

A 3D rendering of the year '2017' in large, white, blocky digits with a light wood-grain texture on the inner surfaces. The digits are set against a blue gradient background. In the upper left, there are gold and blue streamers and confetti. Small blue bubbles are visible near the top of the '7'.

2017

Annual Report
O₂ Slovakia, s.r.o.

10 rokov O₂

1. O ₂ Czech Republic, a.s.	3	6. Portfolio	20
2. O ₂ Slovakia, s.r.o.	5	O ₂ Paušál, O ₂ Voľnosť, O ₂ Fér, O ₂ Dáta	21
Fairness, Simplicity and Transparency	6	O ₂ Internet na doma, O ₂ TV	22
Partner Solutions	7	7. Social Responsibility	23
3. Company Management	8	Fair Foundation O ₂	25
4. CEO Address	12	8. Sponsoring	26
5. Calendar of Significant Events of 2017	15	9. Independent Auditor's Report and Individual Financial Statements Compiled under International Financial Reporting Standards in version adopted by EU as at 31 December 2017	28

O₂ Czech Republic, a.s.





The O₂ Czech Republic Group consists of O₂ Czech Republic a.s. (O₂ CZ) and several other subsidiaries. The ownership rights of O₂ CZ in the subsidiaries are exercised by the company's Board of Directors. O₂ CZ is the largest provider of telecommunication services in the Czech market. Currently, it provides services by means of nearly eight million mobile and fixed lines, which makes

it one of the leading providers of fully convergent services in Europe. O₂ CZ offers its mobile customers in Czech Republic the latest technologies such as HSPA+ and LTE. The O₂ brand does not mean for customers only telecommunications. O₂ is able to satisfy even the most demanding requirements of customers also in the area of ICT and offer them services of housing, hosting

and cloud services in its data centres with a total area of 7,300 square meters. These data centres were the only ones in the Czech Republic and Central Europe to obtain the TIER III level certification. The O₂ TV service makes O₂ simultaneously the largest operator of online TV broadcasting in the Czech Republic.

O₂ Slovakia, s.r.o.





O₂ came to the market in February 2007 as the third operator. From the beginning of its operation, it has been bringing revolutionary solutions, open communication and fairness for all customers alike. With its simple product portfolio it has been systematically trying to change the rules of mobile communication. The values of

fairness, simplicity and transparency are the values, which according to the operator should even transcend business and therefore it is trying to promote them also across the whole society. It counts among the most popular employers engaging itself through its Fair Foundation also in the area of corporate social responsibility. It regularly

wins the Operator of the Year award in an independent customer opinion poll. O₂ is QMS quality certified according to the ISO 9001 standard, which guarantees a high level of quality of services including their constant improvement. It also holds the ISO 27001 certificate aimed at information security management.

Tesco Mobile is a partner product of TESCO STORES SR, a.s. and O2 Slovakia, s.r.o. The sale is performed in the Tesco's sales network and the reliability of services provided is ensured by the use of the O2 Slovakia network. Tesco Mobile was introduced to the telecommunication market in December 2009 and since then it has followed its successful operation in the United Kingdom of Great Britain and Northern Ireland and in Ireland. Currently, it operates also in the Czech Republic. In Slovakia, Tesco Mobile is primarily concentrated on provision of prepaid services.



TESCO
mobile

Company Management





Peter Gažík
Chief Executive Officer
of O₂ Slovakia

He has held the position of the Chief Executive Officer of O₂ Slovakia since 1 June 2015. During the period 2011 – 2014, he was engaged in O₂ in the position of a Public Affairs Director and then he cooperated with O₂ as a consultant in the field of regulatory affairs, being responsible for relations with partner, state institutions and the regulator. In this period, he was simultaneously dedicated to start ups and support of innovative projects in Neulogy as a Business Development and Innovations Director. Peter Gažík studied linguistics and political science at the Comenius University in Bratislava as well as at the London School of Economics.



Martin Klímek
Chief Financial Officer

Martin Klímek has acted as the Chief Financial Officer since 1 May 2012. Previously, he held the position of the Planning and Controlling Director in Telefónica Czech Republic. He joined Telefónica CZ (Eurotel Prague at that time) in as early as 2002 gradually holding the positions of a Financial Reporting Manager and Director of Controlling for Residential Segment. Before, he worked for 4 years in PriceWaterhouseCoopers in Prague where Eurotel Prague was precisely one of his accounts.



Radek Štěřba
Sales and Customer Service
Director (until 30/10/2017)

Radek Štěřba has extensive experience in sales and customer care directly in the telecommunication business. He joined O₂ Slovakia from the Czech Republic where he had worked in T-Mobile as the Vice-President of Sales to Residential Customers responsible for all sales channels including brand stores, franchises, dealers, distributors, retail networks as well as telesales. His expertise features implementing corporate sales strategy, introducing new non-traditional products and, naturally, sales team management.



Igor Tóth
Marketing Director

Igor Tóth has rich experience in the area of marketing and he has been working with O₂ already since 2008. Previously, he held in O₂ the position of the Head of Commercial Marketing Department being responsible for managing marketing activities in the segment of residential as well as business customers. Before this position, his area of responsibility included marketing acquisitions, loyalty, retention and marketing survey. In 2011, he took an internship as a customer experience analyst at the Head Office of Telefónica Europe in London. Before joining O₂, he was engaged in the field of marketing survey in T-Mobile. Igor Tóth also acts an external lecturer at the Faculty of Management of the Comenius University. He became the Marketing Director on 1 July 2015.



Ján Vanovčan
Information Systems
Director

Ján studied software engineering specialized in artificial intelligence. After holding various IT positions in healthcare, insurance industry and SW development for telecommunication operators, since 2000 he held the consulting architect post in Logica. As a consultant, he worked on projects for Slovak telecommunication operators but also in Hungary, Czech Republic and UK. He joined O₂ Slovakia in 2007 as Integration and Architecture Manager to be later promoted to the position of the Head of this department. Ján designed and manage several projects in O₂ Slovakia in the area of CRM, integration of systems and electronic channels.



Mária Rapanová
Human Resources
Director

Mária Rapanová started her professional career as a Human Resources Manager in a private IT company, holding the same position later also in Komerční banka Bratislava. In the next period, she worked as a manager for T-Mobile (originally Eurotel) and Slovak Telekom. Here, since 2005 she managed the Training and Development Department and was responsible for training and development of more than 6,000 employees of the company. She joined O₂ Slovakia in November 2008 and was in charge of training and development. Since 2010, she managed the Human Resources Operative Services Department and represented O₂ in several important Human Resources projects of the European Group of Telefónica, such as creation of the Joint Services Department for employees in Ireland. She has held the position of the Human Resources Director since 1 June 2013.



Dávid Durbák
Legal Affairs
Director

Dávid Durbák graduated from the Faculty of Law of the Comenius University in Bratislava in 2001. He started his professional career in Slovak Telekom, a. s., at the Department for Regulatory Affairs where he spent 4 years being responsible for providing legal support to the company in proceedings with state authorities, mainly representing the company in several proceedings before the Antimonopoly Office of the Slovak Republic. In the same position, he was also in charge of evaluation of the company's new product development.



Tomáš Masár
Business Strategy and
Development Director

Tomáš Masár studied at the Faculty of Management of the Comenius University in Bratislava and investment banking at the Paris Assas II University in Paris. His career started with Citibank London, later Citibank Private Bank in Geneva and ČSOB in Prague. Since 2006, he has worked in the telecommunication business, first in Eurotel CZ and later in Telefónica O₂ CZ where he was dedicated to business development as well as to the project of establishment of the third mobile operator in Slovakia. He stayed in Slovakia to manage the Project Office and strategic projects in O₂ Slovakia. From 2008, he was in charge of marketing product department, roaming and inter-operator relations (interconnect). Since 1 July 2012, he has been responsible for the strategic development of our company and search for new business opportunities.



