2017

Annual Report

orange™

Annual Report

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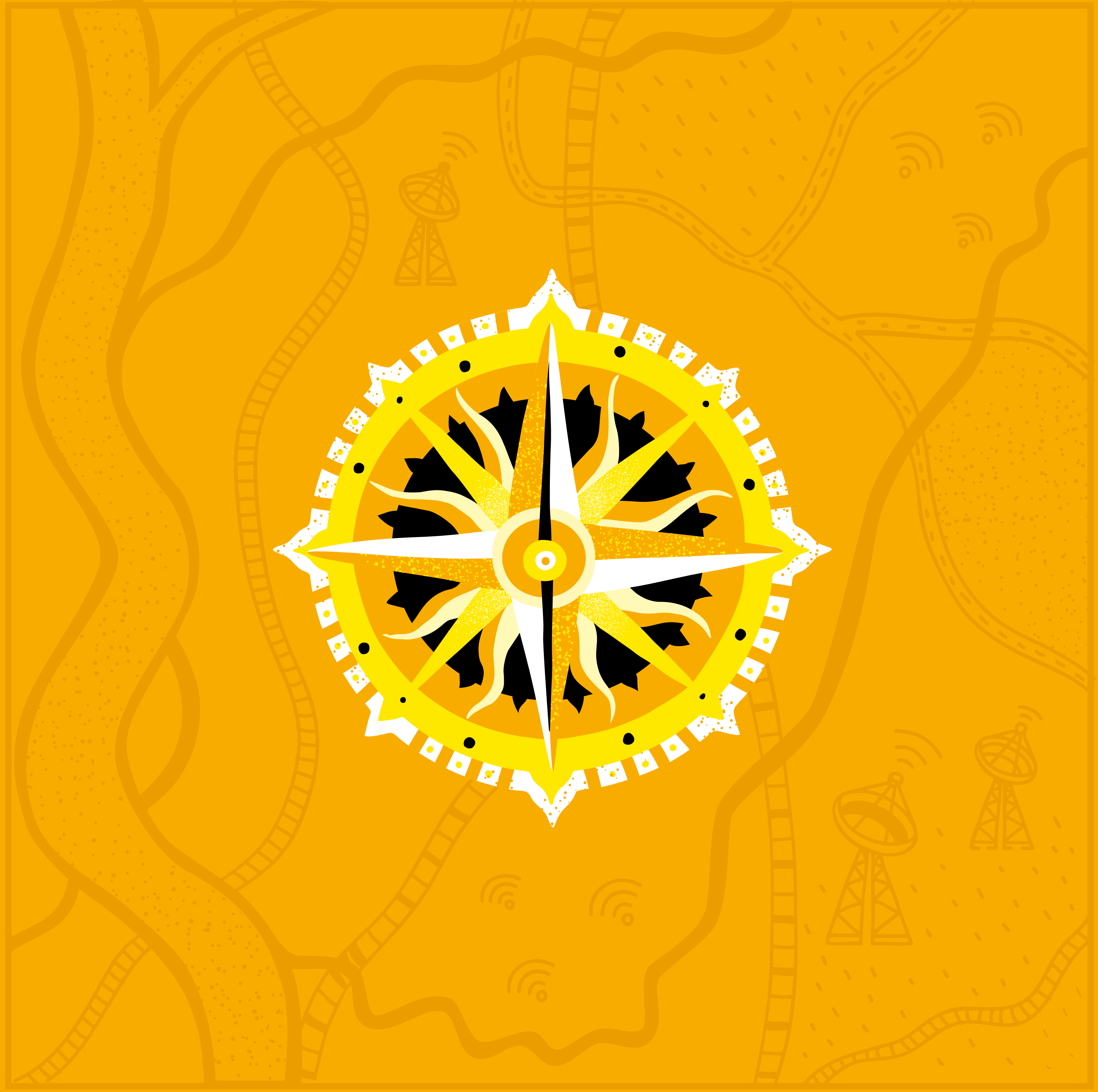

1

Orange Slovensko

We know where we are heading and what our goal is

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

Registered Office

Metodova 8, 821 08 Bratislava, The Slovak Republic

Company Identification Number (IČO)

35697270

Date of Entry in the Commercial Register of the Slovak Republic

3 September 1996

Legal Form

Joint-stock Company

Identification of the Entry in the Commercial Register

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

Description of the Company

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

It started its commercial operation on the Slovak market in 1997. As of 31 December 2017, Orange Slovensko, a.s. registered 2,834 million of active mobile network customers and another 193 thousand fixed Internet and digital television customers. As of 31 December 2017, the revenue of Orange Slovensko, a.s. reached EUR 554,7 million.

Orange Slovensko, a.s. is a member of the global Orange Group, one of the biggest mobile network operators and broadband internet providers in Europe. As of 31 December 2017, the Orange Group had revenues of EUR 41 billion, with 273 million customers using its services in 29 countries of the world.

Orange is the leading mobile broadband Internet provider, using 3G and 4G networks. High-speed mobile Internet coverage exceeded 98% of Slovakia's population, while Orange's 4G network is already available to 90% of Slovaks. Orange Slovensko, a.s. was the first telecommunications operator in Slovakia to launch a state-of-the-art new generation fixed network on the basis of FTTH (Fibre To The Home – optics for home), which currently covers over 370 thousand households across 34 towns in Slovakia. Orange also provides fixed internet and digital television through DSL which is available across most of Slovakia.

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

Orange Slovensko, a.s. is wholly owned by the Orange Group.

Company Bodies

Board of Directors

Chairman:	Pavol Lančarič
Members:	Ivan Golian
	Zuzana Nemečková
	Vladislav Kupka
	Reza Samdjee

Supervisory Board

Chairman:	Bruno Duthoit
Vice-chairman:	Christophe Naulleau
Members:	Ľuboš Dúbravec
	Francis Gelibter
	Štefan Hronček
	Marián Luptovský
	Ladislav Rehák
	Marc Ricau
	Maï de La Rochefordière

Company Management

Pavol Lančarič
Chief Executive Officer

Ivan Golian
ITN Director and Deputy CEO

Zuzana Nemečková
Director of Commercial Department and Deputy CEO

Ivana Braunsteinerová
Director of Human Resources Department

Vladislav Kupka
Director of Customer Service Department

Miloš Lalka
Director of Communications and Brand Department

Ivan Marták
Director of Strategies, and Regulatory Affairs Department

Reza Samdjee
Director of Financial Department

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 as Sales Director. Since 1999, he has been the CEO of Orange Slovensko, a.s., also serving as a Chairman of the Board.

Ivan Golian

ITN Director and Deputy CEO

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

Zuzana Nemečková

Director of Commercial Department and Deputy CEO

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

Ivana Braunsteinerová

Director of Human Resources (since January 2018)

Born in 1974. She achieved a 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 has 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.

Andrea Danielová

Director of Human Resources Department (until September 2017)

Born in 1967. She completed her studies at the University of Economics in Bratislava. She has worked in human resources since 1991. Since 1996, she had worked as Deputy Director of Human Resources Department at Globtel GSM, later Globtel, a.s., and Orange Slovensko, a.s.. From 2003 to 2007, she also worked as Director of Human Resources Department at Orange Slovensko, a.s.

Vladislav Kupka

Director of Customer Service Department

Born in 1974. He completed his studies at the Faculty of Philosophy of the University of St. Cyril and Methodius in Trnava. He started working in sales in 1994 and has worked at Orange Slovensko, a.s. since 1996. He started as a customer centre employee, and continued as 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 has worked as 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 as Advertising Manager. He became Deputy Director of Communications and Brands Department in 2012. He has worked as Director of Communications and Brands Department at Orange Slovensko, a.s. since 2013.

Ivan Marták

Director of Strategy, Legal and Regulatory Affairs Department

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

Reza Samdjee

Chief Financial Officer (since August 2017)

Born in 1974. He obtained a 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, with the position of the Controlling Director for the B2B market in France as his last. In Orange Slovensko, a.s., he has been working in the position of Chief Financial Officer since 2017.

Antoine Guillaume Guilbaud

Director of the Financial Department (until July 2017)

Born in 1972. He completed his university studies at the Paris Institute of Political Studies and was awarded a master's degree. He worked in an executive position at the Financial Department of France Telecom between 1998-2000, later at Orange, Paris, where his duties involved controlling and network cost modelling. Since 2006, he had also worked as a manager and later Director of Control at Mobistar, Brussels. He has worked at Orange Slovensko, a.s. from 2012 to 2017 as Financial Director.

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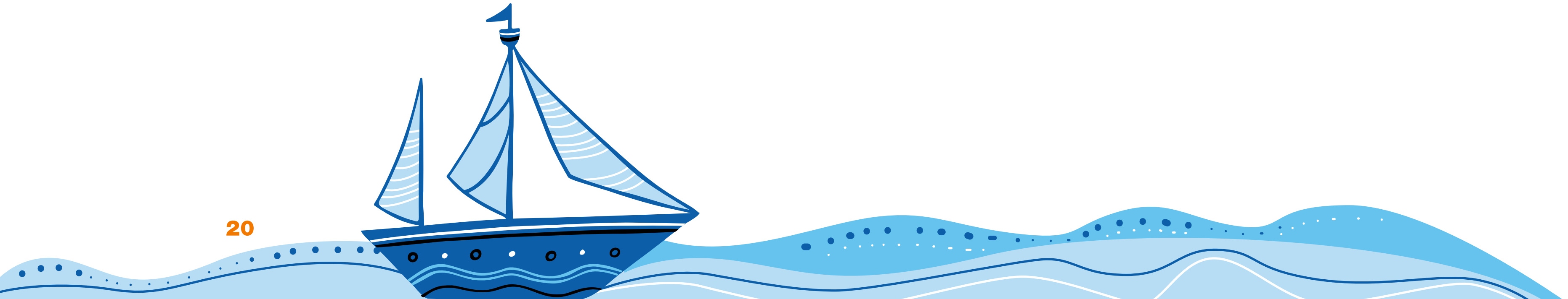
Letter from the CEO

**With good navigation
we can not get lost,
even in unexplored waters**

Letter from the CEO



Ladies and gentlemen, dear shareholders, customers and employees,

on the high-end telecommunication market where we have been operating along with many other players, there had long been a fight for every single customer. The customer expectations keep rising with new solutions on the market. Customers become increasingly demanding, and their telecommunication behaviour is changing. What was enough for them yesterday is no longer true. But one thing is still common there, their demands are increasing, they expect from operators the highest quality and solutions that make their life easier. I am very glad, that thanks to our strategic focus on the best user experience, they can concentrate on what matters most to their lives, we are able to lead this fight for the customer very successfully. This is confirmed by our operational and financial results that I will gladly share with you in this report.

From the perspective of the overall mobile market, we can see the gradual trend of stabilization of both market shares and the value. The gradual transition to convergence is the trend in the market. Our continued leadership in the mobile service market is a key presumption for our success also in the converged market. I am delighted that it was us who introduced the latest trends in the sector, which characterizes mobile and fixed service combination. The transition to pre-combined offers has enabled technological development, particularly in the area of high-speed fixed internet connection. At the end of 2017, an optical Internet connection through the Orange network could be used by around 367,000 households, and access to fixed high-speed 4G internet accounted for up to 90% of the population of Slovakia. Customers no longer need to be experts in telecommunication technology to be able to choose the best solution for their home. With Love Offer we gave them a helping hand in choosing the most appropriate solution and last but not least, we have saved them time and money.

The introduction of the Love Service Package with pre-combined mobile and fixed services has been one of Orange's key activities over the past year. However, I have to say with pride that in 2017 Orange introduced not only useful services that make life easier for families, but also technological novelties. I'm glad it was us who introduced the many innovations that resonated across the telecoms market, such as the launch of VoLTE, VoWiFi. Thanks to them, we have brought customers a new communication experience and even higher call quality.

I would like to draw your attention to the first test of the 5G network in Slovakia that we have implemented. The truth is, that 5G is still mostly, a pleasant vision of the future, but it will undoubtedly be 5G that will define mobile communications and the market in general, in the upcoming years. I am convinced that the arrival of 5G networks will change the market setting. The main attributes of 5G, such as tremendous speed, high reliability and ultra-low latency, mean new possibilities for industrial process automation, autonomous cars, application in so called remote medicine or new experiences from virtual reality, and from user-generated content sharing. It was Orange who first introduced these possibilities of future technology and declared its readiness for implementation.

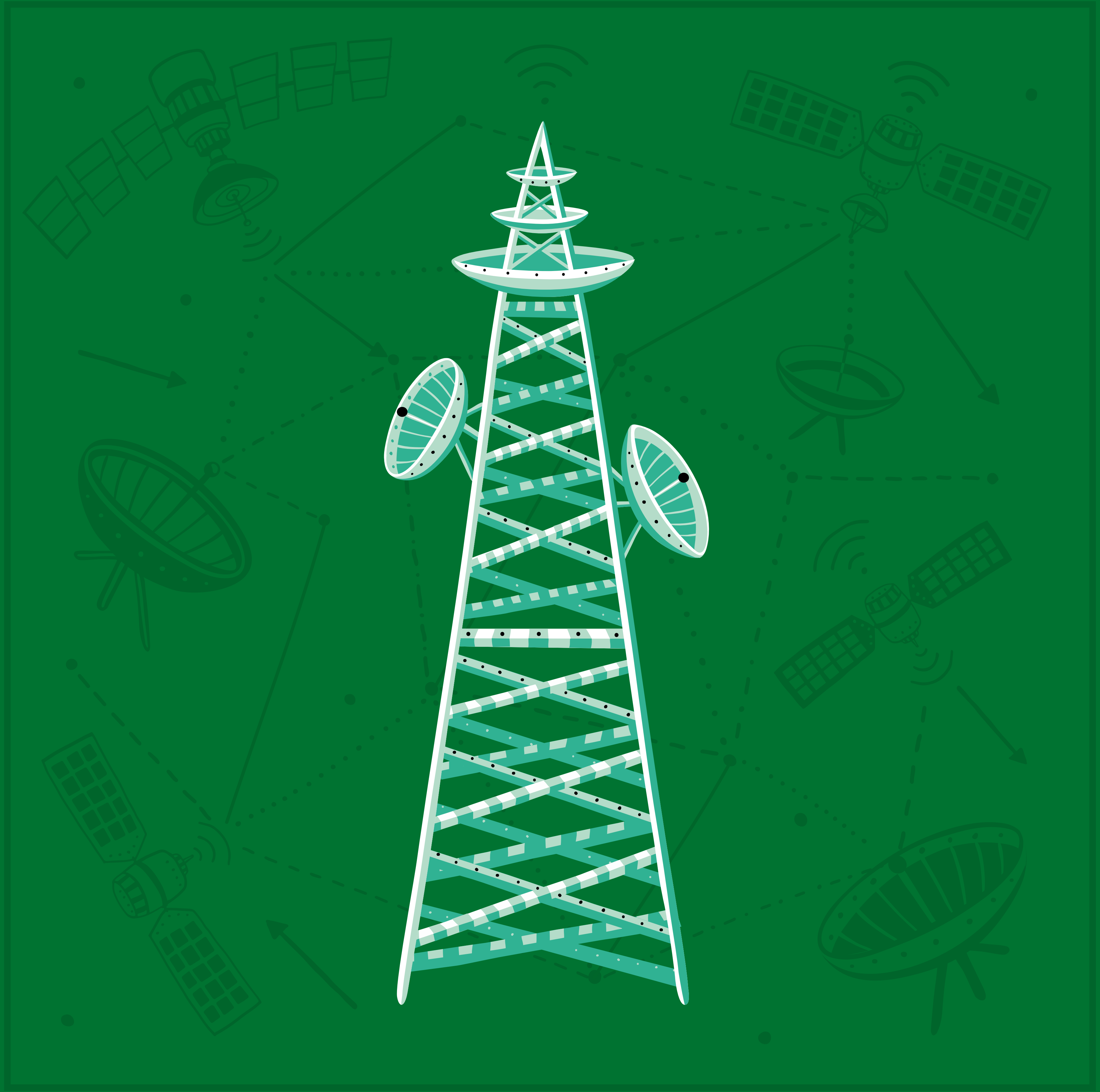
In order to get our customers unreservedly and fully enjoying all the benefits of digital services offered by Orange, we are constantly expanding our high-speed Internet availability and bringing it to an ever increasing number of people. Today, we already provide the widest broadband mobile coverage among all operators in Slovakia, available now to more than 98% of Slovakia's population. The importance of network quality and availability is not only confirmed by the growing volume of data transferred in mobile networks, but also the amount of funds invested. Orange invested to networks more than 69 million EUR out of almost 96 million EUR of the total investment amount. The recognition of the quality of our network, is also shown by the interest in using it by competing operators. Last year, we made our 2G network available to customers of 4-ka and O2.

