement of the quality management system, environmental management system, and the occupational health and safety management system in accordance with the international standards ISO 9001, ISO 14001 and OHSAS 18001 along with active participation of all employees.

Environmental Attitude

In Orange Slovensko, a.s. we look very complexly on the environmental impact of our business; we strive to find meaningful options of how to minimize and eliminate this impact. Environmental activities and projects often support our ambitions in the field of digitalization and useful utilization of new technologies by our employees or customers. For example, already more than 750,000 of our customers using the fixed payment tariff use the benefits of electronic invoice. In 2018, their share from the total customer base reached the value of more than 73%. The benefits are mutual – the customers received the option of well-arranged archiving and searching in their invoices, and we can decrease the consumption of paper, so we are able to fulfil our environmental commitments.

With the same objective, we have also introduced technological solution by the conclusion of the contracts or other documents. Our customers have the possibility to sign these documents electronically, by the electronic biometric signature eSign. Besides the non-negligible ecological effect, another contribution of this solution can be seen also in a significant decrease of costs on scanning, processing and archiving documentation, lowering the postal costs, as well as faster processing of orders and requests in any subsidiary, higher level of comfort and safety.

Regarding the consumption of electricity, which is the biggest indirect producer of the CO2, we have pledged to decrease the production of CO2 by 20% until 2020, which is to be achieved by various activities of our company – from introduction of the automatic computer switch-off after working hours, through the optimization of technological areas, online monitoring of the network energetics, up to some effective solutions, which will be applied by the operation of our networks. In this regard, we build more and more solar energy-powered base stations. Currently, there are 36 such stations in Slovakia and we plan to increase this number gradually.

Moreover, our employees themselves are the support of our environmental attitude. There is one very popular activity, the “green initiative” called Bike to Work, which aims to support building of bicycle routes in Slovak towns and to encourage employees from various companies in using bicycles as the alternative transportation method for commuting to and from their workplace. Additionally, this initiative acts as a support for decreasing the amount of harmful exhaust emissions in towns. In 2018, totally 92 employees of Orange Slovensko, a.s. have joined this activity. In one month of this activity duration, they have made 11,240.20 km on bicycles, so they have saved 2786.23 kg of CO2.

In 2018, Orange Slovensko, a.s. has added 10 hybrid vehicles into its car pool. These vehicles bring the most modern technologies, including the hybrid technology, for ensuring the low-emission transport used for business trips of our employees. There are also two electric cars, which we have been using already for a long time for the same purpose, and in 2018, we have driven about 5,000 km, thanks to which we have saved about 650 kg of CO2, compared to cars with common internal combustion engine.

Free Way for Ecological Attitude and Continuous Sustainability

One of our long-term activities, which are meaningful also from the point of view of our business, is the collection of waste mobile phones. In 2018, we have collected approximately a ton of batteries from mobile phones and 75,333 mobile phones, that represents 22.16% from the total number of mobile phones released to the Slovak market. Thus, we have managed to avert getting approximately 9 tons of electronic waste into the communal waste and in trash dumps. By means of our traditional competition in the shops of Orange Slovensko, a.s., which we organize every year, 7th time in a row now, we can connect ecological, charity and entertaining element in one useful project, in which Orange Slovensko, a.s. donates 50 cents to a concrete non-profit organization for each mobile phone returned within the current collection period. Until now, thanks to this activity and customers' initiative, we could collect and donate about 25,000 Euro to non-profit organizations. Last year, the collection was supplemented also by the mobile phones returned on music festivals, concerts and at Slovak schools, where we could collect more than 25,000 mobile phones from students, for whom this activity also had an educational aspect.

It is not necessary to point out the elementary principle of the waste sorting and waste separation, for which we have allocated suitable containers in our shops, administrative buildings and in the archive building of our company. In 2018, we have successfully separated 66,126 tons of paper and 1.99 tons of plastic bottles.

Business Ethics

The ethical rules described in the Code of Ethics must be respected and followed. Our employees are obliged to regularly participate in trainings and e-learning courses dealing with ethics, which on concrete examples from the practice encourage their way of thinking and acting within the borders of the moral and ethical behaviour declared by the ethical rules of Orange Slovensko, a.s.. In case the employee wants to give a notice about the breach of the ethical rules, besides the standard contacts, such as the superordinate or the ethical consultant, he/she can anonymously and directly contact Orange Slovensko, a.s. in form of a letter or an email by means of the so-called whistleblowing mechanism. The procedure of "Controlling Environment for Preventing the Frauds and Anti-fraud Policy" emphasizes the zero tolerance of our company toward frauds. In the connection with the Code of Ethics of the Orange company, in 2012, we have adopted also the document called the Anti-Corruption Policy.

Similarly, we are very strict also in the business ethics of our business partners and we prefer those, who have certain certification according to the field of their operation. First of all, we focus on the fact, whether they follow the regulations and norms effective in the European Union, and whether their business activities are ethical and in accordance with the laws of the Slovak Republic. However, we perform also some extended evaluations of selected suppliers with the focus on safety and environmental effects of their business activities, as well as on some business-making aspects, which are globally perceived very sensitively (as, for example, child labour). The Suppliers' Code of Conduct is effective for all supplying activities managed by Orange Slovensko, a.s. From our suppliers, we expect following and promoting these basic rules in their whole operation range in accordance with the contract attachment stating that the supplier is obliged to follow all legal provisions effective in Slovakia, the European Union, as well as all internationally accepted norms related to ethical and responsible behaviour, mainly the rules related to human rights, protection of environment, sustainable development, bribery and corruption.

Orange Slovensko, a.s. is a member of the Advertising Board, and within the communication, marketing and sales approaches, it applies ethical rules and responsible approach towards content creation.

We Care about Digital Literacy and Safety of Children on the Internet

Nowadays, digital technologies are an insepa-rable part of our everyday life. These technolo-gies can make our life easier and more pleasant. In the context of our business, we really support this trend; however, we always strive to encoura-ge our customers to use technologies in a wise and responsible way. In Orange Slovensko, a.s., we think that it is fair to talk openly about all risks brought by the digital era, but on the other hand, also to offer effective solutions of how to elimina-te risks.

Back in 2006, our company - as the first telecom-munication operator - pointed out the increasing trend of the internet risks in a campaign focused on increase of awareness associated with all ne-gatives arising from the use of mobile phones and of the internet among children. Since then, we have been regularly monitoring the current si-tuation and responding to the current develop-ment and movement of this issue. In cooperation with experts, we organize free workshops and in-formation-educational activities, which help pa-rents, teachers and children familiarize with this issue and find the right balance between benefits of the communication technologies and risks of the online world. In 2018, we have organized 232 interactive lectures with participation of 3,971 pu-pils of elementary schools and high schools from all regions of Slovakia, as well as teachers, pa-rents and non-governmental organizations wor-king with children. The basic platform and the educational tool containing information, experts advice, tests in form of a game or inspirations and tips from the child psychologist, is our webpage www.detinanete.sk.

We are Changing the World to a Better Place, and We Support the Good Deeds of Others

Technologies alter our everyday life and our ha-bits. In Orange Slovensko a.s., through our Foun-dation and other charity projects, we put much effort into changing our surroundings and the whole world to a better place. We are engaged in the areas, in which we feel it is necessary, me-aningful, and we can support these areas in a long run not only financially, but also by directing the attention of the public and media to the given problem, as well as by the support of useful ideas and projects of active people.

In 2018, we have helped in form of several mobile financial fund-raising campaigns, such as those, which were realized within the cooperation with our long-term partners “Friends of Children UNI-CEF”, “Magna” and “Dobrý anjel” (“Good Angel”), or within the DMS system or by means of occa-sional financial contributions from the donators. In 2018, we have organized 17 fund-raising cam-paigns in total and thanks to all of them we co-uld collect more than 850,000 Euro. The collected money is always sent to help in full amount.

Orange Foundation and Its Small – Big Deeds

Right from its establishing, the Orange Founda-tion systematically directs its support into the field of education, community development and support of deficit groups. Besides the grant su-pport of useful ideas helping the community de-velopment, volunteering, and looking for solutions – may they be local or socially wide, it develo-ps also long-term partnerships with non-govern-ment organizations, and with their help, it is able to fulfil its mission. Last year, it has successful-ly reallocated more than 490,000 Euro and has supported 499 public pro bono projects; the program e-Schools for the future at elementa-ry schools and high schools was supported by the amount of 50,000 Euro in 48 projects focu-sing on responsible and safe use of communica-tion technologies by children. In the very popu-lar pre-Christmas grant program called “Donate Christmas”, it has reallocated the sum of 51,473 Euro, and so it has supported 327 requests.

A very significant basis for the area of educa-tion is the education-community workshop Lab powered by the Orange Foundation, which has continued in 2018 in its educational activities for the public, as well as for specific groups of peo-ple. From its opening, more than 500 people have already participated in these workshops and va-rious educational activities have been organized in its premises – such as Makers of Slovakia, stu-DIYo, Meet and Code, KID or other workshops not only for schools and special organizations.