Juraj Eliáš
Networks Director

Juraj Eliáš joined O₂ from O₂ Business Services, where he held the position of the Technical Director. In 1988, he completed his studies at the Electrotechnical Faculty of the Slovak Technical University in Bratislava. He started his career in telecommunications in the Telecommunications Research Institute in Banská Bystrica, gaining further experience in the field of IT in Agrobanka Prague, Isternet, which was later bought by Euroweb. Since 2002, he was engaged in Nextra and following the acquisition by GTS Slovakia he acted as the Technical Director. His priority is to build a robust, reliable and simultaneously safe network, which will ensure quality converged mobile and fixed services for the needs of O₂ and O₂ Business Services, i.e. all customers starting with households, including smaller business and ending with corporations and state administration.

2017 Supervisory Board Members

O₂ Slovakia, s.r.o. | Annual Report 2017

The Supervisory Board consists of three members and its role is to, besides other activities, oversee the activities of executive officers, inspect the accounting books and submit at least once a year a report of its activities to the General Assembly.



Martin Štefunktó

Chairman of the Supervisory Board of O₂ Slovakia, s.r.o.
Chairman of the Supervisory Board of O₂ Czech Republic, a.s.

Martin Štefunktó holds the Ph.D. degree in economic theory and history of economic thinking from the University of Economy in Bratislava, where he also took his Master's study in finance, banking and investments. He took his other studies at the Austrian University of Johann Kepler (banking and finance) and in the Mises Institute University Auburn in USA (economic theory). Since 2001, Martin Štefunktó worked in Penta Investments and since 2004 in the position of the Investments Director responsible for management of investment projects. In this position, he managed an entire series of significant acquisitions and

business projects of the Penta Group in the area of retail, healthcare, energy sector and engineering. Since 2009, he acted as a top management member in the PPF Group, he held the position of the Investment Director. He was a Supervisory Board member of PPF Group N.V., Board member of PPF, a.s., the main consulting company of the PPF Group and also Chairman of the Supervisory Board of the PPF Bank. He served as the Chairman of the Supervisory Board of O₂ Slovakia until 31 December 2017.



Tomáš Budník

Chief Executive Officer of O₂ Czech Republic, acting Head of IT & Demand Management Division

Tomáš Budník graduated from the Faculty of Engineering at the College of Mining at the Technical University of Ostrava. He has been working in the telecommunication industry for more than 20 years – he worked with the companies INEC, Czech Telecom and GTS, where he held various managerial positions in the area of sales, marketing, customer care and regulatory affairs. In GTS he was in charge of planning, construction, development and operation of the telecommunication network and provision of services to customers. Subsequently, in the position of the CEO he participated in the restructuring of MobilKom, which operated the U:fon network. In 2011, he joined the PPF Group, where he first held the position of an IT Director in Eldorado and in 2013 he headed the project of the fourth mobile operator. Since June 2014, he has been the Chief Executive Officer of O₂ Czech Republic and simultaneously the acting Head of IT & Demand Management Division. He served as a member of the Supervisory Board of O₂ Slovakia until 31 December 2017.



Radek Štěřba

Sales and Customer Service Director
(until 30/10/2017)

Radek Štěřba has extensive experience in sales and customer care directly in the telecommunication business. He joined O₂ Slovakia from Czech Republic where he had worked in T-Mobile as the Vice-President of Sales to Residential Customers responsible for all sales channels including brand stores, franchises, dealers, distributors, retail networks as well as telesales. His expertise features implementing corporate sales strategy, introducing new non-traditional products and, naturally, managing the sales team. He served as a member of the Supervisory Board of O₂ Slovakia until 30 October 2017.



Jan Bechyně

Member of Supervisory Board of O₂ Slovakia

Jan has been dedicated to finance throughout his entire life. After graduating from the College of Economy, he held several positions starting with the financial manager in Unilever and ending with the Head of Financial Controlling in O₂ Czech Republic. In the companies O₂ IT Services, O₂ Family and O₂ TV he acts as a representative of the parent company O₂ Czech Republic and performs the function of the Executive Officer. He has served as a member of the Supervisory Board of O₂ Slovakia since 1 November 2017.

CEO Address





Peter Gažík
Chief Executive Officer of O2 Slovakia

Dear friends,

the year 2017 was exceptional for our company not only because of our 10th anniversary but also from the perspective of many activities which translated into growing indicators of our economic development. The last year's biggest challenge consisted in a demanding implementation of the roaming regulatory framework, which allows people on a short-term stay in EU countries to communicate under identical conditions as at home, i.e. without any roaming surcharges. An even harder test we were put to was our own ambition to attain operator leadership in the area of networks. We managed to achieve this

already in autumn when we announced more than 90 % coverage of Slovakia's population, which made us market's number one player in 4G signal coverage.

Growth Reflected also in Figures

In 2017, our company increased its year-on-year revenues by 7.3 % to nearly EUR 270 mil., while the largest growth was seen in revenues from data operations, namely by almost 27 %. Besides financial indicators, we also increased our operating indicators recording a year-on-year growth in the number of customers by 2.3 % to as many as 1.937 million. The most consid-

erable growth was achieved in the number of post-paid customers, who represent the majority (59 %) of all our customers. The average monthly revenue per user (ARPU) of post-paid customers reached last year EUR 12.9 and of pre-paid customers EUR 5.5.

Year Marked by Tenth Anniversary

Also last year we maintained our long-term leading position in customer experience confirmed by our ninth consecutive win in the independent opinion poll "TECHBOX of the Year 2017", in which readers vote also in the category of the best operator

in Slovakia. On the occasion of the 10th anniversary of our presence in the Slovak telecommunication market, we brought an exceptional campaign entitled Good Data from O₂, in which we engaged 10 ambassadors with 10 messages who were calling on everyone to contribute with their share to making Slovakia better. Also last year, we commemorated the message and values of 17 November. For one day, we created a virtual iron curtain emphasizing that freedom was not commonplace. The campaign was accompanied by many activities and also several personalities from the social life in Slovakia joined it.

Priority in Building Own Network Infrastructure

Although in early April we launched the operation of a wireless Internet connection designed for households and companies via the LTE TDD technology, the most significant milestone from the perspective of network building was autumn, when we became number one in 4G coverage. In late September we announced 90.6 % coverage of population by 4G signal. Simultaneously, we started cooperation with another partner in using the national roaming in the 2G network.



Customer-centred Products

Along with the celebration of our 10th anniversary, already at the beginning of 2017 we introduced our customers to our proposition of innovative large capacity data post-paid plans entitled O₂ Data. The benefit is that the customer can use also voice services along with this plan at a price based on actual consumption. Already in the summer, we also introduced our new prepaid card named O₂ Voľnosť (Freedom) enabling to call all networks at a unified price of 10 cents for the entire call. The most important change, also from the market's perspective, was the introduction

of an enhanced offer of calling plans and services respecting the new regulatory framework of the European Union. The change involves cancellation of surcharges for customers located in roaming in EU countries and also in Norway, Lichtenstein and Iceland. In the EU countries, the customers may automatically use calls, SMS messages and Internet package as at home. At the beginning of the summer, we also launched the commercial operation of digital television O₂ TV. Customers can select from three packages of fixed O₂ TV, but O₂ TV in the Mobile remains on the offer as well.

In early September, we again whirled up the product waterfront by reducing the price of unlimited calls by as much as one third. The overhauled Silver O₂ Paušál offers not only unlimited SMS messages, but also unlimited calls for EUR 20. The plan contains also a data package up to the volume of 1 GB per month.