As of December 31, 2017, Orange recorded 2,834 million active mobile customers and 193,000 fixed-line customers, including 67,000 digital TV customers. We have experienced a continued increase in mobile data service and fixed-internet customers as well as combined service customers. The number of customers coming from competing operators to Orange is also growing. In the year 2017, more than 53,000 customers transferred their numbers to Orange, which is 15% more than in the previous year. Maintaining their trust is a huge commitment for us and, their satisfaction is the biggest reward for us. Satisfaction of our customers is the area in which we can be most proud within the past year. We have seen not only its growth, but we have been much more interested in it. Thanks to the new Staffino Solution, we have increased overall satisfaction with our channels by more than 5% over 6 months. Just to compare, the world benchmark is 85% and we currently achieve more than 88% satisfaction.

Our operating activities are also reflected in the financial results. After 8 years of decline, they recorded a year-on-year increase. Revenues as of December 31, 2017 reached 554.7 million EUR which represents an annual increase of 0.5%. Up to 22.2% of revenues from mobile services accounted for revenues from mobile data services, which reached 92.3 million EUR. The fixed service revenues represent a more and more significant part of the revenues. They reach nearly 5% of the total revenues and they increased by 9.3% year-on-year to 27.6 million EUR.

Ladies and Gentlemen, even after 20 years, we still prove that we can fulfil our dreams. We achieve this because we listen to our customers and provide them with useful services that can make their lives easier. Let me take this opportunity to thank the shareholders for their trust without which we could not bring new inspirational and relevant products and services to our customers, the employees who are our most valuable capital for their everyday work and the contribution to our common success and, last but not least, our customers for trusting us. I also look forward to further challenges in 2018. I believe they will bring us the most inspiration to help us connect people with everything they care about every day.

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



3

Slovak Telecommunications Market

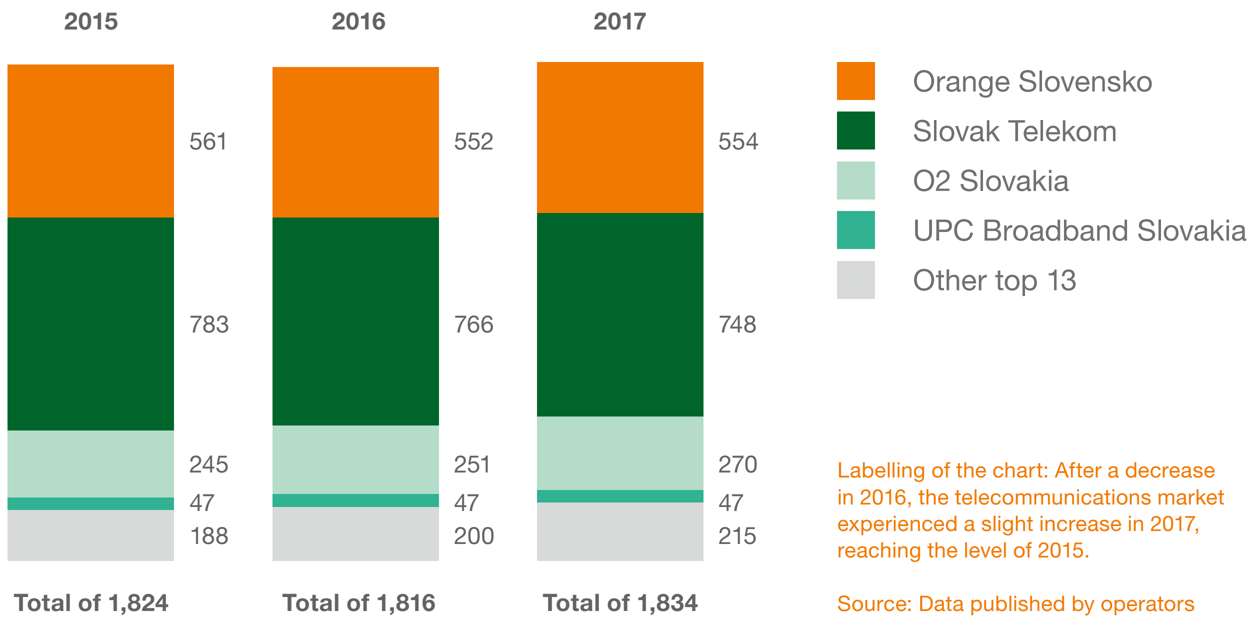
We understand the market signals and with flexibility, respond to them

Slovak Telecommunications Market in 2017

A strong competitive environment causing price erosion, as well as continuing regulation, have been factors faced by the Slovak telecommunications market for several years. Despite these factors, which significantly affect the activities of all players and thus the market behaviour, we have seen a slight increase in total sales compared to the previous period.

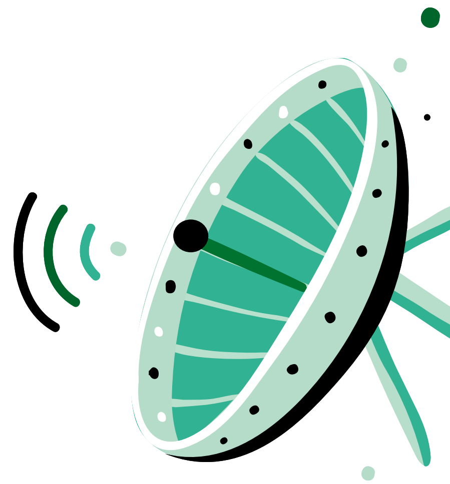
The total value of the telecommunications market in 2017 increased by 1 % compared to previous year and amounted to EUR 1,834 million. The number of customers in all segments has increased in the telecommunications market also this year. Compared to last year it increased by 1.5 % and exceeded 11 million active customers.

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

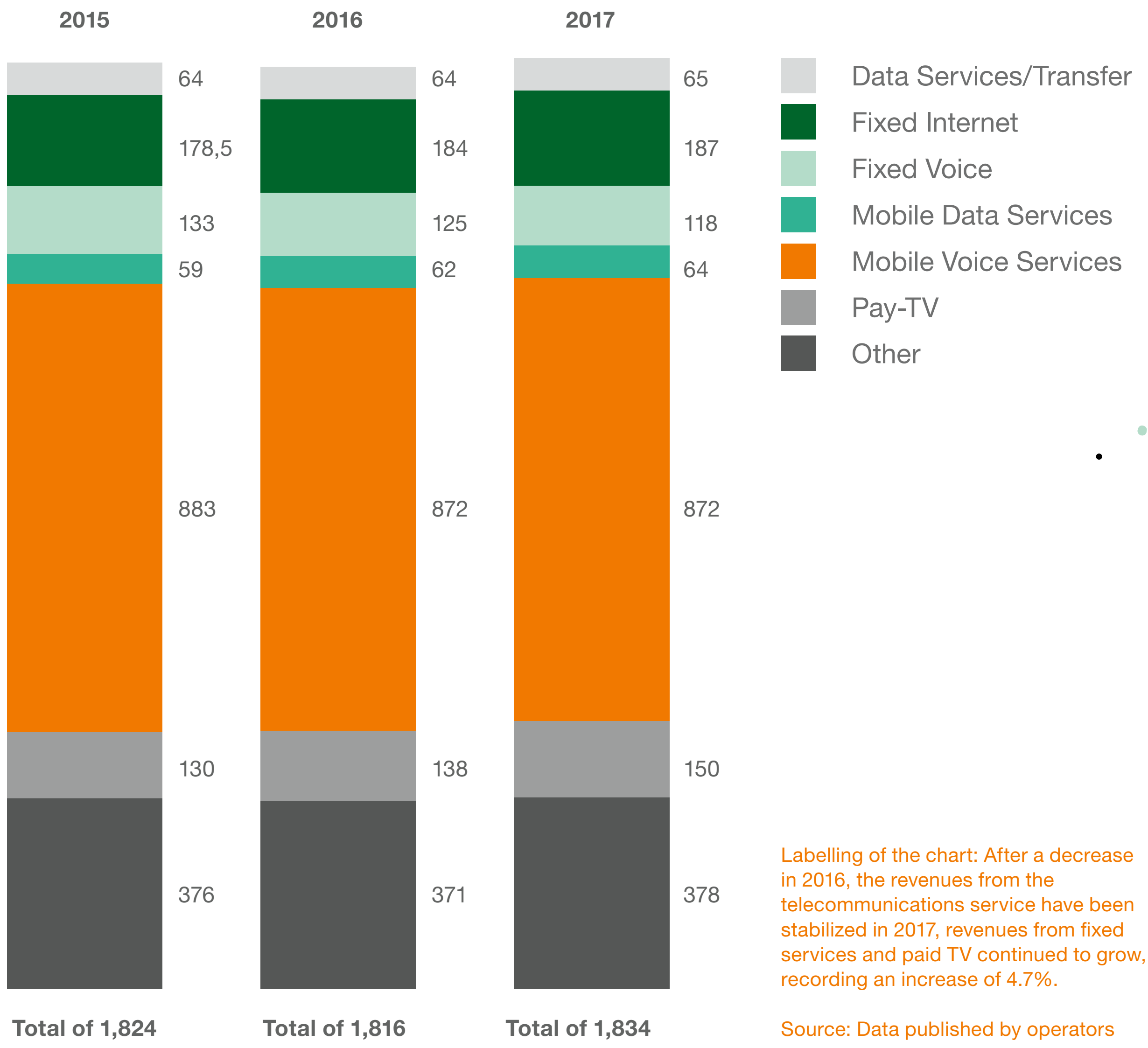


Labelling of the chart: After a decrease in 2016, the telecommunications market experienced a slight increase in 2017, reaching the level of 2015.

Source: Data published by operators



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



Labelling of the chart: After a decrease in 2016, the revenues from the telecommunications service have been stabilized in 2017, revenues from fixed services and paid TV continued to grow, recording an increase of 4.7%.

Source: Data published by operators

The dominant share in the value of the telecommunications market is still kept by the segment of mobile services, amounting to EUR 936 million, representing 51% of the total market value. The value of mobile voice and SMS has long been in decline, which is only partially offset by an increase in revenues from mobile data. The stabilization of revenue from mobile voice services is affected mainly by the changing structure of voice plans, with an emphasis on the value of Internet in the mobile phone as well as the migration from prepaid services to invoiced services. The pay-TV segment as well as the fixed internet segment recorded a significant year-on-year increase. In the case of a fixed Internet it was of 1.8% and, in the case of pay-TV of up to more than 8%.

2017 again confirmed the growing appetite of Slovaks for data services. A significant dynamic in the rate of growth in the number of customers and in the revenue was recorded in the market for mobile data and fixed Internet. The fixed Internet segment recorded a 4.5% year on year increase in the number of connections, thus achieving a penetration of fixed Internet of 71% in Slovakia. In this segment, Orange Slovensko, a.s. company grew at a rate of 9 %. Thanks to the last year's strategic innovation, The 4G Home Internet, in this segment, Orange Slovakia, a.s., as a company recorded a significant increase of 9%.

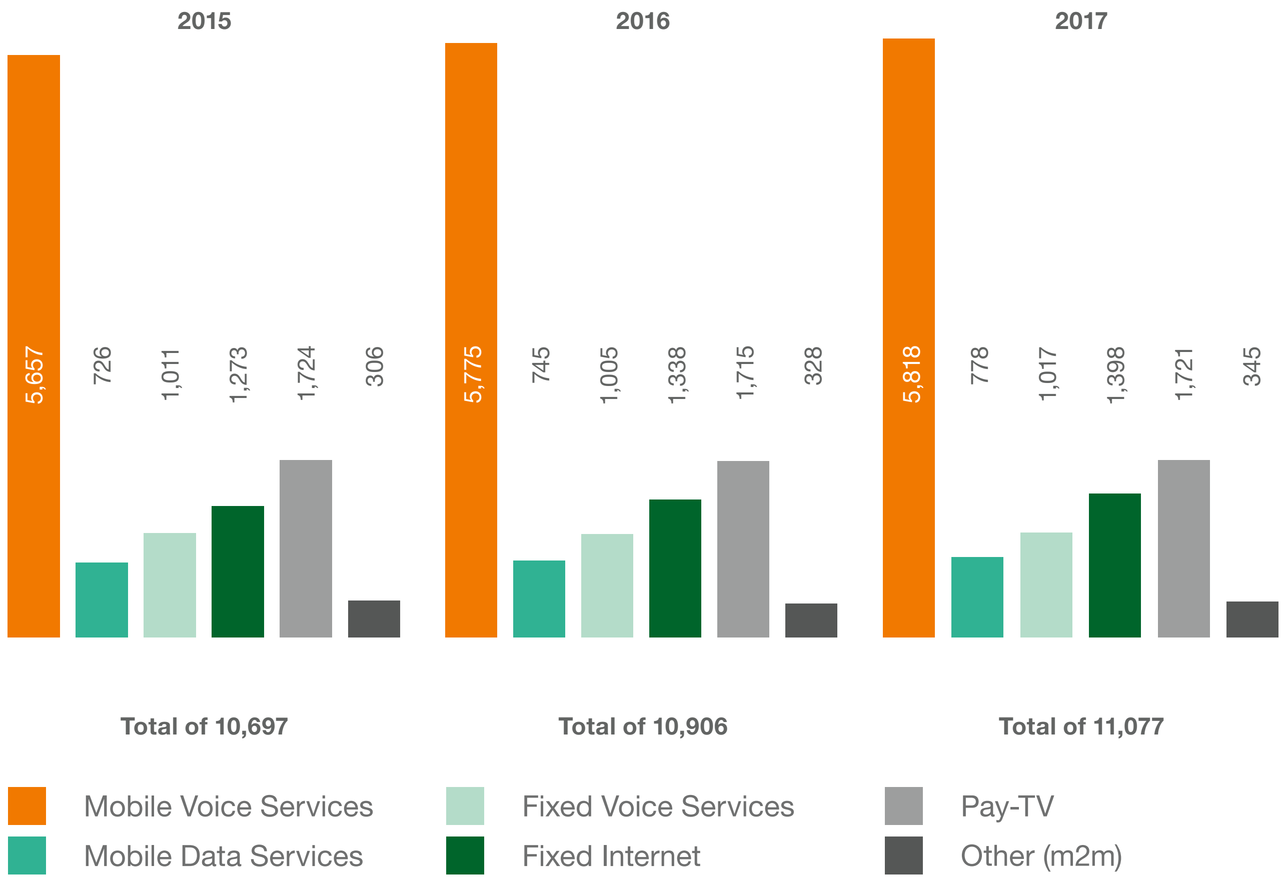
The number of subscribers in the pay-TV segment increased year-on-year by 1 %. Pay-TV services are now used by nearly 93% of households that have a choice of more and more programs, quality content and additional services such as TV archive, rental service, or access to TV on multiple devices via the Internet. The use of packages combining multiple services from one provider (Voice + Internet + TV) is becoming increasingly popular.

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

The total number of customers using mobile services grew by 1.4 % and reached 6.94 million of active customers, representing an increase of almost 93,000 customers.

