Annual Report
2020

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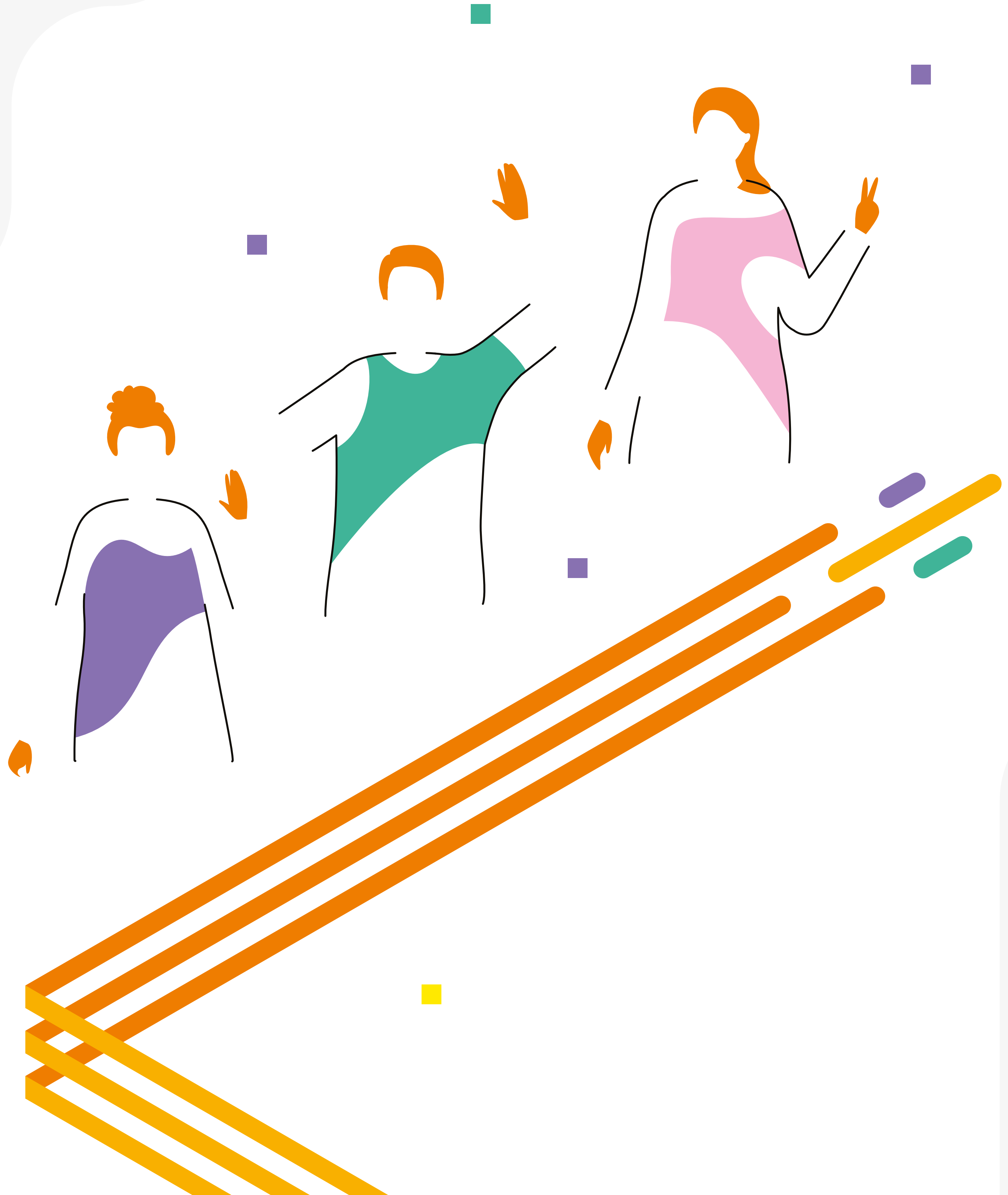

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Orange Slovensko, a.s.

We are Orange Slovakia.
Nice to meet you

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

Registered Office
Metodova 8, 821 08 Bratislava, Slovak Republic

Company Identification Number (IČO)
35697270

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

Legal Form
Joint-stock Company

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

Description of the Company

Orange Slovensko, a.s. is a leader in providing comprehensive telecommunications services, and the largest mobile network operator in Slovakia. It has been operating on the Slovak market since1997. As at 31 December 2020, Orange Slovensko, a.s. had 2,552 million active mobile network customers, 250 thousand fixed Internet customers, and 132 thousand digital TV customers. As at 31 December 2020, the revenues of Orange Slovensko, a.s. reported according to IFRS standards amounted to EUR 541 million.

Orange Slovensko, a.s. is a member of the international Orange Group, which is one of the world's leading telecommunications operators. As at 31 December 2020, revenues of the Orange Group amounted to EUR 42.3 billion, with 259 million customers using its services in 26 countries around the world.

The company is providing mobile services through the 2G network covering 99,8% of the population, through the 3G network with maximum speed at 42 Mbit/s and the 4G network with maximum speed of up to 300 Mbit/s is available to 99% of the Slovak population. Fixed Internet from Orange, whether via FTTH, DSL or fixed LTE, is the most accessible Internet in Slovakia, with access for almost 1.7 million households, while the fibre-optic network from Orange is available to nearly 550 thousand households in 66 towns of Slovakia.

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

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

Company Bodies

Board of Directors

Chairman:
Federico Colom Artola

Members:
Eve Bourdeau
Vladislav Kupka
Zuzana Nemečková

Supervisory Board

Chairman:
Pavol Lančarič

Vice-Chairman:
Christophe Naulleau

Members:
Jean-Marie Culpin
Gilles Deloison
Bruno Duthoit
Ľuboš Dúbravec
Marc Ricau
Jean-Marc Vignolles
Marcela Rédlerová
Igor Berta

Company Management

Chief Executive Officer:
Federico Colom Artola

Director of Residential Customers Sales Department:
Radoslav Barka

Chief Financial Officer:
Eve Bourdeau

Director of Human Resources Department:
Ivana Braunsteinerová

Director of Information Systems and Networks:
Eric Maintenay

Marketing Director for Residential Customers and Brands:
Martin Hromkovič

Director of Customer Service Department:
Vladislav Kupka

Director of Sales and Marketing for Business Customers:
Zuzana Nemečková

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

Federico Colom Artola

Chief Executive Officer and Chairman of the Board of Directors

Born in 1969. He has a degree in economics from the University of Valencia and an MBA from EOI – Manchester Business School. He has worked in the telecommunications sector for over 24 years and held various positions in business operations, finance and customer service. From 2007 to 2016, he was CFO in Orange Spain and from 2016 he was an Executive Vice-President and Financial Controlling Director in the Orange Group. Since 2019, he has been CEO of Orange Slovensko, a.s. and also the Chairman of the Board of Directors.

Radoslav Barka

Director of Residential Customers Sales Department

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

Eve Bourdeau

Chief Financial Officer (since September 2020)

Born in 1982. She has a degree in telecommunication from the INSA LYON University and she also achieved her master's degree in strategy and international relations at ESSEC Business School in Paris. She worked on various positions within the Orange Group as, for instance, sales, mergers and acquisitions. Between 2010-2013, in the position of Sales Director in Orange France, from 2014 in the position of Financial Director for the Asian and Pacific region in Orange Business Services. She has been Chief Financial Officer in Orange Slovensko, a.s. since September 2020.

Ivana Braunsteinerová

Director of Human Resources Department

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

Ivan Golian

Director of Information Systems and Networks, Deputy CEO (until June 2020)

Born in 1964. He completed his university studies at the Slovak University of Technology in Bratislava and achieved his Csc. title at the Department of Applied Informatics and Automation at FMT STU. From 1993, he worked at the Department of Electronics and Automation of KIHO in Ghent, Belgium and two years later he joined Digital Equipment Corporation as a project manager for the banking and telecommunications sectors. In 1997, he joined Orange Slovensko, a.s., where he worked for more than eight years as a member of the senior management as the CIO/CTO/COO. He was appointed Deputy CEO in 2005. From 2006, he was a board member at VÚB banka and also Director of Information Technologies and Operations. From January 2009 to June 2020, he held the office of ITN Director, Deputy CEO and Member of the Board of Directors at Orange Slovensko, a.s.

Martin Hromkovič

Marketing Director for Residential Customers and Brand

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

Vladislav Kupka

Director of Customer Service Department

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

Eric Maintenay

Director of Information Systems and Networks (since July 2020)

Born in 1961. He graduated in electrical engineering at the Marseille-Provence University. He has been working in Orange Slovensko, a.s. from 1997 when he started his career as manager of Operations Centre in Banská Bystrica. Between 2002 and 2008, he was responsible for quality and operations activities within the technical division, later he was senior manager for networks and deputy director of Information Systems and Networks. Since July 2020, he has been Director of Information Systems and Networks in Orange Slovensko, a.s.

Zuzana Nemečková

Director of Sales and Marketing for Business Customers

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

Reza Samdjee

Chief Financial Officer, Deputy CEO (until July 2020)

Born in 1974. He received his master's degree at the Sorbonne University. From 1998 to 2000, he worked as a financial controller for CROWN CORK & SEAL in Oxford. From 2000 to 2017, he worked at Orange France, where he held several positions, with the most recent being the controlling director for the B2B market in France. Between 2017 and 2020, he held the position of Chief Financial Officer and Member of the Board of Directors at Orange Slovensko, a.s.

Luis de Torres Iglesias

Director of Strategy, Legal and Wholesale Department

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

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Letter from the CEO

The difficult 2020 has taught us how to become much better

Letter from the CEO

Dear Ladies and Gentlemen,

After a year that was different from any other, different from what we have been used to, and from what we expected, I would once again like to take this opportunity to talk to you. I am speaking with great appreciation, respect, and pride, empowered by new experience and thankful for the way we all managed it together. Despite 2020 being affected by the unfortunate coronavirus situation, which made us modify our strategic priorities, we continued to focus on fulfilling our higher purpose of 'connecting people & business with best-in-class digital services for human progress, while achieving shared sustainable growth'.

From the beginning, we perceived the extraordinary situation related to the spread of coronavirus sensitively and responsibly. It made us radically change our priorities. It made us realise, more than ever, that our services are part of critical infrastructure and that connectivity, whether mobile or fixed, has become key. We felt the greatest responsibility for maintaining fully functional and reliable services, especially in a situation which made people even more dependent on communication via digital technologies, and we were able to provide our customers with what they needed in the highest possible quality. That is also why we consider the fact that we made the health and connectivity of our customers, employees and partners our first priority to be the biggest success of the past year. Our company values – one team, progressiveness, responsibility, people centric and trustworthiness – tell us clearly the right way to go.

I am also proud that we managed to keep our sales network open for our customers right through and continued to fully operate and provide high-quality services, even with almost 90% of our employees working remotely. Last but not least, the company maintained its full employment rate and salary size for our internal employees, as well as for our franchise network, including points of sale. At the same time, our telecommunication networks handled significantly increased traffic flawlessly. The year affected by the pandemic with customers depending on digital technologies and reliable connectivity more than ever brought a more than 35% year-on-year increase in data traffic, while more than 82% of the total volume of 43.81 million GB were transmitted via the 4G network, which represents a 52% year-on-year increase.

Concerning business, despite the unfortunate situation, we were successful in gaining new customers for fixed Internet, TV, as well as convergent services because of their accessibility and attractive offers. I consider it a very important result as it confirmed that our strategy of developing areas of convergence, fixed and digital services is correct, and I am convinced that it will bring interesting results in the future.

At the end of 2020, Orange had 250 thousand customers of fixed Internet via FTTH, DSL or fixed LTE. The number of fixed Internet customers increased by 25% year-on-year, while the whole fixed Internet market only increased by a little over 3% during the same period. The number of digital TV service customers continued to grow to 132 thousand at the end of the year, which was 23% more than in the same period the year before. The significant increase in the number of fixed services customers is due to several innovations and the results show that our customers have truly appreciated them. They included a EUR 100 bonus for fixed Internet, the introduction of the new satellite iNEOS set-top box for Orange TV, and the improved Orange TV application. We also launched a smart TV application for Orange TV, which enables the owners of Samsung smart TVs with the Tizen operating system to enjoy our TV without using a set-top box or a TV Stick. In addition, we managed to implement a plan to extend the accessibility of our digital TV through cable, and we also extended our channels offer, adding dozens of TV channels to the Internet version of our TV. Naturally, during the year we focused on improving our Internet and introduced a free Backup Internet service to our customers to avoid leaving them without connection in the event of a failure of their home Internet.