In 2018, it was the 9th year of awarding the Prize of the Orange Foundation, which is a unique pri-ze of its kind in Slovakia. This prize points out the work of non-government organizations for their exceptional contribution in the field of education, community development and social inclusion. The foundation has awarded the laureates by fi-nancial support in the total value of 45,000 Euro. Traditionally, also the special Award for the Per-son Active in the Civic Engagement or the Public Award was given to the winners of public voting.

The Orange Foundation Confirms Its Transparency

After a year, the Orange Foundation was repeatedly awarded the certificate for the open approach towards publishing information about its activity in accordance with the Code of Transparent Enterprise Foundation and Foundation Fund, which is awarded by the Association of Enterprise Foundations with the aim to strengthen transparency of the third sector environment. The Code of Transparency binds the enterprise foundations and the foundation funds to publish the information about their activities systematically and in detail over the extent of the effective legislation.

Employees of Orange Slovensko, a.s. and Their Small – Big Deeds

Employees of Orange Slovensko, a.s. participate actively and on long-term basis in voluntary and public pro bono activities, as for example in collection of clothes, blood donations, as well as with their own projects and ideas. In cooperation with the National Transfusion Station, 125 of our employees donated blood during the last year, which was 55 litres of blood in total. 37 of our colleagues dedicated their free time for the realization of projects supported through the Employees' Grant Program. Thanks to collection of clothes, in 2018, our employees donated more than 500 kg of clothes, which were sent to six non-profit organizations and a crisis centre taking care of people in need. The annually organized company-community activity "Our City" is the biggest event of enterprise volunteering in Central Europe.

We Share the Experiences and the Emotions of Sport and Music Fans

In the field of sponsoring, in 2018, our priority was to bring unique experiences and emotions to the customers and fans, which they could share with their relatives or across the world thanks to our technologies and services.

Thanks to the partnership with the biggest Slovak festivals Pohoda and Grape, we could bring very beneficial services into their areal, which provided maximal comfort to visitors and organizers with help of technological equipment, high-quality coverage, service and the zone full of fun and practical services. Thanks to this, we have set a new record during the festival Pohoda 2018, when the amount of transferred data has increased by 46.5% compared to the previous year, while the data transfer within the 4G network has increased by 112 %. A similar positive trend was recorded also in connection with utilization of the useful festival app Pohoda 2018 powered by Orange Slovensko, a.s., which was downloaded and actively used by more than 22,290 people.

In 2018, a unique ice hockey competition of young talents Orange Slovensko, a.s. Mini hockey Tour "played" its 10th year. Orange Slovensko a.s. is in the position of the general partner of this event from its very beginning, and we consider this tournament as an opportunity for young hockey players to gain player experience, as well as an area for experiencing real sport emotions and joy fro ice hockey together with coaches, teammates, family or fans. In total, six best teams of regional rounds fought for the trophy and the participation on the Summer Ice-Hockey Camp organized by Marián Gáborík. These teams were the winners of regional matches of 41 teams from all regions of Slovakia, consisting of more than 900 ice-hockey talents.

Last year, we have also supported individual athletes, the Slovak Volleyball Association, canoe slalom, the Slovak Paralympics Committee, the Slovak representation in the preparation, as well as the Slovak representation during the Ice Hockey World Championship in Copenhagen, the project HK Orange 20, the representation of Slovak ice hockey players U20 in Buffalo, and some other projects and organizations.

Chapter 6

Financial Statement

Even our results prove
that our work makes sense

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 2018

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
Slovakia

Telephone +421 (0)2 59 98 41 11
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 2018, 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 2018, 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.

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

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

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

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

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 No. 431/2002 Coll. on Accounting as amended ("the Act on Accounting"). Our opinion on the financial statements, mentioned above, does not cover other information in the Annual Report.

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

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

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

- the information given in the Annual Report for the year 2018 is consistent with the financial statements prepared for the same financial year; and
- the Annual Report contains information according to the Act on Accounting.

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

23 April 2019
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 2018

In thousands of EUR	Note.	31 December 2018	31 December 2017 (restated)*	1 January 2017 (restated)*
Assets				
Non-current assets				
Property, plant and equipment	4	373,608	355,783	342,830
Intangible assets	5	127,991	146,980	162,243
Investments in unconsolidated subsidiaries	6	306	306	106
Non-current receivables	9	12,259	11,624	8,869
Contract assets	10	12,345	13,465	12,548
Cost to obtain contract	10	1,951	1,679	1,669
Other non-current assets		31	32	31
		528,491	529,869	528,296
Current assets				
Inventories	8	23,867	19,136	15,691
Trade and other receivables	9	75,777	89,790	65,715
Contract assets	10	48,403	48,228	51,553
Cost to obtain contract	10	7,167	6,619	6,277
Other assets		8,448	4,266	4,293
Current financial assets	11	28,132	29,713	21,834
Current income tax receivable		0	0	3,347
Cash and cash equivalents	12	6,519	8,820	6,090
		198,313	206,572	174,800
Total assets		**726,804**	**736,441**	**703,096**

* The effects of IFRS 15 application are described in Note 2

In thousands of EUR	Note.	31 December 2018	31 December 2017 (restated)*	1 January 2017 (restated)*
Equity and liabilities				
Equity	13			
Share capital		39,222	39,222	39,222
Reserves		15,260	15,260	15,260
Retained earnings		208,416	189,090	262,023
Profit for the year		74,297	91,303	0
		337,195	334,875	316,505
Non-current liabilities				
Provisions	15	29,831	26,751	28,626
Long-term debt/loan	14	100,000	210,000	210,000
Deferred tax liabilities	7	10,396	26,607	26,309
Non-current payables	15	13,492	15,441	17,050
		153,719	278,799	281,985
Current liabilities				
Current income tax payable	21	10,080	4,102	0
Short-term debt/loan	14	110,000	0	0
Trade payables and other liabilities	16	93,997	97,793	83,721
Contract liabilities	10	21,713	20,677	20,326
Provisions	15	0	1	1
Deferred income		100	194	558
		235,890	122,767	104,606
Total assets		**726,804**	**736,441**	**703,096**

* The effects of IFRS 15 application are described in Note 2

Separate Statement of Comprehensive Income for the Year Ended 31 December 2018

In thousands of EUR	Note	2018	2017 (restated)*
Revenues	17	**559,583**	**552,013**
External purchases	18	-299,421	-306,351
Other operating expenses	19	-14,824	-15,763
Other operating income	19	5,718	38,986
Wages and contributions	20	-47,463	-45,716
Impairment loss on trade receivables and contract assets **	9	-2,585	-2,685
Amortisation and depreciation expenses		-99,296	-95,175
Operating profit		**101 712**	**125 309**
Interest income		16	101
Interest expenses		-2,204	-2,449
Other finance expenses		-55	-13
Other finance income		28	216
Profit before tax		**99,497**	**123,164**
Income tax	21	-25,200	-31,861
Profit for the year		**74,297**	**91,303**
Other comprehensive income		0	0
Total comprehensive income for the year		**74,297**	**91,303**
Total comprehensive income attributable to:			
Owners of the Company		74,297	91,303

* The effects of IFRS 9 and IFRS 15 application are described in Note 2

** Amendments made by IFRS 9 to IAS 1 introduced additional line items that are required to be presented in the statement of other comprehensive income. The Company has not presented them because during the period it did not have events or transactions to be reflected in those line items.

Separate Statement of Changes in Equity for the Year Ended 31 December 2018

In thousands of EUR	Note	Share capital	Reserves	Retained earnings	Total
Balance as at 1 January 2017 (as reported)		39,222	15,260	210,596	265,078
Effect of IFRS 15 application		0	0	51,427	51 427
Balance as at 1 January 2017 (restated - IFRS 15)*		**39,222**	**15,260**	**262,023**	**316,505**
Total comprehensive income for the year					
Profit for the year (restated - IFRS 15)*		0	0	91,303	91,303
Share based plan		0	0	67	67
Transactions with shareholders					
Dividends paid		0	0	-73,000	-73,000
Balance as at 31 December 2017 (restated - IFRS 15)*		**39,222**	**15,260**	**280,393**	**334,875**
Balance as at 1 January 2018 (restated - IFRS 15)*		**39,222**	**15,260**	**280,393**	**334,875**
Effect of IFRS 9 application		0	0	-370	-370
Balance as at 1 January 2018 (restated - IFRS 9)*		**39,222**	**15,260**	**280,023**	**334,505**
Total comprehensive income for the year					
Profit for the year		0	0	74,297	74,297
Share based plan		0	0	393	393
Transactions with shareholders					
Dividends paid		0	0	-72,000	-72,000
Balance as at 31 December 2018		**39,222**	**15,260**	**282,713**	**337,195**

* The effects of IFRS 9 and IFRS 15 application are described in Note 2.