We Are Here Mainly for People

In 2017, we did not rest on our laurels even in the accompanying activities we support. Already at the beginning of last year, we became the main partner of the Matej Tóth Sports Academy and supported

establishment of academies in 24 primary grammar schools across Slovakia. In autumn, our Fair Foundation selected the winning projects of the grant call, in which we supported as many as 16 projects with the amount of EUR 127 thous. aspiring to improve the conditions of education system, development of critical thinking or inspiring the young people to innovative thinking and acting. And towards the year-end, we managed to support the educational project Generácia 3.0 of Pontis Foundation, while the amount of support was determined by our customers. This was made possible by the geolocation

activity "Good Network (Dobrá sieť)", in which our customers located themselves 14,144 times in villages across Slovakia in our 4G network and for each such location we sent 50 cents to the project. The year 2017 was truly rich in events. However, already now we know that we will not slow down even in 2018 and throughout the entire year we will keep bringing innovations in order to facilitate the lives of our customers.

Calendar of Significant Events of 2017





January

In January 2017, O₂ became the eighth consecutive **winner of the independent opinion poll “NAY TECHBOX of the Year”**, in which, besides other categories, the readers vote also for the best operator in Slovakia. O₂ defended its primacy with one-fourth of all votes. O₂ confirmed its leading position even for 2017 and defended its 9th win already. At the beginning of the year, O₂ became the main **partner of Matej Tóth Sports Academy** and supported establishment of academies in the first grammar schools across Slovakia. Ambition of the Matej Tóth Sports Academy is to



offer a new year-round activity for the youngest children using a well-designed methodology and a unique training plan based on innovative methods in physiotherapy, developmental kinesiology and children's psychology.

February

On 2 February, O₂ celebrated 10 years of its presence in the Slovak telecommunication market. On this occasion, it introduced an **offer of data plans** targeting the data-oriented customers. The new O₂ Data plans in three price alternatives bring customers a volume of data ranging from



4 GB to 20 GB with a unified price of calls and SMS messages.

March

On the occasion of its 10th anniversary of presence in the Slovak telecommunication market, O₂ brought all people in Slovakia an exceptional campaign entitled **Good Data from O₂**. By means of 10 ambassadors and their 10 messages it called on all to join the campaign and contribute with their share to making Slovakia better.



April

O₂ together with the courier company Slovak Parcel Service/InTime launched the operation of the system of manual electronic **biometric signing of agreements** delivered to customers all the way to their homes. Supplier of the technology is a

successful startup Axepto that O₂ had cooperation with already in the past. With this step, the operator increased the comfort of its customers and simultaneously became a full-fledged "paperless" company.

May

Over the period of ten weeks, O₂ by means of its ambassadors was calling on everyone to join the Good Data campaign and contribute with their share to making Slovakia better. The campaign exceeded the threshold of 29 thousand challenges taken on and the operator handed out 19 thousand GB of data.

June

The Fair Foundation announced a grant program for support of projects in education, employment rate increase and innovation of young people in the amount of EUR 100 thous..

From mid June, after nine years O₂ brought a new prepaid card named O₂ Voľnosť (Freedom). For 10 cents per call, customers with O₂ Voľnosť can call all networks. For SMS they will pay 5 cents and they also get a 1GB data package at EUR 5.

In mid June, the operator also introduced an enhanced offer of calling plans and services respecting the new regulation of the European Union. In the EU countries, the customers may automatically use calls, SMS



messages and the Internet package as at home. The change involved cancellation of surcharges for customers located in roaming in the European Union countries and also in

Norway, Lichtenstein and Iceland.

In June, O₂ also started the commercial operation of the digital television O₂ TV. The customers can choose from three packages of fixed O₂ TV, but O₂ TV in the Mobile remains on the offer as well. In the commercial operation, the customers have access to as many as 72 TV stations.

O₂ was the first operator and simultaneously vendor to bring the enhanced legendary Nokia 3310 to Slovakia. Starting from 16 June, the handset was available in the operator's shops and e-shop in three colour versions.

The immortality of the original legend is confirmed by the fact that in June the O₂ network still counted more than 2 thousand of them.



The O₂ operator decided to expand its offer of Extra Benefits targeting this time the support of tourism. Places such as Chata pri Zelenom Plese (Cottage at Green Mountain Lake), Skok Waterfall, Chopok or Chata pod

Rysmi (Cottage Under Rysy Mountain) could bring not only sports and relax in the nature, but thanks to the competition people could also win interesting prizes every day. At the beginning of the summer holiday season and more frequent trips abroad, the O₂ operator introduced a new service represented by O₂ Cestovná poisťka (Travel Insurance). This intelligent travel insurance is automatically switched on once the telephone enters roaming and when arriving back home it will again switch off. Activation of the service is free of charge and it costs EUR 2/day per person and EUR 3/day per family. The insurance is valid around the world.

August

O₂ increased the volume of data in the Internet na doma (Home Internet) service packages designed for households and businesses. Within the service, from 21



August the operator's customers may use an unlimited volume of data in all packages of O₂ Internet na doma.

September

Starting from 1 September, O₂ brought a fundamental change of its product Silver O₂ Paušál. In its new version at a revolutionary price of EUR 20 per month only, it offers unlimited calls. The plan includes also unlimited SMS and a data package up to 1 GB per month.

A significant increase of its coverage in the past two years made O₂ boast the widest network. The 4G LTE signal of the operator towards the end of September was available already to more than 90 % of population and the 2G network, thanks to expansion of the national roaming by a new partner, reached as much as 99.8 % coverage.





October

The Fair Foundation selected winning projects of the Grant Call for 2017. As many as 16 projects aspiring to improve the conditions in education, development of critical thinking or inspiring the young people to innovative thinking and acting received nearly EUR 127 thous..

ted shops in Slovakia. The first customers could buy it already from 8:00 a.m. in the 64 as well as 256 GB version at the best operator price.

Good Network and contributed to a good cause, namely the Generácia 3.0 project by Pontis Foundation aimed at modern education of young people and support of innovative teachers.

appeared and warned about crossing the border. The visitors could, of course, choose the option to "freely continue" or to get more information about 17 November 1989. The campaign was joined also by several personalities from the social life in Slovakia.

and Internet na deň (Daily Internet) service.

This derived from the new conditions of the EU regulatory framework according to which the price of the wholesale fee for data and as a result also of the surcharge decreased from EUR 0.00924/MB to EUR 0.0072/MB. The customers of the Internet na deň service have a new possibility to use daily as much as 150 MB of data in the EU countries.

November

For the purposes of sale of the new iPhone X, O₂ extended its opening hours in 6 selec-

Since autumn 2017, it has covered already more than 90 % of the population. As many as 11,709 customers joined the

Again after a year, O₂ ran a campaign to commemorate the values of 17 November with several activities. For one day, it created a virtual iron curtain emphasizing that freedom was not commonplace. On this day, when loading international websites an message recalling the iron curtain

O₂ informed about increasing the volume of data usable in the EU countries without any surcharges within the O₂ Dáta plan

Portfolio





O₂ Paušál

O₂ Paušál is a non-committed plan combining telephone, free volume of data, free SMS and prepaid minutes to all networks in Slovakia and in the entire EU. With O₂ Paušál, the customers will get the long-term highest handset bonuses in the market. That is the reason why it is ideal for all customers wanting to purchase a telephone at a more convenient price and simultaneously use the services of O₂ without getting committed. The offer includes four alternatives of O₂ Paušál: Blue, Silver, Gold and Platinum. Moreover, customers of the highest O₂ Paušál alternative can share the benefit

of unlimited calls with up to other 4 customers with an activated O₂ Paušál.



O₂ Vol'nosť (Freedom)

With the O₂ Vol'nosť prepaid card, the customers do not need to count the minutes and may call as much as they want. Each call to all networks costs only 10 cents, so their call might as well last even an hour. For SMS, they will pay 5 cents and they also have access to a data package for EUR 5 in the volume of 1 GB of data.