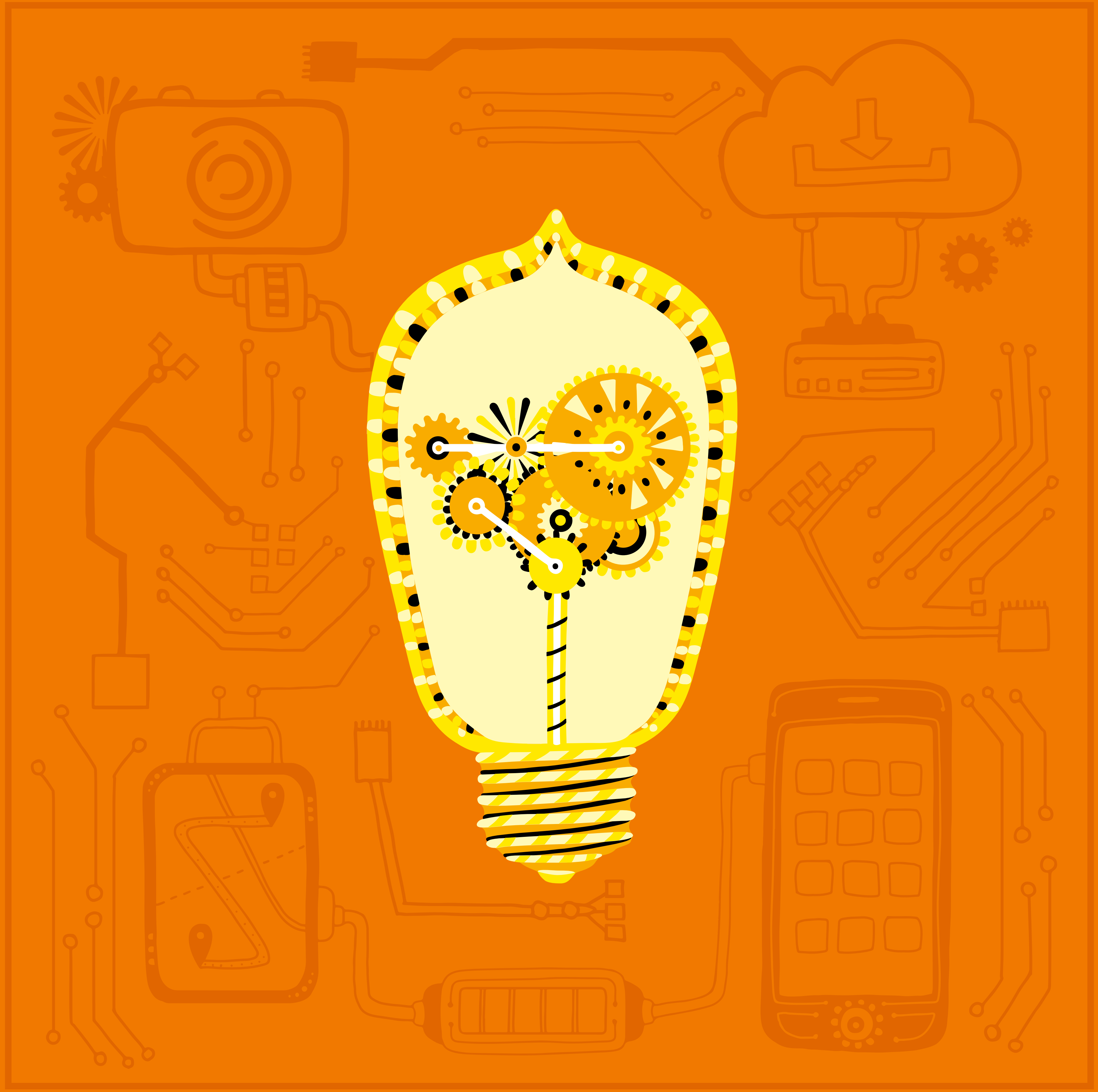
In this market, with a market share of 41%, we still keep a dominant position. Penetration of active SIM cards reached 128,5%, while up to 11% of this number consists of mobile Internet customers, whose number increased by 3.5% year on year.

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



The youngest operator entered the Slovak telecommunications market in 2015, registering nearly 236,000 customers, reaching a market share of 3 %.

Source: Data published by operators



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Orange Slovensko in the Telecommunications Market

Innovation moves us further and improves the lives of our customers

In 2017, Orange again continued to fulfil its promise to provide customers with useful and relevant services that make their lives easier

Last year, we also focused on bringing our customers and their families the best user experience and the most of benefits from the services offered. We have brought them products and services that they can easily and comfortably use. The products which can facilitate their everyday lives. We want our customers to focus on what matters the most to their lives and to enjoy sharing the time with their loved ones and families. The fact that amongst all the operators in 2017, the most, over 607,000 customers decided to sign a contract with Orange, is evidence that our strategic direction is correct.

At the end of the year, Orange recorded 2,834 million active mobile customers and 193,000 fixed-line customers, including 67,000 digital TV customers. Of which more than 53,000, representing a 15% year-on-year increase, were those customers who transferred their number from another operator. The number of mobile data customers grew by 3% to 1.39 million customers and the number of fixed-line customers increased by 9% to 176,000.

In addition to an increase in the number of customers of data services, Orange has also recorded an increase in the combined customer base, that is, customers who use at least one additional service in addition to the voice plan. Their number increased year-on-year by 1.2% to 345,000. In particular, convergent offers contribute to the growth of the combined base. Therefore, introducing the Love package with pre-combined mobile and fixed services was one of Orange's key activities last year.

Having Services for the Whole Family from One Operator in One Package Pays Off

Strategic news of the past year - the Love service package brought the latest trends not only to Orange, but also to Slovakia, mainly in the sector that characterizes joining the mobile and fixed services. The transition to pre-combined offers has allowed technological development, especially in the area of high-speed fixed internet connection. Love packages are a unique offer in Slovakia. They include a voice plan with limitless calls in Slovakia and across the EU, fixed internet and modern digital television. They are divided into three price levels, Premium, Optimal, and Basic, which vary in the speed of the Internet and digital TV. Depending on the availability of the technology at the selected address, they provide customers with optical solutions or fixed LTE connections in the 4G network. Together with the service package, the customers also get many other benefits that make communication and fun within the family more enjoyable and add value to them. A financial subsidy worth more than 500 EUR, which customers receive with the Love Package, can be used not only to buy a mobile phone but also other smart devices, a game console, a TV, a PC, or a tablet. Although it is an offer where a customer has to decide

The number of customers in Orange Slovensko

Year	2015	2016	2017
Mobile Service Customers	2,896,496	2,882,606	2,834,436
Fixed-line and digital TV including LiteTV customers	200,657	189,244	192,854
Total of	3,097,153	3,071,850	3,027,290

The number of mobile service customers declined by 53,000 in 2017. This decline was mainly due to a decrease in the number of prepaid service customers. Their number decreased by 43,000 to 451,000.

Source: Internal Data from Orange

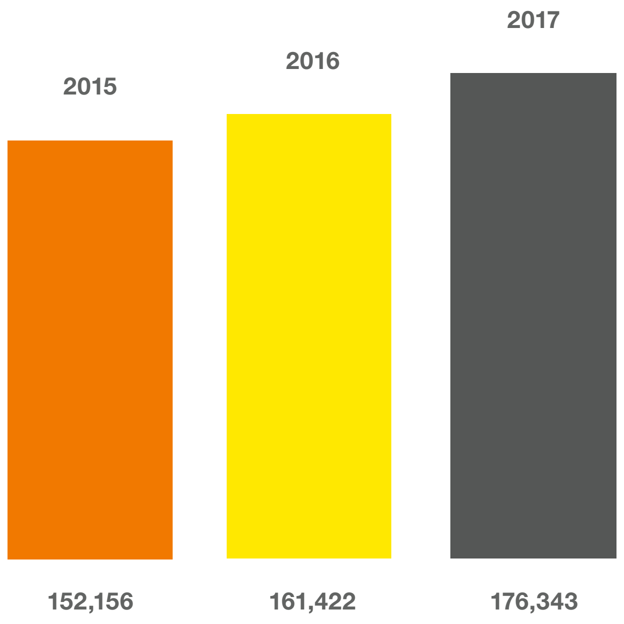
at one point to buy all three services for the household, namely mobile, fixed internet and TV, for the first three months of its launch we have already registered the first 2,000 customers at the end of the year.

An integral part of convertible offers are fixed services, but customers can choose to buy them separately, not just as a package. In order to better navigate within the provision of fixed services for the households, Orange has made it easier for customers, in the past year, to find the most suitable services for their family - only on the basis of their price preference. The Home Offer includes both optical and mobile 4G internet connectivity at three price levels as well as three new levels of TV services.

Orange Has Long Been More Than Just a Mobile Operator

Fixed service offers are being used by more and more customers. The quality, stability and performance of the fixed Internet was appreciated by 22,500 new customers last year. Of these, nearly 80% opted for a 4G Internet for Home, a novelty that has been very well adapted in areas where Orange is not covered by optical internet. Wide availability, along with simple installation, made the 4G Internet for Home a great choice for customers who are not within the reach of optics and are looking for Internet with features similar to or better than DSL connections.

The development of fixed-line customers of Orange Slovensko



The number of fixed-line customers increased by 15,000, with the increase being mainly attracted to the new 4G Internet novelty. That has been chosen by 17,500 customers as their internet connection to their home.

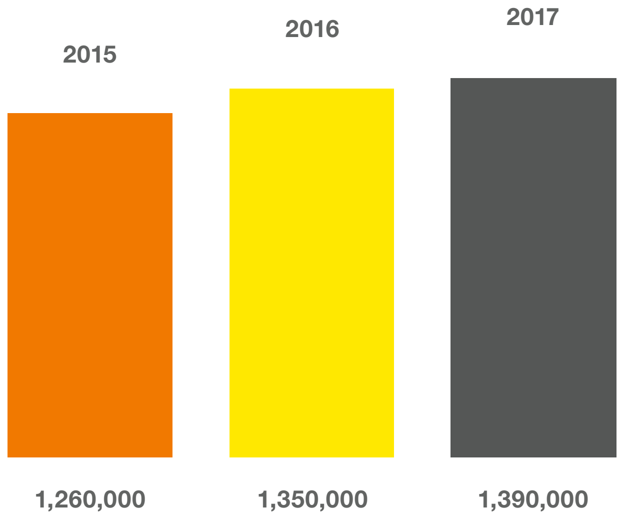
Source: Internal Data from Orange

Last year, the new optics television was also re-introduced. Its availability is determined by the availability of optics, which is constantly expanding. The optics from Orange bring digital television with top-notch screens, dozens of TV stations and a host of useful features that enhance the comfort of watching TV. In the past year, there were 5,000 TV viewers extra for the optics and their total number reached 50,000, 8.7% more than in 2016.

The Customers Can Stay Online Everywhere Thanks to a Quality Network

We live in a digital age that brings unprecedented customer demand for connectivity, fast and high-quality Internet connectivity and services. people have fun, work and call more or send more text messages over the internet. Customers want to be always and everywhere online. It is allowed to them by a quality network and a rich offer of high-end devices, as well as by a range of data services. Mobile Internet is used by 85% of smartphone customers, while smartphone usage is growing. In the past year, up to 89% of all phones sold were smartphones. For customers who mostly use the benefits of the online world on their smartphones, spend time on social networks, stream online videos, listen to music, or play e games, Orange brought even more attractive data plans, and as the first one, Orange bringing Go data introduced the opportunity to transfer their unused data to the next month.

Review of the number of mobile data service customers

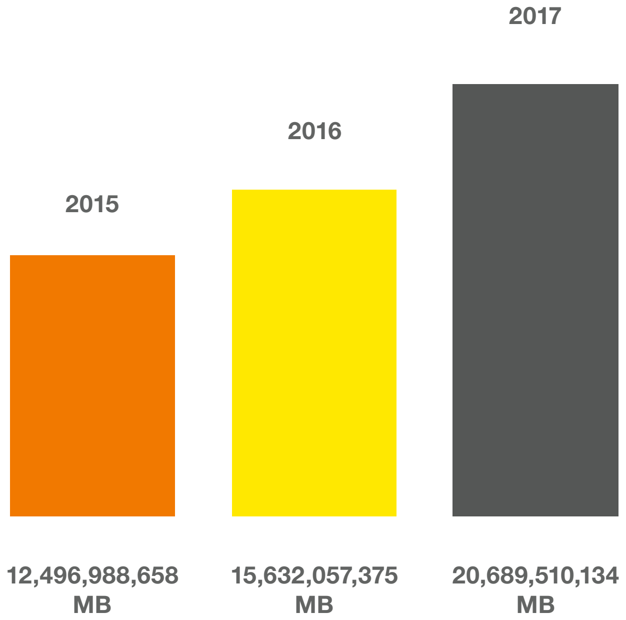


More and more customers are interested in mobile data services of the largest and fastest mobile network from Orange. Their number increased year-on-year by 40,000.

Source: Internal Data from Orange

Increased customer demand for data is also confirmed by data traffic that is steadily growing. Compared to 2016, Orange customers transferred by 32% more data in the mobile data network, with almost half of the total volume of 20.2 million GB data has been transferred in the 4G network. This volume of data transferred in the 4G network represents a 1.5-time year-on-year increase in data traffic.

Development of data traffic on the mobile network



Over the past year, up to 48% of all transferred mobile data was transferred to the 4G network at Orange.

Source: Internal Data from Orange

Therefore, of the total volume of investments of almost 96 million EUR, more than 69 million EUR Orange spent on networks. Orange expanded the availability of fast mobile internet in the 4G to 90% of the population network in 2017. At the end of the year, the coverage of Orange's high-speed mobile Internet, 3G and 4G networks together, exceeded 98% of the population. In addition to the expansion of the LTE network, Orange has massively expanded its optical network. That was expanded to 11 new cities and more than 21,000 households in Slovakia over the past year.

Mobile Operator for Families

Orange with its services is present in half of Slovak households and in 37% of them is an exclusive operator. As a family operator, we also provide our customers with services that enable advantageous communication across the whole family. We have improved the long-lasting popular Together for Free Service for family members to call each other free of charge, by expansion of the group to 8 members last year, and we also allowed our customers to join up to two groups. At the end of the year, 583,828 customers were using the Together for Free Service, creating 146,665 groups. The average number of members in one group is four, the average number of minutes called is 359.8, and the average number of SMS messages sent is 95.5. The most active group per month called for 15,089 minutes and sent up to 14,603 messages.

We realize that the age of our customers is constantly decreasing and that children get their first mobile at younger age. Up to 70% of children aged 5-15 years already have their own phone. In order to become a real helper in the hands of our youngest customers, we introduced the special profile of the prepaid Prima Kids card, especially for children and their parents, last year. With Prima Kids, children are always able to call their parents, even if they have no credit left. In addition, with Prima Kids's ESET® Parental Control Service, parents have an overview of what their child does not only in the real world, but also in the virtual one.

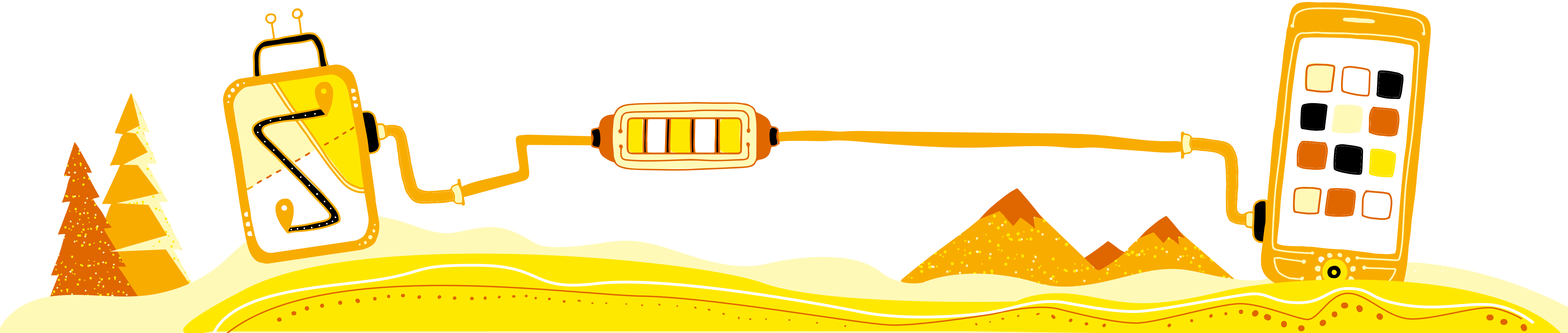
The evidence that we have exactly hit the needs of parents is also documented by the success of this novelty when 5,000 customers chose for Prima Kids within 4 months from its launch. In addition, we also received the ESET award for The Best Marketing & Business Co-operation for 2017.