Separate Statement of Cash Flows for the Year Ended 31 December 2018

In thousands of EUR	Note	2018	2017 (restated)*
Profit for the year		**74,297**	**91,303**
Taxes	21	25,200	31,861
Dividend income		0	-250
Interest expenses		2,203	2,449
Interest income		-16	-101
Depreciation and amortisation of tangible and intangible assets	4,5	99,296	95,174
(Decrease) in provisions	15	2,954	-2,306
Increase / (Decrease) in value adjustment to receivables	9	-409	1,379
Increase/(Decrease) in value adjustment to inventories	8	-641	197
Gain on sale of property, plant and equipment	19	-223	-7,494
Share based compensation		392	66
Profit from operating activities before changes in working capital		**203,053**	**212,278**
(Increase)/Decrease in trade and other receivables and other assets		9,115	-28,213
(Increase)/Decrease in contract assets and contract liabilities		688	1,919
(Increase)/Decrease in inventory	8	-4,090	-3,642
Increase/(Decrease) in trade liabilities and deferred income	15,16	-5,982	12,026
Cash generated from operations		**202,784**	**194,368**
Interest received		2	2
Interest paid		-1,319	-1,325
Dividends received		0	250
Taxes paid		-35,434	-24,113
Cash flows from operating activities		**166,033**	**169,182**

* The effects of IFRS 9 and IFRS 15 are described in Note 2.
IFRS 9 initial recognition adjustment of TEUR 370 is considered to be a non cash transaction

In thousands of EUR	Note	2018	2017 (restated)*
Investing activity			
Purchase of property, plant and equipment and intangible assets	4,5	-98,199	-93,038
Acquisition of subsidiary		0	-200
Proceeds from sale of non-current assets		283	7,666
(Increase) in financial assets		1,582	-7,880
Net cash outflow from investing activities		**-96,334**	**-93,452**
Financing activity			
Changes in current financial liabilities	11	0	0
Increase in long-term loan net of arrangement fees	14	0	0
Dividends paid	13	-72,000	-73,000
Net cash outflow from financing activities		**-72,000**	**-73,000**
Net increase /(decrease) in cash and cash equivalents		**-2,301**	**2,730**
Cash and cash equivalents at the beginning of the year	**12**	**8,820**	**6,090**
Cash and cash equivalents at the end of the year	**12**	**6,519**	**8,820**

* The effects of IFRS 9 and IFRS 15 are described in Note 2.
IFRS 9 initial recognition adjustment of TEUR 370 is considered to be a non cash transaction

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 2017 Financial Statements

On 26 June 2018, the General Meeting approved the Company's 2017 financial statements (Notary Deed No. N 160/2018, Nz20850/2018, NCR1s 21283/2018).

Members of the Company's Bodies

Body	Function	Name
Board of Directors	Chairman and Chief Executive Officer	**Pavol Lančarič**
	Member and CEO deputy	**Ivan Golian**
	Member and CEO deputy	**Zuzana Nemečková**
	Member	**Vladislav Kupka**
	Member and Deputy CEO	**Reza Samdjee**
Supervisory Board	Member	**Christophe Naulleau**
	Member (until 30 July 2018)	**Mai de La Rocherfordiere**
	Member	**Ladislav Rehák**
	Member	**Marc Ricau**
	Member	**Marián Luptovský**
	Member	**Bruno Duthoit**
	Member	**Ľuboš Dúbravec**
	Member (since 26 June 2018)	**Jean-Marc Vignolles**
	Member	**Francis Gelibter**
	Member (since 30 July 2018)	**Jean-Marie Culpin**
	Member	**Štefan Hrónček**

Employees

	31 December 2018	31 December 2017
Number of employees as at	**1,147**	**1,122**
Of which: managers	116	111
Average number of employees	**1,031**	**1,120**

(b) Basis of Accounting

The financial statements were prepared for the reporting period from 1 January 2018 to 31 December 2018 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 15 “Revenue from Contracts with Customers” and IFRS 9 “Financial Instruments”. These impacts are presented in Note 2.

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, spol. 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, 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 the accounting periods beginning on 1 January 2018.

(a) Standards and Interpretations Adopted by EU Effective in 2018 and Applied as of 1 January 2018

Initial Application of IFRS 9 “Financial Instruments”

IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contract to buy or sell non-financial items. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement.

The new standard IFRS 9 “Financial Instruments” is of mandatory application since 1 January 2018. The Company has elected not to restate the 2016 and 2017 comparative periods, as authorized by the standard.

This option led the Company to recognize the aggregate impact of restatements required by the standard in the Company opening Equity as of 1 January 2018. Application of IFRS 9 led to a reduction in equity of EUR 370 thousand recognised through a decrease in trade receivables.

As a result of the adoption of IFRS 9, the Group has adopted consequential amendments to IAS 1 Presentation of Financial Statements, which require impairment of financial assets to be presented in a separate line item in the statement of comprehensive income. Previously, the Company‘s approach was to include the impairment of trade receivables in other operating expenses. Consequently, the Company reclassified impairment losses amounting to EUR 2,685 thousand, recognised under IAS 39, from ‚other expenses‘ to ‚impairment loss on trade receivables and contract assets‘ in the statement of other comprehensive income for the year ended 31 December 2017. Impairment losses on other financial assets are presented under ‚finance costs‘, similar to the presentation under IAS 39, and not presented separately in the statement of comprehensive income due to materiality considerations.

IFRS 9 comprises three phases: classification and measurement of financial assets and liabilities, impairment of financial assets and hedge accounting.

- **Classification and Measurement of Financial Assets and Liabilities**

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, measured at fair value through profit or loss and measured at fair value through other comprehensive income. The classification of financial assets under IFRS 9 is generally based on the business model in which a financial assets is managed and its contractual cash flow characteristics. IFRS 9 eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale. IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities.

The classification and measurement requirements of IFRS 9 did not have a significant impact on the Company. The adoption of IFRS 9 had no effect on the Company's accounting policies related to financial liabilities. As at 31 December 2018, the Company holds trade receivables and current cash-pool account held by the parent company Orange SA categorised as 'measured at amortised cost' previously classified as 'loans and receivables'.

The adoption of IFRS 9 has no impact on the Company's Accounting policy regarding financial liabilities.

- **Impairment of Financial Assets**

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. The new standard requires expected credit losses to be taken into account from the initial recognition of financial instruments. In addition to the existing provision system, the Company elected to apply a simplified approach of anticipated impairment upon asset recognition.

The application of IFRS 9 results in an additional allowance for impairment as follows:

	In thousands of EUR
Loss allowance at 31 December 2017 under IAS 39	**29,171**
Additional impairment recognised at 1 January 2018 on:	
Trade and other receivables	370
Loss allowance at 1 january 2018 under IFRS 9	**29,541**

Additional information about how the Company measures the allowance for impairment is described in Note 9.

- **Hedge Accounting**

The Company does not have any hedge accounting.

Initial Application of IFRS 15 "Revenue from Contracts with Customers"

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced IAS 18 Revenue, IAS 11 Contruction Contracts and related interpretations. Under IFRS 15, revenue is recognised when a customer obtains control of goods or services. Determining the timing of the transfer of control – at a point in time or over time – requires judgement.

IFRS 15 standard revenue from contracts with customers was applied using the retrospective application option, whereby the Company restated the figures reported by previous standards for the 2016 and 2017 comparative periods.

The Company adopted the following authorized practical expedients on initial application:

- For all reporting periods presented before the date of initial application, the Company did not disclose the amount of the transaction price allocated to the remaining performance obligations, nor did it explain when it expects to recognize that amounts as revenue.
- The Company did not restate contracts that began and ended before 1 January 2016.

The following tables summarise the impacts of adopting IFRS 15 on the Company's statement of financial position and its statement of comprehensive income for each of the line items affected.

In summary, the following adjustments were made to the amounts recognised in the balance sheet at the date of initial application (1 January 2018) and the beginning of the earliest period presented (1 January 2017):

Impact on the Statement of Financial Position

In thousands of EUR	1 January 2017 As previously reported	IFRS 15 application effect	1 January 2017 restated data from IFRS 15	31 December 2017 As previously reported	IFRS 15 application effect	1 January 2018 restated data from IFRS 15
Contract assets	0	12,548	12,548	0	13,465	13,465
Costs of obtaining a contract	0	1,669	1,669	0	1,679	1,679
Other non-curent assets	514,079	0	514,079	514,725	0	514,725
Total non-current assets	**514,079**	**14,217**	**528,296**	**514,725**	**15,144**	**529,869**
Trade receivables	65,715	0	65,715	89,790	0	89,790
Contract assets	0	51,553	51,553	0	48,228	48,228
Costs of obtaining a contract	0	6,277	6,277	0	6,619	6,619
Other curent assets	51,255	0	51,255	61,565	0	61,565
Total curent assets	**116,970**	**57,830**	**174,800**	**151,355**	**54,847**	**206,202**
Total assets	**631,049**	**72,047**	**703,096**	**666,080**	**69,991**	**736,071**
Total equity	265,078	51,427	316,505	283,996	50,509	334,505
Deferred tax liabilities	5,689	20,620	26,309	7,362	19,245	26,607
Other non-current liabilities	255,676	0	255,676	252,192	0	252,192
Total non-current liabilities	**261,365**	**20,620**	**281,985**	**259,554**	**19,245**	**278,799**
Contract liabilities	0	20,326	20,326	0	20,677	20,677
Deferred income	20,884	-20,326	558	20,634	-20,440	194
Other current liabilities	83,722	0	83,722	101,896	0	101,896
Total current liabilities	**104,606**	**0**	**104,606**	**122,530**	**237**	**122,767**
Total equity and liabilities	**631,049**	**72, 047**	**703,096**	**666,080**	**69,991**	**736,071**