O₂ Fér

O₂ Fér is a revolutionary product that brought the "no commitment" principle to the market and equal prices of calls and SMS messages to all networks and at all times. All this without any regular fees or

catches in small print. With O₂ Fér, it does not matter whether customers pay for services by means of an invoice or they recharge their credit. In both cases, they use the plan enjoying the same benefits being able to additionally activate or deactivate various packages of services at more convenient prices according to their needs. They adjust the O₂ Fér offer at any time according to what they will use and how long they decide to use it.

O₂ Data

The offer of O₂ Data plans represents a unique data plan for customers with a large data and lower SMS and voice consumption. The plans are built on significantly higher volumes

of data from 4 GB up to 20 GB included in the plan price, whereas the price of calls and SMS is driven by the actual consumption of customers. Data plans bring also a bonus for purchase of devices and if a customer decides not to use his/her bonus he/she gets an extra package of data on top depending on the plan selected. Naturally, in case a customer uses up the data, there is a possibility to increase the package.





O₂ Internet na doma

O₂ Internet na doma is a wireless Internet connection designed for households and companies. It involves the use of LTE TDD technology on the frequency range of 3.5 GHz and 3.7 GHz. O₂ Internet na doma brings a high transmission speed, stable connection without outages or impact of the weather and an easy free-of-charge installation. In three alternatives Blue, Silver and Gold Home Internet, priced from EUR 15 to EUR 30, the product offers unlimited browsing at the speed ranging from 15 Mbps to 128 Mbps. Once of the volume

of data transmitted within the month reaches 500 GB the maximum transmission speed falls to 2 Mbps for download and 1 Mbps for upload and the customer does not pay any additional fees for further data.



O₂ TV

The digital television O₂ TV gives the customers a possibility to enjoy more than 70 TV channels. The O₂ TV service is available for four devices and different TV channels may be watched on several devices at the same time. Customers may use the comfort of the digital television with the recording and stop function, or the option to watch live broadcasting or re-playing shows during up to seven days after its broadcasting. The packages of home O₂ TV including a set-top-box that customers can choose from are

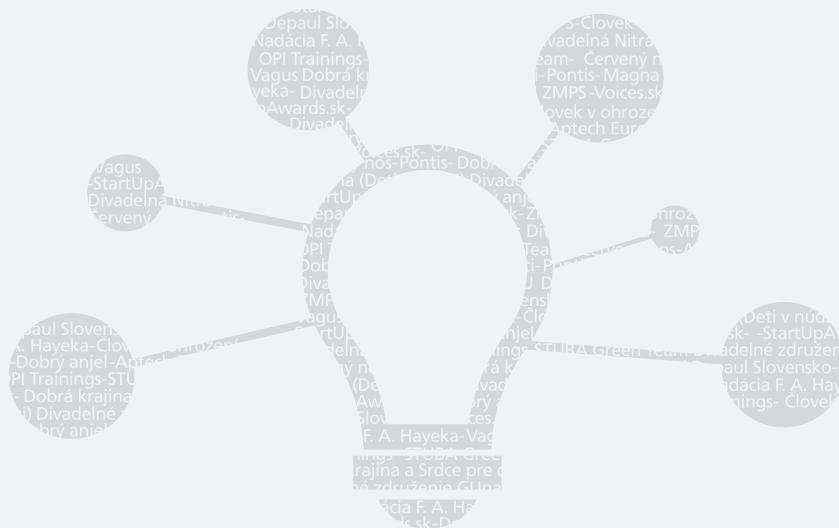
the following: Blue, Silver and Gold O₂ TV priced from EUR 15 per month. For watching television on their handsets, the customers may activate O₂ TV v mobile (Mobile O₂ TV) with over 30 TV channels at

the price of EUR 5 per month. For using O₂ TV customers need to activate O₂ Internet na doma (O₂ Home Internet) and to get O₂ TV v mobile (Mobile O₂ TV) they need to have any invoiced plan from O₂.



— Social Responsibility





O₂ counts among those companies that have the courage to voice their opinion also in society-wide topics not directly related with business. It perceives corporate responsibility as its integral part without hesitating to step up for the values of fairness and transparency and promote them also outside of the realm of its business. Precisely these values represent the key pillars of the company that are encoded in its corporate culture and the company builds on them also in its social responsibility strategy.

- Last year O₂ became the partner of Biela vrana (White Crow), which honours the bold and brave individuals, who promoted a positive change in their surroundings. Also this is the way O₂ supports fairness and heroism in everyday life.
- On the occasion of the company's 10th anniversary, O₂ decided to contribute to the change of Slovakia for the better by good deeds. Over the period of 10 weeks, it was gradually announcing 10 challenges including e.g. cooking a healthy meal, going to theatre or fighting prejudices and

hoaxes. The deeds were rewarded with free data. We engaged also personalities such as Matej Tóth, Tomi Kid Kovács, Janica Lacová from Jem iné (Eating Differently), publisher Koloman Kertész Bagala and others.

- **"17 November – Freedom is not Commonplace"**: a unique project for education and forming of critical thinking of the public, however mainly of the young generation that does not already know what the life before 1989 was like. O₂ decided to remind these young people

about the fact that values of freedom and democracy must be valued because they are not automatic, and it was all done in a creative form. On this day, O₂ customers when loading international websites were displayed a message simulating the iron curtain and alerting them about crossing the "border". The customer could, of course, choose the option to continue or to find out more about the November events. Also customers travelling abroad received an SMS message alerting them that before 1989 a voluntary crossing

of the border was a criminal offense. O₂ managed to engage also influencers, e.g. Sajfa, Ján Gordulič or the youtuber Selassie. For the first time, the operator used also external channels such as online banners in international sections of the news portals, traffic service of Fun Radio, audio and video spot on international bus lines.

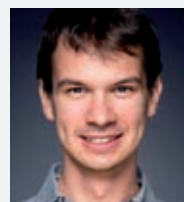
- O₂ stepped up to publicly support the Olympic winner Matej Tóth, when he was unjustly accused of doping.

The O₂ Fair Foundation was established in 2014 to support projects aspiring to change Slovakia for the better and make it more educated, innovative and open. It supports projects in the following areas:

- Support of human rights and values of freedom, democracy, humanity, fairness, transparency and development of critical thinking
- Educating young people and forming their critical thinking

- Support of young people's employment
- Support of innovations, creative ideas and young entrepreneurs

O₂ Fair Foundation was established in 2014 and last year it supported **as many as 16 projects with the amount of nearly EUR 127,000**, including Sokratov inštitút (Socrates Institute), Noc výskumníkov (Explorers' Night), Startup Awards, Študentskú podnikateľskú cenu (Student Business Award) or Praxuj (Take Practice) portal.



Michal Meško
Board member



Juraj Vaculík
Board member



Peter Gažík
Chairman of the Board
of Trustees

Sponsoring





Powered by



O₂ Supports the Running

We want to be the oxygen needed every day for an active life. Therefore we support activities bringing a breath of fresh air that have true fans. Whether sports events or CSR activities, we like projects full of excitement and joy of life, events organized by exceptional people thrilled about a good cause.