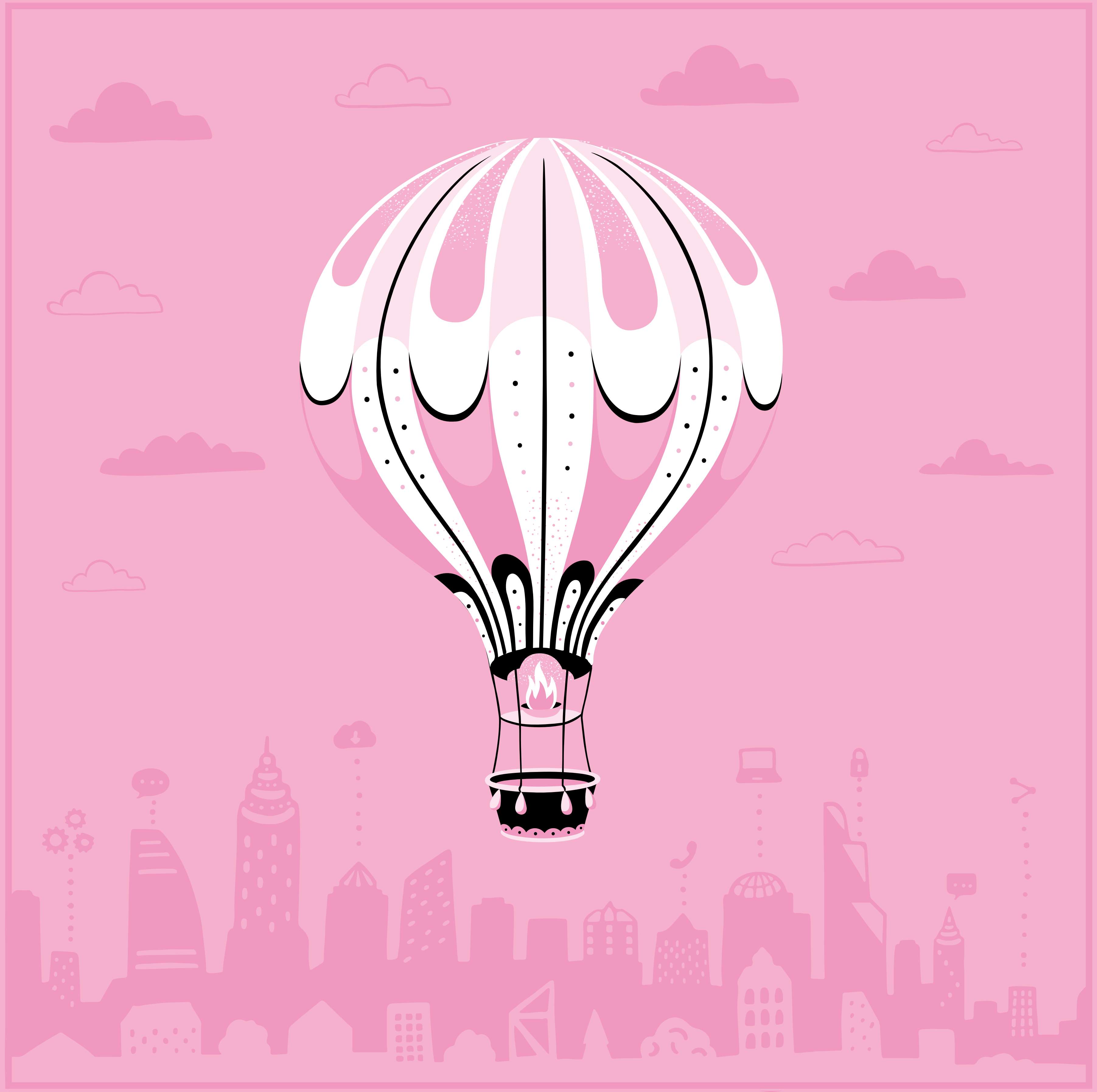
In Europe as at Home

The European roaming regulation, which came into force in June last year, has significantly changed the behaviour of customers across borders. The cancellation of roaming charges in the EU is a clear benefit for customers traveling abroad. As expected, we have seen increased interest in the use of roaming services and thus the associated multiple increase in traffic. After the first months of the European roaming regulation, the data traffic of our customers has increased more than seven times and voice traffic has increased by almost 200%. Increased traffic, this however, naturally generates significantly increased costs, as the roaming charges have not been cancelled for operators.

All the plans and prepaid cards in the offer have been adjusted according to the roaming regulation. The customers in EU countries, Norway, Liechtenstein and Iceland communicate at their home prices, and they use the prepaid plan or credit to communicate in these countries. In addition, however, we have given them the chance to decide whether they prefer to communicate in roaming at regulated prices in the EU, or to choose one of the newly developed travel packages that can make their communication even more advantageous. In addition to the favoured price of communications in the EU, we have offered travellers packages with other benefits, such as family-based travel insurance or more advantageous communication, in more than 80 countries around the world.

Over 30,000 customers have decided for convenient communication with new roaming packages. The most used and the most popular package is the Max Roaming, however the packages that are designed to communicate outside of the EU are more and more popular. The Orange customers use their mobile phone mostly in the Czech Republic, Austria and Germany, outside the EU - in Switzerland, USA, Turkey and the United Arab Emirates. On the other hand, foreign users from EU countries using our network, are from the Czech Republic, Austria, Germany, Poland, the United Kingdom and from non-EU countries, as Switzerland, the USA, Israel, Turkey, Russia and China.





5

Customer Care

**The higher we go,
the better services
we bring to the people**

Taking Care of the Customers and Providing Them with Top Support

Keeping the highest standards in communication and maximum support for our customers is the reason why we are constantly working on our procedures, supporting and educating employees in direct contact with the customer and also, bringing new solutions and opportunities for mutual satisfaction. Through all of our communication channels, we want to offer the customer the most effective way to get expert advice or assistance with the setting up of services and facilities, solving any difficulties in using the service, we also want to respond with flexibility to questions from customers.

Fast and Quality Service through Each Channel

Customers can get the support they need through a wide range of our channels - whether in person at the points of sale or via the constantly available Customer Line 905, they have the opportunity to use online consulting on Orange's facebook profile, quickly arrange things in the Internet Customer Zone, or using the advisor Expert Line.

In 2017, Customer Line 905 received nearly 1,134 million calls. Compared to the previous year, we again managed to slightly reduce the number of customer calls. There are few reasons for th taff, or an increasing number of customers who use electronic channels to arrange their requirements. In order to be able to adjust our customers care to their expectations, we have implemented a new Staffino solution in the first half of 2017, to measure total customer satisfaction with our customer service. Already in the second half of the year, we have succeeded in increasing our overall satisfaction with customer service by more than 5%, by which we succeeded to exceed the world benchmark for overall satisfaction. This change is based on the model of daily customer response tracking and active responses from our side.

The constant boom of digital technologies, is obviously also reflected in the communication with the customer, which is becoming more and more intense. Last year, the customer care section solved approximately 48,000 customer emails, most of which were resolved in less than 24 hours. At the same time, we responded to our customers to almost 18,000 inputs through our facebook profile, where the average response lasted less than 3 hours. And in 2017, we have also launched a new digital channel - customer care chat. We answered more than 48,000 chat questions. We are glad that we again managed to defend the Socially Devoted title, which confirms the high quality of our communication with our social networking customers.

6

Employees

With a common vision, we are fast approaching our goals

We Care for Employees

“To be a digital and caring employer and thus create conditions for our employees that are in line with their everyday needs and lives.” This is the long-term goal of Orange in the human resources area. In order to support this commitment, we have set three priorities - to ensure the right skills for tomorrow, to develop flexible working methods and to promote employee engagement – these are not just a commitment towards employees, but they are filled with real-world activities such as human resources management as well as corporate social responsibility.

Staying Flexible in the Digital Environment

More flexible communication and access to information brings the digitization of various internal documents, but especially the establishment of Plazza – the corporate social network. It enables flexible and efficient colleague communication, document sharing and editing in one place, and with the intranet being accessible also from outside the company - from mobile devices of the employees - Plazza brings high document availability practically from anywhere. The Plazza network is actively used by approximately 80% of Orange employees.

Education

Continuous improvement in the workplace is now a necessity for employees, but also a great asset Therefore, during the year, we bring a wide range of development and educational activities that contribute to complementing and expanding the knowledge and skills of the employees. Investing in support for employees' development activities is not an insignificant item, we are, however, aware of the fact that this is an excellent investment. In 2017, we invested 694,000 EUR in training and education, and the staff completed a total of 53,580 training sessions.

Quality Human Management

In the long-term, we are able to retain the highest quality in human resource management. Last year we also confirmed that, at European and world level. For the fifth time, we have defended the title of Top Employer of Slovakia, this term with the best results being confirmed in training employee development, and the corporate culture setting. We also succeeded in regaining the Top Employer Europe Award. Together with colleagues from other European countries where Orange has been operating, we have defended this European title together for the sixth time. And thanks to colleagues from other Orange divisions, we have also been certified as 2018Top Employer Global.

Politics of variety

Within Orange, we consider equality of gender opportunities as an increasingly discussed topic, to be an important area that we pay attention to and focus on, through concrete activities and access to our employees. We create an attractive, fair and motivating work environment for every employee without difference. That is why we are all the more delighted to have received the International European Gender Equality Certificate (GEE @ IS). Orange has thus also become part of the Orange initiative called "GEE & IS Audit - The Gender Equality European and International Standard." The aim of this audit was to verify whether we are an employer contributing to a culture promoting equality and diversity from an age and gender point of view. Audit assessed equality in the areas of wage policy, career opportunities, education, work-life balance and other initiatives that promote fair treatment with all groups of employees.

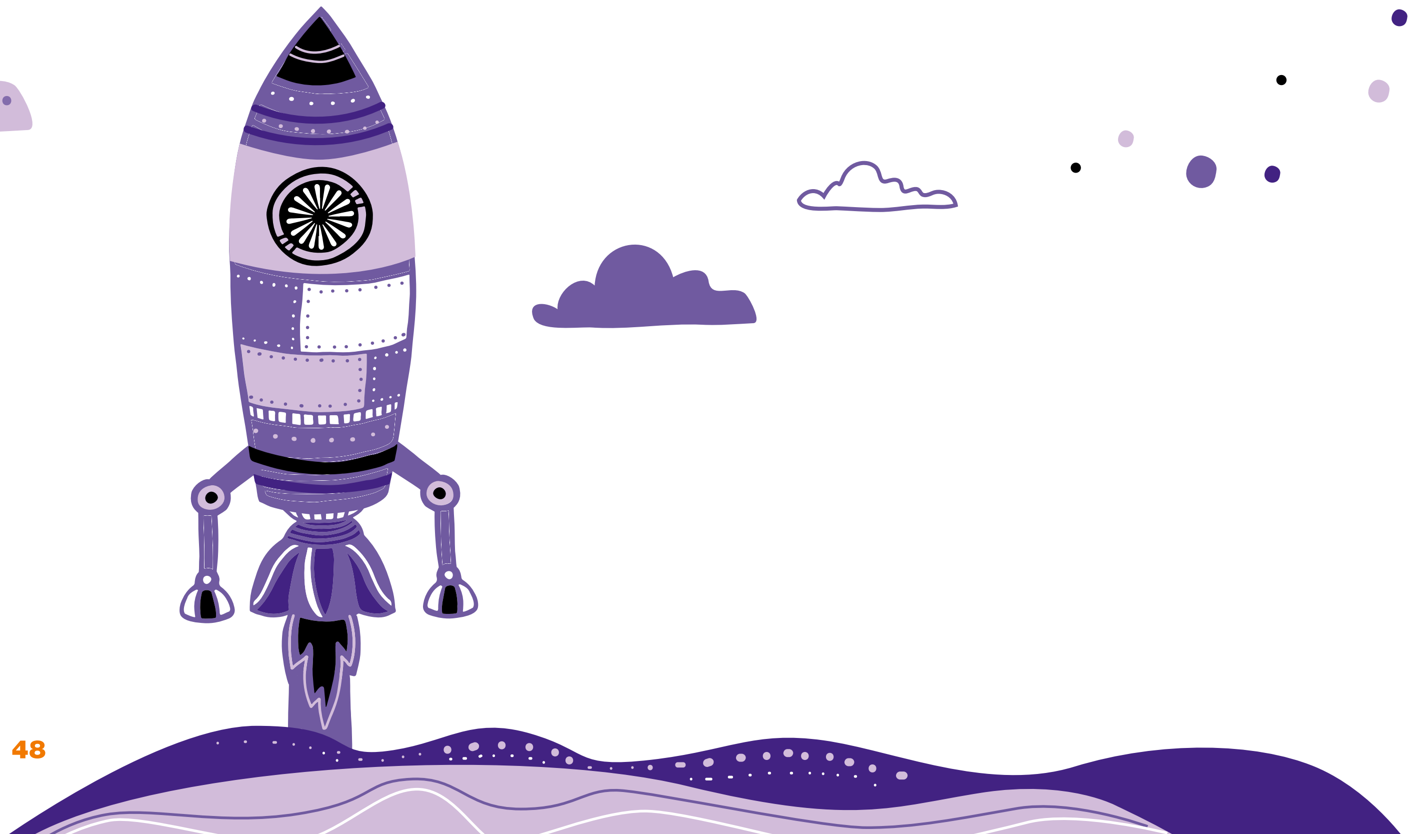
Care for health and quality human resources management

For the past three years, Orange has had a healthier program for employees. Within that program we focus on activities that promote health, healthier lifestyle and leisure time for our employees. Thanks to this program, we can be proud of the first place among the non-production companies in the Healthy Company Competition for 2017.

Benefits

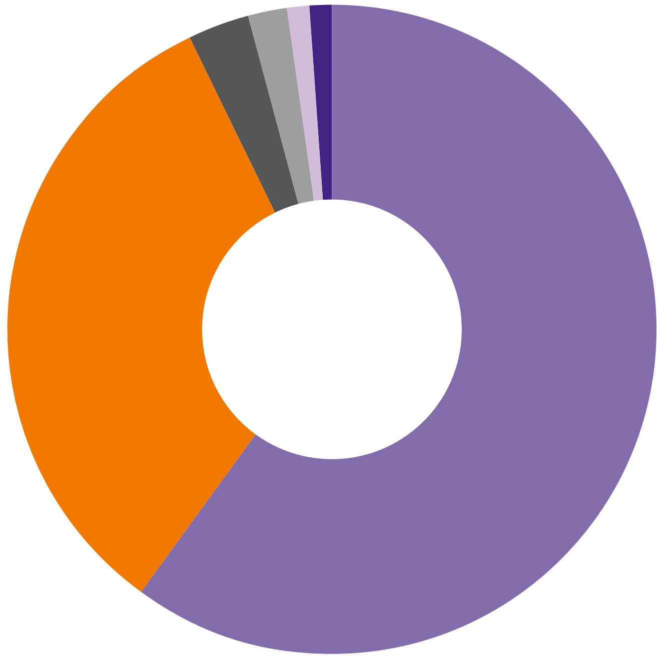
In addition to all these activities, of course, we continue to provide and complete the wide range of benefits our employees have at their disposal. The beneficial and social policy has long been highly appreciated by employees in Orange, which really makes us happy. The goal of all our human resources management activities is to continuously increase the number of employees who are positive about the company, are satisfied with it and also, associate their future with it.

We have enriched our portfolio of benefits with psychological counselling this year. Several lectures on mental health were held during the year, but employees also have the opportunity to use individual psychologist visits.

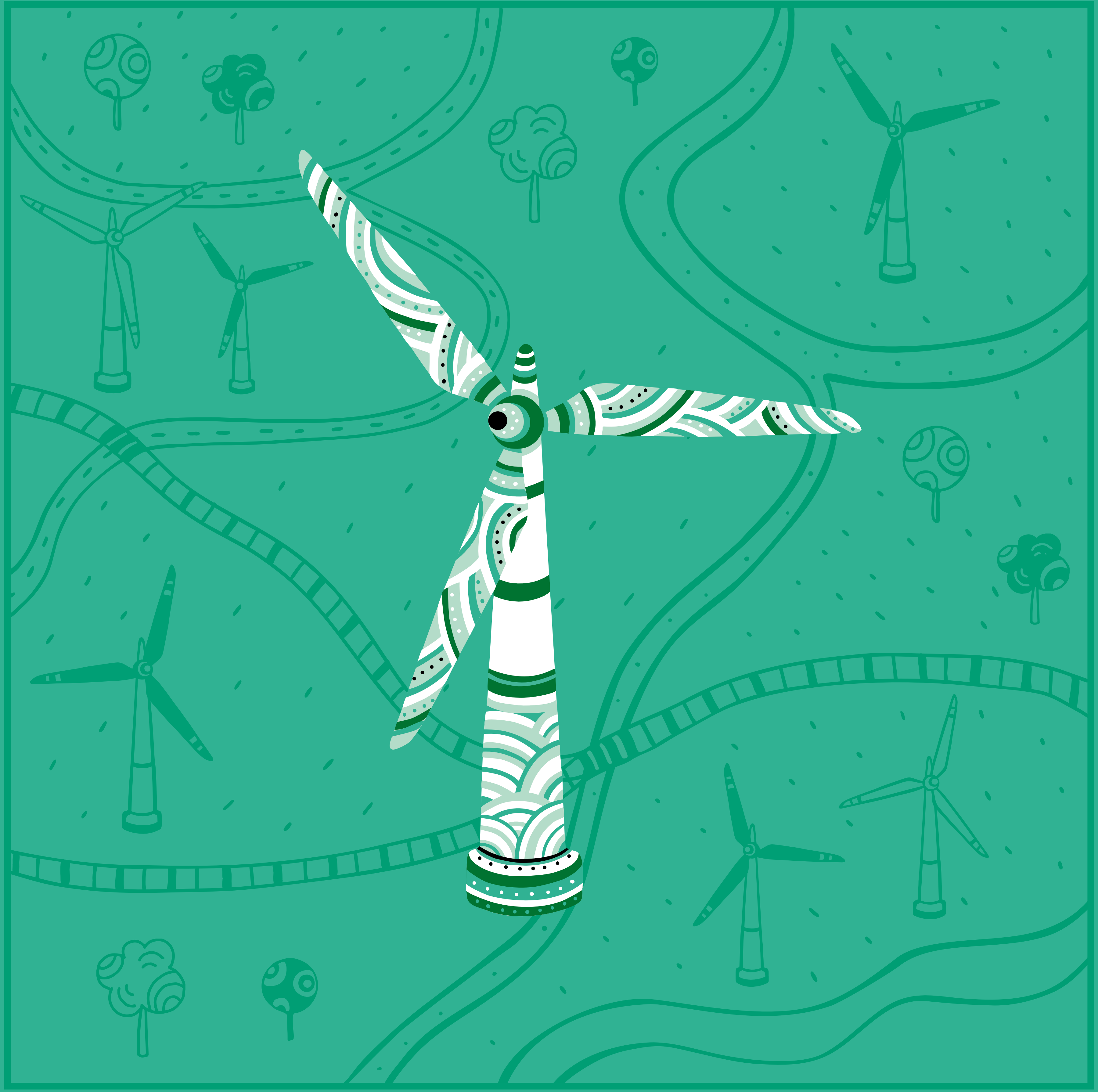


Employee placement

- Bratislava (60%)
- Banská Bystrica (33%)
- Košice (2%)
- Ivanka pri Dunaji (3%)
- Nitra (1%)
- Prievidza (1%)



In 2017, Orange Slovensko employed an average of 1,120 employees within the company's branches located in Bratislava (60%), Banská Bystrica (33%), Košice (2%), Ivanka pri Dunaji (3%), Nitra (1%) and in Prievidza (1%).