Impact on the Statement of Comprehensive Income

In thousands of eur	As previously re-ported	IFRS 15 application effect	Restated data from IFRS 15
Revenue	**554,683**	**-2,670**	**552,013**
Increase / decrease linked to the timing difference of the services revenue recognition	0	-67,422	-67,422
Increase / decrease linked to the timing difference of the equipment sales revenue recognition	0	64,752	64,752
External purchases	-306,703	352	-306,351
Capitalisation of the costs of obtaining a contract	0	352	352
Other operating expenses, net	-120,378	25	-120,353
Operating income	**127,602**	**-2,293**	**125,309**
Finance costs,net	-2,145	0	-2,145
Income tax	-33,236	1,375	-31,861
Net income	**92,221**	**-918**	**91,303**

Impact on the Statement of Cash Flows

In thousands of EUR	Note	2017 as previously reported	IFRS 15 application effect	2017 (restated)*
Profit for the year		**92,221**	**-918**	**91,303**
Taxes	21	33,236	-1,375	31,861
Other items		89,114		89,114
Profit from operating activities before changes in working capital		**214,571**	**-2,293**	**212,278**
(Increase)/Decrease in trade and other receivables and other assets		-28,213	0	-28,213
(Increase)/Decrease in contract assets and contract liabilities		0	1,919	1,919
(Increase)/Decrease in inventory	8	-3,642	0	-3,642
Increase/(Decrease) in trade liabilities and deferred income	15,16	11,652	374	12,026
Cash generated from operations		**194,368**	**0**	**194,368**
Other items		-25,186	0	-25,186
Cash flows from operating activities		**169,182**	**0**	**169,182**
Net cash outflow from investing activities		**-93,452**	**0**	**-93,452**
Net cash outflow from financing activities		**-73,000**	**0**	**-73,000**
Net increase /(decrease) in cash and cash equivalents		**2,730**	**0**	**2,730**
Cash and cash equivalents at the beginning of the year	**12**	**6,090**	**0**	**6,090**
Cash and cash equivalents at the end of the year	**12**	**8,820**	**0**	**8,820**

IFRS 15 introduces a revenue recognition approach focused on:

- The identification of contracts, customers and contract amendments;
- The identification of distinct performance obligations (promises made by supplier), their reference price (individual selling price) and the transfer to the customer of control of performance obligation continuously or at a point in time;
- The determination of the Transaction Price (consideration promised by the customer), its fixed and variable components (and related recognition restrictions) and its allocation to the Performance Obligation.

The main impact of the new methodology introduced by IFRS 15 compared with the accounting policies previously applied are as follows:

- For bundled service and equipment offering, prior to adoption of IFRS 15, revenue recognized on the sale of mobile phones was restricted to a contractual amount not dependent on the supply of future services, which was generally the amount received from the customer for the sale of the mobile phone. This amount corresponded conventionally to the amount paid at the time of delivery, or by instalments discounted over 12, 18 or 24 months. Under IFRS 15 the transaction price is allocated between the mobile phone and the service based on individual selling prices and recognized in revenue at the moment of the transfer of control of the equipment or service to the customer. This change primarily impacts bundled offerings comprising the sale of a mobile phone at a subsidised price combined with a fixed-term service contract. Accordingly, for this type of offering, the effects on the Company's accounts are as follows:
  - The overall revenue from the contract does not change, but the pace of recognition and the split between the sold mobile phone and the service are modified (additional equipment revenue at the beginning of the contract, in a return for a reduction of service revenue of the same amount afterwards);
  - Accelerated recognition of revenue, at the time of the sale of the equipment is reflected in the statement of financial position by the presentation of a contract asset which is transformed into a receivable as the provision of communication services progresses.
- IFRS 15 changed the indicators used to determine whether an entity acts as principal or an agent in a transaction. This did not, however, modify our previous judgements, particularly with regards to agreements with our distributors for the supply of mobile phones, under which the Company primarily acts as a principal in the sale of mobile phones to the end-customer. The revenue recognized on the sale of a mobile phone combined with a fixed-term service contract is therefore identical irrespective of the distribution channel.
- Wholesale activities (operator customers) also involve complex contracts requiring an exercise of judgement and estimates under IFRS 15. These activities also require the excercise of specific judgement when classifying a transaction as a non-monetary exchange between entities in the same line of business to facilitate sales to customers; these transactions are excluded from IFRS 15's revenue recognition scope.

- In a substantial change from IAS 18, IFRS 15 requires the capitalization of costs of obtaining a contract and new costs of fulfilling a contract. Costs of obtaining a contract are released to profit and loss on a time/apportioned basis over the expected duration of the contractual relationship. New costs of fulfilling a contract (the direct distribution and internal sales) are immaterial, therefore these costs that must be deferred under IFRS 15 were not identified.

(b) Standards and Interpretations Adopted by EU Effective in 2018 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 2018 but are not relevant to the Company's operation:

- Amendments to IFRS 2 "Classification and Measurement of Share-based Payment Transactions" (effective for annual periods beginning on or after 1 January 2018)
- Applying IFRS 9 "Financial Instruments" with IFRS 4 "Insurance Contracts" (effective for annual periods beginning on or after 1 January 2018)
- Amendments to IAS 40 "Transfers of Investment Property" (effective for annual periods beginning on or after 1 January 2018)
- Amendments to IFRS 1 and IAS 28 Annual Improvements to IFRSs 2014-2016 Cycle – various standards (effective for annual periods beginning on or after 1 January 2018)
- IFRIC 22 "Foreign Currency Transactions and Advance Consideration" (effective for annual periods beginning on or after 1 January 2018)

(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:

- IFRS 16 "Leases" (effective for annual periods beginning on or after 1 January 2019)
- 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)
- 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)

- 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 3 "Business Combinations" (Effective for annual periods beginning on or after 1 January 2020)

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, except for the standard IFRS 16 as detailed below:

IFRS 16 supersedes IAS 17 "Leases" and related interpretations. The Standard eliminates the current dual accounting model for lessees and instead requires companies to bring most leases on the balance sheet under a single model, eliminating the distinction between operating and finance leases.

Under IFRS 16, a contract is, or contains, a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. For such contracts, the new model requires a lessee to recognise a right-of-use asset and a lease liability. The right-of-use asset is depreciated and the liability accrues interest. This will result in a front-loaded pattern of expense for most leases, even when the lessee pays constant annual rentals.

The new Standard introduces a number of limited scope exceptions for lessees which include:

- leases with a lease term of 12 months or less and containing no purchase options, and
- leases where the underlying asset has a low value ('small-ticket' leases).

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

The Company has analysed impacts of the new standard IFRS 16 and estimated that adoption of this standard as of 1 January 2019 will result in recognition of right-of-use asset and lease liability of approximately EUR 101 million.

The Company has decided to apply the so called modified retrospective approach for the first adoption of the standard as of 1 January 2019, which will lead to recognition of a right-of-use asset and lease liability without retrospectively adjusting financial information for prior periods.

3.

Significant accounting policies

(a) Statement of Compliance

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

(b) 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 by the Company. Depreciation starts when the assets are ready for their intended use. The estimated useful lives for the current and comparative periods are as follows:

	2018	2017
Radio access network	5 to 28 years	5 to 28 years
Transmission	6 to 30 years	6 to 30 years
Switching	5 to 10 years	5 to 10 years
Data network	4 to 5 years	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	2 to 5 years	2 to 5 years
Buildings	10 to 30 years	10 to 30 years
Other non-network equipment	2 to 10 years	2 to 10 years
Local loop	10 to 30 years	10 to 30 years
SIM cards	5 years	5 years
Set-top boxes	2 years	2 years

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

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

(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.

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:

	2018	2017
Software	3 to 10 years	3 to 10 years
Licences	10 to 16 years	10 to 16 years

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

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

(e) Impairment

Financial Assets

The Company measures loss allowances 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.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and 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 and 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 35days past the due date, 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 they do not include any significant financial component.

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.

(f) 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 their corporate offices on Metodova 8, 821 08 Bratislava. The Company's investments have been accounted for at acquisition costs.

(g) Inventories

Inventories are stated at the cost of acquisition and the net realisable value, depending from which is the lower one. 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 of acquisition is based on the weighted average principle and includes expenditures incurred in acquiring the inventories and bringing them to their existing location and condition.

(h) Trade Receivables

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

Those receivables which include deferred payment terms over 12 up to 24 months for the benefit of customers who purchased handsets, are discounted and classified as according to their remaining maturities. For impairment provision to receivables refer to Note 9.

Contractual Penalties

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

(i) 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 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 simplication measure authorized by IFRS 15 to recognize the costs of obtaining contracts as an expense when they are incurred in the amortization period of the asset. The costs of obtaining fixed-period mobile service contracts are capitalized and released to profit and loss on a straight-line over the enforceable contract term.