One of the pillars of our strategy is to be in the #1 position for coverage & quality for both mobile & fixed broadband networks. We can say that we achieved this position this year.

Regarding the fixed broadband market, overall and also in terms of the optical network, OSK is the clear #1 . Fixed broadband Internet from Orange, whether via an optical network, DSL or fixed LTE, is currently the most accessible Internet in Slovakia, with access for almost 1.7 million households, while the fibre-optic network owned by Orange is available in 67 towns in Slovakia and is used by approximately 555 thousand households. But, beyond our own fiber-optic, we have access through partnership to an additional 370 thousand households, so as #1 provider in Slovakia we can offer access to more than 920 thousand fiber-optic network households.

So, the expansion of coverage and the availability of our services goes hand in hand with the launch of new partnerships, which have once again moved us closer to our goal of increasing the availability of our fixed services to as many inhabitants as possible.

Thanks to the progress in cooperation with partners, our fixed television is also now available for residents in localities where this was not possible until recently. Previously, fixed Orange TV was only available through Orange's own optical network, and thus only in places where Orange's optics were available. However, since June 2020, our Orange TV via cable has been accessible for customers in locations where Orange does not have its own network, either via a metallic (vDSL) or partner optical connection (Optik Partner). So far, Orange's television services are available in most areas of Slovakia.

As in the field of fixed television, we have managed to make significant progress in increasing the availability of our optical Internet thanks to these collaborations. At the end of the year, we started to use another model of wholesale cooperation based on GPON access. This enabled us to bring our optical Internet to a number of new locations across Slovakia and thus make high-quality high-speed Internet available to an even larger number of inhabitants in Slovakia.

From a mobile point of view, even with the unfortunate pandemic situation, we didn't stop the key activity of 2020 - the comprehensive modernisation of the radio network. At the end of the year, we successfully finished a three-year-long network modernisation project, into which we invested EUR144 million and which included the modernisation of more than 2,400 base stations. Thanks to the modernisation project, our network is not only ready for 5G, but also introduces higher network throughput and improves many other parameters. Simultaneously, we are proud to have received the award for the best mobile network in Slovakia and the fastest network of all those measured in Europe by an independent agency. In addition to the Orange 4G network being the highest quality network in Slovakia, it also has the best accessibility, as it is currently accessible to 99% of the population in 141 towns and more than 2,200 municipalities with 53% of the population being able to enjoy a speed of 300 Mbit/s thanks to the 4G+ coverage. All these facts confirm our #1 position in mobile network coverage & quality in Slovakia, and one of the best in Europe as well.

Our long-term efforts to offer our customers everything they need for communication and entertainment in one package is also bearing fruit. I am very happy that customers increasingly prefer more services from a single operator. Customers are gradually beginning to see the benefits of having all their services together – mobile phone, fixed Internet, and potentially digital television, too. In the long term, we have thus focused on the sale of convergent services, i.e., several services in one package, and we saw a significant year-on-year increase in this respect. We innovated and improved our Love package so that contract-bound customers can also enter the offer and enjoy the benefits that we prepared for them. We also reduced the price of devices that help increase Wi-Fi range in the household so that every household member can comfortably access the Internet from anywhere in the household with the Love package. In addition to the increase in the number of fixed Internet and TV customers,

Orange also recorded a significant increase in the number of convergent service customers, i.e., mobile and fixed services in one package. On 31 December 2020, there was a year-on-year increase of 40%, surpassing 118 thousand.

In the past year, we started modernising our tariffs, which is one of the biggest projects in the company's history. It is important to us that our customers get the best from our offer so that they are able to use the most modern services and fully enjoy the opportunities of the digital era. As our older tariffs did not let customers use the newest services, our customers were unable to use all the advantages and benefits they could have fully used with the Go tariffs, so we decided to migrate customers with old plans to new Go tariffs.

That enabled us to clear and clarify our mobile portfolio and now we are able to provide a simple, fair and transparent convergent offer to all customers, which is a significant step in becoming the leader in the provision of convergent services. We provide only one portfolio to our entire customer base and with the same prices in all channels (shops, telesales, digital), in order to provide fair and comparable conditions whatever channel the customer chooses.

The 8% decrease in the number of mobile service customers is a result of clearing the voice tariff portfolio and deactivating “sleeping” tariffs. At the end of 2020, Orange continued to lead the mobile market with 2.552 million active mobile service customers, of which more than 1.94 million are customers of mobile invoiced services.

In addition to migrating customers to Go tariffs, we significantly expanded the mobile service portfolio. We added the Go 1 € tariff for low cost and unstable profile of usage customers segment, and the Go Yoxo tariff for students and young people, which includes the unique Yoxo market for trading mobile data.

In addition, we also automatically increased data bundles for GO 20/30/40 significantly, and provided unlimited full speed data for GO 65 without an increase in price, which means more data for the same price. Our customers received this step very positively and it was reflected in higher customer satisfaction at the end of the year.

More and more customers from competing operators appreciate the simple, fair and transparent offers from Orange, which has been proven by the constantly growing number of customers transferring their number to Orange. More than 84 thousand customers, which is a 26% increase compared to the previous year, decided to transfer their number from a competitor to Orange. On the other hand, the number of customers who switched their number from Orange to other operators increased by almost 10% and narrowly exceeded 91 thousand, so we improved our balance compared to the previous year and we are close to stability.

We introduced significant innovations for business customers as well. We started to commercially provide a solution based on Big Data processing. The Flux Vision service is able to efficiently create precise statistics and population mobility models in real time. We are able to turn huge volumes of mobile network data into statistics with added value, which can subsequently be used, for example, for elaborate personalised marketing. The solution also helped the European Commission to anonymously view the relationship between population mobility and the subsequent spread of the virus.

We consider the Internet of Things (IoT) a very promising field. We improved the smart parking solution (zaparkuj.to) by adding parking meters, expanded the project for measuring temperatures in refrigeration equipment, and successfully performed a pilot project regarding the comprehensive monitoring of operations in the gastronomic business. We also started to focus more intensely on cooperating with customers on co-creating services that are based on operating in the 5G network. We are discussing the possibilities of using the new generation of networks and their advantages in practice with customers all over Slovakia.

The previous year was also particularly exceptional in regards to customer services. Hard times forced us to become more innovative and flexible. We had to adjust to the situation and started utilising the digital environment even more, both in sales and customer care, to be able to carry out most actions without the need for physical contact. Within a few days of the onset of the corona crisis, our customers stopped frequenting sales points, which manifested in an increased volume of incoming calls and written requests addressed to our customer centre. To weather the pressure, we very quickly managed to solve the technical issues of working from home for all our customer service employees and we even included our colleagues from the sales network in the process of solving requests from the customer helpline. It was a joint effort to handle more than 1.6 million calls, which represented a 35% increase in comparison to 2019 and a 26% increase in services provided via digital channels. The launch of the first chatbot and other improvements to digital tools for customers also helped us manage the demanding situation. We used the opportunity to offer electronic self-service options in the My Orange mobile application to customers, and the number of its users reached 316,000, while the total volume of digital customer operations also increased visibly. As many as 12,000 customers used the chatbot and we also introduced a simple solution for electronically accessible warranties and internally robotised the first 18 processes.

The alarming findings on the impact of the crisis on the mental health of the population, which after the end of the extraordinary regime will need a long time to recover, inspired us to act more substantially. We realised that the provision of remote psychological help via crisis helplines may help with the prevention of mental health disorders in Slovakia, so we also want to devote ourselves to the issue in the long-term. We even re-evaluated the strategic programme priorities of Nadácia Orange (Orange Foundation) and mental health became one of them. After the coronavirus pandemic outbreak in Slovakia, the IPčko civic association in cooperation with Nadácia Orange launched the new COVID-19 crisis helpline in April 2020. We also supported the creation and activities of the Support of Mental Health Helpline Initiative, while combining the aid provided to the helplines with sponsoring activities. We also established a special Nadácia Orange Aid Fund. We aimed to not only contribute to the protection of people, the prevention of the risk of infection and the prevention of further spread, but mostly to mitigate the society-wide consequences resulting from the emergency situation.

The issue of Internet safety remains immensely important, primarily in relation to children, who are spending more time online than ever before, and not only for entertainment and recreation, but also for distance learning during lockdown. Our www.detinanete.sk website with relevant new content brought advice and recommendations to parents and teachers regarding the way children should responsibly and safely use modern technologies.

We also very sensitively perceive the impact of climate change that presents all over the world, including Europe. That is why we and the whole Orange Group decided to respond to the climate crisis. In line with the Paris Agreement, we are set to achieve clean zero carbon emissions by 2040. Priorities include decreasing our CO2 emissions by 30% by 2025 as compared to 2015, increasing the rate of renewable energy sources, which by 2025 will make up more than 50% of the Group's energy mix, and collecting 30% of old mobile devices as compared with the total annual mobile device sales. The Old Mobile Collection campaign is one of the significant activities that we have already been involved in for eight years, and we use it to educate the public about sustainability and recycling electrical waste. It was launched in 2013 and as of today, we have managed to recycle more than 340 thousand old mobiles. Despite the hard coronavirus situation last year, we collected almost 11,000 mobile devices in our stores and more than 18,000 mobile devices in schools.

The story of the year would be significantly shorter and more mediocre if it were not for the initiative, support and professional approach of our 1,180 employees and the hundreds of people working for our partners. We would not achieve anything without their efforts. Furthermore, the outbreak of the pandemic forced us to significantly re-evaluate the way we work. It was necessary to quickly adjust and correct the priorities related to employee care with the aim of maintaining safety and also increasing awareness and interaction between colleagues during the corona crisis. With the measures taken, we minimised all risks related to the spread of the virus and, in addition to providing protective equipment and disinfection, we focused primarily on working from home (excluding shops and the central devices warehouse) as the absolute preference and on preventing physical contact and travelling between our locations.

I am immensely proud of all of our employees for how we handled this demanding period together and at the same time managed to fully provide communication services to customers. We also quickly responded to the new style of work that came with the new era by preparing the new Flexi Office project, but unfortunately due to the strict pandemic measures, which we fully respect, we have not yet launched it in its full scope.

I am aware that recognition of our employees' work is a great motivator and that success is an inspiration. That is why we also launched a new employee activity called TOP Success. We use it to introduce projects that were extraordinarily successful and showcase our teamwork, enthusiasm, courage, and effort in more detail. It is a means of recognising the work of our colleagues and also the responsible work of individuals, without whom we would not be successful. We value the contributions of our colleagues even more because it enables us to fulfil our common strategy and company goals.

For a long time already, we have perceived the culture of feedback to be key, because it enables us to create a pleasant working environment for all our employees. Introducing the 360° feedback was a momentous event as it aims to collect feedback for the managerial competencies of our senior employees and provide them with a relevant development plan that covers their needs and goals. We also introduced the Orange Openly application, which enables us to quickly provide each other with feedback in the digital environment. I would like to highlight that we have repeatedly won the Top Employer award, which is an important confirmation that we apply the highest standards in HR management.

The biggest impact on our operational and financial indicators for 2020 is attributed to the coronavirus pandemic. Total revenues for Orange Slovensko, a.s. as of 31 December 2020 reported under IFRS 15 totalled EUR 541 million, which is a year-on-year decrease of 2.7%. The decrease in total revenues was mainly due to the almost 6% drop in revenues from device sales, which was caused by lower sales in shops due to the corona crisis. The total revenues from sales of services reached EUR 424 million, which is a 1.8% decrease in comparison with the same period last year. The decrease in revenues from sales of services was partially due to lower roaming revenues due to the pandemic, as well as a decrease in connection fees between Slovak operators. Despite the year-on-year decrease in revenues, Orange achieved a better EBITDAaL margin, due to efficient management of direct and indirect costs. The total EBITDAaL recorded a more moderate decrease of 0.7% to EUR 196 million. Finally, it is important to comment that we have invested EUR 101 million (CAPEX), very similar to a year ago. It represents 19% of our total revenue, so it confirms the strong effort made to have the best Telco & Digital infrastructures in our country.