Partnership in Running Races

In 2017, O₂ was a partner of selected prestigious running events regularly organized in Slovakia. Besides a standard partnership, O₂ tried to bring also technical gadgets in order to make the events even more attractive. The National Run Devín Bratislava (Národný beh Devín Bratislava) was more memorable thanks to O₂ because the race track could be watched

on a large-sized screen in the finish not only by the present spectators but also by the people who were watching the live broadcast through YouTube. Also in the season of 2017 the runners could enjoy several O₂ Moon Runs with the most popular one held in Bratislava. For one of our longest relay runs, "Od Tatier k Dunaju" (From Tatras to Danube), as a technical partner O₂ prepared a responsive run and enabled the runners to follow their time and progress on the track via their mobiles. Top of the season was, without any doubt, the O₂ Banskobystrický maratón (O₂ Banská Bystrica Marathon) which attracted over a thousand of runners also despite unfavourable weather conditions. On this event, O₂ simultaneously announced the results of the competition for the Mateja Tóth Sports

Academy powered by O₂, which was run on the www.dobrybeh.o2.sk platform from March to August 2017. The symbolic prize was handed over to the winners from Banská Bystrica region directly at the event together with Matej Tóth. More than 2,500 active runners participated in the project and together they ran over 626 thous. kilometres.

Matej Tóth Sports Academy

The Olympic winner and world champion Matej Tóth started with O₂ as the main partner the national children's project Matej Tóth Sports Academy. This cooperation brought to as many as 24 schools from across Slovakia a grant for the sports program by Matej Tóth and his professional team. The ambition of Matej Tóth Sports Academy is to offer a new year-round activity for the

youngest children with a well-designed methodology and a unique training program. A team of coaches and experts headed by the personal coach of Matej Tóth - Matej Spišiak and the physiotherapist Denis Freudenfeld prepared methodology and a set of exercises encouraging performance growth, but mainly addressing the quality of movement, child's healthy development and the overall joy of movement. The Academy's training program is based in innovative methods in which the creators of the program joined the latest knowledge about sports training of children and the knowledge from physiotherapy, developmental kinesiology and children's psychology. The grant was run via the dobrybeh.o2.sk platform, where from March to the end of August 2017 anyone from Slovakia could join to run a voluntary distance for a good

cause, namely establishment of the Matej Tóth Sports Academy powered by O₂ for their district or school. A total of 79 schools competed for the Sports Academy and each district was represented by one primary grammar school.

Roadshow: "My Story Can Be Your Story"

The roadshow is designed for secondary grammar schools and its aim is to motivate students by means of strong ambassadors (boxer Tomi KID, dancer Laci Strike, rapper Strapo) not to be afraid to walk their own path. At 16 schools across Slovakia, each of the ambassadors presented his own strong story about how they did not let that prejudices or obstacles in life would put them down and instead kept walking their own path.

Independent Auditor's Report
and Individual Financial
Statements Compiled under
International Financial Reporting
Standards in version adopted by
EU as at 31 December 2017





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Translation of the Auditors' Report originally prepared in Slovak language

Independent Auditors' Report

To the Owner and Directors of O₂ Slovakia, s.r.o.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of O₂ Slovakia, s.r.o. („the Company“), which comprise the statement of financial position as at 31 December 2017, statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2017, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis for Opinion

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

Responsibilities of Statutory Body for the Financial Statements

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 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, 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 statutory body either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

Obchodný register Ošesavsko
sídlo Bratislava, oddiel Sro,
vložka 5.4864/9
Commercial register of District
court Bratislava, section Sro,
file No. 4864/9

IČO/Registration number:
21 348 528
Evidenčné číslo licencie
audítora 96
Licence number
of statutory auditor 96



Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by statutory body.
- Conclude on the appropriateness of statutory body's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Report on Other Legal and Regulatory Requirements

Reporting on Information in the Annual Report

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



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

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

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

- the information given in the Annual Report for the year 2017 is consistent with the financial statements prepared for the same financial year; and
- the Annual Report contains information according to the Act on Accounting.

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

29 January 2018
Bratislava, Slovak Republic

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



Responsible auditor:
Ľuboš Vančo
License SKAU No. 745

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2017

in thousands of EUR	Note	31 December 2017	,31 December 2016
ASSETS			
Non-current assets			
Property, plant and equipment (net)	8	117 366	92 802
Non-current intangible assets (net)	9	58 593	61 938
Investment in subsidiaries	6	6 934	3 034
Investment in joint venture	6	3	3
Long-term receivables		16 508	1 506
Deferred tax asset	10	5 496	7 425
TOTAL NON-CURRENT ASSETS		204 900	166 708
Current assets			
Inventories	11	7 631	4 013
Trade receivables and other financial receivables	13	57 284	25 761
Loans provided	14	500	2 900
Income tax		-	1 456
Cash and cash equivalents		9 109	19 167
Prepaid expenses		1 810	1 719
TOTAL CURRENT ASSETS		76 334	55 016
TOTAL ASSETS		281 234	221 724
EQUITY			
Share capital		103 203	103 203
Legal reserve fund and other funds		10 320	9 287
Retained earnings		47 186	41 705
TOTAL EQUITY	15	160 709	154 195
LIABILITIES			
Non-current liabilities			
Other non-current liabilities	16	2 316	1 961
TOTAL NON-CURRENT LIABILITIES		2 316	1 961
Current liabilities			
Trade payables and other financial liabilities	17	83 428	58 968
Current income tax liability		3 428	130
Loans received	14	25 000	-
Deferred revenues	18	6 353	6 470
TOTAL CURRENT LIABILITIES		118 209	65 568
TOTAL LIABILITIES		120 525	67 529
TOTAL EQUITY AND LIABILITIES		281 234	221 724

The notes on pages 34 to 72 are an integral part of these financial statements

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2017

in thousands of EUR	Note	31 December 2017	31 December 2016
REVENUES	19	269 653	251 279
PPE capitalized		2 563	1 543
Costs of goods sold and services provided	20	(151 661)	(143 811)
Depreciation and amortization	8,9	(27 552)	(27 085)
Personnel costs	21	(21 991)	(19 685)
Other expenses	22	(7 003)	(5 760)
OPERATING PROFIT		64 009	56 482
Financial costs	23	(1 044)	(461)
Financial income	23	705	205
Financial costs (net)		(339)	(256)
PROFIT BEFORE TAX		63 670	56 226
Income tax expense	24	(16 484)	(14 521)
PROFIT AFTER TAX		47 186	41 705
Other comprehensive income for the period		-	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		47 186	41 705

The notes on pages 34 to 72 are an integral part of these financial statements

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2017

in thousands of EUR	Share capital	Legal reserve fund and other funds	Retained earnings from previous periods	Total equity
BALANCE AS AT 1 JANUARY 2016	103 203	7 122	43 308	153 634
Contribution to legal reserve fund	-	2 165	(2 165)	-
Dividends	-	-	(41 143)	(41 143)
Total comprehensive income for the period	-	-	41 705	41 705
BALANCE AS AT 31 DECEMBER 2016	103 203	9 287	41 705	154 195
Contribution to legal reserve fund	-	1 033	(1 033)	-
Dividends	-	-	(40 672)	(40 672)
Total comprehensive income for the period	-	-	47 186	47 186
BALANCE AS AT 31 DECEMBER 2017	103 203	10 320	47 186	160 709

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2017

in thousands of EUR	31 December 2017	31 December 2016
Profit/loss from ordinary activities before income tax	63 670	56 226
Cash flows from operating activities		
Depreciation of property, plant and equipment and amortization of intangible assets	27 552	27 094
Change in value adjustment to receivables and write-off of receivables	2 623	1 688
Change in accruals and deferrals	(207)	499
Interest expense	357	48
Gain/loss on sale of non-current assets	13	9
Effect of changes in working capital		
Change in receivables from operations	(47 217)	(5 059)
Change in payables from operations	20 196	6 185
Change in inventories	(3 619)	527
Interest paid	(357)	(48)
Income tax paid and levy on business in regulated industries	(9 801)	(19 774)
NET CASH FLOWS FROM OPERATING ACTIVITIES	53 210	67 396
Cash flows from investing activities		
Acquisition of property, plant and equipment	(39 379)	(25 492)
Acquisition of non-current intangible assets	(6 719)	(5 593)
Proceeds from sale of property, plant and equipment	2	57
Short-term loans provided to subsidiary	-	(2 900)
Repayment of short-term loans from the parent company	2 400	22 000
NET CASH FLOWS USED IN INVESTING ACTIVITIES	(43 696)	(11 928)
Cash flows from financing activities		
Dividends paid	(40 672)	(41 143)
Acquisition of non-current financial assets	(3 900)	-
Loans received	25 000	-
NET CASH FLOWS USED IN FINANCING ACTIVITIES	(19 572)	(41 143)
NET INCREASE OF CASH AND CASH EQUIVALENTS	(10 058)	14 325
Cash and cash equivalents at the beginning of the accounting period	19 167	4 842
Cash and cash equivalents at the end of the accounting period	9 109	19 167

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

1. GENERAL INFORMATION ABOUT THE COMPANY

REPORTING ENTITY

O2 Slovakia, s.r.o. ("the Company") is a limited liability company established on 18 November 2002. The Company was incorporated into the Commercial Register of the District Court Bratislava, Section s.r.o., file 27882/B on 12 December 2002. The Company's registered office is in Bratislava, Einsteinova 24, Slovak Republic, registration number 35848863, tax registration number 2020216748.