(j) Cash and Cash Equivalents

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

(k) 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 the objective of which 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 the 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 2018, the Company holds trade receivables and current cash-pool account held by parent company Orange SA categorised as 'measured at amortised costs' (2017: only trade receivables categorised as 'loans and receivables').

(l) 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 2018) and long term loan received from the parent company.

(m) Borrowing Costs

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

(n) 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 the 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 employee benefit costs and a provision for litigations (see Note 15).

(o) Trade and Other Payables

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

(p) Revenues

Revenues fall 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. Revenues are 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 and mobile telephone services, fixed 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. 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 control over the content prior to selling it to its 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 firm scope (e.g. additional consumption, options, etc.) generally reflect their standalone selling prices. Service obligations transferred to the customer at the same pace 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 the revenues, where the customers have mobile services and purchase additional services with a convergent discount, i.e. fixed internet services. In case the customers purchase both services with a convergent discount, the whole revenue is classified as a convergent sale. The bundled serviced are not considered to be convergent sales.

- **Equipment Sales**

The Company proposes to mass market and corporate market 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 Group generally considers that Orange retains control until sale to the end-customer (the distributor acts as an agent), even where ownership is transferred to the distributor. 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 market customers comprising equipment (e.g. a mobile terminal) and services (e.g. a communications contract).

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 standalone 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: generally applied where contract services are not covered by a firm volume commitment. Revenue is recognized as the services are rendered (which corresponds to transfer of control) over the contractual term;
- Send-or-pay model: contract where the price, volume and term are defined. The customer has a commitment to pay the amount indicated in the contract irrespective of actual traffic consumed over the commitment period. This contract category notably includes certain MVNO and hubbing contracts. Revenue over commitment is recognized progressively based on actual traffic during the period, to reflect transfer of control to the customer;
- 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).

(q) Expenses

Operating Lease Payments

For operating leases, lease payments are expensed on a straight-line basis over the lease 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 0.726% for 2018 (2017: 0.726%) from the operating profit. 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 the 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 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 retirement benefits.

4.

Property, plant and equipment

In thousands of EUR	Land and Buildings	Plant and Equipment	Motor Vehicles	Fixtures and Fittings	ARO *)	Under Construction	Total
Cost							
As at 1 January 2017	4,904	749,192	5,254	32,739	23,934	41,279	857,302
Additions	0	0	0	0	421	77,428	77,849
Disposals	-212	-19,921	-268	-1,909	-3,069	0	-25,379
Transfer	125	70,350	495	2,779	0	-73,749	0
As at 31 December 2017	**4,817**	**799,621**	**5,481**	**33,609**	**21,286**	**44,958**	**909,772**
As at 1 January 2018	4,817	799,621	5,481	33,609	21,286	44,958	909,772
Additions	0	0	0	0	2,581	85,150	87,731
Disposals	-106	-46,642	-211	-4,037	0	0	-50,996
Transfer	86	78,370	1,118	1,730	0	-81,304	0
As at 31 December 2018	**4,797**	**831,349**	**6,388**	**31,302**	**23,867**	**48,804**	**946,507**

*) Asset Retirement Obligation (ARO) described in Note 15

In thousands of EUR	Land and Buildings	Plant and Equipment	Motor Vehicles	Fixtures and Fittings	ARO *)	Under Construction	Total
Accumulated depreciation							
As at 1 January 2017	1,517	479,314	2,437	23,373	7,831	0	514,472
Charge for the year	372	58,943	910	3,558	913	0	64,696
Disposals	-212	-22,818	-230	-1,902	-17	0	-25,179
As at 31 December 2017	**1,677**	**515,439**	**3,117**	**25,029**	**8,727**	**0**	**553,989**
As at 1 January 2018	1,677	515,439	3,117	25,029	8,727	0	553,989
Charge for the year	305	64,662	888	2,977	1,007	0	69,839
Disposals	-86	-46,605	-192	-4,046	0	0	-50,929
As at 31 December 2018	**1,896**	**533,496**	**3,813**	**23,960**	**9,734**	**0**	**572,899**
Carrying amount							
As at 1 January 2017	3,387	269,878	2,817	9,366	16,103	41,279	342,830
As at 31 December 2017	**3,140**	**284,182**	**2,364**	**8,580**	**12,559**	**44,958**	**355,783**
As at 1 January 2018	3,140	284,182	2,364	8,580	12,559	44,958	355,783
As at 31 December 2018	**2,901**	**297,853**	**2,575**	**7,342**	**14,133**	**48,804**	**373,608**

*) Asset Retirement Obligation (ARO) described in Note 15

As at 31 December 2018, none of the properties were pledged to secure bank loans.

In 2018, 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 2018, the Company had a disposal in gross value of EUR 50,996 thousand (book value of EUR 67 thousand) relating mainly to old fully depreciated equipment.

Property and equipment, excluding motor vehicles, is insured to a limit of EUR 734,272 thousand (2017: EUR 729,534 thousand). Each motor vehicle is insured to a limit of EUR 5,000 thousand (2017: EUR 5,000 thousand) for damage on health and expenses related to death and EUR 2,000 thousand (2017: 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 2017	143,396	184,550	17,676	6,920	352,542
Additions	0	0	0	15,224	15,224
Disposals	-13	0	-196	0	-209
Transfer	15,102	0	841	-15,943	0
As at 31 December 2017	**158,485**	**184,550**	**18,321**	**6,201**	**367,557**
As at 1 January 2018	158,485	184,550	18,321	6,201	367,557
Additions	0	0	0	10,480	10,480
Disposals	-37,237	-5,741	-300	0	-43,278
Transfer	11,075	0	475	-11,550	0
As at 31 December 2018	**132,323**	**178,809**	**18,496**	**5,131**	**334,759**

In thousands of EUR	Software	Telecom. Licences	Other Intangible Assets	Under Construction	Total
Accumulated amortisation					
As at 1 January 2017	103,225	80,195	6,879	0	190,299
Charge for the year	18,235	9,919	2,326	0	30,480
Disposals	-5	0	-197	0	-202
As at 31 December 2017	**121,455**	**90,114**	**9,008**	**0**	**220,577**
As at 1 January 2018	121,455	90,114	9,008	0	220,577
Charge for the year	15,867	11,905	1,682	0	29,454
Disposals	-37,223	-5,741	-299	0	-43,263
As at 31 December 2017	**100,099**	**96,278**	**10,391**	**0**	**206,768**
Carrying amount					
As at 1 January 2017	40,171	104,355	10,797	6,920	162,243
As at 31 December 2017	**37,030**	**94,436**	**9,313**	**6,201**	**146,980**
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**

In 2018, the addition mainly comprises the purchase of IT applications and software packages.

During 2018, the Company had a disposal in gross value of EUR 43,278 thousand (book value of EUR 15 thousand) relating mainly to old, mostly fully depreciated messaging service platforms.

6. Investments in subsidiaries

In September 2017, the Company recognized investment in Orange Finančné služby, s.r.o. at a cost of EUR 200 thousand. As at 31 December 2018, 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. 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 2018	554	185	369	1,080	32
As at 31 December 2017	508	171	337	1,087	65

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

7.

Deferred tax assets and liabilities

Movement in the deferred tax account is as follows:

In thousands of EUR	31 December 2018	31 December 2017
At beginning of period – net deferred tax liability	26,607	26,309
Income statement	-16,211	298
At end of period – net deferred tax liability	**10,396**	**26,607**

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

	31 December 2018			31. December 2017		
In thousands of EUR	Assets	Liabilities	Net	Assets	Liabilities	Net
Property, plant, and equipment	0	26,142	-26,142	0	24,187	-24,187
Inventories	267	0	267	479	0	479
Receivables	2,273	0	2,273	1,933	0	1,933
Contract assets (restated)*	0	0	0	0	16,820	-16,820
Cost to obtain the contract (restated)*	0	0	0	0	2,425	-2,425
Accruals	4,270	0	4,270	5,818	0	5,818
Provisions	8,936	0	8,936	8,595	0	8,595
Net deferred tax	**15,746**	**26,142**	**-10,396**	**16,825**	**43,432**	**-26,607**

* The effect of IFRS 15 application is decsribed in Note 2.

	31 December 2017			31 December 2016		
In thousands of EUR	Assets	Liabilities	Net	Assets	Liabilities	Net
Property, plant, and equipment	0	24,187	-24,187	0	23,338	-23,338
Inventories	479	0	479	420	0	420
Receivables	1,933	0	1,933	1,681	0	1,681
Contract assets (restated)*	0	16,820	-16,820	0	18,259	-18,259
Cost to obtain the contract (restated)*	0	2,425	-2,425	0	2,361	-2,361
Accruals	5,818	0	5,818	5,721	0	5,721
Provisions	8,595	0	8,595	9,827	0	9,827
Net deferred tax	**16,825**	**43,432**	**-26,607**	**17,649**	**43,958**	**-26,309**

* The effect of IFRS 15 application is decsribed in Note 2.

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 2018 was 21% (2017: 21%) plus the special levy for the regulated industries of 8.712% of operating profit (2017: 8.712 %). The special levy would gradually reduce to 4.356% by 2021. The rate effective from 1 January 2019 is 27.534% and was used in the deferred tax calculation.