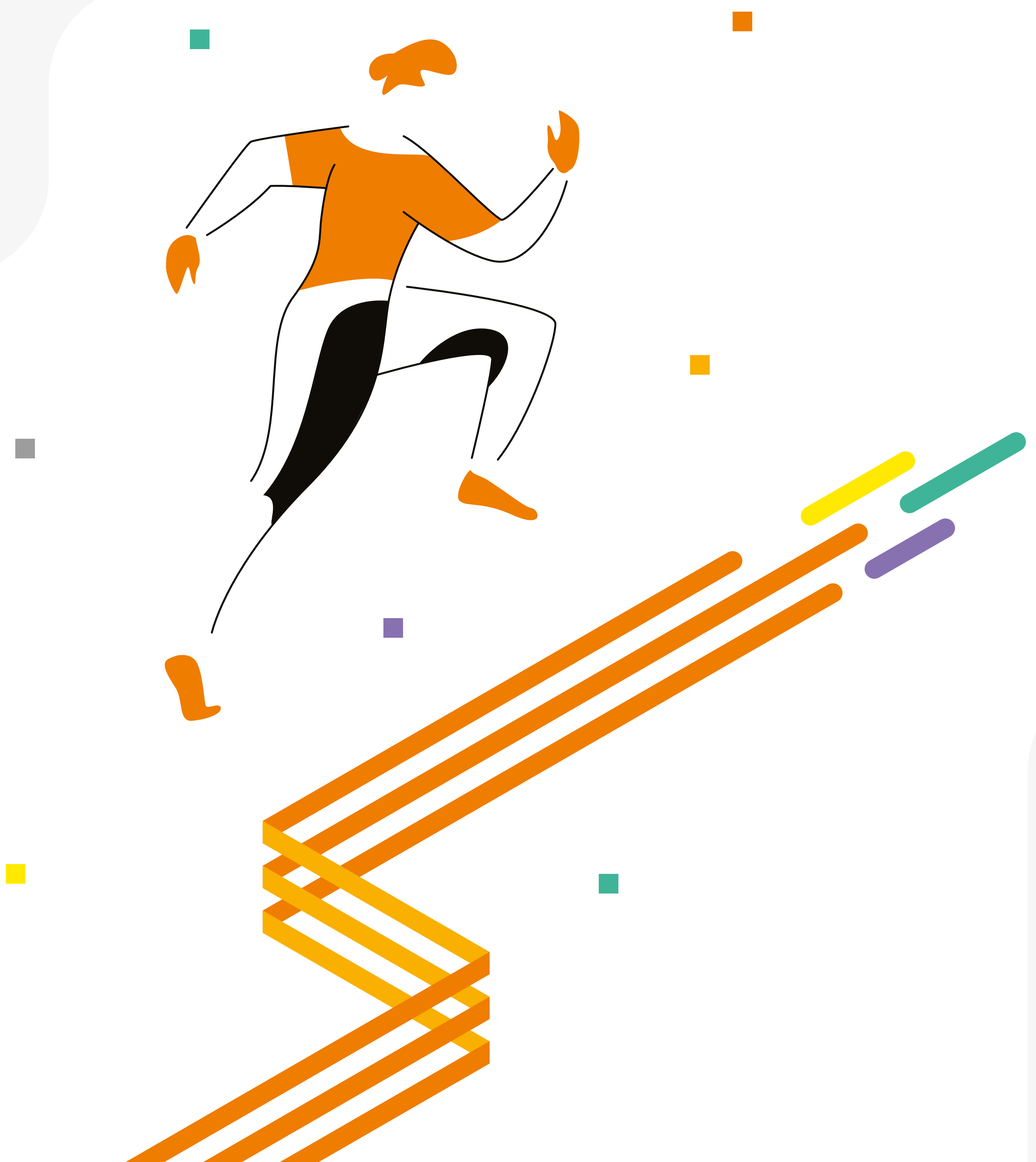
We also expect 2021 to be significantly impacted by the corona crisis. However, the coronavirus pandemic also offers a plethora of opportunities, such as increasing market demand for new digital services and useful smart solutions. We want to focus on efficiently responding to new market trends and changes in residential and business customers' needs. It is the key to achieving the best possible development in 2021.

We aim to continue building the successful story of the leading mobile service provider on the Slovak telecommunication market and leading FBB & Convergence growth. We will continue to focus on providing first-rate digital and convergent services of the highest quality for reasonable prices. One of the key projects will be the launch of our high-speed 5G network and the quality of our network establishes a very good starting position.

Ladies and gentlemen, let me take this opportunity to thank the shareholders for their trust. Without it, we would not be able to offer new, inspiring and relevant products and services to our customers. My thanks also go to our employees and partners, who are our most valuable asset, for their daily work efforts and contribution to our joint achievements, and last but not least, to our customers for their trust in us. I also look forward to new challenges in 2021. I believe they will bring us a lot of inspiration thanks to which we will be able to connect people with everything that matters to them every day.

Federico Colom Artola

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



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Key Milestones in 2020

Nothing has stopped us from providing the highest quality of services

Key Milestones in 2020

February

Orange choses Nokia Corporation for modernization of its mobile network

Regarding the arrival of the 5G network, Nokia Corporation has become the technology supplier for modernization of Orange's radio network. This investment in technology will help to increase the capacity of Orange's network, it will significantly improve customer experience and, last but not least, it will allow introduction of new and innovative services in the 5G network.

Orange becomes the Top Employer of 2020

Thanks to its HR approach, Orange received its seventh consecutive title of the Top Employer. Orange retained its significant awards this year again - Top Employer Slovakia, Top Employer Europe, Top Employer Global. The Top Employer award represents a repeated confirmation for Orange that it implements the highest standards in the field of human resource management.

Orange donates 100 foster families through its Give Data campaign

The goal of the Give Data project, which was about helping, and into which Orange engaged its customers as well, was successfully achieved. Under this unique campaign, ordinary data were able to achieve extraordinary things – unused

data of Orange customers were transformed into an extraordinary gift – the Love plan, which was gifted to selected foster families. As of 31 January 2020, 42,608 customers participated before the end of this project. Together they have donated 180,021 GB of unused data from their monthly plan and Orange was thus able to donate and help 100 foster families.

March

Orange presents free benefits for its customers to help with the pandemic situation

Orange feels maximum responsibility for flawless operation of its services in a situation, when people are increasingly dependent on communication via digital technologies and for providing its customers what they need in the highest possible quality. To achieve all this, Orange has decided to offer its customers free benefits, in order to facilitate life though them in this critical situation – 10 GB of mobile data for home in case other Internet access is not available, unlimited SMS/MMS or the Nonstop Chat data plan, without any additional fees.

Nadácia Orange (Orange Foundation) establishes a special Aid Fund

Nadácia Orange (Orange Foundation) is shifting its support to help mitigate the consequences of the emergency situation in Slovakia caused by the spread of the COVID-19 virus and is establishing a special Aid Fund. In this way, it contributes to social assistance to those who are affected by the emergency situation to such an extent that their existence became endangered. It has allocated EUR 200,000 for this purpose.

Orange presents the new Prima Data plan

Orange introduces the most advantageous data plan on the market for prepaid cards – the 10 euro Prima Data with 10 GB.

April

Orange introduces Backup Internet

The Backup Internet plan from Orange provides an even greater Internet availability and security of households' connection. Even in case of an unexpected breakdown of their fixed connection, Orange customers will not remain without Internet access, as in this case they will get a replacement in the form of mobile connection.

May

Orange customers can watch satellite TV on a new set-top box model

Orange has included its own satellite set-top box iNEOS OR1 in its offer. It is a full HD satellite set-top box with an access card integrated directly in the device. In addition to its attractive design and user interface, in particular it brings its customers first-class quality of the picture in its current version, improved customer experience and a number of new features.

We support the Crisis Helpline

In context of the current situation, Nadácia Orange (Orange Foundation) and Orange have decided to react strategically and on a long-term base – they start to support the Crisis Helpline. Regarding the current situation and mitigation of its consequences even during a more favourable period, Nadácia Orange (Orange Foundation) has contributed to the concept of the IPčko.sk Civil Association to establish a Crisis Helpline. Nadácia Orange (Orange Foundation) together with Orange Foundation in Paris have financially contributed to the inevitable capacity strengthening of this organization. Orange participated in the project as well by establishing a toll-free nonstop line 0800 500 333 and five other mobile phone numbers, to which incoming calls will be transferred in order to ensure an effective operation of the line.

June

Together with non-governmental organizations, Nadácia Orange (Orange Foundation) contributes to de-stigmatization of mental disorders

Nadácia Orange (Orange Foundation) continues in its reaction to the emergency situation caused by the COVID-19 pandemic. In cooperation with three NGOs, Liga za duševné zdravie (The League for Mental Health), Linka detskej istoty (The Child Safety Line) and Občianske združenie IPčko (IPčko Civil Association), which operate the three largest helplines, it has decided to contribute to the systematic raising of awareness, solving prevention and emotional and psychological support of the citizens of Slovakia. Nadácia Orange (Orange Foundation) has also supported the establishment and activities of Iniciatíva za duševné zdravie (Initiative for Mental Health).

Fixed TV from Orange is significantly accessible

Orange TV via the cable is already available in most areas of Slovakia. Until recently, the fixed Orange TV was available only via Orange optical network. Since June, thanks to its cooperation with partners, it is available to customers even in places where Orange has no native network. Thus, Orange TV via vDSL and Orange TV via Optik Partner was added to the offer. The customer does not have to pick the technology he/she prefers prior to purchase. The most suitable alternative available at the customer's address will be recommended to him/her upon the purchase of this service.

July

Orange changes old plans to new and better ones

Orange starts to migrate all customers with existing old plans to new, more up to date Go plans. It cares about its customers using the best services available and also to have the ability to use all benefits the modern age presents. Unfortunately, old plans do not allow the use of new services; also, in old plans, customers cannot get all the advantages and benefits, which they can take full advantage of with the new Go plans.

Orange contributes to the customers' purchase of fixed Internet

Today, it is important to have a fast and reliable Internet at home; therefore, Orange now contributes to the customers' purchase of fixed Internet with an amount of up to 100 EURO. The customer obtains a discount for the purchase of fixed Internet if he/she purchases any fixed Internet to his/her Orange voice plan and combines these two services in the Love plan with a commitment of 24 months.

Orange expands its offer of Go plans and introduces the new Go 1 € plan

With the new Go 1 € voice plan with a monthly payment of 1 EURO, customers pay only for their actual calls or messages, however, they do not exceed the sum of 20 EURO. Even after exceeding this amount, they can continue to make unlimited calls or send messages within Slovakia and the EU, but they will not pay an extra cent more.

September

Orange presents Go Yoxo - a new plan for students

The Go Yoxo plan for students with a monthly payment of 15 EURO offers students, who have an ISIC or EURO<26 card, as well as teachers with an ITIC card, unlimited calls and messages, 5GB of data, as well as unlimited data for their favourite chat applications and social networks. The unique part of the Go Yoxo plan is the Yoxo Market, where young customers can trade their data – they can sell their unused data if they do not want to transfer them to their next billing period, or they can purchase extra data, if they need them.

Orange expands its portfolio of mobile Internet and introduces the Data 1 € plan

The new mobile Internet Data 1 € plan contains 100 MB of pre-paid data with maximum speed and subsequent browsing at reduced speed for a symbolic 1 EURO. The customers can use this new plan on any device via a separate SIM card.

October

Orange receives an award for the highest-quality mobile network in Slovakia

The 4G network from Orange is the highest quality network in Slovakia. This results from measurements performed by the prestigious Systemics PAB Company, therefore Orange has been certified as "the operator with the highest overall quality of mobile services in the test".

Orange has set its priorities in the field of responsible business

Orange commits itself to mitigating environmental impacts and it has set its priorities in the field of responsible business. It helps educating how to behave in an environmentally friendly manner and continues in its collection of old mobile phones. Thanks to collecting old mobile phones, these devices can get a second life and also support NGOs.

Orange improves the GO plans for its customers

As part of its Christmas offer, Orange automatically improves the Go plans for its existing and new customers without any change of pricing. The company adds extra data and other benefits, as well as a gift – the Nonstop plan free of charge and the possibility of transferring data to the next period.

November

The Orange TV application is available also directly in smart TVs

Orange TV customers no longer require a set-top box or Orange TV stick to enjoy their TV via the Internet. It is sufficient to have active Internet TV from Orange and a Samsung smart TV with Tizen 4.0 OS or a higher one.

Orange mobile network is the fastest 4G network in Europe and also the largest in Slovakia

The Orange 4G mobile network is the fastest 4G network. This was confirmed by the results of DSBO measurements of the prestigious Systemics PAB Company, which have been conducted in 7 European countries among 25 providers. Thanks to its availability for 98.6% of the population, it is also the largest network in Slovakia.