The Company is part of O2 Czech Republic group ("the Group"). The parent company is O2 Czech Republic a.s., Za Brumlovkou 266/2, 140 22 Prague 4 – Michle, the Czech Republic.

The majority shareholder of the parent company in 2017 were companies within PPF Group controlled by Mr. Petr Kellner.

The Company belongs to the leading telecommunication operators in the Slovak market providing phone, data and multimedia services via a public mobile phone network.

The Company is entitled to conduct its business under the brand name O2 for a period of four years till 27 January 2022.

The Company is incorporated in the partnership program of the Telefónica Group which enables the partner telecommunication operators to draw economic benefits from the extent of the Telefónica Group and to co-operate in key business areas.

NUMBER OF EMPLOYEES

The number of employees employed by the Company in 2017 amounted in average to 637, in 2016 it was 604 employees.

The number of employees as at 31 December 2017 was 660, thereof 8 managers (as at 31 December 2016 it was 614, thereof 9 managers).

INFORMATION ON UNLIMITED LIABILITY

The Company is not a partner with unlimited liability in other entities according to Article 56 (5) of the Commercial Code.

LEGAL REASON FOR THE PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements have been prepared as ordinary financial statements in accordance with Article 17 (6) and Article 17a (2) of the Act No. 431/2002

Coll. on Accounting as amended for the accounting period from 1 January 2017 to 31 December 2017.

DATE OF APPROVAL OF THE FINANCIAL STATEMENTS FOR ISSUE

These financial statements have been prepared as at 31 December 2017 and for the year then ended and were prepared and authorized for issue by the Company's statutory representatives on 29 January 2018.

These financial statements can be amended until their approval by the general meeting

DATE OF APPROVAL OF THE FINANCIAL STATEMENTS FOR THE PRECEDING ACCOUNTING PERIOD

The financial statements of the Company as at 31 December 2016, i.e., for the preceding accounting period, were approved by the Annual General Meeting on 22 March 2017.

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

THE COMPANY'S BODIES

EXECUTIVE OFFICERS

Ing. Martin Klímek (from 2 May 2012)

Mgr. Dávid Durbák ((from 4 June 2014)

Mgr. Peter Gažík (from 1 June 2015)

SUPERVISORY BOARD

Martin Štefunko (from 1 February 2014 till 31 December 2017)

Tomáš Budník (from 18 June 2014 till 31 December 2017)

Ján Bechyně (from 1 November 2017)

Radek Štěrba, MBA (from 1 June 2015 till 31 October 2017)

SHAREHOLDER STRUCTURE

Structure is as follows:

	As at 31 December 2017 (in thousands of EUR)	Share and voting rights (%)	As at 31 December 2016 (in thousands of EUR)	Share and voting rights (%)
O2 Czech Republic a.s.	103 203	100	103 203	100
Total	103 203	100	103 203	100

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

INFORMATION ABOUT THE ULTIMATE PARENT

The Company is part of O2 Czech Republic group ("the Group"). The parent company is O2 Czech Republic a.s., Za Brumlovkou 266/2, 140 22 Prague 4 – Michle, the Czech Republic.

The majority share (84.06%; from 9 February 2017: 81.06%) of voting rights in parent company in 2017 are held by Mr. Petr Kellner, through companies within PPF Group that is controlled by Mr. Petr Kellner. The PPF Group in 2017 consisted namely of following companies:

- PPF A3 B.V.
- PPF Telco B.V. (successor entity of PPF Arena 2 B.V., all shares of O2 Czech Republic a.s. originally owned by PPF Arena 2 B.V. were transferred to it as part of the demerger)

- PPF Arena 1 B.V. (on 10 January 2017 the shares of O2 Czech Republic a.s. owned by PPF Arena 1 B.V. were transferred to PPF Telco B.V.)

The consolidated financial statements are prepared by O2 Czech Republic a.s. The consolidated financial statements are available at the registered office of the parent company and at the City court in Prague, the Czech Republic.

The companies mentioned above belong into PPF Group N.V. The consolidated financial statements of PPF Group N.V. are available at the registered office of the company, at Strawinskylaan 933, 1077 XX Amsterdam, the Netherlands.

2. STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS/EU).

3. BASIS OF PREPARATION

The financial statements were prepared using the going concern assumption that the Company will continue its operations for the foreseeable future.

i. Basis of measurement

The financial statements have been prepared on the historical cost basis.

ii. Functional and presentation currency

The Company's functional currency is euro. The financial statements are presented in the euro and all amounts are presented in thousands of euro, unless otherwise indicated.

iii. Use of estimates and judgments

The preparation of the financial statements in conformity with IFRS/EU requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and 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 the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized 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. In connection with future activities the Company makes estimates and assumptions. Actual results may differ from those estimated. Information about estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are discussed in the following section:

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

The estimated provision for disposal of the facilities – Assets retirement obligation (ARO)

The company is obliged to remove the base stations and their technical equipment, if they put an end to their use. Provision for removal was determined based on the cost of the removal (for single base), which the company will have to make to meet its commitments to environmental protection in the context of removing the base and putting them in their original condition. The provision is determined on the basis of current costs, which are extrapolated into future years using the best available estimate of dealing with this obligation. The liability is discounted at the risk-free

interest rate. This estimate is reviewed annually and the provision is adjusted accordingly, while the value of assets is also adjusted. The Company estimates the useful life of their stations ranges from 44 to 88 years. The provision for disposal of the facilities (ARO) was recognized in the amount of EUR 1,921 thousand.

Analýza citlivosti rezervy na likvidáciu zariadení (ARO)

Change in the discount rate by 1 percentage point and change in the costs for removing the base by 10% compared to the original estimates used as at 31 December 2017 would increase or decrease the provision for the dismantling

of the facilities (ARO) in the following amounts. Sensitivity analysis has been estimated based on year-end balances and the actual results of these estimates may vary in the future.

The Company expects that the total costs of dismantling the facilities and putting leased sites to their original condition will be at the end of their useful life in the total amount of EUR 17,548 thousand in future prices.

Future events and their impact cannot be determined with a certainty. Similarly, accounting estimates require review and estimates used for preparation of

the financial statements are adjusted when new circumstances arise, or new information and experience is available, or when the business environment in which the Company operates changes. Actual results may differ from those estimated.