8.

Inventories

In thousands of EUR	31 December 2018	31 December 2017
Raw materials and consumables	488	636
Merchandise	24,349	20,111
Provision for slow moving merchendise	-970	-1,611
	23,867	**19,136**

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

As at 31 December 2018, no inventories were pledged to secure bank loans.

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

9.

Trade and other receivables, net and non-current receivables

In thousands of EUR	31 December 2018	31 December 2017
Trade accounts receivables	105,082	106,461
Allowance for doubtful debts and receivables	-29,305	-29,171
Other receivables	0	12,500
Trade and other receivables	**75,777**	**89,790**
Non-current receivable (receivable by instalments)	11,358	11,238
Allowance for non-current receivables	-57	-599
Other non-current receivables	958	985
Non-current receivable	**12,259**	**11,624**

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 discount rate 3.44% . The discount rate must be the prevailing market rate for the 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 2018	31 December 2017
Not past due	68,916	83,841
Past due	36,166	35,120
Trade and other receivables - gross	**105,082**	**118,961**
Provision for impairment	-29,305	-29,171
Trade and other receivables - net	**75,777**	**89,790**

Expected Credit Loss Assess ment for Non-current, Trade and Other Receivables as at 1 January and 31 December 2018

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 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 the expected lifetime credit losses for trade receivable: subscribers, distributors and others. The following table sets total gross book values at default in payment ("Gross") and the ECL in 2018 calculated with provision matrix for trade receivables, as well as gross and valuation allowance ("VA") in 2017 for trade receivable:

In thousands of EUR	Weighted-average loss rate in 2018	Gross 31 December 2018	ECL 31 December 2018	Gross 31 December 2017	VA 31 December 2017
unbilled and not yet due	1%	67,919	370	83,841	-
Past due 0-30 days	5%	7,420	371	4,860	243
Past due 31-60 days	33%	773	255	797	263
Past due 61-90 days	53%	398	211	549	291
Past due 91-180 days	71%	1,123	797	1,373	975
Past due 181-360 days	94%	2,477	2,328	2,357	2,216
Past due 361 and more days	100%	24,973	24,973	25,183	25,183
Total		**105,082**	**29,305**	**118,961**	**29,171**

The Company has grouped trade receivable according to loss patterns observed in the past and the provision rates are based on days past the due date.The provision matrix is based on the Company's historically observed default rates, which are updated on a yearly basis.

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 management; there is a view that further segmentation will require undue costs and efforts and will not result in more precise information about the impairment provision.

The movement in allowance for impairment in respect of trade receivables during the year was as follows. Comparative amounts for 2017 represent the allowance account for impairment losses under IAS 39.

Movements in the allowance for doubtful debts

In thousands of EUR	31 December 2018	31 December 2017
Impairment allowance to short term receivables		
At 1 January	29,171	28,250
Application of IFRS 9	370	0
Net creation of provision for impairment of trade receivables	-236	921
At 31 December	**29,305**	**29,171**
Impairment allowance to non current receivables		
At 1 January	599	141
Net creation of provision for impairment Non-current receivables	-542	458
At 31 December	**57**	**599**

During 2018, there were no receivables written-off, they 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 are 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.

10.

Contract net asset and liabilties

In thousands of EUR	31 December 2018	31 December 2017	1 January 2017
Current net contract assets	60,748	61,693	64,101
Customer contract assets	61,895	62,912	65,344
Impairment provision	-1,147	-1,219	-1,243
Customer net contract assets	**60,748**	**61,693**	**64,101**
Costs of obtaining a contract	9,118	8,298	7,946
Costs of obtaining a contract	**9,118**	**8,298**	**7,946**
Contract liabilities	21,713	20,677	20,326
Anticipated spread of subsidy	799	237	0
Deffered revenue - Prepaid telephone cards	6,629	6,225	6,233
Deffered revenue - Monthly service fees	12,502	12,149	11,771
Connection fees	1,783	2,066	2,322
Customer contract net liabilities	**21,713**	**20,677**	**20,326**

For detailed description of contract asset and liabilities - please see Note 3 (i).

Impairment of Contract Assets

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.

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

In thousands of EUR	2018	2017
At 1 January	1,219	1,243
Net creation of provision for impairment	-72	-24
At 31 December	**1,147**	**1,219**

Transaction Price Allocated to the Remaining Performance Obligations

The contract liability represent, in vast majority, the monthly services fees, which will be recorded to revenues in January 2019 and prepaid telephone cards, which will be recorded to revenues broadly during the first half of 2019.

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 Group expects to recognise that amount as revenue for the year ended 31 December 2017.

11.

Current financial assets

The balance of EUR 28,132 thousand (2017: EUR 29,713 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 a negative rate 0.356% as at 31 December 2018 (negative rate 0.346% as at 31 December 2017).

12.

Cash and cash equivalents

In thousands of EUR	31 December 2018	31 December 2017
Cash on hand and cash equivalents	96	106
Bank balances and deposits	6,423	8,714
Cash and cash equivalents in the balance sheet	**6,519**	**8,820**

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.

13.
Equity

Share Capital

As at 31 December 2018, the authorised share capital comprised 1,181,755 ordinary shares (2017: 1,181,755), with a nominal value of EUR 33.19 each, 1 ordinary share (2017: 1) with a nominal value of EUR 13.78, and 1 ordinary share (2017: 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 (2017: EUR 15,260 thousand) relate to the Legal Reserve Fund, which is not available for distribution and should be used to cover future losses arising from business activities, if any.

Dividends

As at the preparation date of these financial statements, the Board of Directors made no decision regarding the amount of dividends to be paid from the 2018 profit.

In June 2018, the shareholders approved a dividend payment of EUR 72 million related to undistributed profits from previous years at their annual general meeting. An amount of EUR 40 million was paid in June 2018 and EUR 32 million was paid in December 2018.

14.
Loans and borrowings

On 30 June 2015, the Company signed a Credit Facility Agreement with Atlas Services Belgium S.A. The credit facility was drawn down in two tranches: Tranche A in the amount of EUR 110,000 thousand was drawn down as at 30 June 2015 and Tranche B in the amount of EUR 100,000 thousand was drawn down as at 20 June 2016.

The final maturity date for Tranche A is 30 June 2019 and for Tranche B is 30 June 2020. The Company paid arrangement fees in June 2015 in the 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 0.581% as at 31 December 2018 (0.561% as at 31 December 2017).

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

15.

Provisions and non-current payables

Provisions

In thousands of EUR	Provision for Asset Retirement	Other	Total
Balance at 31 December 2017	24,452	2,300	26,752
Provisions made during the year	2,843	350	3,193
Provisions used during the year	0	0	0
Provisions reversed during the year	0	-114	-114
Balance at 31 December 2018	**27,295**	**2,536**	**29,831**

In thousands of EUR	31 December 2018	31 December 2017
Non-current	29,831	26,751
Current	0	1
	29,831	**26,752**

A provision for asset retirement obligation was recorded in the amount of EUR 27,295 thousand, using the following assumptions based on an expert's study: average costs of site demolition of EUR 8 thousand, an average site usage of 15 years, discount rate of 1.076%, dismantling cost index of 3.00% and number of sites of 2,479 (2017: EUR 24,452 thousand, 15 years, 1.707%, 3.00%, and of 2,438 sites, respectively). The Company records is carrying the amount of EUR 14,133 thousand (2017: EUR 12,559 thousand) in the asset side of the balance sheet (Note 4).

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

Non-current Payables

Non-current payables of EUR 13,492 thousand (2017: EUR 15,441 thousand) represent long-term liability 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 (2017: EUR 2,132 thousand).

The liabilities were initially discounted to the fair value at the discount rate that ranges from 1.99% to 2.25%. The liability is amortised using the effective interest rate method. Fair value of the liability using the discount rate of 1.076% is by EUR 1.3 million higher compared to its carrying amount at the balance sheet date.

16.

Trade payables and other liabilities

In thousands of EUR	31 December 2018	31 December 2017
Trade payables	69,201	70,026
Accrued liabilities	10,484	12,404
Tax liabilities (VAT)	5,284	5,677
Liabilities to employees	8,418	9,102
Other current liabilities	610	584
Total	**93,997**	**97,793**

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

Payables Within and After Maturity

31 December 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	0	0	10,484
Tax liabilities (VAT)	5,284	0	0	5,284
Liabilities to employees	8,418	0	0	8,418
Other current liabilities	610	0	0	610
Total	**74,986**	**18,838**	**173**	**93,997**

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

31 December 2017

In thousands of EUR	within maturity period	within 360 days overdue	more than 360 days overdue	Total
Trade payables	55,758	13,798	470	70,026
Accrued liabilities	12,404	0	0	12,404
Tax liabilities (VAT)	5,677	0	0	5,677
Liabilities to employees	9,102	0	0	9,102
Other current liabilities	584	0	0	584
Total	**83,525**	**13,798**	**470**	**97,793**

Liabilities to Employees Include Social Fund Liabilities

In thousands of EUR	2018	2017
As at 1 January	187	169
Prírastky	279	361
Utilisation	378	343
As at 31 December	**88**	**187**

17.