7

Responsible Business

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

Corporate Social Responsibility at Orange

Orange, as the complete provider of telecommunications services and a leader in the telecommunications market, is applying the principles of corporate social responsibility to customers, employees, partners and communities. Corporate social responsibility is one of Orange´s strategic pillars. It strikes a balance between the needs of partners, the company, its customers, shareholders and employees, and the flexible implementation of changes that support the long-term sustainability of our business. At Orange, we are convinced that the only a way of doing business that balances business objectives of the company and its impact on society, is sustainability. At the same time, this business strategy declares respect for society, the environment and morals.

Orange as a Trustworthy Company and a Business Partner

The corporate social responsibility strategy of Orange is contingent on the system of auditing and reporting. This system is a mirror for the company, it is our feedback on the processes and activities we are conducting in this area. It shows how to go further, what to change and how to continue. Regular evaluation enables us to monitor the functionality and compliance with business principles in practice in Orange. For each of them, we have a defined framework of indicators, indicators that have been developed in accordance with our Best Practice Guidelines as well with as our experience. In cooperation with the Orange Group, we have successfully implemented a comprehensive software tool - INDICIA, which enables us to efficiently set, control and evaluate the established social responsibility indicators. The gathering of environmental indicators is carried out quarterly and the gathering of social indicators once a year.

The basic document, our guide in Orange in developing business activities in the field of providing quality services and networks to our customers, are the Quality Policy, Environment Policy, and Safety and Health Policy at Work.

The policies are implemented in our organization by introduction and constant improvement of a quality management system, environmental management system and the health and safety management system in accordance with the international standards ISO 9001, ISO 14001 and OHSAS 18001 with the active participation of all employees.

Orange has implemented and certified the OHSAS 18001 Safety and Occupational Health and Safety Management System (since 2011. The established system enables us to identify and assess the risks of OSH in our workplaces, to manage them for elimination, to improve performance and to achieve compliance with legal OSH requirements. All with one goal - to achieve maximum safety and health at work for each of us. One of the necessary areas of the OSH management system is also the involvement of our suppliers in the OSH security system, as we can not secure safe workplaces if we do not secure the "safe conduct" of the suppliers. At the same time, we also care about the security of the visitors and others, the people entering into the premises of the company. That is why we introduced new rules on health and safety, also fire protection for visitors and suppliers of works and services at the end of 2016. The goal of the new rules is to ensure active suppliers' access to compliance with OSH, also to ensure the safety of visitors, thus ensuring maximum safety at our workplaces.

Considerate Approach to Environment

Almost every business entity has an impact on the environment - whether direct or indirect. It is essential to take this fact completely across the company and find as many opportunities as possible to eliminate this. It is quite obvious that, in the interest of sustainable business, we carry out systematic changes and projects that reduce the consumption of energy. Often, these environmental projects also support our ambitions in the field of digitization and the worthwhile use of new technologies by our employees or customers.

In the past year, we have succeeded in achieving more than a quarter of a million of our customers using plans taking advantage of the benefits of an electronic invoice. Their share of the customer base thus reached more than 71%. In addition to customer benefits such as comfortable and clear archiving or invoice searches, we reduce paper consumption and support our environmental commitments.

We also use a new, modern technology solution when concluding a contract or other documentation that our customers can sign with eSign, an electronic biometric signature. ESign is capable of capturing all the data that guarantees the uniqueness of the signer and the security of the entire process from the hand-signed signature on the electronic pad. The benefits of this solution are also a significant reduction in the cost of scanning, processing and archiving of documentation, postal costs, and so on. Signatures are sent to the customer via email, and the advantage of this technology is also an acceleration of dealing with requirements at any branch. The solution thus provides greater comfort and faster customer service, as well as greater security. Ecological benefits are also of considerable significance. 2,466,229 documents were signed digitally in 2017. In August 2016, we even launched the B-Sign service - tablet signing documents via the courier. This option is currently used by almost 20% of customers who choose to receive a home delivery. We save more than 500,000 pages of paper annually thanks to B-Sign.

Electricity consumption is the largest indirect CO2 producer and Orange has committed to cutting its CO2 production by 20% by 2020. To achieve this, we perform various activities - from automatic shutdown of computers after working hours to optimization of technology spaces. In addition, we also use online power network to monitor the energy parameters of individual devices. Effective solutions are also applied to the operation of our networks - the base stations that use solar energy are gradually being built up. We currently have 36 such stations in Slovakia, and we plan to continue to increase them. Overal, we managed to save 3,324 MW of electricity in 2017.

In addition to technological measures to save the environment, we dispose of the human ones in Orange - our employees. The "green" initiative By Bicykle to Work that has been regularly joined by employees in Banská Bystrica since its inception, has also been supported by Bratislava's colleagues in the past years. The goal of the By Bicykle to Work Competition is to promote the building of cycling routes in Slovak towns and to motivate the company's employees to use the bicycle for traveling to and from work, but also to promote the reduction of exhaust gases in cities. In the year 2017, a total of 63 Orange employees were involved in this activity. Within a month of this activity, they spent a total of 7,758.58 km and saved 1,986.72 kg of CO2.

„Green“ to an Ecological Approach at Orange

In total, we collected 51,461 mobile phones in 2017, representing 15.3% of the total number of mobile phones brought to the Slovak market. What does this number mean for us? We have managed to prevent about 5.2 tonnes of electrical and electronic waste from being disposed of in communal waste. Last year we also collected about 1 ton of batteries from cell phones in re-collections. One of the most outstanding activities in this area is the traditional competition in the collection of unneeded mobile phones, which has been applied in Orange for the past six years. It combines an ecological, charitable and entertaining element in one useful project. For each returned mobile, Orange spends 50 cents in the ongoing collection period for a particular nonprofit organization. Thanks to this activity and the initiative of our customers, we have donated about 25,000 euros to non-profit organizations. In the past year, we supported the activity in the collaboration of the Troska Rapper Duo and thanks to their concert tour, we extended the idea of collecting unnecessary mobiles to another target group.

At the company's premises, we have disposal containers for separate collection, however, without our environmentally friendly staff that would be useless. Since 2007, we have been conducting a separate collection of paper and plastic bottles in our own retail shops, office buildings and archive buildings. In 2017, we separated 67,927 tonnes of paper, which get another chance to be recycled and 2.1 tonnes of plastic bottles.

Thanks to all these activities and the overall approach to the environment and the level of environmental behaviour, we have excelled in our audit last year. The Responsible Company project commission has evaluated our overall environmental philosophy and awarded Orange an enhanced level certificate.

Ethics in Business

Ethical principles are not just a set of theoretical rules outlined in the Code of Ethics. Employees are regularly required to undergo training and e-learning courses in ethics, which, on the basis of practice, encourages their thinking and conduct within the bounds of moral and ethical code declared by Orange's ethical rules. Even new employees are obliged to become acquainted with the Code of Ethics and to undertake Ethical e-learning immediately after their employment. In case an employee wishes to draw attention to a breach of ethics, he or she may, in addition to standard contacts, such as a superior or ethical adviser, get in contact anonymously directly with the Orange parent company by letter or email in an anonymous, so called, whistle blowing mechanism. At the same time, the Code of Ethics clearly states that no corruption is tolerated in Orange. The "Fraud Prevention and Anti-Fraud Policy" procedure highlights the zero fraud tolerance of our company and contains a section dealing with corruption. Following the Orange Code of Ethics, the Anti-Corruption Policy was approved in 2012 in our company.

We also pay close attention to the ethics of our partners businesses. We prefer partners certified according to their area of activity. Our priority is given to their complying with the rules and standards in force in the European Union. Their business shall be ethical and performed in compliance with the applicable laws of the Slovak Republic. In addition, we also carry out expanded evaluations of selected suppliers focusing on the safety and environmental impacts of their business activities, as well as on some aspects of the business that are perceived by the global community (e.g. child labour abuse). The Supplier's Code of Conduct applies to all procurement activities managed by Orange. We expect our suppliers to comply with and enforce these fundamental principles in their entire area of competence in accordance with the Annex to the Contract providing that they comply with all applicable laws in the Slovak Republic, the EU and international standards on ethical and accountable behaviour, and in particular with those regulations relating to human rights, environmental protection, sustainable development, bribery and corruption.

Orange is a member of The Advertising Standards Council and, in the context of communication, marketing and sales approaches, applies ethical rules and a responsible attitude to the content creation.

We Educate and Support the Digital Development of Our Customers

Technology is already a matter of course in people's lives, and in the context of our business, we welcome this trend as well. However, we care that our customers use them wisely and responsibly. We consider it fair to talk openly about the risks that digital time brings, and on the other hand, to offer effective solutions to eliminate them.

As the first telecom operator ever, we launched a campaign to raise awareness of the risks of using mobile phones and the internet among children. It was in 2006 when we conducted the first survey. This brought alarming findings. We have been monitoring the situation regularly and responding to current issues since then. We work with professionals to provide free workshops, and information and education activities to help parents, teachers and children find ways to take advantage of communication technologies while protecting children from the risks of the online world. In 2017, 240 interactive lectures were delivered in primary and secondary school to pupils from all over Slovakia (4,592 pupils), teachers, parents and NGOs working with children. We have helped educate over 35,000 pupils, teachers and parents.

Our website www.detinanete.sk is the platform for access to information, expert advice, playful tests or inspiration and the tips of a child psychologist. In particular, parents have emerged as the risk group in recent years. We target this group and help them overcome the digital gap between them and their children. In addition to education, we also look for products in the context of our business to help them in practical life. In the past year, we have launched such a product under the name of Prima Kids - the first prepaid card with which children can call their parents, even when they run out of credit. Prima Kids service also includes ESET® Parental Control, which protects the child from inappropriate Internet use and mobile applications. Parents will get a complete overview of what the children use their mobile phones for, what apps and files they download, how much time they spend on the internet, and what pages they visit. To prevent the child from getting inappropriate content, parents may block access to certain categories of sites or to specific sites. A useful feature is also setting a limit for playing games, which may vary during school and free days. In addition, the parent can find the location of the child thanks to the GPS position, for example, while returning home from school. It is a really a practical tool for parents to keep control of their childrens´ safety online and offline.

We have moved the development of digital literacy of our customers as well as of the Slovak public to our sales outlets. We launched a pilot project in three places in 2017 to eliminate customers' fear of using new technologies, to show them how to use their phone efficiently and make effective use of it, and to support their technological and digital literacy, which is essential nowadays. In autumn, we organized the Prima Kids Roadshow in eight Slovak cities, where experts, psychologists and mobile phone experts were available to customers at Orange's points of sale, who advised visitors how parents should lead their children to the safe use of existing technologies.

We Support the Active Ones

Orange perceives its surroundings also from another perspective, it is interested and engages where it can be helpful - not only financially. Through the Orange Foundation, Orange supports useful ideas for active people who help improve the lives of others.

In 2017, we also helped in the form of mobile financial collections. Whether with our longtime partners, Friends for Children of Unicef,

Magna and Good Angel, or through the DMS system, and one-time contributions from donors in the collections. We jointly carried out 18 collections in 2017. In total, there were more than 800,000 EUR collected through mobile financial collections. This money always goes to help in full.

The Orange Foundation

The Orange Foundation has always strived to make the world a better place for everyone. Therefore, it systematically focuses its support on education, community development and support for deficient groups. In addition to grant support, the foundation develops long-term partnerships with non-governmental organizations, helps them to fulfil their mission and assists where necessary. The foundation redistributed more than 630,000 EUR and supported 536 publicly beneficial projects in the past year. It has implemented grant programs to support useful ideas that help community development, volunteering, and seeking common solutions to local or social problems. Under the E-School for Future Program, the foundation supported projects aimed at the responsible and safe use of communication technologies by children at elementary and secondary schools. In the popular Donate Christmas Program, it distributes up to 65,000 EUR to support 357 applications for people in need.

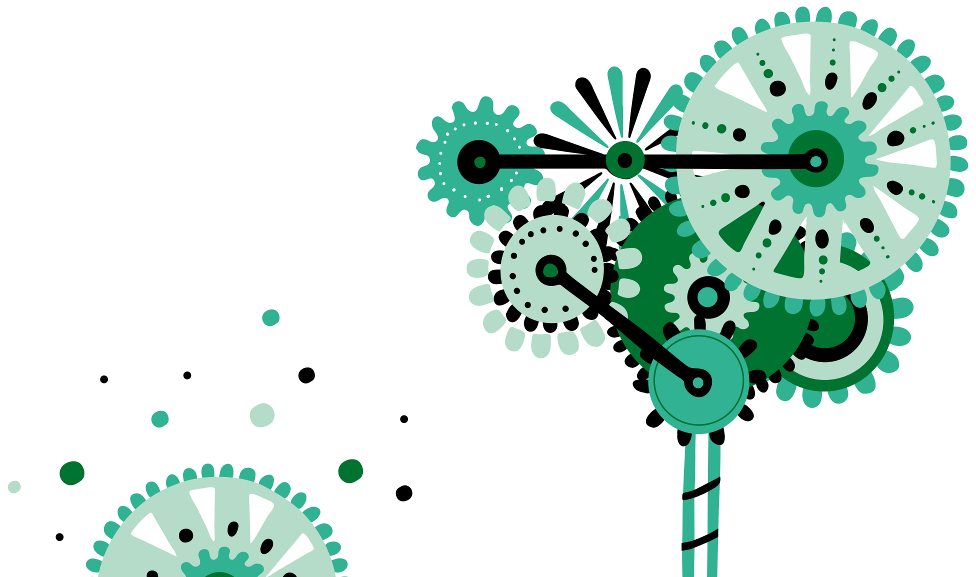
In 2017, the foundation again continued with educational activities in the Lab powered by the Orange Foundation. The interest of people in using the workshop and the machines, is great. Different educational activities such as Makers of Slovakia, stuDIYo, Meet and Code, KID or various workshops not only for schools were held there. The Lab which currently has 50 active members, organized more than 80 workshops over the past year and had also been involved in projects such as Researchers´ Night, White Night, Good Market and Urban Market.

We Support Those Who Change Slovakia into a Better Place

In 2017, the Orange Foundation Award was awarded for the eighth time, a unique award of its kind in Slovakia. Its goal is to appreciate the work of non-governmental organizations for their extraordinary contributions. Together, eleven such organizations received an award, given annually in the field of education, community development and social inclusion. The independent evaluation commission rewarded the organizations, not only morally but also financially. The Foundation distributed financial support of 59,000 EUR among these organisations. The Special Prize for Personality for Civic Engagement and The Prize of the Public had been also awarded to the winner decided by public vote.