December

Telecommunication providers begin to share their optical networks

Together with the Slovak Telekom Company, Orange was able to implement mutual sharing of optical networks. The new model of network sharing is based on the access to the partnership network through the GPON technology. In accordance with the reference offer of Coverage and GPON access, Orange began to provide its customers with optical services also outside of its own optical network.

4

Financial Statement

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

Orange Slovensko, a.s.

INDEPENDENT AUDITOR'S REPORT AND SEPARATE FINANCIAL STATEMENTS

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

Year ended 31 December 2020

Company identification number:
35 69 72 70

Tax identification number:
SK2020310578

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Independent Auditors' Report

KPMG Slovensko spol. s r.o.
P.O. BOX 7
Slovakia

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

Independent Auditors' Report

To the Shareholders, 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 2020, statement of profit or loss and other comprehensive income, changes in equity and cash flow from the year then ended, and notes to the 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 2020, and of its financial performance and its cash flow 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 other information in the Annual Report

The statutory body is responsible for the other information. The other information comprises the information included in the Annual Report prepared in accordance with the Act on Accounting but does not include the financial statements and our auditors' report thereon. Our opinion on the financial statements does not cover the other information in the Annual Report.

In connection with our audit of the financial statements, our responsibility is to read the other information in the Annual Report that we have obtained prior to the date of the auditors' report on the audit of the financial statements, and, in doing so, consider whether the other information is materially inconsistent with the audited financial statements or our knowledge obtained in the audit of the financial statements, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

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

When we obtain the Annual Report of the Company, based on the work undertaken in the course of the audit of the financial statements we will express an opinion as to whether, in all material respects:

- the other information given in the Annual Report for the year 2020 is consistent with the financial statements prepared for the same financial year; and
- the Annual Report contains information required by the Act on Accounting.

In addition, we will report whether we have identified any material misstatement in the other information 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.

30 April 2021
Bratislava, Slovak Republic

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

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

Responsible auditor:
Ivana Mazániková
License SKAU No. 910

Separate Statement of Financial Position as at 31 December 2020

In thousands of EUR	Note	31 December 2020	31 December 2019
Assets			
Non-current assets			
Property, plant and equipment	4	423,093	401,757
Intangible assets	5	147,524	124,475
Right-of-use assets	6	101,547	99,035
Investments in unconsolidated subsidiaries	7	306	306
Non-current receivables	10	10,478	14,642
Contract assets	11	8,101	9,482
Cost to obtain contract	11	1,995	2,135
Other non-current assets	10	16,141	540
		709,185	**652,372**
Current assets			
Inventories	9	29,837	19,686
Trade and other receivables	10	54,320	83,460
Contract assets	11	38,971	45,611
Cost to obtain contract	11	7,504	7,970
Other assets		6,082	8,272
Current income tax receivable		2,369	-
Current financial assets	12	56,605	36,283
Cash and cash equivalents	13	5,020	5,444
		200,708	**206,726**
Total assets		**909,893**	**859,098**

In thousands of EUR	Note	31 December 2020	31 December 2019
Equity and liabilities			
Equity	14		
Share capital		39,222	39,222
Reserves		15,260	15,260
Retained earnings		276,002	233,027
Profit for the year		71,502	72,897
		401,986	**360,406**
Non-current liabilities			
Provisions	16	43,822	39,816
Long-term debt/loan	15	210,000	-
Lease liabilities	6	91,827	89,231
Deferred tax liabilities	8	11,647	8,822
Non-current payables	16	18,943	11,824
		376,239	**149,693**
Current liabilities			
Current income tax payable	22	-	3,675
Short-term debt/loan	15	-	210,000
Trade payables and other liabilities	17	96,771	99,652
Lease liabilities	6	11,455	11,269
Contract liabilities	11	21,311	22,102
Deferred income		2,131	2,301
		131,668	**348,999**
Total equity and liabilities		**909,893**	**859,098**

Separate Statement of Comprehensive Income for the Year Ended 31 December 2020

In thousands of EUR	Note	31 December 2020	31 December 2019
Revenues	18	**540,916**	**556,045**
External purchases	19	(278,857)	(293,220)
Other operating expenses	20	(15,381)	(16,716)
Other operating income	20	11,326	11,517
Wages and contributions	21	(48,842)	(50,374)
Impairment loss on trade receivables and contract assets	10	(797)	889
Depreciation and amortisation of right-of-use	6	(11,140)	(10,834)
Amortisation and depreciation expenses	4,5	(98,507)	(98,421)
Operating profit		**98,718**	**98,886**
Interest income		1	60
Interest expenses		(3,444)	(1,983)
Interests on lease liabilities		(811)	(985)
Other finance expenses		(45)	(32)
Other finance income		225	17
Profit before tax		**94,644**	**95,963**
Income tax	22	(23,142)	(23,066)
Profit for the year		**71,502**	**72,897**
Other comprehensive income		-	-
Total comprehensive income for the year		**71,502**	**72,897**
Total comprehensive income attributable to:			
Owners of the Company		71,502	72,897

Separate Statement of Changes in Equity for the Year Ended 31 December 2020

In thousands of EUR	Note	Share capital	Reserves	Retained earnings	Total
Balance as at 1 January 2019		**39,222**	**15,260**	**282,713**	**337,195**
Total comprehensive income for the year					
Profit for the year		-	-	72,897	72,897
Share based plan		-	-	314	314
Transactions with shareholders					
Dividends paid		-	-	(50,000)	(50,000)
Balance as at 31 December 2019		**39,222**	**15,260**	**305,924**	**360,406**
Balance as at 1 January 2020		**39,222**	**15,260**	**305,924**	**360,406**
Profit for the year		-	-	71,502	71,502
Share based plan		-	-	78	78
Transactions with shareholders					
Dividends paid		-	-	(30,000)	(30,000)
Balance as at 31 December 2020		**39,222**	**15,260**	**347,504**	**401,986**

Separate Statement of Cash Flow for the Year Ended 31 December 2020

In thousands of EUR	Note	31 December 2020	31 December 2019
Profit for the year		**71,502**	**72,897**
Taxes	22	23,142	23,066
Dividend income		(200)	-
Interest expenses		3,444	1,983
Interest income		(1)	(60)
Depreciation and amortisation of tangible and intangible assets	4,5	98,507	98,421
Depreciation and amortisation of right-of-use - leased assets*	6	11,139	10,834
Increase/(Decrease) in provisions	16	3,753	9,931
Increase/(Decrease) in value adjustment to receivables	10	(2,392)	(2,937)
Increase/(Decrease) in value adjustment to inventories	9	817	(379)
Gain on sale of property, plant and equipment	20	(769)	(833)
Share based compensation		78	314
Profit from operating activities before changes in working capital		209,020	213,237
(Increase)/Decrease in trade and other receivables, contract assets, costs to obtain the contract and other assets		30,421	(2,626)
Decrease/(Increase) in inventory		(10,970)	4,559
Increase/(Decrease) in trade liabilities,contract liabilities (including accruals/deferrals of liabilities)	16,17	3,295	7,130
Cash generated from operations		231,766	222,300
Interest received		1	2
Interest paid		(2,857)	(1,255)
Dividends received		200	-
Taxes paid		(26,360)	(31,046)
Cash flows from operating activities		**202,750**	**190,001**

The effects of IFRS 16 is described in Note 2.

In thousands of EUR	Note	31 December 2020	31 December 2019
Investing activity			
Purchase of property, plant and equipment and intangible assets	4,5	(142,852)	(123,376)
Proceeds from sale of non-current assets		869	905
(Increase)/decrease in financial assets		(20,322)	(8,152)
Net cash outflow from investing activities		**(162,305)**	**(130,623)**
Financing activity			
Repayment of lease liabilities interests		(811)	(985)
Repayment of lease liabilities		(10,059)	(9,469)
Dividends paid	14	(30,000)	(50,000)
Net cash outflow from financing activities		**(40,870)**	**(60,454)**
Net increase/(decrease) in cash and cash equivalents		(425)	(1,076)
Cash and cash equivalents at the beginning of the year	12	5,444	6,519
Cash and cash equivalents at the end of the year	**12**	**5,020**	**5,444**

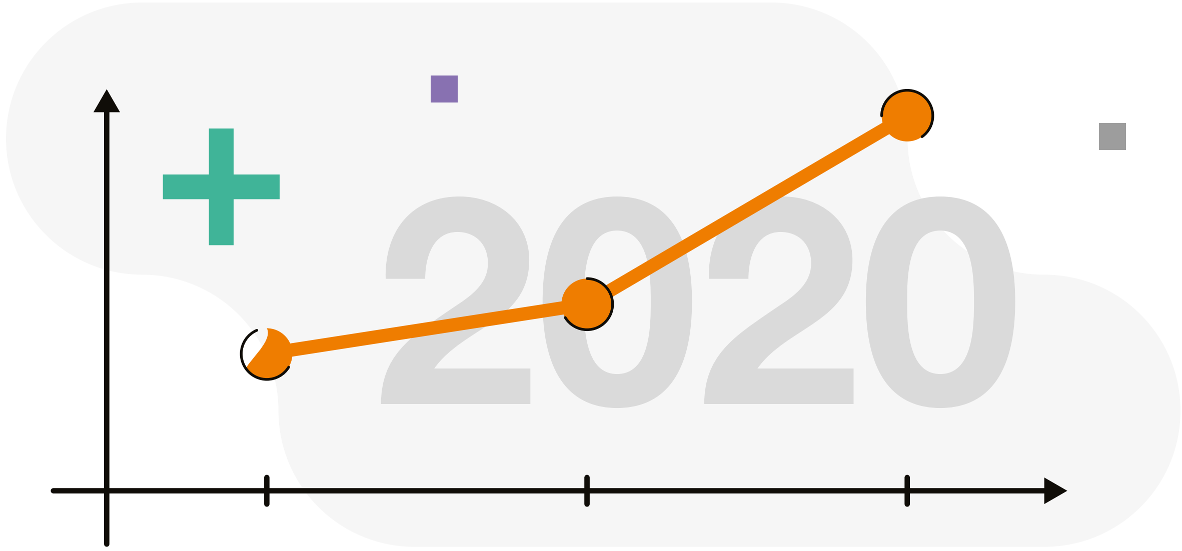
1) Basis of Preparation

a) Reporting entity's general information

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

Approval of the 2019 financial statements

On 23 June 2020, the General Meeting approved the Company's 2019 financial statements (Notary Deed No. N 289/2020, Nz 16781/2020, NCR1s 17094/2020).



Members of the Company's Bodies

Body	Function	Name
Board of Directors	Chairman and Chief Executive Officer	Federico Colom Artola
	Member (since 1 September 2020)	Eve Bourdeau
	Member	Zuzana Nemečková
	Member	Vladislav Kupka
	Member and ITN Director/CEO deputy (until 30 June 2020)	Ivan Golian
	Member (until 31 July 2020)	Reza Samdjee
Supervisory Board	Chairman	Pavol Lančarič
	Member	Christophe Naulleau
	Member	Gilles Deloison
	Member	Jean-Marie Culpin
	Member	Marc Ricau
	Member	Bruno Duthoit
	Member	Ľuboš Dúbravec
	Member	Jean-Marc Vignolles
	Member (since 21 September 2020)	Igor Berta
	Member (since 21 September 2020)	Marcela Rédlerová
	Member (until 21 September 2020)	Štefan Hronček
	Member (until 21 September 2020)	Marian Luptovský

Employees

	31 December 2020	31 December 2019
Number of employees as at	**1,170**	**1,131**
Of which: managers	117	113
Average number of employees	**1,156**	**1,146**

b) Basis of accounting

The financial statements were prepared for the reporting period from 1 January 2020 to 31 December 2020 in accordance with IFRS as adopted by the EU.