4. SIGNIFICANT ACCOUNTING POLICIES

a) Foreign currency

Transactions in foreign currencies are translated to the functional currency (euro) at the foreign exchange rate of the European Central Bank ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies

at the end of reporting period are translated to euro at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Foreign exchange differences arising on translation are recognized in profit or loss.

in thousands of EUR	31. December 2017	
	Increase	Decrease
Discount rate +/- 1 p.p.	(794)	1 479
Dismantling costs +/- 10%	196	(196)

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

b) Non-current intangible assets

i. Recognition and measurement

Intangible assets acquired by the Company have a finite useful life and are measured at cost less accumulated amortization and any accumulated impairment losses (see accounting policy f)). Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed intangible assets includes cost of materials, direct labor and production overheads.

ii. Subsequent expenditure

Subsequent expenditure is capitalized only when it, increases the future economic

benefits embodied in the specific intangible asset to which it relates. All other expenditures, including expenditure on internally generated goodwill and brands, are recognized in profit or loss when incurred.

iii. Amortization

Amortization is calculated from the acquisition cost of the asset.

Amortization is charged to profit or loss on a straight-line basis over the estimated useful lives of each part of intangible assets.

The estimated useful life, amortization

method and amortization rate are set out for individual groups of non-current

intangible assets, as provided in the table below. Where the use of non-current intangible assets is determined by a contract (eg. brand) or by an official decision (license), useful life shall be determined according to the validity of the contract or official decision. Amortization methods and useful lives, as well as residual values, are reassessed at the reporting date and adjusted if appropriate.

c) Property, plant and equipment

i. Recognition and measurement

Items of property, plant and equipment are initially measured at cost less accumulated

depreciation (see below) and accumulated impairment losses (see accounting policy f)). Cost includes expenditure that is directly attributable to the acquisition of the asset and also the initial estimate of costs related to future dismantle of telecommunication transmitters and bringing of rented locations into original conditions after the end of useful life. The cost of self-constructed assets includes the cost of materials, direct labor and any other costs directly attributable to bringing the assets to a working condition for their intended use.

Where parts of an item of property, plant and equipment have different useful lives,

they are accounted for as separate items of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognized net in profit or loss.

The estimated useful life, amortization method and amortization rate are set out for individual groups of non-current intangible assets, as provided in the table below:

	Estimated useful life in years	Annual rate of amortization in %	Amortization method
Software	2 to 7	14,3 to 50	straight-line
Brand	4	25	straight-line
Other valuable rights	2 to 19	5,3 to 50	straight-line
Other intangible assets	4	25	straight-line

Methods used for write-off, usability period and residual values are reviewed as at the date of financial statements' compilation, and if necessary, they are adjusted.

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

ii. Subsequent expenditure

The Company recognizes in the carrying amount of an item of property or plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied within the item will flow to the Company and its cost can be measured reliably. Expenditure on repairs or maintenance of property and equipment incurred to restore or maintain future economic benefits expected from the assets is recognized as an expense when incurred.

iii. Depreciation

Depreciation is charged to profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land and assets under construction are not depreciated. Depreciation methods and useful lives, as well as residual values, are reassessed at the reporting date and adjusted if appropriate. In the event of a temporary diminution in the value in use of a non-current tangible asset, an impairment provision equal to the

difference between its value in use and net book value is recognized.

iv. Impairment review

Factors considered important, as part of an impairment review, include the following:

- technological advancements;
- significant underperformance relative to expected historical or projected future operating results;
- significant changes in the manner of the Company's use of the acquired assets or the strategy for the Company's overall business;

- obsolescence of products.

When the Company determines that the carrying value of non-current assets may not be recoverable based upon the existence of one or more of the above indicators of impairment, any impairment is measured based on the Company's estimates of projected net discounted cash flows expected to result from that asset, including eventual disposition. The estimated impairment could prove insufficient if the analysis overestimated the cash flows or conditions change in the

future. For further details refer to note f) Impairment.

The estimated useful life, depreciation method and depreciation rate are set out for individual groups of property, plant and equipment as follows:

	Estimated useful life in years	Annual rate of depreciation in %	Depreciation method
Buildings	10 to 55	2 to 10	straight-line
Technology and office equipment	2 to 20	5 to 50	straight-line
Other property, plant and equipment	2 to 10	10 to 50	straight-line

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

d) Leases	incentives received are recognized as an integral part of the total lease expense, over the term of the lease.	flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset.	and receivables, available-for-sale financial assets, cash and cash equivalents. The classification depends on the purpose for which the financial asset was acquired, whether it is quoted in a public market and/or on the intentions of the Company's management. From the above mentioned categories the Company only has loans, receivables and cash and cash equivalents in the reported periods.	receivables is adjusted to their recoverable value using allowances through profit or loss if there is objective evidence that the Company is not able to collect the total outstanding amount. The amount of the allowance is the difference between the carrying amount and the recoverable amount, expressed as the current value of future cash flows, discounted at the interest rate available to comparable debtors. Cash flows relating to short-term receivables are usually not discounted.
i. Assets leased (the Company as Lessee)	iii. Assets leased (the Company as Lessor)	Non-derivative financial liabilities are initially recognized at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortized costs using the effective interest method.	LOANS AND RECEIVABLES	
Assets held by the Company under leases which transfer to the Company substantially all of the risks and rewards of ownership are classified as finance lease. On initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. Assets held under other leases are classified as operating leases and are not recognized in the Company's statement of financial position.	Leases in which the Company does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases.	The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire.	Loans and receivables represent non-derivative financial assets with fixed or determinable payment dates, not quoted in an active market. These are classified in current assets except for when their maturity is later than 12 months from the reporting date.	
ii. Lease payments	i. Non-derivative financial assets and liabilities – recognition and derecognition	ii. Non-derivative financial assets – measurement	Loans and receivables are measured at amortized cost. The valuation of doubtful	
Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease. Lease	The Company derecognizes a financial asset when contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash	The Company classifies financial assets into the following categories: financial assets at fair value through profit or loss, loans		

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise valuables, cash on hand and in bank, where the risk of a change in value is low and maturity is three months or less. Cash is measured at nominal value.

iii. Non-derivative financial liabilities – measurement

The Company classifies its financial liabilities according to contractual relations bound to them and depending on the purpose which the Company's management concluded a contract with. The Company only has loans, trade payables and other financial liabilities in the reported periods.

The Company's management determines the classification at initial recognition and reassesses it at each reporting date. The initial measurement is at fair value less transaction costs directly attributable to acquisition of a specific financial liability and subsequently stated at amortized

carrying amount determined using the effective interest rate method. Profit or loss resulting from financial liabilities is recognized in the statement of profit or loss. Financial liabilities are classified as short-term if the Company does not have an unconditional right to settle the liability in more than 12 months after the reporting date.

LOANS

Interest-bearing loans are recognized initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing loans are stated at amortized cost with any difference between cost and redemption value being recognized in profit or loss over the period of the loan on an effective interest rate basis.

TRADE AND OTHER PAYABLES

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

f) Impairment

FINANCIAL ASSETS

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognized in profit or loss and reflected in an allowance account against receivables.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortized cost, the reversal is recognized in profit or loss.

NON-FINANCIAL ASSETS

The carrying amounts of the Company's non-financial assets, including property, plant and equipment (see accounting policy c) iv), intangible assets (see accounting

policy c) iv), inventories (see accounting policy g)) and deferred tax assets (see accounting policy m)) 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. Impairment losses are recognized in profit or loss. 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 to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

The recoverable amount of an asset or cash-generating unit is the greater of its 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.

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.

g) Inventories

Inventories are measured at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Acquisition cost includes the purchase price and related costs (transport costs, customs duty, commissions, etc.). Any discounts and rebates received decrease the cost of inventories.

Slow moving and obsolete inventories are written down for any impairment of value. The amount of any write-down of inventories to net realizable value and all losses of inventories are recognized as an expense in the period the write down or loss occurred.

The cost of inventory is based on the weighted average principle.

h) Prepaid expenses and accrued income

Prepaid expenses and accrued income are presented in accordance with the matching principle in terms of substance and time.