Support from Orange Employees

Collections of clothing, donation of blood, own projects and ideas - these are the ways in which employees in Orange try to help where needed. Again, we joined forces with the National Transfusion Station and 122 of our employees donated more than 50 litres of blood in the past year. 31 other colleagues spent their time to a make good a job of their projects supported through the Employee Grant Program. Thanks to that program, they got assistance to enhance the environment, help children, save sites and perform many other activities. Through collections of clothing, employees donated more than 500 kg of clothing in 2017. By such donations we supported 4 non-profit organizations and a crisis centre to look after people in need. Every year, we join the biggest corporate volunteer event in Central Europe - Our City. We enabled the active participation of our employees in this program during their working hours in the past year.



Orange is a founding member of the Business Leaders Forum, which brings together leaders in promoting the principles of responsible business in Slovakia. It is important for us to support the engagement of companies and spread the ideas of responsible business. That is why we again, became the main partner of the VIA BONA SLOVAKIA Award in 2017, awarded to small and large companies for their responsible business and corporate philanthropy.

More detailed information about Orange's responsible business and the activities of the Orange Foundation are available at www.orange.sk and www.nadaciaorange.sk.

Orange and Its Connection with Emotions in Music and Sport

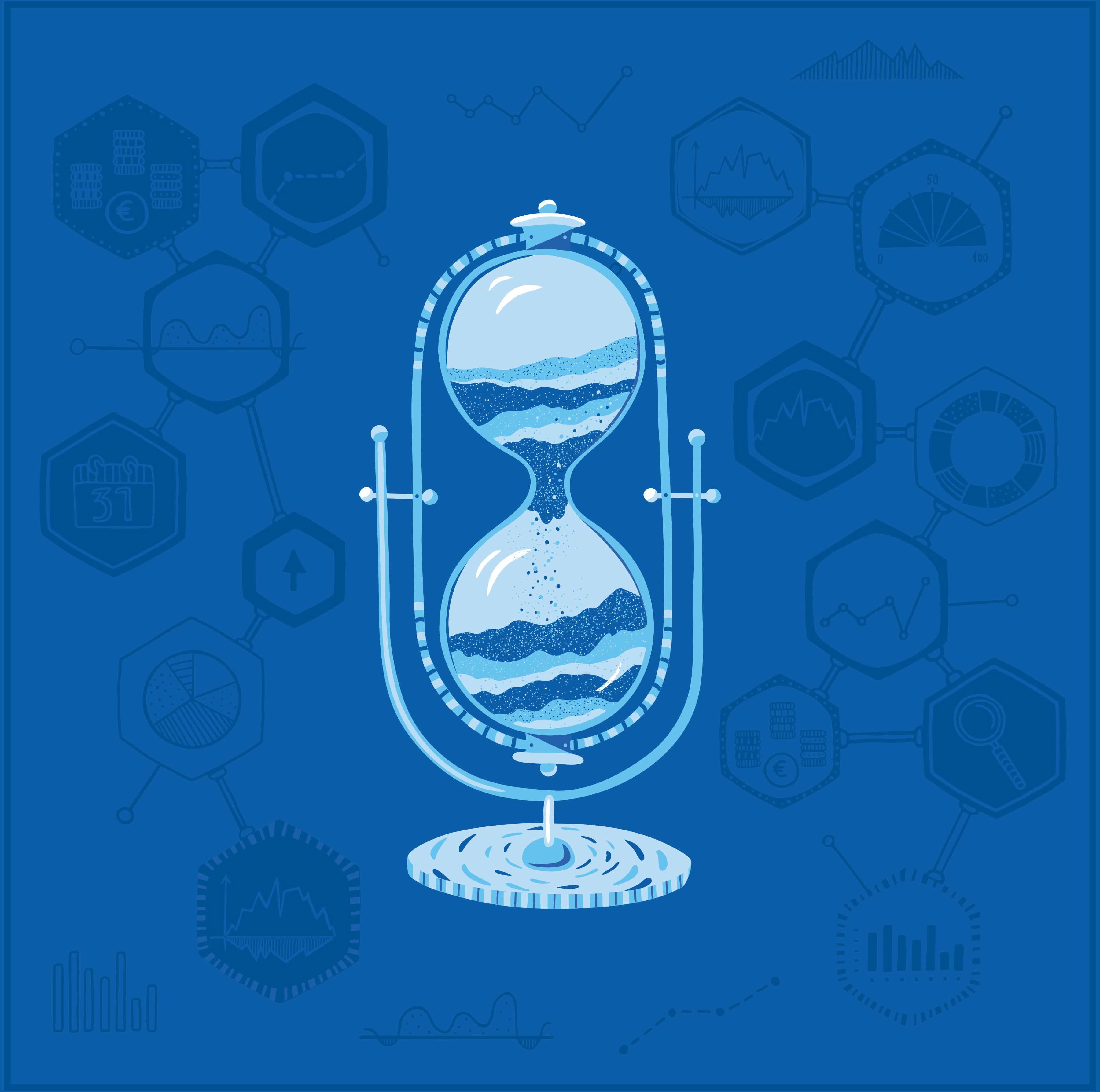
In the field of sponsorship, the priority of 2017 was to link the Orange brand with the emotions and passion of fans of music and sport. Thanks to the technologies and services of Orange, which we naturally use to create maximum comfort for our customers but also for music and sports fans, we continued this approach in the past year. In this area, Orange is an accelerator of experience with music, a fan of Slovak hockey, with an emphasis on support for children and youth talents.

Thanks to our partnerships with the largest Slovakian Pohoda and Grape Festivals, we brought useful facilities to their venues to provide the participants and organizers with maximum comfort using technology security, quality coverage, service and a full entertainment and practical service area. That is why we succeeded in creating record numbers in 2017 when compared to the previous year, the volume of transferred data grew by 22%, while the data transfer in the 4G network increased by 124%. Similarly, the numbers went up well in the use of the Pohoda 2017 powered by Orange, a useful festival application that was downloaded and actively used by more than 18,600 people.

In the past year, Orange has again launched an exclusive co-operation with Spievankovo, the childrens music project. As the main partner, it wanted to allow customers to spend time with their loved ones and to make specifically the youngest family members happy.

The 9th Orange Mini-hockey Tour was held in 2017, a favourite event to promote the development of young ice hockey talents. Orange, as the general partner of this event, perceives the tournament as the opportunity to gain experience for small ice hockey players, but also as a space for real sporting emotions and hockey joy shared among the coaches, teammates, family or fans. It is a project that Orange has supported since it came to life. In its ninth term, six winners of regional tournaments fought for the winning trophy and participation in the Summer Hockey School of Marián Gáborík. They emerged from regional matches where 688 hockey talents from 34 teams from all over Slovakia met last year.

Last year, Orange again supported individual athletes, the Slovak Volleyball Federation, Wildwater Canoeing, The Slovak Paralympic Committee, the Slovak representation at the World Hockey World Championship in Cologne and several projects and organizations in hockey, the strongest sports field for Orange.



8

Financial Statement

It is time for us to look at how we succeeded in 2017

Orange Slovensko, a.s.

Independent Auditor’s Report and Separate Financial Statemnts
(prepared in accordance with International Financial Reporting Standards as adopted by the EU)

Year ended 31 December 2017

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

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Independent Auditor's Report

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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 2017, statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes to financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2017, 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.

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 2017 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.

9 April 2018
Bratislava, Slovak Republic

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

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

Responsible auditor:
Peter Nemečkay
License UDVA No. 1054

Separate Statement of Financial Position as at 31 December 2017

In thousands of EUR	Note	31 December 2017	31 December 2016
Assets			
Non-current assets			
Property, plant and equipment	4	355,783	342,830
Intangible assets	5	146,980	162,243
Investments in unconsolidated subsidiaries	6	306	106
Non-current receivables	9	11,624	8,869
Other non-current assets		32	31
		514,725	**514,079**
Current assets			
Inventories	8	19,136	15,691
Trade and other receivables	9	89,790	65,715
Other assets		4,266	4,293
Current financial assets	10	29,713	21,834
Current income tax receivable		–	3,347
Cash and cash equivalents	11	8,820	6,090
		151,725	**116,970**
Total assets		**666,450**	**631,049**

In thousands of EUR	Note	31 December 2017	31 December 2016
Equity and liabilities			
Equity	**12**		
Share capital		39,222	39,222
Reserves		15,260	15,260
Retained earnings		137,663	128,896
Profit for the year		92,221	81,700
		284,366	**265,078**
Non-current liabilities			
Provisions	14	26,751	28,626
Long-term debt/loan	13	210,000	210,000
Deferred tax liabilities	7	7,362	5,689
Non-current payables	14	15,441	17,050
		259,554	**261,365**
Current liabilities			
Current income tax payable	10	4,102	–
Trade payables and other liabilities	15	97,793	83,721
Provisions	14	1	1
Deferred income	16	20,634	20,884
		122,530	**104,606**
Total equity and liabilities		**666,450**	**631,049**

Separate Statement of Comprehensive Income for the Year Ended 31 December 2017

In thousands of EUR	Note	2017	2016
Revenues	**17**	**554,683**	**551,898**
External purchases	18	(306,703)	(293,464)
Other operating expenses	19	(18,473)	(16,174)
Other operating income	19	38,986	14,926
Wages and contributions	20	(45,716)	(46,354)
Amortisation and depreciation expenses		(95,175)	(97,622)
Operating profit		**127,602**	**113,210**
Interest income		101	73
Interest expenses		(2,449)	(2,162)
Other finance expenses		(13)	(174)
Other finance income		216	26
Profit before tax		**125,457**	**110,973**
Income tax	21	(33,236)	(29,273)
Profit for the year		**92,221**	**81,700**
Other comprehensive income		–	–
Total comprehensive income for the year		**92,221**	**81,700**
Total comprehensive income attributable to:			
Owners of the Company		92,221	81,700

Separate Statement of Changes in Equity for the Year Ended 31 December 2017

In thousands of EUR	Note	Share capital	Reserves	Retained earnings	Total
Balance as at 1 January 2016		**39,222**	**15,260**	**243,814**	**298,296**
Total comprehensive income for the year					
Profit for the year		–	–	81,700	81,700
Share based plan				82	82
Transactions with shareholders					
Dividends paid		–	–	(115,000)	(115,000)
Balance as at 31 December 2016		**39,222**	**15,260**	**210,596**	**265,078**
Balance as at 1 January 2017		**39,222**	**15,260**	**210,596**	**265,078**
Total comprehensive income for the year					
Profit for the year		–	–	92,221	92,221
Share based plan		–	–	67	67
Transactions with shareholders					
Dividends paid		–	–	(73,000)	(73,000)
Balance as at 31 December 2017		**39,222**	**15,260**	**229,884**	**284,366**

Separate Statement of Cash Flow for the Year Ended 31 December 2017

In thousands of EUR	Note	2017	2016
Profit for the year		**92,221**	**81,700**
Taxes	21	33,236	29,273
Dividend income		(250)	–
Interest expenses		2,449	2,163
Interest income		(101)	(72)
Depreciation and amortisation of tangible and intangible assets	4,5	95,174	97,621
(Decrease) in provisions	14	(2,306)	(1,260)
Increase/(Decrease) in value adjustment to receivables	9	1,379	(8,445)
Increase/(Decrease) in value adjustment to inventories	8	197	(16)
Gain on sale of property, plant and equipment	19	(7,494)	(8,322)
Share based compensation		66	83
Profit from operating activities before changes in working capital		214,571	192,725
(Increase)/Decrease in trade and other receivables and other assets		(28,213)	(413)
(Increase)/Decrease in inventory	8	(3,642)	4,818
Increase/(Decrease) in trade liabilities and deferred income	15,16	11,652	(18,740)
Cash generated from operations		194,368	178,390
Interest received		2	3
Interest paid		(1,325)	(1,193)
Dividends received		250	–
Taxes paid		(24,113)	(27,523)
Cash flows from operating activities		**169,182**	**149,677**

In thousands of EUR	Note	2017	2016
Investing Activity			
Purchase of property, plant and equipment and intangible assets	4,5	(93,038)	(84,203)
Acquisition of subsidiary		(200)	–
Proceeds from sale of non-current assets		7,666	8,523
(Increase) in financial assets		(7,880)	(21,834)
Net cash outflow from investing activities		**(93,452)**	**(97,514)**
Financing Activity			
Changes in current financial liabilities	10	–	(36,582)
Increase in long-term loan net of arrangement fees	13	–	100,000
Dividends paid	12	(73,000)	(115,000)
Net cash outflow from financing activities		**(73,000)**	**(51,582)**
Net increase/(decrease) in cash and cash equivalents		**2,730**	**581**
Cash and cash equivalents at the beginning of the year	**11**	**6,090**	**5,509**
Cash and cash equivalents at the end of the year	**11**	**8,820**	**6,090**

Notes to the Separate Financial Statements for the Year Ended 31 December 2017

1. General Information

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

Approval of the 2016 Financial Statements

On 13 June 2017, the General Meeting approved the Company's 2016 financial statements (Notary Deed No. N 168/2017, Nz 20368/2017, NCR1s 20824/2017).

Members of the Company's Bodies

Body	Function	Name
Board of Directors	Chairman and Chief Executive Officer	Pavol Lančarič
	Member and ITN Director/CEO deputy	Ivan Golian
	Member	Zuzana Nemečková
	Member (since 12 July 2017)	Vladislav Kupka
	Member (since 12 July 2017)	Reza Samdjee
	Deputy Chairman (until 11 July 2017)	Ladislav Rehák
	Member (until 11 July 2017)	Antoine Guillaume Guilbaud
	Member (until 11 July 2017)	Marc Ricau
Supervisory Board	Member	Christophe Naulleau
	Member	Maï de La Rochefordière
	Member (since 12 July 2017)	Ladislav Rehák
	Member (since 12 July 2017)	Marc Ricau
	Member (since 12 July 2017)	Marián Luptovský
	Member	Bruno Duthoit
	Member	Ľuboš Dúbravec
	Member	Francis Gelibter
	Member	Štefan Hronček

Employees

	31 December 2017	31 December 2016
Number of employees as at	**1,122**	**1,113**
Of which: managers	111	112
Average number of employees	1,120	1,099

2. Adoption of New and Revised Standards

In the current year, International Accounting-Standards Board (IASB) and the International-Financial Reporting Interpretations Committee (IFRIC) of the IASB have not issued any new or revised standards or interpretations that could be relevant to the Company's operations for accounting periods beginning on 1 January 2017.

(a) Standards and interpretations adopted by EU effective in 2017 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 2017 but are not relevant to the Company's operation:

- Annual improvements 2014-2016 cycle: Amendments to IFRS 12 (effective for annual periods beginning on or after 1 January 2017) – the amendments clarify that the disclosure requirements of IFRS 12 apply to interests in entities that are classified as held for sale, except for the summarised financial information

- Amendments to IAS 7 Disclosure Initiative (effective for annual periods beginning on or after 1 January 2017) – entities are required to explain changes in their liabilities arising from financing activities

- Amendments to IAS 12 "Recognition of Deferred tax assets for unrealised losses" (effective for annual periods beginning on or after 1 January 2017) – clarify the accounting for deferred tax where an asset is measured at fair value and that fair value is below the asset's tax base.

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

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

- IFRS 9 "Financial Instruments" and subsequent amendments (effective for annual periods beginning on or after 1 January 2018)

- IFRS 15 "Revenue from Contracts with Customers" (effective for annual periods beginning on or after 1 January 2018)

- 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)

- 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)

- IFRS 17 "Insurance contracts" (effective for annual periods beginning on or after 1 January 2021)

- Amendments to IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (effective for annual periods beginning on or after a date to be determined)

The Company anticipates that adopting most of these standards and amendments to the existing standards and interpretations will have no material impact on the Company’s financial statements in the period of initial application, except for the standards IFRS 9, IFRS 15 and IFRS 16 where it is estimated those would affect the Company’s future financial statements as detailed bellow:

IFRS 9 modifies the recognition of credit risk related to financial assets, moving from the incurred loss approach to an expected loss approach: this means that impairment will be recognized on trade receivables not yet due for the telecom activities. The first application of this standard is expected to reduce the Company’s equity as of January 1, 2018.

IFRS 15 standard relates to revenue recognition and Orange decided to apply the standard in 2018 adjusting the reported comparative periods, which means the restatement of 2016 and 2017 reported comparative periods.

This standard would mainly impact the accounting for bundled offers which include a handset component with a subsidised price and a communication service component: the cumulative revenue will not change but its allocation between the handset sold and the communication service will differ. The revenue split between particular years will change due to acceleration of the device revenue recognition leading to recognition of a contract asset in the statement of financial position. Contract asset would be amortized against the communication service revenue over the contract commitment period.

Commissions (i.e. payments to distributors directly attributable to an obtaining a contract,) will be recognized as an asset and will be amortized over the contract commitment period to which the payments relate.