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

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

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

c) Functional and presentations currency

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

2) Adoption of New and Revised Standards

In the current year, International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB have not issued any new or revised standards or interpretations that could be relevant to the Company's operations for accounting periods beginning on 1 January 2020.

a) Standards and interpretations adopted by EU effective in 2020 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 2020 but did not have any significant impact on the Company's financial statements:

- Amendments to IAS 1 "Presentation of Financial Statements" and IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" (effective for annual periods beginning on or after 1 January 2020).
- Amendments to IFRS 9, IAS 39 and IFRS 7, Interest Rate Benchmark Reform (the amendments address issues affecting financial reporting in the period leading up to IBOR reform).
- Amendments to IFRS 3 "Business Combinations" (effective for annual periods beginning on or after 1 January 2020).
- Amendments to IFRS 16 Covid-19-Related Rent Concessions (effective for annual periods beginning on or after 1 June 2020) - The amendment provides practical relief to lessees in accounting for rent concessions occurring as a direct consequence of COVID- 19, by introducing a practical expedient to IFRS 16. The practical expedient permits a lessee to elect not to assess whether a COVID-19-related rent concession is a lease modification. A lessee that makes this election shall account for any change in lease payments resulting from the COVID-19-related rent concession applying IFRS 16 as if the change were not a lease modification.
- Revised Conceptual Framework for Financial Reporting - No changes will be made to any of the current accounting standards. However, entities that rely on the Framework in determining their accounting policies for transactions, events or conditions that are not otherwise dealt with under the accounting standards will need to apply the revised Framework from 1 January 2020. These entities will need to consider whether their accounting policies are still appropriate under the revised Framework.

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:

- Amendments to IFRS 4 - Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (effective for annual periods beginning on or after 1 January 2021).
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform — Phase 2. (effective for annual periods beginning on or after 1 January 2021).

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.

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

- IFRS 17 "Insurance contracts" (effective for annual periods beginning on or after 1 January 2023).
- Amendments to IFRS 3 "Business Combinations" - Reference to the Conceptual Framework (effective for annual periods beginning on or after 1 January 2022).
- Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures" - Reference to the Conceptual Framework (effective date has been removed temporarily by the IASB).
- Amendments to IAS 1 "Presentation of Financial Statements" – Classification of Liabilities as Current or Non-Current (effective for annual periods beginning on or after 1 January 2023).
- Amendments to IAS 16 "Property, plant and equipment" (effective for annual periods beginning on or after 1 January 2022).
- Amendments to IAS 37 "Provisions, Contingent Liabilities and Contingent assets" – Onerous contracts (effective for annual periods beginning on or after 1 January 2022).
- Annual Improvements to IFRS Standards 2018-2020 Cycle - Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IFRS 16 leases, and IAS 41 Agriculture (effective for annual periods beginning on or after 1 January 2022).

The Company anticipates that adopting most of these standards and amendments to the existing standards and interpretations will have no material impact on the Company's financial statements in the period of initial application.

3) Significant Accounting Policies

a) Statement of compliance

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

b) Foreign currency

Foreign currency transactions

Transactions denominated in foreign currencies are translated into EUR 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 on 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 EUR at foreign exchange rates valid on the dates on which the fair value is determined.

c) Property, plant, and equipment

Owned assets

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

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

Subsequent expenditure

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

Depreciation

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

	2020	2019
Mobile RAN equipment	6 to 9 years	6 to 9 years
RAN CW & shelters, power connection	10 years	10 years
RAN CW & tower, pylons, constructions	20 to 28 years	20 to 28 years
Transmission equipment	5 to 10 years	5 to 10 years
Transmission optical fibres	15 years	15 years
Transmission CW & poles, terrestrian cables	20 to 30 years	20 to 30 years
Switching	5 to 10 years	5 to 10 years
Data network	4 to 5 years	4 to 5 years
Dedicated platforms	5 years	5 years
Other network	5 to 10 years	5 to 10 years
IT non-network hardware & infrastructure	3 to 5 years	2 to 5 years
Buildings	10 to 30 years	10 to 30 years
Other non-network equipment	2 to 10 years	2 to 10 years
Optical fibre control equipment	10 years	10 years
Optical fibre cables	15 years	15 years
CW & poles	28 to 30 years	28 to 30 years
SIM cards	5 years	5 years
Set top boxes	2 years	2 years

CW – Civil works
RAN – Radio access network

The useful lives of property, plant and equipment are reassessed annually by Orange SA, which results in changes to the useful lives of certain assets. These were not significant changes in the accounting estimates during the period.

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

d) Intangible assets

Intangible assets acquired separately by the Company are stated at cost less accumulated amortisation and impairment losses if applicable. Intangible assets mainly comprise software and licenses 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 an one off license fee and two types of recurrent fees:

- Administrative variable fees,
- Spectrum fixed fees.

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

Capitalisation of spectrum fees

Spectrum fees are unavoidable payments computed on the principle of allocated bandwidth and fixed 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:

	2020	2019
Software	3 to 10 years	3 to 10 years
Licences	10 to 14 years	10 to 16 years

The useful lives of intangible assets are reassessed annually by Orange SA, which results in changes to the useful lives of certain assets.

These changes are recorded as changes in accounting estimates on a prospective basis.

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

e) Lease agreements

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

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

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

On transition to IFRS 16, the Company elected to apply the practical expedient to grandfather the assessment of which transactions are leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease.

Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after 1 January 2019.

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

Leases (the Company as lessee)

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

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

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

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

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

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

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

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

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

The Company recognises lease transactions in the Statement of cash flows as follows:

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

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

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

f) Impairment

Financial assets

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

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

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

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

Measurement of ECL's

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

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

All impairment losses are recognized in profit or loss.

Non-financial assets

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

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

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

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

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

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

g) Investments in subsidiaries

Investments in subsidiaries represent investments in 3 wholly-owned subsidiaries: Orange CorpSec, spol. s r.o., Nadácia Orange (Orange 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, less impairment if any.

h) Inventories

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

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

i) Trade receivables

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

Those receivables which include deferred payment terms over 12 up to 24 months for the benefit of customers who purchased devices are initially recognised at fair value and discounted and classified as according to their remaining maturities. For impairment provision to receivables refer to Note 10.

j) Contract assets and contract liabilities

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

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

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

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

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

Cost of obtaining a contract

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

k) Cash and cash equivalents

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

l) Financial assets

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

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

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

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

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

As at 31 December 2020, the Company holds trade receivables, bank accounts and current cash-pool account held by parent company Orange SA categorised as 'measured at amortised costs'.

m) Financial liabilities

Financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised costs using the effective interest rate method, with interest recognised on an effective yield basis. The Company's financial liabilities relate to overdraft on the current account held by the parent company Orange SA (ZERO balance as at 31 December 2020) and long term loan received from the parent company.

n) Borrowing costs

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

o) Provisions

A provision is recognised when the Company has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. The Company records a provision for asset retirement, a provision for retirement benefit cost and a provision for litigations (see Note 16).

p) Trade and other payables

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

q) Revenues

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

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

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

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

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

Contracts with customers generally do not include a material right, as the price invoiced for contracts and the services purchased and consumed by the customer beyond the specified scope (e.g.

additional consumption, options, etc.) generally reflect their standalone selling prices. Service obligations transferred to the customer at the same time are treated as a single obligation.

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

Convergent services are considered to be the revenues, where the customers do have mobile services and purchase additional services with a convergent discount, i.e. fixed-line internet services. In case the customer purchases both services with a convergent discount, the whole revenue is classified as a convergent sale, i.e. the convergent discount is accounted within revenues from convergent sales together with all services in the convergent offer.

Equipment sales

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

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

Bundled equipment and service offerings

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

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

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

Service offerings to carriers (wholesale)

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

Pay-as-you-go model (PAYG): generally applied where contract services are not covered by a firm volume commitment. Revenue is recognized as revenues from wholesale at a point in time when the services are rendered (which corresponds to transfer of control). The billed price for the roaming contracts is decreased for an estimated discount that represents a variable consideration to be given to the customers. The amount of variable consideration is estimated based on the historical experience and expected results of negotiations within a larger group of telecom operators.

Mixed model: hybrid contract combining the “Pay-as-you-go “ and “Send-or-pay” models, comprising a fixed entry fee providing access to preferential pricing conditions for a given volume (“Send or pay” component) and invoicing of traffic consumption (“Pay-as-you-go” component). Revenue is recognized as revenues from wholesale if it is expected the traffic would not exceed the committed volumes, the revenue is recorded over the contract period.

r) Taxation

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

Current income tax

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

Special levy

Special contribution made by a regulated entity from activities in regulated industries. The base for the levy is the economic result reported for the accounting period. The monthly levy rate was 0.545% for 2020 (2019: 0.545%) from the operating profit, which is broadly similar to profit in the financial statements. The levy will decrease to 0.363% by 2021.

Deferred tax

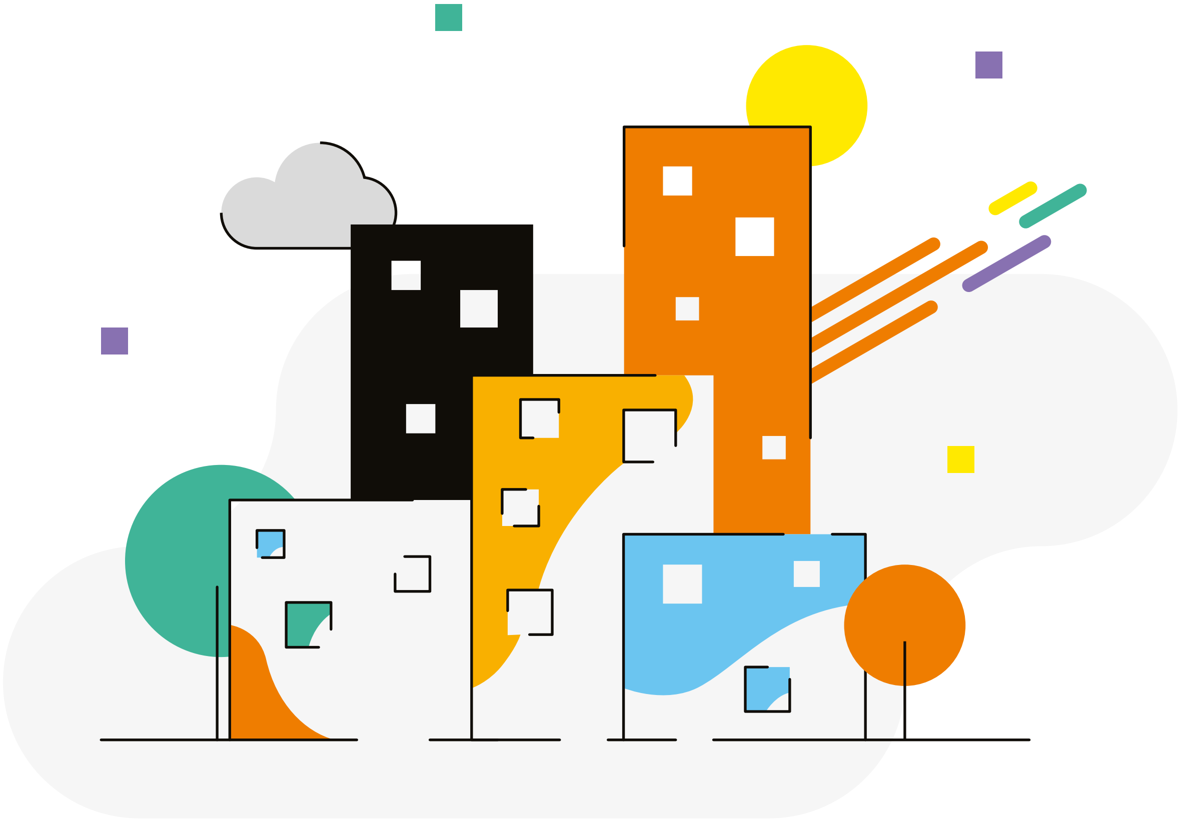
Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

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

s) Employee benefits

Long-term service benefits

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



4) Property, Plant, and Equipment

In thousands of EUR	Land and buildings	Plant and equipment	Motor vehicles	Fixtures and fittings	Under construction	Total
Cost						
As at 1 January 2019	**4,797**	**855,216**	**6,388**	**31,302**	**48,804**	**946,507**
Additions	-	10,047	-	-	89,977	100,024
Disposals	-	(54,054)	(1,453)	(3,640)	-	(59,147)
Transfer	36	92,875	833	1,173	(94,917)	-
As at 31 December 2019	**4,833**	**904,084**	**5,768**	**28,835**	**43,864**	**987,384**
As at 1 January 2020	**4,833**	**904,084**	**5,768**	**28,835**	**43,864**	**987,384**
Additions	-	4,242	-	-	88,438	92,680
Disposals	-	(68,631)	(889)	(154)	-	(69,674)
Transfer	79	94,693	617	1,693	(97,082)	-
As at 31 December 2020	**4,912**	**934,388**	**5,496**	**30,374**	**35,220**	**1,010,390**
Accumulated depreciation						
As at 1 January 2019	**1,896**	**543,230**	**3,813**	**23,960**	**-**	**572,899**
Charge for the year	302	68,000	954	2,534	-	71,790
Disposals	-	(54,013)	(1,415)	(3,635)	-	(59,063)
As at 31 December 2019	**2,198**	**557,217**	**3,352**	**22,859**	**-**	**585,626**
As at 1 January 2020	**2,198**	**557,217**	**3,352**	**22,859**	**-**	**585,626**
Charge for the year	301	67,886	865	2,192	-	71,244
Disposals	-	(68,552)	(872)	(152)	-	(69,576)
As at 31 December 2020	**2,499**	**556,551**	**3,345**	**24,899**	**-**	**587,294**

In thousands of EUR	Land and buildings	Plant and equipment	Motor vehicles	Fixtures and fittings	Under construction	Total
Carrying amount						
As at 1 January 2019	2,901	311,986	2,575	7,342	48,804	373,608
As at 31 December 2019	**2,635**	**346,867**	**2,416**	**5,976**	**43,864**	**401,758**
As at 1 January 2020	2,635	346,867	2,416	5,976	43,864	401,758
As at 31 December 2020	**2,413**	**377,837**	**2,151**	**5,475**	**35,220**	**423,096**

As at 31 December 2020, none of the properties were pledged to secure bank loans.