Revenues

Revenues are broken down by product line as follows:

In thousands of EUR	2018	2017 (restated)*
Convergence services	23,563	25,155
Mobile services only	320,005	324,483
Fixed services only	22,738	20,332
IT & integration services	8,840	8,044
Wholesale	43,454	37,163
Equipment sales	130,904	127,226
Other revenues	10,080	9,610
Total revenue	**559,584**	**552,013**

* The effects of IFRS 15 application are described in Note 2

- 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 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

18.

External purchases

External purchases are presented in the table below:

In thousands of EUR	2018	2017 (restated)*
Cost of equipment sold	111,963	110,396
Purchased goods and services	76,917	75,345
Service fees and interoperator costs	80,523	88,418
Costs associated with non-current assets	12,737	12,841
Other	17,281	19,351
Total external purchases	**299,421**	**306,351**

* The effects of IFRS 15 application are described in Note 2.

19.

Other operating expenses/(income), net

Other operating expenses are presented in the table below:

In thousands of EUR	2018	2017
Brand royalty and management fees	12,490	13,375
FX differences net	21	-125
Other operating expenses	2,313	2,513
Total other operating expenses	**14,824**	**15,763**

Other operating income is presented in the table below:

In thousands of EUR	2018	2017
Property fees	1,151	1,147
Late payment interest on trade receivables	1,133	1,314
Gain on disposal of property, plant and equipment	201	7,471
Other operating income	3,233	29,054
Total other operating income	**5,718**	**38,986**

The one-off settlement of the Company's damage claim is included in other operating income in 2017. Half of the settlement was paid in March 2018 – reported in trade and other receivables (refer to Note 9).

20.

Wages and contributions

In thousands of EUR	2018	2017
Wages and salaries	25,833	25,517
Bonuses and untaken holiday payroll provision	5,394	4,551
Social contribution	13,630	13,363
Other	2,606	2,285
Total wages and contributions	**47,463**	**45,716**

21.

Income tax

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

In thousands of EUR	2018	2017 (restated)*
Income tax payable from operating activities	41,411	31,563
Deferred income tax from operating activities	-16,211	298
Total income tax	**25,200**	**31,861**

* The effects of IFRS 9 and IFRS 15 application are described in Note 2

The Slovak Corporate Tax is 21% effective from 1 January 2017. In December 2018, the Slovak Parliament has approved the amendment to Income Tax Act, which forces the Company to recognize additional tax related to the implementation of IFRS 15 and the restatement adjustment reported in equity. In this respect, the Company expects actual increase in the tax liability for 2018 (payable in June 2019) of around EUR 17 million.

In thousands of EUR	2018	%	2017 (restated)*	%
Profit before tax	99,497		123,164	
Income tax at the rate of 21% (2017: 21%)	20,894	21.0%	25,864	21.0%
Income tax in respect of prior year	-803	-0.8%	-802	-0.7%
Special levy 8.712% (2017: 8.712%) for regulated businesses	8,745	8.8%	8,108	6.6%
Impact of adjusting items: permanent differences and other differences	-3,636	-3.7%	-1,309	-1.1%
Total income tax	**25,200**	**25.3%**	**31,861**	**25.9%**

*The effects of IFRS 9 and IFRS 15 application are described in Note 2

22.

Financial instruments

Risk Management Policies

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

Capital Risk Management

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

The capital structure of the Company consists of cash and cash equivalents (Note 12), cash pooling (Note 11), long term and short term debt/loan (Note 14) and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in Note 13.

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

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

The gearing ratios as at 31 December 2018 and 2017 were as follows:

In thousands of EUR	31 December 2018	31 December 2017 (restated)*
Cash and cash equivalents	-6,519	-8,820
Loan	210,000	210,000
Financial (assets)/liabilities	-28,132	-29,713
Net debt	**175,349**	**171,467**
Equity	**337,195**	**334,505**
Net debt to equity	**52%**	**51%**

* The effect of IFRS 9 and IFRS 15 application are described in Note 2

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

Main Categories of Financial Instruments

In thousands of EUR	Note	31 December 2018	31 December 2017
Financial assets			
Cash and cash equivalents	12	6,519	8,820
Trade and other receivables	9	76,771	89,790
Current financial assets	11	28,132	29,713
Financial liabilities			
Loan	14	210,000	210,000
Trade payables and other liabilities	16	93,997	97,793

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	2018	2017	2018	2017
Currency USD	3,387	2,575	2,376	1,119

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 11). 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.

The Company´s management has entered into loan contracts which are exposed to floating interest rates in the normal course of business. The Company´s management policy is to enter in the variable interest rates borrowings contracts only. It does not see the need to hedge the interest rates related to these contracts.

An increase or decrease of interest rate (EURIBOR, LIBOR) by 100 basis points, considering all other factors remain unchanged, would cause a decrease or an increase of profitability by EUR 1,819 thousand (2017: EUR 1,803 thousand).

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

Fair Values Versus Carrying Amounts

The fair value of trade and other receivables, cash and cash equivalents, finance lease receivables, trade and other payables, except for long term payables (refer to Note 14), loans and interest bearing borrowings with variable interest rate is approximated by their carrying amounts as at 31 December 2018 as well as at 31 December 2017.

Basis for Determining Fair Values

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

Credit Risk

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

The Company considers that it has limited concentration in credit risk with respect to trade accounts receivables due to its large and diverse customer base (residential, professional and large business customers) operating in numerous industries and located in many regions. In addition, the maximum value of the counterparty risk on these financial assets is equal to their recognized net book value. An analysis of net trade receivables past due date 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 interrupted.

The Company held cash and cash equivalents of EUR 6,519 thousand at 31 December 2018 (2017: EUR 8,820 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 the counterparties.

On initial application of IFRS 9, the Company has not recognised any impairment allowance related to cash and cash equivalents as it was not considered to be material.

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. The Company's management monitors risks with rolling 12-month forecasts of the Company's liquidity reserve (comprising loan facility and cash and cash equivalents) on the basis of expected cash flows.

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

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

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	-	0	0	0	8,196	5,296	13,492
Non-interest bearing liabilities	16	-	62,195	31,802	0	0	0	93,997
Financial guarantee contracts		-	0	0	0	0	0	0
Loan	14	-	0	0	110,000	100,000	0	210,000
Interest and commitment fee from Long term loan	14	0.581%	0	305	596	930	0	2,427
Total			**62,195**	**32,107**	**110,596**	**109,126**	**5,296**	**319,916**

2017

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	-	0	0	0	8,960	6,481	15,441
Non-interest bearing liabilities	16	-	63,980	33,813	0	0	0	97,793
Financial guarantee contracts		-	0	0	0	0	0	0
Long term loan	14		0	0	0	210,000	0	210,000
Interest and commitment fee from Long term loan	14	0.561%	0	295	884	1,206	0	2,385
Variable interest rate instruments			0	0	0	0	0	0
Total			**63,980**	**34,108**	**884**	**220,166**	**6,481**	**325,619**

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

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	5+ years
Non-current receivables	-	0	0	0	11,265	0
Non-interest bearing receivables	-	49,391	6,066	21,314	0	0
Cash and cash equivalents	0.02%	6,519	0	0	0	0
Variable interest rate instruments	-0.356%	28,132	0	0	0	0
Total		**84,042**	**6,066**	**21,314**	**11,265**	**0**

2017

In thousands of EUR	Year end effective interest rate	Less than 1 month	1 - 3 months	3 months to 1 year	1-5 years	5+ years
Non-current receivables	-	0	0	0	11,624	0
Non-interest bearing receivables	-	52,880	5,300	19,110	0	0
Other receivables	-	0	12,500			
Cash and cash equivalents	0.02%	8,820	0	0	0	0
Variable interest rate instruments	-0.356%	29,713	0	0	0	0
Total		**91,413**	**17,800**	**19,110**	**11,624**	**0**

23.