The Company estimated based on evaluations carried out on contract by contract basis that the first application of IFRS 15 would increase the net equity as of January 1, 2017 by approximately 48 million euros. 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-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 future implication of the standard is currently being evaluated and will be applied in accordance with the requirements in 2019.

3. Significant Accounting Policies

(a) Statement of Compliance

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

(b) Legal Framework for Preparing the Financial Statements

These financial statements are the Company's separate financial statements prepared under Act on Accounting No. 431/2002 Coll. on Accounting, as amended. The financial statements were prepared for the reporting period from 1 January 2017 to 31 December 2017 in accordance with IFRS as adopted by the EU. The Company elected to use the exemption from consolidation in accordance with the 7th Directive of the EU as well as with IAS 27.10 and not to present consolidated financial statements (with its 100% owned 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) Basis of Preparation

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

(d) Foreign Currency

Foreign Currency Transactions

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

(e) Property, Plant and Equipment

Owned Assets

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

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

Subsequent Expenditure

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

Depreciation

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

	2017	2016
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

The useful lives of property, plant and equipment are reassessed annually by Orange SA, which results in changes to the useful lives of certain assets. These changes are recorded as changes in the accounting estimates on a prospective basis. At the Company level, the revision of an individual asset's useful life is performed when indicators of an earlier end of life exist.

(f) Intangible Assets

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

Telecommunication licenses

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

- Administrative variable fees
- Spectrum fixed fees

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

Capitalisation of Spectrum Fees

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

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

Subsequent Expenditures

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

Amortisation

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

	2017	2016
Software	3 to 10 years	3 to 10 years
Licences	10 to 16 years	10 to 16 years

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

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

(g) Impairment of Assets

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

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

(h) Investments in Subsidiaries

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

(i) Inventories

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

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

(j) Trade Receivables

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

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

Contractual Penalties

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

(k) Cash and Cash Equivalents

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

(l) Financial Assets

Financial assets are classified into the following specified categories: financial assets as 'at fair value through profit or loss' (FVTPL), 'held-to-maturity investments', 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of the initial recognition. As at 31 December 2017, the Company holds trade receivables and current cash-pool account held by parent company Orange SA categorised as 'loans and receivables' (2016: only trade receivables categorised as 'loans and receivables').

(m) Financial Liabilities

Financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised costs using the effective interest rate method, with interest recognised on an effective yield basis. The Company's financial liabilities relates to overdraft on the current account held by parent company Orange SA (ZERO balance as at 31 December 2017) and long term loan received from the parent company.

(n) Borrowing Cost

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

(o) Provisions

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

(p) Trade and Other Payables

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

(q) Revenues

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

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

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

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

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

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

(r) Expenses

Operating Lease Payments

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

(s) Taxation

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

Current Income Tax

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

Special Levy

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

Deferred Tax

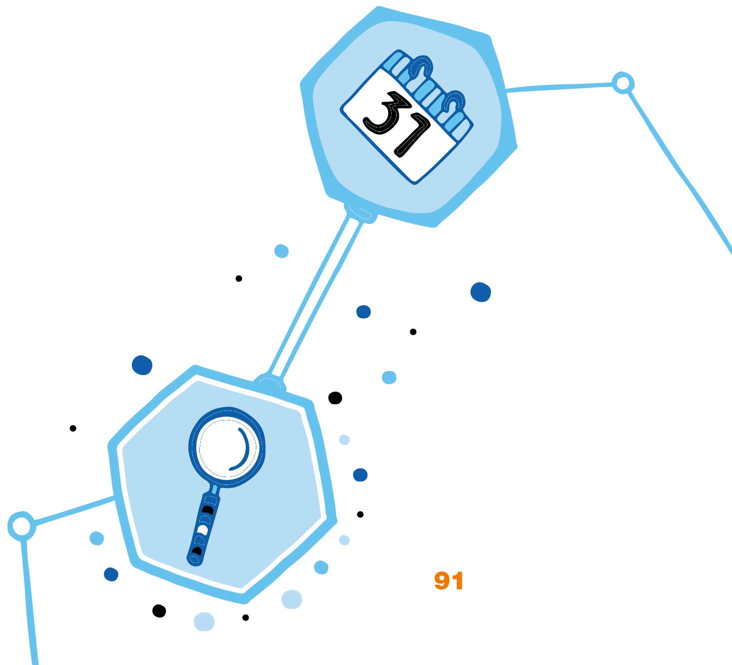
Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

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 that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefits will be realised.

(t) Employee Benefits

Long-Term Service Benefits

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



4. Property, Plant and Equipment

In thousands of EUR	Land and Buildings	Plant and Equipment	Motor Vehicles	Fixtures and Fittings	ARO *)	Under Construction	Total
Cost							
As at 1 January 2016	4,638	793,035	5,452	32,807	23,298	37,455	896,685
Additions	–	–	–	–	636	69,933	70,569
Disposals	–	(105,192)	(973)	(3,787)	–	–	(109,952)
Transfer	266	61,349	775	3,719	–	(66,109)	–
As at 31 December 2016	**4,904**	**749,192**	**5,254**	**32,739**	**23,934**	**41,279**	**857,302**
As at 1 January 2017	4,904	749,192	5,254	32,739	23,934	41,279	857,302
Additions	–	–	–	–	421	77,428	77,849
Disposals	(212)	(19,921)	(268)	(1,909)	(3,069)	–	(25,379)
Transfer	125	70,350	495	2,779	–	(73,749)	–
As at 31 December 2017	**4,817**	**799,621**	**5,481**	**33,609**	**21,286**	**44,958**	**909,772**
Accumulated depreciation							
As at 1 January 2016	1,211	524,920	2,479	22,692	6,682	–	557,984
Charge for the year	306	59,394	921	4,468	1,149	–	66,238
Disposals	–	(105,000)	(963)	(3,787)	–	–	(109,750)
As at 31 December 2016	**1,517**	**479,314**	**2,437**	**23,373**	**7,831**	**–**	**514,472**
As at 1 January 2017	1,517	479,314	2,437	23,373	7,831	–	514,472
Charge for the year	372	58,943	910	3,558	913	–	64,696
Disposals	(212)	(22,818)	(230)	(1,902)	(17)	–	(25,179)
As at 31 December 2017	**1,677**	**515,439**	**3,117**	**25,029**	**8,727**	**–**	**553,989**

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

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

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

As at 31 December 2017, none of the properties were pledged to secure bank loans.

In 2017, 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 2017, the Company had a disposal in gross value of EUR 25,379 thousand (book value of EUR 200 thousand) relating mainly to old fully depreciated equipment.

Property and equipment, excluding motor vehicles, is insured to a limit of EUR 729,534 thousand (2016: EUR 754,826 thousand). Each motor vehicle is insured to a limit of EUR 5,000 thousand (2016: EUR 5,000 thousand) for damage on health and expenses related to death and EUR 2,000 thousand (2016: EUR 2,000 thousand) for damage caused by destroyed, seized or lost items.

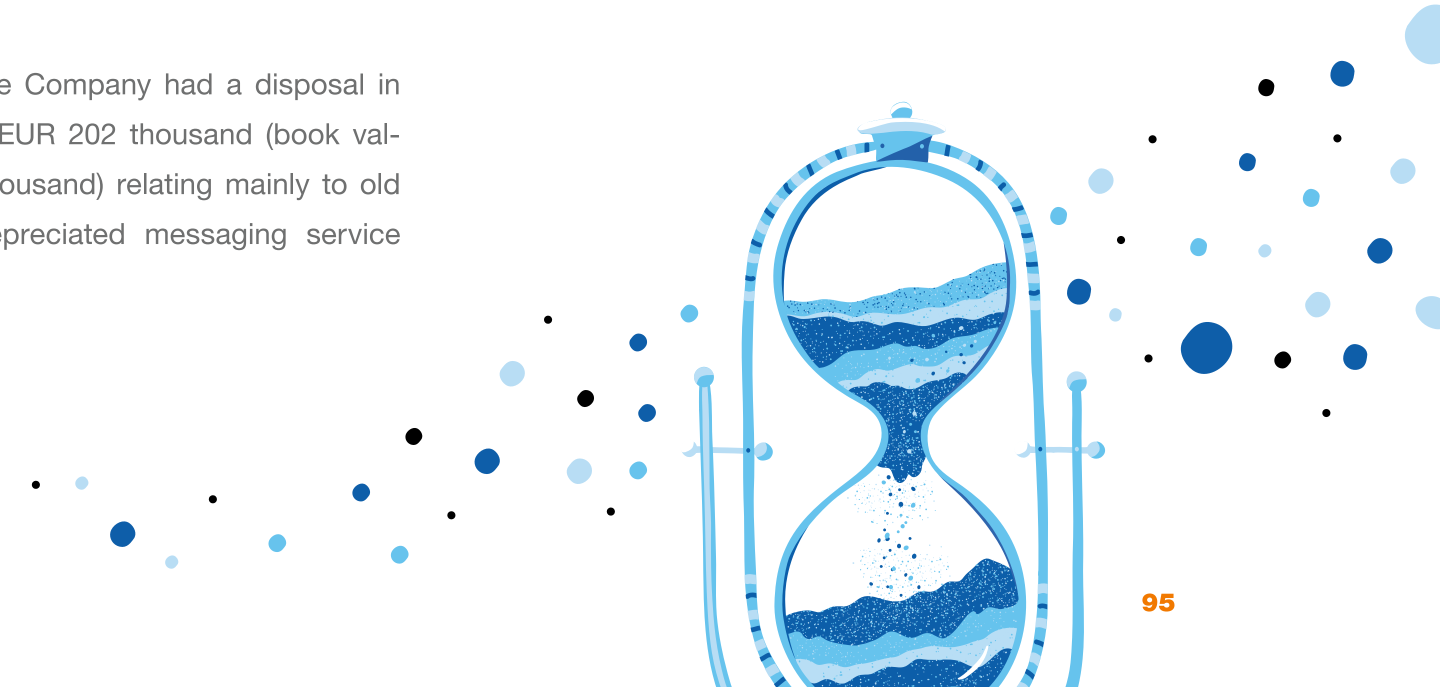
5. Intangible Assets

In thousands of EUR	Software	Telecom. Licences	Other Intangible Assets	Under Construction	Total
Cost					
As at 1 January 2016	131,392	184,550	16,927	7,845	340,714
Additions	–	–	–	13,649	13,649
Disposals	(1,821)	–	–	–	(1,821)
Transfer	13,825	–	749	(14,574)	–
As at 31 December 2016	**143,396**	**184,550**	**17,676**	**6,920**	**352,542**
As at 1 January 2017	143,396	184,550	17,676	6,920	352,542
Additions	–	–	–	15,224	15,224
Disposals	(13)	–	(196)	–	(209)
Transfer	15,102	–	841	(15,943)	–
As at 31 December 2017	**158,485**	**184,550**	**18,321**	**6,201**	**367,557**
Accumulated amortisation					
As at 1 January 2016	85,810	70,273	4,638	–	160,721
Charge for the year	19,221	9,922	2,241	–	31,384
Disposals	(1,806)	–	–	–	(1,806)
As at 31 December 2016	**103,225**	**80,195**	**6,879**	**–**	**190,299**
As at 1 January 2017	103,225	80,195	6,879	–	190,299
Charge for the year	18,235	9,919	2,326	–	30,480
Disposals	(5)	-	(197)	–	(202)
As at 31 December 2017	**121,455**	**90,114**	**9,008**	**–**	**220,577**

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

In 2017, the addition mainly comprises the purchase of an IT applications and software packages.

During 2017, the Company had a disposal in gross value of EUR 202 thousand (book value of EUR 6 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 cost of EUR 200 thousand. As at 31 December 2017 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 2017	508	171	337	1,080	65
As at 31 December 2016	697	175	522	1,080	73

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 2017	31 December 2016
At beginning of period – net deferred tax liability	5,689	4,358
Income statement	1,673	929
Change in tax rate via income statement	–	402
At end of period – net deferred tax liability	**7,362**	**5,689**

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

In thousands of EUR	31 December 2017			31 December 2016		
	Assets	Liabilities	Net	Assets	Liabilities	Net
Property, plant, and equipment	–	24,187	(24,187)	–	23,338	(23,338)
Inventories	479	–	479	420	–	420
Receivables	1,933	–	1,933	1,681	–	1,681
Accruals	5,818	–	5,818	5,721	–	5,721
Provisions	8,595	–	8,595	9,827	–	9,827
Net deferred tax	**16,825**	**24,187**	**(7,362)**	**17,649**	**23,338**	**(5,689)**

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 2017 was 21% (2016: 22%) plus the special levy for the regulated industries of 8.712% of operating profit (2016: 4.356%). Effective from 1 January 2017 the statutory tax rate changed to 21% and for special levy to 8.712%. The special levy would gradually reduce to 4.356% by 2021. The rate effective from 1 January 2017 were used in the deferred tax calculation.

8. Inventories

In thousands of EUR	31 December 2017	31 December 2016
Raw materials and consumables	636	743
Merchandise	20,111	16,362
Provision for slow moving merchandise	(1,611)	(1,414)
	19,136	**15,691**

Previously-recognised provisions for slow-moving merchandise were released for assets that were sold or donated. As at 31 December 2017, 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 2017	31 December 2016
Trade accounts receivable	106,461	93,965
Allowance for doubtful debts and receivables	(29,171)	(28,250)
Other receivables	12,500	–
	89,790	**65,715**

As at 31 December 2017, no trade receivables were pledged to secure bank loans. The trade receivables are decreased by the allowance for receivables expected to be irrecoverable. Allowances for doubtful debts are currently determined according to two methods:

- Statistical method for the retail market: 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.

Ageing of past due but not impaired trade and other receivables

In thousands of EUR	31 December 2017	31 December 2016
Total receivable	89,790	65,715
Of which:		
non due	77,801	51,759
past due impaired	8,051	6,878
past due not impaired	3,938	7,078
Less than 180 days	3,938	7,078
Between 180 days and 360 days	–	–
More than 360 days	–	–

Movements in the allowance for doubtful debts

In thousands of EUR	31 December 2017	31 December 2016
Balance at beginning of the year	28,250	36,732
Net charge against bad debt provision	921	(8,482)
Balance at the end of the year	**29,171**	**28,250**

Aging of impaired trade and other receivables

In thousands of EUR	31 December 2017	31 December 2016
Total impaired	**29,171**	**28,250**
Of which:		
Less than 180 days	1,772	1,401
Between 180 days and 360 days	2,216	1,840
More than 360 days	25,183	25,010

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.

10. Current Financial Assets

The balance of EUR 29,713 thousand (2016: EUR 21,834 thousand) represents the receivable on the cash-pooling account of the Company with Orange SA. On 15 March 2006, the Company signed a Centralised Treasury Management Agreement with France Telecom S.A (the successor company Orange SA) with the aim of centralisation and optimisation of affiliated companies' cash surplus under the best technical and financial conditions and ensuring a fine-tuning of the liquidity at the Group level. Cash balances are not subject to any foreign exchange risk as they are denominated in the local currency. Maximum borrowing headroom is EUR 66 million. The balances bear an interest rate calculated as EONIA (EONIA: Euro Overnight Index Average). Interest is accounted for on a monthly basis and capitalised on the Company's current account. In the event of an overdraft, the interest is paid on a monthly basis and is calculated as EONIA plus the fixed rate of interest. The interest rate was negative rate 0.346% as at 31 December 2017 (negative rate 0.329% as at 31 December 2016).

11. Cash and Cash Equivalents

In thousands of EUR	31 December 2017	31 December 2016
Cash on hand and cash equivalents	106	107
Bank balances and deposits	8,714	5,983
Cash and cash equivalents in the balance sheet	**8,820**	**6,090**

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

12. Equity

Share Capital

As at 31 December 2017, the authorised share capital comprised 1,181,755 ordinary shares (2016: 1,181,755), with a nominal value of EUR 33.19 each, 1 ordinary share (2016: 1) with a nominal value of EUR 13.78, and 1 ordinary share (2016: 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 (2016: 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 2017 profit.

In June 2017, the shareholders approved a dividend payment of EUR 73 million related to undistributed profits from previous years at their annual general meeting. An amount of EUR 30 million was paid in June 2017 and EUR 43 million was paid in December 2017.

13. Loans and Borrowings

On 30 June 2015 the Company signed a Credit Facility Agreement with Atlas Services Belgium S.A.. The credit facility was drawn down in two tranches: Tranche A in the amount of EUR 110,000 thousand was drawn down as at 30 June 2015 and Tranche B in the amount of EUR 100,000 thousand was drawn down as at 20 June 2016. The final maturity date for Tranche A is 30 June 2019 and for Tranche B is 30 June 2020. The Company paid an arrangement fees in June 2015 in amount of EUR 714 thousand (0.34% from the Total Maximum amount of the Facility). Interest is paid on a quarterly basis and is calculated as EURIBOR plus 0.89% margin. The interest rate was 0.561% as at 31 December 2017 (0.571% as at 31 December 2016).