In 2020, transfers from assets under construction to property, plant, and equipment mainly comprised investments to upgrade the existing network, particularly Mobile RAN (Radio Access Network) and Mobile RAN Infrastructure and increase in IP routers equipment & releases.

During 2020, the Company had a disposal in gross value of EUR 69,674 thousand (book value of EUR 98 thousand) relating mainly to old fully depreciated equipment.

Property and equipment, excluding motor vehicles, is insured to a limit of EUR 761,468 thousand (2019: EUR 783,150 thousand). Each motor vehicle is insured to a limit of EUR 5,000 thousand (2019: EUR 5,000 thousand) for damage on health and expenses related to death and EUR 2,000 thousand (2019: 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 2019	**132,323**	**178,809**	**18,496**	**5,131**	**334,759**
Additions	-	9,000	-	14,143	23,143
Disposals	(29)	-	(275)	-	(304)
Transfer	13,599	-	162	(13,761)	-
As at 31 December 2019	**145,893**	**187,809**	**18,383**	**5,513**	**357,598**
As at 1 January 2020	**145,893**	**187,809**	**18,383**	**5,513**	**357,598**
Additions	-	-	-	50,312	50,312
Disposals	-	-	-	-	-
Transfer	10,875	-	441	(11,316)	-
As at 31 December 2020	**156,768**	**187,809**	**18,824**	**44,509**	**407,910**
Accumulated amortisation					
As at 1 January 2019	**100,099**	**96,278**	**10,391**	**-**	**206,768**
Charge for the year	15,102	10,162	1,366	-	26,630
Disposals	-	-	(275)	-	(275)
As at 31 December 2019	**115,201**	**106,440**	**11,482**	**-**	**233,123**
As at 1 January 2020	**115,201**	**106,440**	**11,482**	**-**	**233,123**
Charge for the year	14,733	11,163	1,367	-	27,263
Disposals	-	-	-	-	-
As at 31 December 2020	**129,934**	**117,603**	**12,849**	**-**	**260,386**

In thousands of EUR	Software	Telecom. licences	Other intangible assets	Under construction	Total
Cost					
As at 1 January 2019	32,224	82,531	8,105	5,131	127,991
As at 31 December 2019	**30,692**	**81,369**	**6,901**	**5,513**	**124,475**
As at 1 January 2020	30,692	81,369	6,901	5,513	124,475
As at 31 December 2020	**26,834**	**70,206**	**5,975**	**44,509**	**147,524**

In 2020, the addition in “Under construction” mainly comprises the purchase of the 5G licence in spectrum of 700 MHz in an amount of EUR 37 million.

6) Lease Agreements

Right-of-use assets

In thousands of EUR	Buildings	Lands for sites	Other	Total
Cost				
As at 1 January 2019	**21,323**	**77,337**	**1,296**	**99,956**
Additions	837	10,337	(1,272)	9,902
As at 31 December 2019	**22,160**	**87,674**	**24**	**109,858**
As at 1 January 2020	**22,160**	**87,674**	**24**	**109,858**
Additions	355	13,298	-	13,653
As at 31 December 2020	**22,515**	**100,972**	**24**	**123,511**
Accumulated amortisation				
As at 1 January 2019	**-**	**-**	**-**	**-**
Charge for the year	2,774	8,045	5	10,824
As at 31 December 2019	**2,774**	**8,045**	**5**	**10,824**
As at 1 January 2020	**2,774**	**8,045**	**5**	**10,824**
Charge for the year	2,811	8,326	3	11,140
As at 31 December 2020	**5,585**	**16,371**	**8**	**21,964**
Carrying amount				
As at 1 January 2019	**21,323**	**77,337**	**1,296**	**99,956**
As at 31 December 2019	**19,386**	**79,629**	**19**	**99,034**
As at 1 January 2020	**19,386**	**79,629**	**19**	**99,034**
As at 31 December 2020	**16,930**	**84,601**	**16**	**101,547**

Lease liabilities

As at 31 December 2020, lease liabilities total EUR 103,282 thousand, including non-current lease liabilities of EUR 91,827 thousands and current lease liabilities of EUR 11,455 thousands.

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

In thousands of EUR	31 December 2020	31 December 2019
Less than one year	11,455	11,269
One to five years	45,197	44,464
More than five years	46,630	44,767
	103,282	**100,500**

Statement of comprehensive income

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

In thousands of EUR	31 December 2020	31 December 2019
Interest of lease liabilities	(811)	(985)
Expenses relating to short-term leases	(35)	(42)
	(846)	**(1,027)**

Statement of cash flow

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

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

In thousands of EUR	31 December 2020	31 December 2019
Total cash outflow for leases	(10,870)	(10,443)
	(10,870)	**(10,443)**

Fair values

Liabilities were initially discounted to the fair value at a discount rate that ranges from 0% to 0.86% p.a. (2019: 0% to 1.06% p.a.). Fair value of liability using the negative discount rate of 0.56% (in 2019: 0.118%) is by EUR 5.0 million (2019: EUR 2.0 million) higher compared to its carrying amount at the balance sheet date.

7) Investments in Subsidiaries

Investments in subsidiaries at a cost of EUR 100 thousand represent an investment in the wholly-owned subsidiary Orange CorpSec, spol. s r.o. (100% ownership/100% of voting rights). The subsidiary was registered in the Commercial Register on 1 February 2005.

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

In September 2017, the Company recognized an investment in Orange Finančné služby, s.r.o. at a cost of EUR 200 thousand (100% ownership /100% of voting rights). As at 31 December 2020, the subsidiary had a limited number of transactions which is immaterial to publish.

The table below summarises the Orange CorpSec's financial information:

In thousands of EUR	Assets	Liabilities	Equity	Revenues	Profit/loss for the period
As at 31 December 2020	522	320	202	1,358	7
As at 31 December 2019	630	234	396	1,207	26

8) Deferred Tax Assets And Liabilities

Movement in the deferred tax account is as follows:

In thousands of EUR	31 December 2020	31 December 2019
At the beginning of period – net deferred tax liability	8,822	10,396
Income statement	2,825	(1,574)
At the end of period – net deferred tax liability	**11,647**	**8,822**

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

	31 December 2020			31 December 2019		
In thousands of EUR	Assets	Liabilities	Net	Assets	Liabilities	Net
Property, plant, and equipment	-	31,271	(31,271)	-	26,971	(26,971)
Rights of use of leased assets	-	25,748	(25,748)	-	25,111	(25,111)
Lease liabilities	26,188	-	26,188	25,208	-	25,208
Inventories	357	-	357	163	-	163
Receivables	1,384	-	1,384	1,595	-	1,595
Accruals	4,868	-	4,868	4,488	-	4,488
Provisions	12,575	-	12,575	11,806	-	11,806
Net deferred tax	**45,372**	**57,019**	**(11,647)**	**43,260**	**52,082**	**(8,822)**

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

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 2020 was 21% (2019: 21%) plus the special levy for the regulated industries of 6.534% of operating profit (2019: 6.534%). The special levy would reduce to 4.356% by 2021. The rate effective from 1 January 2021 is 25.356% and was used in the deferred tax calculation.

9) Inventories

In thousands of EUR	31 December 2020	31 December 2019
Raw materials and consumables	442	439
Merchandise	30,803	19,838
Provision for slow moving merchandise	(1,408)	(591)
	29,837	**19,686**

As at 31 December 2020, no inventories were pledged to secure bank loans.

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

10) Trade and Other Receivables, Net and Non-Current Receivables

Non-current receivables

Non-current receivables mostly represent receivables from sales of handset with payment on instalments that are payable in more than 12 months. The receivables are discounted to the fair value at a discount rate 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.

Other non-current assets

Non-current assets represent in vast majority the advance payments related to upgrade of the existing network and extension of FTTH coverage.

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

In thousands of EUR	31 December 2020	31 December 2019
Not past due	44,379	75,277
Past due	28,179	28,665
Trade and other receivables - gross	72,558	103,942
Provision for impairment	(18,238)	(20,482)
Trade and other receivables - net	54,320	83,460

The Company has entered into the factoring contract with BBVA on transfer of the rights on installment receivables. In September 2020, the Company transferred receivables with the face value of EUR 36 million to BBVA and received EUR 34 million in cash and derecognized this amount from receivables. Under the contract the Company continues to collect the receivables on its own, so the value of sold receivables are decreasing. The Company transfers all collected cash of transferred receivables to BBVA immediately.

Expected credit loss assessment for non-current, trade and other receivables as at 1 January and 31 December 2020

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

The Company uses a provision matrix to calculate expected lifetime credit losses for trade receivable: subscribers, distributors and others. The following table sets total gross book values at default in payment ("Gross") and the ECL in 2020 calculated with provision matrix for trade receivables:

In thousands of EUR	Weighted-average loss rate in 2020	Gross 31 December 2020	ECL 31 December 2020	Weighted-average loss rate in 2019	Gross 31 December 2019	ECL 31 December 2019
Unbilled and not yet due	0.8%	44,379	370	0.5%	75,278	370
Past due 0-30 days	3%	4,598	138	4%	4,876	195
Past due 31-60 days	22%	763	168	27%	638	172
Past due 61-90 days	33%	583	192	39%	441	172
Past due 91-180 days	42%	1,339	562	51%	1,008	514
Past due 181-360 days	53%	2,518	1,335	63%	2,048	1,290
Past due 361 -720 days	57%	3,984	2,271	68%	3,675	2,499
Past due 721 -1,080 days	64%	3,311	2,119	77%	3,081	2,373
Past due 1,081 and more days	100%	11,083	11,083	100%	12,897	12,897
Total		**72,558**	**18,238**		**103,942**	**20,482**

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

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

In 2020, new legislation came into force, which enables the entities to recover VAT from non-collected receivables with specific age category under specific conditions. Such VAT relief is effective from 1 January 2021. The Company decided to reduce the roll rate model rates applied in 2020 for respective receivables (within 3 years overdue) for VAT, as the VAT is expected to be collected from customers or from VAT returns (state budgets).

Movements in the allowance for doubtful debts

In thousands of EUR	31 December 2020	31 December 2019
Impairment allowance to short term receivables		
As at 1 January	**20,482**	**29,305**
Impairment of trade receivables used during the year	(510)	(6,182)
Impairment of trade receivables reversed during the year	(1,734)	(2,641)
As at 31 December	**18,238**	**20,482**
Impairment allowance to non current receivables		
As at 1 January	**66**	**57**
Net creation of provision for impairment Non-current receivables	(18)	9
As at 31 December	**48**	**66**

During 2020, there were no receivables written-off which are still subject to enforcement activity.

11) Contract Net Asset And Liabilities

In thousands of EUR	31 December 2020	31 December 2019
Current net contract assets	**47,072**	**55,092**
Customer contract assets	47,785	55,934
Impairment provision	(713)	(842)
Customer net contract assets	**47,072**	**55,092**
Costs of obtaining a contract	9,499	10,105
Costs of obtaining a contract	**9,499**	**10,105**
Contract liabilities	**21,311**	**22,102**
Anticipated spread of subsidy	262	412
Deffered revenue - Prepaid telephone cards	6,967	7,094
Deffered revenue - Monthly service fees	12,021	12,838
Connection fees	2,061	1,758
Customer contract net liabilities	**21,311**	**22,102**

For a detailed description of Contract assets and liabilities, please see Note 3 (j).