Related party transactions

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

In thousands of EUR	31 December 2018	31 December 2017
Liabilities - current and unbilled supplies		
Atlas Service Belgium (parent company)	210,010	210,006
Orange Brand Services (fellow subsidiary)	1,715	1,956
Orange SA (ultimate controlling party)	1,149	1,981
Mobistar (fellow subsidiary)	1,121	1,051
Orange CorpSec (subsidiary)	180	108
Orange Romania (fellow subsidiary)	91	111
Other	15	783
	214,281	**215,996**
Dividends paid		
Atlas Service Belgium (parent company)	-72,000	-73,000
	-72,000	**-73,000**

In thousands of EUR	2018	2017
Purchases		
Orange SA (ultimate controlling party)	10,253	11,919
Orange Brand Services (fellow subsidiary)	6,770	7,743
Orange Polska (fellow subsidiary)	3,100	1,916
Atlas Service Belgium (mother company)	1,355	1,341
Orange CorpSec (subsidiary)	1,077	1,077
Orange Romania (fellow subsidiary)	463	484
Orange Egypt for Telecommunications (fellow subsidiary)	433	0
Orange Belgium (ex Mobistar) (fellow subsidiary)	105	795
Other	344	148
	23,900	**25,423**

In thousands of EUR	31 December 2018	31 December 2017
Trade accounts receivable - current		
Orange SA (ultimate controlling party)	403	1,470
Orange SA - cash pool account	28,132	29,713
Atlas Service Belgium (parent company)	214	357
Orange Polska (fellow subsidiary)	159	428
Orange Romania (fellow subsidiary)	155	118
Orange Moldova (fellow subsidiary)	114	289
Orange Egypt for Telecommunications (fellow subsidiary)	1	1,893
Other	590	399
	29,768	**34,667**

In thousands of EUR	2018	2017
Sales		
Orange Polska (fellow subsidiary)	3,353	2,015
Equant (fellow subsidiary)	2,404	2,330
Orange SA (ultimate control.party)	1,538	7,381
Orange Romania (fellow subsidiary)	774	686
Orange Brand Services (fellow subsidiary)	314	290
Orange Moldova (fellow subsidiary)	134	294
Orange Belgium (exMobistar) (fellow subsidiary)	408	36
Orange Egypt for Telecommunications (fellow subsidiary)	23	1,769
Other	286	279
	9,234	**15,080**

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.

24. Information on income and emoluments of members of the statutory bodies, supervisory bodies, and other bodies of the accounting entity

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

In thousands of EUR	2018	2017
Board of Directors	0	0
Supervisory Body	0	0
Executive Management Board	2,675	2,720
Total	**2,675**	**2,720**

25.

Operating leasing

Leases as the Lessee

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

In thousands of EUR	31 December 2018	31 December 2017
Less than one year	11,388	7,299
Between one and five years	44,632	12,015
After five years	51,143	1,288
	107,163	20,602

During 2018, the Company reassessed the period for minimum lease payments for contracts with indefinite duration as it considered the overall legal environment and telecommunication legislation. According to the 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 indefinite duration, the Company´s management estimated that the lease will have a duration of 10 years.

Total expenses for rent represent EUR 11 million (2017: EUR 11 million) and primarily represent office, retail space, technological premises and land and rooftops for base stations and other equipment.

The Company maintains evidence of assets under lease contracts.

26.

Commitments and contingencies

Litigation

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

Commitments

The Company has CAPEX commitments in a total amount of EUR 66,051 thousand (2017: EUR 72,024 thousand). The rest consists of investment in 2G/3G network in the amount of EUR 6,847 thousand (2017: EUR 19,193 thousand), investments in 4G network assets in the amount of EUR 34,579 thousand (2017: EUR 4,611 thousand) and the other less material investments in long-life assets.

The Company also has OPEX commitments in the total amount of EUR 47,069 thousand (2017: EUR 28,030 thousand) mainly related to the purchase of handsets in amount of EUR 12,303 thousand (2017: EUR 10,617 thousand) and network maintenance in amount of EUR 6,800 thousand (2017: 8,700 thousand).

Legal Commitments

The Company has not given any guarantees to third parties in 2018 (2017: EUR 0 thousand).

Contingent Assets

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

27.
Critical accounting estimates, judgements, and key sources of estimate uncertainty

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

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

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

Estimated Lifetime of Buildings, Machines, Equipment and Intangible Assets

Economic lifetimes, which are described in Note 3 (g) and (h), are determined based on the Company's best estimation of lifetime of long-term assets and are reviewed annually.

A change in estimated lifetime of assets by 10% against the actual depreciation as at 31 December 2018 would have increased / (decreased) the value of tangible assets as shown below:

	31 December 2018		31 December 2017	
In thousands of EUR	Increase	Descrease	Increase	Descrease
Estimated lifetime in years +/-10%	6,349	-7,760	5,881	-7,188

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

Analysis of Sensitivity of ARO Reserve

A change in discount rate by 1 bps and change in dismantling costs by 10% against initial assumption as at 31 December 2018 would have increased / (decreased) the estimated ARO reserve by the amounts shown below:

	31 December 2018		31 December 2017	
In thousands of EUR	Increase	Descrease	Increase	Descrease
Discount rate +/- 1bps	3,747	-4,390	3,338	-3,906
Dismantling costs +/- 10%	2,730	-2,730	2,445	-2,445

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

Estimated Enforceable Period

Compared with IAS 18, the implementation of IFRS 15 requires new judgement and assumption 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 business practices.

Analysis of Sensitivity of Enforceable Period

A change in enforceable period by 1 month against initial assumption as at 31 December 2018 would have increased / (decreased) the contract asset amount as shown below:

	31 December 2018		31 December 2017	
In thousands of EUR	Increase	Descrease	Increase	Descrease
Enforceable period +/- 1month	5,348	-5,143	5,484	-5,257

The sensitivity analysis was estimated based on year end balances and the actual results might differ from these estimates.

28.

Subsequent events

No other events with a material impact on the true and fair presentation of facts as presented in these financial statements occurred after 31 December 2018 up to the preparation date of these financial statements.

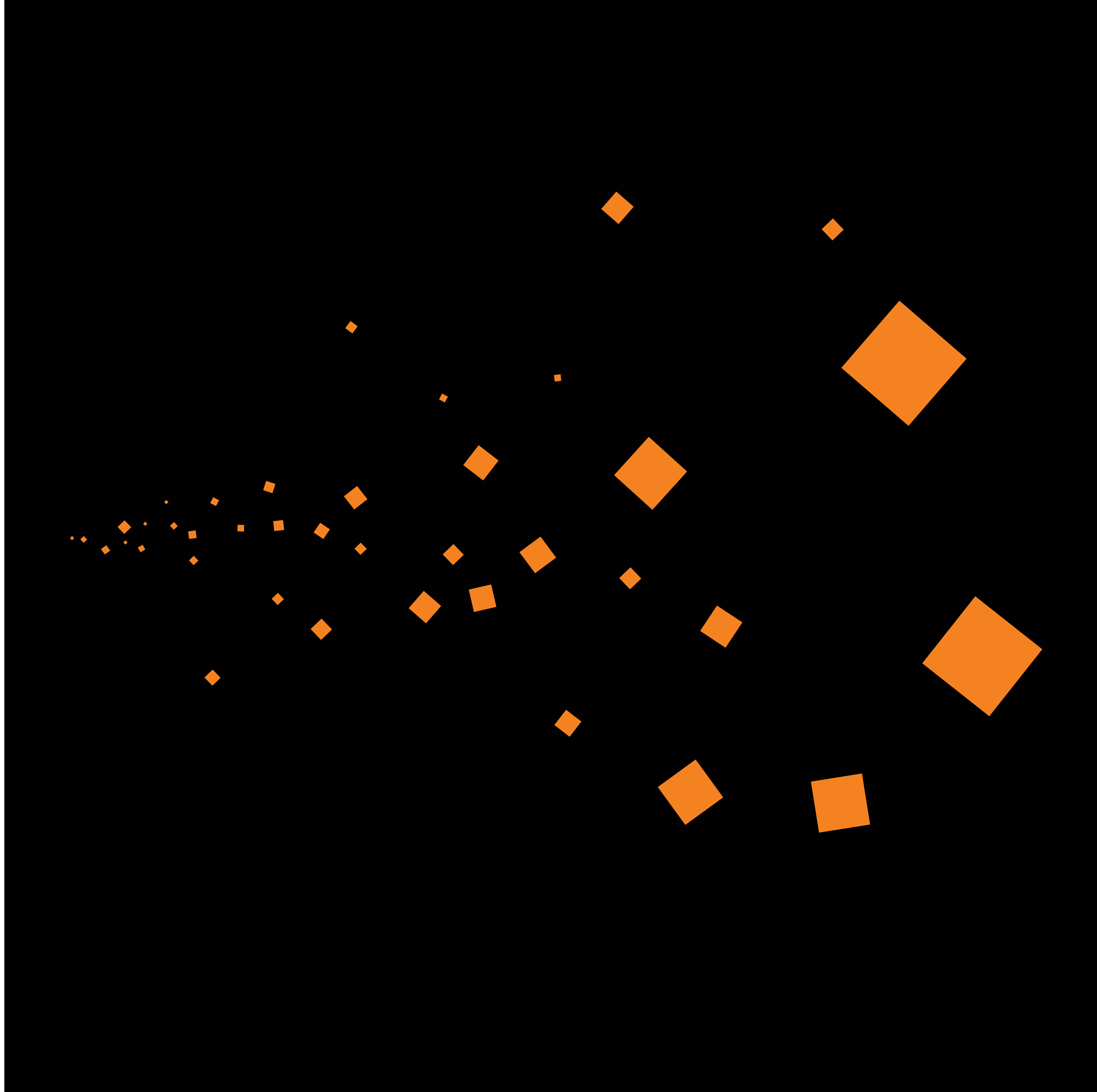
29.

Authorisation of financial statements

The financial statements were authorised for issue by the management on 23 April 2019.

Pavol Lančarič
Chief Executive Officer

Reza Samdjee
Chief Financial Officer
and Deputy CEO



Orange Slovensko, a.s.
Metodova 8
821 08 Bratislava
Slovenská republika

www.orange.sk