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

14. Provisions and Non-current Payables

Provisions

In thousands of EUR	Provision for Asset Retirement	Other	Total
Balance at 31 December 2016	26,644	1,983	28,627
Provisions made during the year	876	317	1,193
Provisions used during the year	–	–	–
Provisions reversed during the year	(3,068)	–	(3,068)
Balance at 31 December 2017	**24,452**	**2,300**	**26,752**

In thousands of EUR	31 December 2017	31 December 2016
Non-current	26,751	28,626
Current	1	1
	26,752	**28,627**

A provision for asset retirement obligation was recorded in the amount of EUR 24,452 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 1.707%, dismantling cost index of 3.00% and number of sites of 2,438 (2016: EUR 26,644 thousand, 15 years, 1.015%, 3.00%, and of 2,398 sites, respectively). The Company records the carrying amount of EUR 12,559 thousand (2016: EUR 16,102 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 15,441 thousand (2016: EUR 17,050 thousand) represent long-term liability resulted from the capitalised unavoidable future spectrum fees payable to Telecommunication Office. The liabilities were initially discounted to the fair value at discount rate that ranges from 1.99% to 2.25%. The liability is amortised using the effective interest rate method.

Fair value of the liability using the discount rate of 1.707% is by EUR 2.4 million higher compared to its carrying amount at the balance sheet date.

15. Trade Payables and Other Liabilities

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.

In thousands of EUR	31 December 2017	31 December 2016
Trade payables	70,026	47,612
Accrued liabilities	12,404	18,862
Tax liabilities (VAT)	5,677	5,741
Liabilities to employees	9,102	10,949
Other current liabilities	584	557
Total	**97,793**	**83,721**

Payables within and after maturity

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	–	–	12,404
Tax liabilities (VAT)	5,677	–	–	5,677
Liabilities to employees	9,102	–	–	9,102
Other current liabilities	584	–	–	584
Total	**83,525**	**13,798**	**470**	**97,793**

The payables in category "within 360 days overdue" were paid during January 2018.

31 December 2016

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

Liabilities to employees include social fund liabilities

In thousands of EUR	2017	2016
As at 1 January	169	143
Additions	361	355
Utilisation	343	329
As at 31 December	**187**	**169**

16. Deferred Income

In thousands of EUR	31 December 2017	31 December 2016
Prepaid phone cards (Prima cards)	6,225	6,233
Post paid customers	14,216	14,442
Other	193	209
Total	**20,634**	**20,884**

17. Revenues

Revenues are presented in the table below:

In thousands of EUR	2017	2016
Mobile voice services	259,017	262,059
Mobile non-voice services	156,554	165,360
Sale of equipment	64,435	55,344
Other revenues	74,678	69,135
Total Revenues	**554,684**	**551,898**

18. External Purchases

External purchases are presented in the table below:

In thousands of EUR	2017	2016
Cost of equipment sold	110,396	101,969
Purchased goods and services	75,345	75,486
Service fees and interoperator costs	88,770	84,693
Costs associated with non-current assets	12,841	12,894
Other	19,351	18,422
Total external purchases	**306,703**	**293,464**

19. Other Operating Expenses/(Income), Net

Other operating expenses are presented in the table below:

In thousands of EUR	2017	2016
Brand royalty and management fees	13,375	13,446
Bad debt provision	2,710	400
FX differences net	(125)	11
Other operating expenses	2,513	2,317
Total other operating expenses	**18,473**	**16,174**

Other operating income is presented in the table below:

In thousands of EUR	2017	2016
Property fees	1,147	1,076
Late payment interest on trade receivables	1,314	1,324
Gain on disposal of property, plant and equipment	7,471	8,305
Other operating income	29,054	4,221
Total other operating income	**38,986**	**14,926**

Included in Other operating income in 2017 is one-off settlement of the Company's damage claim. Half of the settlement will be paid in March 2018 – reported in Trade and other receivables (refer to Note 9).

20. Wages and Contributions

In thousands of EUR	2017	2016
Wages and salaries	25,517	26,168
Bonuses and untaken holiday payroll provision	4,551	6,207
Social contribution	13,363	12,103
Other	2,285	1,876
Total wages and contributions	**45,716**	**46,354**

21. Income Tax

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

In thousands of EUR	2017	2016
Income tax payable		
from operating activities	31,563	27,942
Deferred income tax		
from operating activities	1,673	929
change in tax rate	–	402
Total income tax	**33,236**	**29,273**

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

In thousands of EUR	2017	%	2016	%
Profit before tax	125,457		110,973	
Income tax at the rate of 21% (2016: 22%)	26,346	21.0%	24,414	22.0%
Income tax in respect of prior year	(802)	-0.6%	119	0.1%
Special levy 8.712% (2016: 4.36%) for regulated businesses	8,108	6.5%	4,547	4.1%
Impact of adjusting items: permanent differences and other differences	(416)	-0.3%	193	0.2%
Total income tax	**33,236**	**26.5%**	**29,273**	**26.4%**

22. Financial Instruments

Risk Management Policies

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

Capital Risk Management

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

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

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

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

The gearing ratios as at 31 December 2017 and 2016 were as follows:

In thousands of EUR	31 December 2017	31 December 2016
Cash and cash equivalents	(8,820)	(6,090)
Long term loan	210,000	210,000
Financial (assets)/liabilities	(29,713)	(21,834)
Net debt	**171,467**	**182,076**
Equity	**284,366**	**265,078**
Net debt to equity	60%	69%

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

Main Categories of Financial Instruments

In thousands of EUR	Note	31 December 2017	31 December 2016
Financial assets			
Cash and cash equivalents	11	8,820	6,090
Trade and other receivables	9	89,790	67,715
Current financial assets	10	29,713	21,834
Financial liabilities			
Current financial liabilities	10	–	–
Long term loan	13	210,000	210,000
Trade payables and other liabilities	15	97,793	83,721

Financial Risk Management

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

Foreign Exchange Risk

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

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

In thousands of EUR	Liabilities		Assets	
	2017	2016	2017	2016
Currency USD	2,575	3,012	1,119	684

Interest Rate Risk

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

An increase or decrease of interest rate (EURIBOR, LIBOR) by 100 basis points, considering all other factors remain unchanged, would cause a decrease or an increase of profitability by EUR 1,803 thousand (2016: EUR 1,882 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 2017 as well as at 31 December 2016.

Basis for Determining Fair Values

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

Credit Risk

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

The Company considers that it has limited concentration in credit risk with respect to trade accounts receivables due to its large and diverse customer base (residential, professional and large business customers) operating in numerous industries and located in many regions. In addition, the maximum value of the counterparty risk on these financial assets is equal to their recognized net book value. An analysis of net trade receivables past due is provided in Note 9.

In addition, should a customer fail to pay any due payment for services, the Company will limit the customer's outgoing calls and, thereafter, the provision of services will be disconnected.

Liquidity Risk

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

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

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

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	14	–	138	413	1,102	8,960	29	10,642
Non-interest bearing liabilities	15	–	63,980	33,813	–	–	–	97,793
Financial guarantee contracts		–	–	–	–	–	–	–
Long term loan	13		–	–	–	210,000	–	210,000
Interest and commitment fee from Long term loan	13	0.561%	–	295	884	1,206	–	2,385
Variable interest rate instruments	10		–	–	–	–	–	–
Total			**64,118**	**34,521**	**1,986**	**220,166**	**29**	**320,820**

2016

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

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.

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	–	–	–	–	11,624	–
Non-interest bearing receivables	–	52,880	5,300	19,110	–	–
Other receivables	–	–	12,500		–	
Cash and cash equivalents	0.02%	8,820	–	–	–	–
Variable interest rate instruments	-0.346%	29,713	–	–	–	–
Total		**91,413**	**17,800**	**19,110**	**11,624**	**–**

2016

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

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 2017	31 December 2016
Liabilities - current and unbilled supplies		
Atlas Service Belgium (parent company)	210,006	210,003
Orange SA (ultimate control.party)	1,981	1,913
Orange Brand Services (fellow subsidiary)	1,956	1,943
Mobistar (fellow subsidiary)	1,051	1,420
Orange CorpSec (subsidiary)	108	198
Orange Polska (fellow subsidiary)	631	611
Other	263	826
	215,996	216,914
Trade accounts receivable - current		
Orange SA (ultimate control.party)	1,470	1,360
Orange SA - cash pool account	29,713	21,834
Orange Egypt for Telecommunications (fellow subsidiary)	1,893	–
Atlas Service Belgium (parent company)	357	500
Orange Moldova (fellow subsidiary)	289	122
Orange Polska (fellow subsidiary)	428	203
Orange Romania (fellow subsidiary)	118	85
Other	399	293
	34,667	24,397

In thousands of EUR	2017	2016
Purchases		
Orange SA (ultimate control.party)	11,919	9,931
Atlas Service Belgium (mother company)	1,341	1,353
Orange Polska (fellow subsidiary)	1,916	1,381
Orange Brand Services (fellow subsidiary)	7,743	7,878
Orange CorpSec (subsidiary)	1,077	1,076
Orange Romania (fellow subsidiary)	484	633
Orange Belgium (ex Mobistar) (fellow subsidiary)	795	219
Other	148	1,033
	25,423	23,504
Sales		
Orange SA (ultimate control.party)	7,381	2,772
Equant (fellow subsidiary)	2,330	2,307
Orange Polska (fellow subsidiary)	2,015	1,197
Orange Egypt for Telecommunications (fellow subsidiary)	1,769	–
Orange Brand Services (fellow subsidiary)	290	500
Orange Romania (fellow subsidiary)	686	465
Orange Moldova (fellow subsidiary)	294	233
Other	315	228
	15,080	7,702

The following related party transactions are applicable for the Company:

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

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

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

In thousands of EUR	2017	2016
Board of directors	–	32
Supervisory body	–	0
Executive Management Board	2,720	2,496
Total	**2,720**	**2,528**

25. Operating Leasing

Leases as the Lessee

The Company is committed under operating leases to terms ranging from 1 to 6 years, which relate primarily to office, retail space, technological premises, and land and rooftops for base stations. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

In thousands of EUR	31 December 2017	31 December 2016
Less than one year	7,299	2,874
Between one and five years	12,015	6,478
After five years	1,288	488
Total	**20,602**	**9,840**

Total expenses for rent represent EUR 11 million (2016: EUR 11 million) and primarily represent office, retail space, technological premises and land and rooftops for base stations and other equipment. The Company maintains evidence of assets under lease contracts.

26. Commitments and Contingencies

Litigation

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

Commitments

The Company has CAPEX commitments in a total amount of EUR 72,024 thousand (2016: EUR 22,191 thousand). The biggest part of it in the amount of EUR 42,900 thousands relates to gradual swap of Alcatel RAN technology with the new one from NOKIA, starting from 2018. The rest consists of investment in 2G/3G network in the amount of EUR 19,193 thousand (2016: EUR 12,738 thousand), investments in 4G network assets in the amount of EUR 4,611 thousand (2016: EUR 2,971 thousand) and the other less material investments in long-life assets.

The Company also has OPEX commitments in the total amount of EUR 28,030 thousand (2016: EUR 27,850 thousand) mainly related to the purchase of handsets in amount of EUR 10,617 thousand (2016: EUR 8,626 thousand) and network maintenance in amount of EUR 8,700 thousand (2016: EUR 8,820 thousand).

Legal Commitments

The Company has not given any guarantees to third parties in 2017 (2016: 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 Useful Lives of Property, Plant and Equipment

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

A change in estimated useful lives of assets by 10% against the actual depreciation as at 31 December 2017 would have increased / (decreased) the property plant and equipment amounts as shown below:

In thousands of EUR	31 December 2017		31 December 2016	
	Increase	Decrease	Increase	Decrease
Estimated useful life in years +/-10%	5,881	(7,188)	6,022	(7,360)

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

Estimated Asset Retirement Obligation

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

Sensitivity of ARO Reserves

A change in discount rate by 1 bps and change in dismantling costs by 10% against initial assumption as at 31 December 2017 would have increased / (decreased) the Estimated ARO by the amounts shown below:

In thousands of EUR	31 December 2017		31 December 2016	
	Increase	Decrease	Increase	Decrease
Discount rate +/- 1bps	3,338	(3,906)	3,660	(4,288)
Dismantling costs +/- 10%	2,445	(2,445)	2,664	(2,664)

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

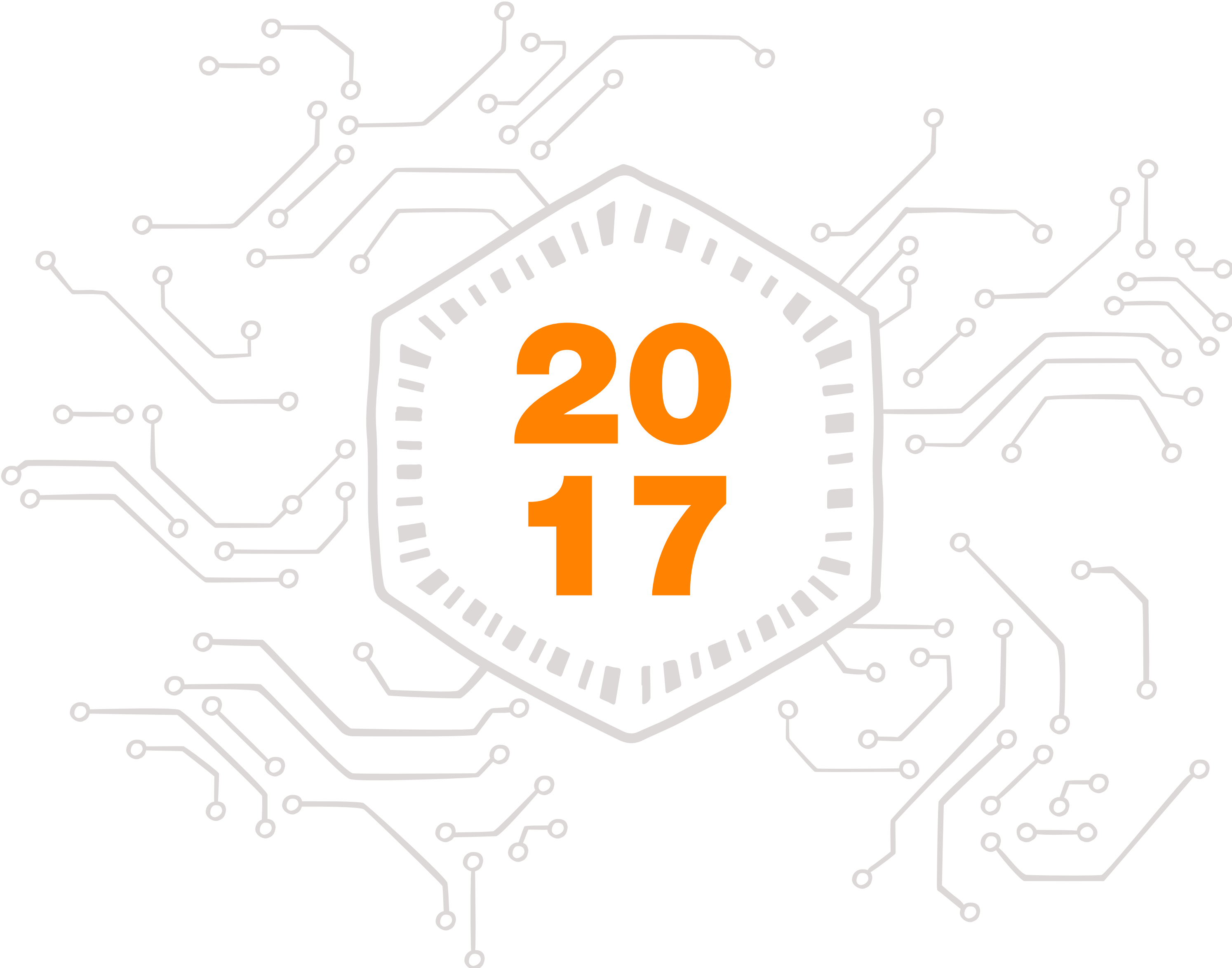
28. Subsequent Events

No other events with a material impact on the true and fair presentation of facts as presented in these financial statements occurred after 31 December 2017 up to the preparation date of these financial statements.

29. Authorisation of Financial Statements

The financial statements were authorised for issue by management on 9 April 2018.

Pavol Lančarič	**Reza Samdjee**
Chief Executive Officer	Chief Financial Officer



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