Impairment of contract assets

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

Movements on the provision for impairmentof contract asset are as follows:

In thousands of EUR	2020	2019
As at 1 January	**842**	**1,147**
Net creation of provision for impairment	(129)	(305)
As at 31 December	**713**	**842**

Transaction price allocated to the remaining performance obligations

In the vast majority, contract liability represents the monthly services fees, which will be recorded to revenues in January 2021 and prepaid telephone cards, which will be recorded to revenues broadly during the first half of 2021.

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

The Company applies the practical expedient and does not disclose the amount of the transaction price allocated to the remaining performance obligations and an explanation of when the Company expects to recognise that amount as revenue as at 31 December 2020.

12) Current Financial Assets

The balance of EUR 56,605 thousand (2019: EUR 36,283 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 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 0.398% as at 31 December 2020 (negative rate 0.446% as at 31 December 2019).

13) Cash and Cash Equivalents

In thousands of EUR	31 December 2020	31 December 2019
Cash on hand and cash equivalents	84	118
Bank balances and deposits	4,936	5,326
Cash and cash equivalents in the balance sheet	**5,020**	**5,444**

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 levels held for operational reasons.

14) Equity

Share capital

As at 31 December 2020, the authorised share capital comprised 1,181,755 ordinary shares (2019: 1 181 755), with a nominal value of EUR 33.19 each, 1 ordinary share (2019: 1) with a nominal value of EUR 13.78, and 1 ordinary share (2019: 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 general meetings of the Company.

Reserves

Reserves of EUR 15,260 thousand (2019: EUR 15,260 thousand) relate to the Legal Reserve Fund. The Company is obliged by the Slovak law to create a legal reserve totalling a minimum of 5% of net profit (annually) and up to a maximum of 10% of registered share capital. As the fund's balance has already reached the maximum balance, no further distribution from the Company's profits is required by law. The Legal Reserve Fund is not available for distribution and should be used to cover future losses arising from business activities, if any.

Dividends

As at the preparation date of these financial statements, the Board of Directors made no decision regarding the amount of dividends to be paid from the 2020 profit.

In June 2020, the shareholders approved a dividend payment of EUR 30 million related to undistributed profits from previous years at their annual general meeting. An amount of EUR 15 million was paid in June 2020 and EUR 15 million was paid in December 2020.

15) Loans and Borrowings

On 30 June 2015, the Company entered into 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 credit facility was refinanced in full amount in June 2020.

The final maturity date is 30 June 2024. The Company paid an arrangement fee in June 2020 in the amount of EUR 462 thousand. Interest is paid on quarterly basis and is calculated as EURIBOR plus 0.73% margin. The interest rate was 0.185% as at 31 December 2020 (0.500% as at 31 December 2019).

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

16) Provisions and Non-Current Payables

Provisions

In thousands of EUR	Provision for asset retirement	Other	Total
Balance as at 31 December 2019	**37,504**	**2,312**	**39,816**
Provisions made during the year	4,198	51	4,249
Provisions used during the year	-	-	-
Provisions reversed during the year	-	(243)	(243)
Balance as at 31 December 2020	**41,702**	**2,120**	**43,822**

In thousands of EUR	31 December 2020	31 December 2019
Non-current	43,822	39,816
Current	-	-
	43,822	**39,816**

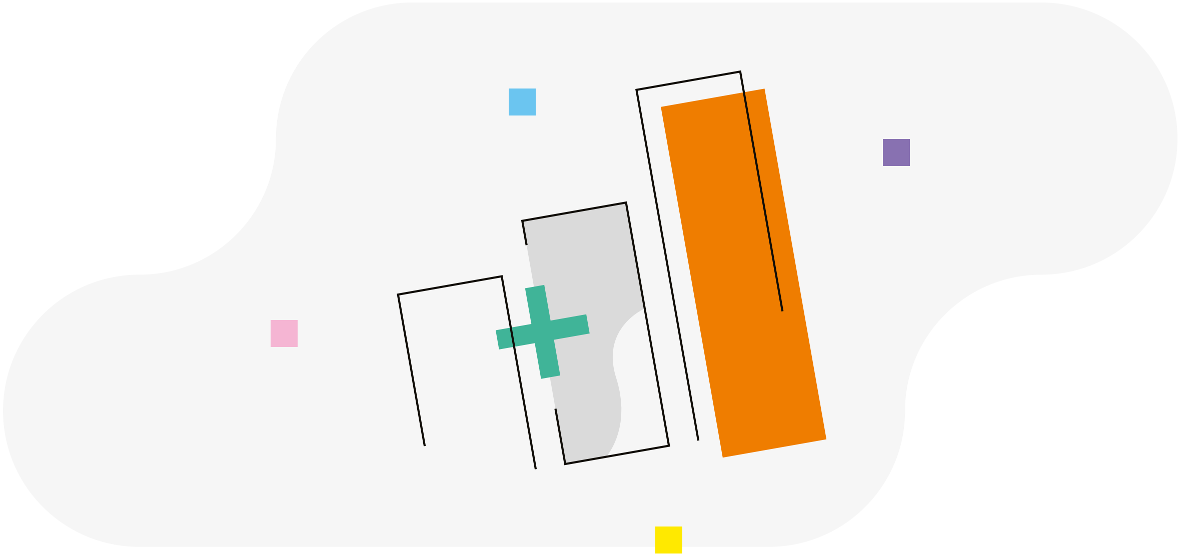
A provision for asset retirement obligation was recorded in the amount of EUR 41,702 thousand (2019: EUR 37,504 thousand), using the following assumptions based on an expert's study: average costs of site demolition of EUR 10,6 thousand, an average site usage of 15 years, negative discount rate of 0.118%, dismantling cost index of 3.00% and number of sites of 2,479 (2019: EUR 10,6 thousand, 15 years, 0.591%, 3.00%, and of 2,479 sites, respectively). The Company records the carrying amount of EUR 25,022 thousand (2019: EUR 22,568 thousand) in the asset side of the balance sheet (Note 4).

Other provisions represent a provision for retirement benefit costs EUR 715 thousand and provision for litigations EUR 1,405 thousand.

Non-current payables

Non-current payables of EUR 10,127 thousand (2019: EUR 11,825 thousand) represent long-term liability resulted from the capitalised unavoidable future spectrum fees payable to the Telecommunication Office. Short-term liability related to spectrum fees is presented within trade payables and other liabilities EUR 2,078 thousand (2019: EUR 2,078 thousand). The amount of EUR 8,816 thousand represent the third part of payment for 5G licence payable in March 2022.

The liabilities were initially discounted to the fair value at a discount rate that ranges from 2.69% to 2.8%. The liability is amortised using the effective interest rate method. Fair value of the liability using the negative discount rate of 0.118% is EUR 1.7 million higher compared to its carrying amount at the balance sheet date.



17) Trade Payables and Other Liabilities

In thousands of EUR	31 December 2020	31 December 2019
Trade payables	37,839	52,084
Accrued liabilities	35,991	31,125
Tax liabilities (VAT)	5,083	6,967
Liabilities to employees	8,872	9,337
Other current liabilities	8,986	139
Total	**96,771**	**99,652**

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

Payables within and after maturity

31 December 2020

In thousands of EUR	Within maturity period	Within 360 days overdue	More than 360 days overdue	Total
Trade payables	36,360	1,374	105	37,839
Accrued liabilities	35,991	-	-	35,991
Tax liabilities (VAT)	5,083	-	-	5,083
Liabilities to employees	8,872	-	-	8,872
Other current liabilities	8,986	-	-	8,986
Total	**95,292**	**1 374**	**105**	**96,771**

The payables in the category “Within 360 days overdue” were paid during January 2020. The amount of EUR 8,816 thousand in “Other current liabilities” represent the second part of payment for 5G licence payable in June 2021.

31 December 2019

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

Liabilities to employees include social fund liabilities:

In thousands of EUR	2020	2019
As at 1 January	**41**	**88**
Additions	409	348
Utilisation	423	395
As at 31 December	**27**	**41**

18) Revenues

Revenues are broken down by product line as follows:

In thousands of EUR	2020	2019
Convergence services	40,481	25,147
Mobile services only	297,473	315,136
Fixed services only	27,383	26,622
IT & integration services	11,684	10,208
Wholesale	37,072	43,619
Equipment sales	117,085	124,312
Other revenues	9,738	11,001
Total revenue	**540,916**	**556,045**

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

19) External Purchases

External purchases are presented in the table below:

In thousands of EUR	2020	2019
Cost of equipment sold	101,742	108,366
Purchased goods and services	79,679	82,144
Service fees and interoperator costs	75,281	81,377
Costs associated with non-current assets	2,504	2,109
Other	19,651	19,224
Total external purchases	**278,857**	**293,220**

20) Other Operating Expenses/(Income), Net

External purchases are presented in the table below:

In thousands of EUR	2020	2019
Brand royalty and management fees	12,962	14,114
FX differences net	(112)	149
Other operating expenses	2,531	2,453
Total other operating expenses	**15,381**	**16,716**

Other operating income is presented in the table below:

In thousands of EUR	2020	2019
Property fees	1,193	1,125
Late payment interest on trade receivables	452	943
Gain on disposal of property, plant and equipment	769	800
Other operating income	8,912	8,649
Total other operating income	**11,326**	**11,517**

21) Wages and Contributions

In thousands of EUR	2020	2019
Wages and salaries	25,977	25,395
Bonuses and untaken holiday payroll provision	6,275	6,241
Social contribution	13,904	13,756
Other	2,686	4,982
Total wages and contributions	**48,842**	**50,374**

22) Income Tax

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

In thousands of EUR	2020	2019
Income tax payable from operating activities	20,317	24,640
Deferred income tax from operating activities	2,825	(1,574)
Total income tax	**23,142**	**23,066**

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

In thousands of EUR	2020	%	2019	%
Profit before tax	94,644	-	95,964	-
Income tax at the rate of 21% (2019: 21%)	19,875	21.0%	20,152	21.0%
Income tax in respect of prior year	(3,288)	-3.5%	(901)	-0.9%
Special levy 6.54% (2019: 6.54%) for regulated businesses	4,169	4.4%	4,850	5.1%
Impact of adjusting items: permanent differences and other differences	2,386	2.5%	(1,035)	-1.1%
Total income tax	**23,142**	**24.5%**	**23,066**	**24.0%**

23) 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 unpredictability of financial markets and economic environment and seeks to minimise potential adverse effects on its financial performance.

Capital risk management

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

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

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

The Company monitors capital on basis of 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 2020 and 2019 were as follows:

In thousands of EUR	2020	2019
Cash and cash equivalents	(5,020)	(5,444)
Loan	210,000	210,000
Financial (assets)/liabilities	(56,605)	(36,283)
Net debt	148,375	168,273
Equity	401,986	360,406
Gearing ratio (Net debt to equity)	37%	47%

Main categories of financial instruments:

In thousands of EUR	Note	2020	2019
Financial assets			
Cash and cash equivalents	13	5,020	5,444
Trade and other receivables	10	54,320	83,460
Current financial assets	12	56,605	36,283
Financial liabilities			
Loan	15	210,000	210,000
Trade payables and other liabilities	16	96,771	99,652
Lease liabilities		103,282	100,500

Financial risk management

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

Foreign exchange risk

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

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

	Liabilities		Assets	
In thousands of EUR	2020	2019	2020	2019
Currency USD	818	1,852	295	732

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 cash optimisation and centralisation under the best financial conditions for most of the affiliated companies (see Note 12). Such instruments are not exposed to the risk of interest rate fluctuation. Owing to the character of financial liabilities/assets, the Company does not assume any risk relating to interest rate movements.

Management has entered into loan contracts which are exposed to floating interest rates in the normal course of business. Management policy is to enter in variable interest rates borrowing 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) by 100 basis points, considering all other factors remain unchanged, would cause a decrease or an increase of profitability by EUR 1,534 thousand (2019: EUR 1,737 thousand).

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

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

Fair values versus carrying amounts

The fair value of trade and other receivables, cash and cash equivalents, trade and other payables loans and interest bearing borrowings with variable interest rate is approximated by their carrying amounts as at 31 December 2020 as well as at 31 December 2019. The fair values of non current payables are disclosed in the Note 16) and lease liabilities in the Note 6).

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 15) 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.

The Company held cash and cash equivalents of EUR 5,020 thousand as at 31 December (2019: EUR 5,444 thousand). The cash and cash equivalents are held with bank and financial institution counterparties, which are rated AA- to AA+, based on Standard & Poor's ratings.

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

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 12).

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.

Management plan to negotiate the extension of Final maturity of intercompany loan and it is expected the extension will be agreed based on historical experience.

2020

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	16	-	-	-	-	8,434	1,693	10,127
Non-interest bearing liabilities	17	-	25,833	64,436	1,558	-	-	91,827
Lease liability and interest	6	-	984	1,968	8,846	46,371	47,840	106,009
Loan	15	-	-	-	-	210,000	-	210,000
Interest and commitment fee from long term loan	15	0.185%	-	97	291	971	-	1,955
Total			**26,817**	**66,501**	**10,695**	**265,776**	**49,533**	**419,918**

2019

In thousands of EUR	Note	Year end effective interest rate	Less than 1 month	1-3 months	3 months to 1 year	1-5 years	5+ years	Total
Non-current payables	16	-	-	-	-	8,969	2,855	11,824
Non-interest bearing liabilities	17	-	45,727	47,225	-	-	-	92,952
Lease liability and interest	6	-	950	1,901	8,550	45,003	48,513	104,917
Loan	15	-	-	-	210,000	-	-	210,000
Interest and commitment fee from long term loan	15	0.500%	-	305	596	930	-	2,427
Total			**46,677**	**49,431**	**219,146**	**54,902**	**51,368**	**422,120**

The following tables detail the Company's expected maturity for its non-derivative financial assets. The tables have been drawn up based on undiscounted contractual maturities of financial assets including interest that will be earned on those assets. 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.

2020

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	Total
Non-current receivables	10	-	-	-	-	10,478	10,478
Non-interest bearing receivables	10	-	41,650	3,041	9,629	-	54,320
Cash and cash equivalents	13	0.0%	5,020	-	-	-	5,020
Variable interest rate	12	-0.398%	56,605	-	-	-	56,605
Total			**103,275**	**3,041**	**9,629**	**10,478**	**126,423**

2019

In thousands of EUR	Note	Year end effective interest rate	Less than 1 month	1-3 months	3 months to 1 year	1-5 years	Total
Non-current receivables	10	-	-	-	-	9,482	9,482
Non-interest bearing receivables	10	-	54,263	6,423	22,774	-	83,460
Cash and cash equivalents	13	0.02%	5,444	-	-	-	5,444
Variable interest rate	12	-0.446%	36,283				36,283
Total			**95,990**	**6,423**	**22,774**	**9,482**	**134,669**

24) Related Party Transactions

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

In thousands of EUR	31 December 2020	31 December 2019
Liabilities - non current		
Atlas Service Belgium (parent company)	210,000	0
Liabilities - current and unbilled supplies		
Atlas Service Belgium (parent company)	0	209,759
Orange Brand Services (fellow subsidiary)	2,232	2,472
Orange SA (ultimate control.party)	4,047	1,742
Orange Polska (fellow subsidiary)	1,727	1,374
Orange Romania (fellow subsidiary)	24	567
Orange CorpSec (subsidiary)	159	240
Other	124	93
	8,313	**6,488**
Dividends paid		
Atlas Service Belgium (parent company)	(30,000)	(50,000)

In thousands of EUR	2020	2019
Purchases		
Orange SA (ultimate control party)	7,848	10,539
Orange Brand Services (fellow subsidiary)	7,476	8,520
Orange Polska (fellow subsidiary)	3,782	3,891
Atlas Service Belgium (mother company)	971	1,305
Orange CorpSec (subsidiary)	1,354	1,203
Orange Romania (fellow subsidiary)	355	444
Orange Global International Mobility (fellow subsidiary)	892	934
Other	92	94
	22,770	**26,930**

In thousands of EUR	31 December 2020	31 December 2019
Trade accounts receivable - current		
Orange SA (ultimate control party)	363	266
Orange SA - cash pool account	56,605	36,283
Orange Polska (fellow subsidiary)	596	319
Orange Romania (fellow subsidiary)	130	179
Atlas Service Belgium (parent company)	404	71
Other	153	192
	58,251	**37,310**

In thousands of EUR	2020	2019
Sales		
Orange Polska (fellow subsidiary)	4,661	4,033
Equant (fellow subsidiary)	2,488	2,383
Orange SA (ultimate control.party)	2,706	2,534
Orange Romania (fellow subsidiary)	796	438
Orange Espagna (fellow subsidiary)	96	175
Orange Belgium (ex Mobistar) (fellow subsidiary)	30	266
Medi Telecom (fellow subsidiary)	792	600
Other	273	994
Dividends paid	**11,842**	**11,423**

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.
- Shared products – mobile and other telecom services with other group companies.

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

25) Information on Income and Emoluments of Members of the Statutory Bodies, Supervisory Bodies, and Other Bodies of the Accounting Entity

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	2020	2019
Purchases		
Board of directors	-	-
Supervisory body	-	-
Executive management board	2,162	1,782
Total	**2,162**	**1,782**

26) Commitments and Contingencies

Litigation

The Company is not involved in any legal proceedings outside of normal course of business except for litigations for which provision was created (see Notes 16, 27). Management does not believe that the resolution of the Company's legal proceedings will have a material adverse effect on its financial position, result of the operations, or cash flows.

Commitments

The Company has CAPEX commitments in a total amount of EUR 44,453 thousand (2019: EUR 54,328 thousand). The main consists of investment in 2G/3G network in the amount of EUR 15,644 thousand (2019: EUR 12,767 thousand), investments in 4G network assets in the amount of EUR 13,749 thousand (2019: EUR 20,630 thousand) and the other less material investments in long-life assets.

The Company also has OPEX commitments in the total amount of EUR 34,222 thousand (2019: EUR 40,834 thousand) mainly related to the purchase of handsets in amount of EUR 9,719 thousand (2019: EUR 9,278 thousand) and network maintenance in amount of EUR 3,561 thousand (2019: EUR 3,900 thousand).

Legal commitments

The Company has not given any guarantees to third parties in 2020 (2019: 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, Key Judgements, and Key Sources of Estimate Uncertainty

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.

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 (c) and (d), 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 2020 would have increased/decreased the property plant and equipment amounts as shown below:

	31 December 2020		31 December 2019	
In thousands of EUR	Increase	Decrease	Increase	Decrease
Estimated useful life in years +/-10%	6,477	(7,916)	6,526	(7,977)

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

Estimated asset retirement obligation

The Company is obligated to dismantle technical equipment and restore technical sites when it terminates its operation. The provision is based on dismantling costs (on a per-site basis) incurred by the Company to meet its environmental commitments over the asset dismantling and site restorations planning. The provision is assessed on the basis of 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 100 bps and a change in dismantling costs by 10% against initial assumption as at 31 December 2020 would have increased/decreased the Estimated ARO by the amounts shown below:

	31 December 2020		31 December 2019	
In thousands of EUR	Increase	Decrease	Increase	Decrease
Discount rate +/- 100 bps	5,788	6,794	5,172	6,063
Dismantling costs +/- 10%	4,170	(4,170)	3,750	(3,750)
Length +/- 1 year	1,302	(1,262)	898	(877)

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

Estimated enforceable period

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

Sensitivity of enforceable period

A change in enforceable period by 1 month against initial assumption as at 31 December 2020 would have increased/decreased the contract asset with direct impact to equity amount as shown below:

	31 December 2020		31 December 2019	
In thousands of EUR	Increase	Decrease	Increase	Decrease
Enforceable period +/- 1month	3,248	(5,237)	4,099	(5,900)

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

Sensitivity of lease term and discount rate for lease liability

A change in discount rate by 100 bps and a change in lease term by 1 year against initial assumption as at 31 December 2020 would have increased/decreased the lease liability by amounts shown below:

	31 December 2020		31 December 2019	
In thousands of EUR	Increase	Decrease	Increase	Decrease
Discount rate +/- 100 bps	(8,543)	9,485	(8,497)	9,433
Length +/- 1 year	9,909	(10,072)	9,350	(9,534)

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

28) Subsequent Events

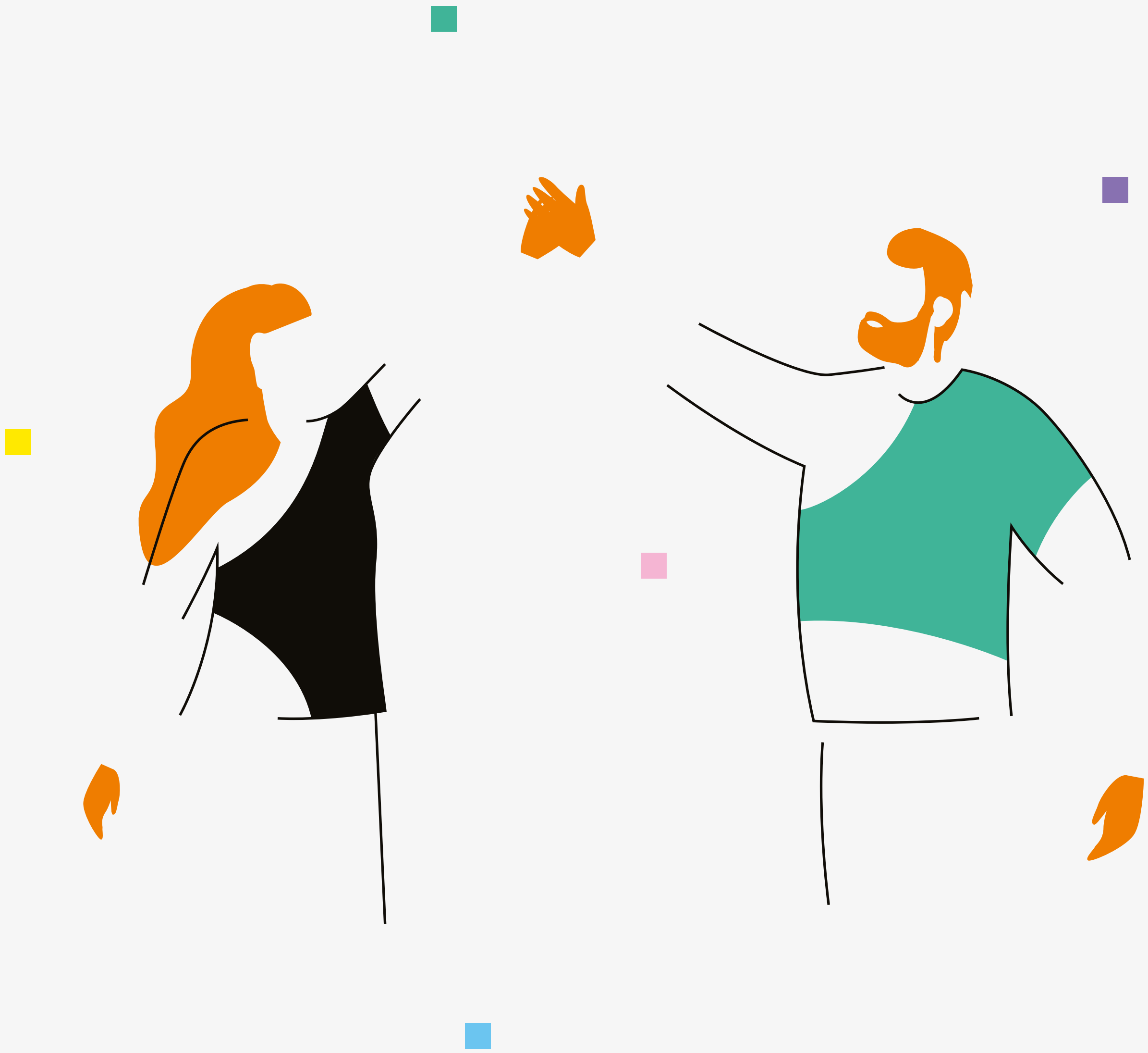
No other events with a material impact on the true and fair presentation of facts as presented in these financial statements occurred after 31 December 2020 up to the preparation date of these financial statements.

28) Authorisation Of Financial Statements

The financial statements were authorised for issue by the Company´s management on 30 April 2021.

Federico Colom Artola
Chief Executive Officer

Eve Bourdeau
Chief Financial Officer



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