The Company recognizes the accrual accounts in accordance with the principle of expenses and revenues in the period to which they belong in terms of substance and time, these are the anticipation and transition accrual items.

Prepaid expenses comprise mainly performance ordered from the Company's suppliers and providers and these relate to future periods in terms of substance and

time. Upon delivery of a service these will be recognized in cost of services provided or cost of goods.

i) Accrued expenses and deferred income

Accrued expenses and deferred income are presented in accordance with the matching principle in terms of substance and time. Deferred income includes mainly customer's credit for prepaid services.

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

j) Provisions

A provision is recognized in the statement of financial position when the Company has a present legal or constructive obligation as a result of a past event that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. 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 recognizes provision for decommissioning of transmitter stations, provision for untaken holiday and provision for litigations.

k) Revenues

Revenues from own services and goods are stated net of Value Added Tax, discounts and deductions (rebates, bonuses, early

payment discounts, credit notes etc.).

Revenues are recognized at the date of delivery of goods or provision of services.

They are measured at fair value of the consideration received or receivable if this amount can be estimated reliably.

Revenues from services are recognized in the accounting period when rendered in proportion to the stage of completion of the service. The stage of completion is assessed by reference to proportion of services rendered to the overall extent of agreed services.

Depending on the tariff, customers may use a defined extent of telecommunication services during the billing period. The unused extent of services is not transferred to the following periods.

In assessing whether revenues should be recognized gross (i.e. with separate disclosure of costs) or on a net basis, the Company considers the following

indicators of gross reporting:

- a) the Company is the primary obligor in the arrangement,
- b) the Company has general inventory risk,
- c) the Company has price latitude,
- d) the Company changes the product or provides additional services,
- e) the Company has discretion in supplier selection,
- f) the Company is involved in the determination of product or service specifications,
- g) the Company has credit risk,
- h) the Company has the ability to set the terms of the transaction,
- i) the Company has the managerial control over the transaction.

The relative weight of each indicator is considered when concluding which revenue accounting treatment to use. If the Company enters into a relation

characterized by representation or mediation (agent relationship), the revenue is recognized in its net value, i.e. at the amount of a margin or commission. The main activity of the Company is sale of telecommunication services to end customers, other operators and sale of mobile phones and accessories.

VOICE SERVICES, SMS AND DATA

Revenues from billed telecommunication services are invoiced to customers on a monthly basis and are recognized in the period of using the service regardless of the date of invoicing. Revenues from prepaid services are recognized in the period of using the service regardless of the date of charging credit.

SALE OF MOBILE PHONES AND ACCESSORIES

Revenues from sale of mobile phones and accessories are recognized at the date of sale to a distributor or end customer. Resulting losses from sale at a discount are recognized at the date of sale to a distributor or end customer.

PREMIUM SMS

Revenues from SMS enabling payment via mobile phones for goods and services provided by third parties, are recognized net in the form of commission for the services provided.

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

CONNECTION FEES

Revenues from connection fees arise from phone calls started in the network of another domestic or foreign operator, but finished or transferred via the Company's network. These revenues are recognized at the time of accepting such a phone call in the Company's network. The same approach is also applied for SMS and MMS.

l) Finance costs and finance income

Finance costs and finance income comprise mainly from:

- bank charges,
- interest income, and
- foreign currency gains and losses.

Interest income is recognized in profit or loss as they accrue, using the effective interest method.

Foreign currency gains and losses on financial assets and liabilities are reported on a net basis as either finance income or

finance cost depending on whether foreign currency movements are in a net gain or net loss position

m) Income tax

Tax expense comprises current and deferred tax. Current tax and deferred tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity or in other comprehensive income.

i. Current tax

Current tax is the expected tax payable or receivable on the taxable income or loss for the period, using tax rates enacted at the reporting date, and any adjustment to tax payable in respect of previous periods.

ii. Deferred tax

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the

amounts used for taxation purposes.

Deferred tax is not recognized for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries, associates and jointly controlled entities, in a specific cases.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset

if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profit will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

iii. Tax exposures

In determining the amount of current and deferred tax, the Company takes into account the impact of uncertain tax

positions and whether additional taxes or interest may be due. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the Company to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

n) Employee benefits

SHORT-TERM EMPLOYEE BENEFITS

Short-term employee benefits obligations are measured on an undiscounted basis and are expensed as the related service is provided. A provision is recognized for the amount expected to be paid under short-term cash bonus if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

5. DETERMINATION OF FAIR VALUES

Fair values have been determined for measurement and/or disclosure purposes based on the following methods:

i. Trade receivables and other financial receivables

The fair value of trade and other financial receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at measurement date. Short-term receivables with no stated interest rate are measured at the original invoice amount if the effect of discounting is immaterial. Fair value is determined at initial recognition and, for disclosure purposes, at each annual reporting date.

ii. Non-derivative financial liabilities

Non-derivative financial liabilities are measured at fair value, at initial recognition and for disclosure purposes, at each annual reporting date. Fair value is calculated based on the present value of future principal

and interest cash flows, discounted at the market rate of interest at the measurement date. Fair values of loans are calculated by discounting future cash flows using effective interbank rates. For received loans with a remaining maturity of less than three months, it is reasonable to regard their book value as approximate fair value.

6. INVESTMENTS

The Company has a 50% share in the company Tesco Mobile Slovakia, s.r.o. which is joint venture of the Company and Tesco Stores SR, a.s. Share capital of the company is EUR 5 thousand. Financial statements of the company Tesco Mobile Slovakia, s.r.o. for 2017 were not available as at the date

of preparation of these financial statements. Loss for 2016 amounted to EUR (6) thousand. Retained earnings from previous years amounted to EUR 73 thousand as at 31 December 2017.

The Company established new company O2 Business Services, a.s. on 3 December 2015, in which the Company has 100% share. Share capital of EUR 6,928 thousand was fully paid, equity is of EUR 1,593 thousand. The Company records equity investment and capital funds investment in total sum of EUR 6,928 thousand. The Company assessed the potential impairment of investment and reached the conclusion that the investment is not impaired.

In 2014 the Company established foundation „Férová nadácia“ at cost of EUR 6.6 thousand.

¹ Programs with defined post-employment benefit plans or other long-term employee benefit plans.

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

7. NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

The following new standards, amendments to standards and interpretations are not yet effective as at 31 December 2017, and have not been applied in preparing the financial statements:

IFRS 9 FINANCIAL INSTRUMENTS *(Effective for annual periods beginning on or after 1 January 2018; to be applied retrospectively with some exemptions. The restatement of prior periods is not required, and is permitted only if information is available without the use of hindsight. Early application is permitted.)*

This Standard replaces IAS 39, Financial Instruments: Recognition and

Measurement, except that the IAS 39 exception for a fair value hedge of an interest rate exposure of a portfolio of financial assets or financial liabilities continues to apply, and entities have an accounting policy choice between applying the hedge accounting requirements of IFRS 9 or continuing to apply the existing hedge accounting requirements in IAS 39 for all hedge accounting.

Although the permissible measurement bases for financial assets – amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit and loss (FVTPL) – are similar to IAS 39, the criteria for classification into the appropriate measurement category are significantly different.

A financial asset is measured at amortized

cost if the following two conditions are met:

- the assets is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and,
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. In addition, for a non-trading equity instrument, a company may elect to irrevocably present subsequent changes in fair value (including foreign exchange gains and losses) in OCI. These are not reclassified to profit or loss under any circumstances. For debt instruments measured at FVOCI, interest revenue, expected credit losses and foreign exchange gains and losses are recognised in profit or loss in the same manner as for amortised cost assets. Other gains and losses are recognised in OCI

and are reclassified to profit or loss on derecognition.

The impairment model in IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' model, which means that a loss event will no longer need to occur before an impairment allowance is recognised. IFRS 9 includes a new general hedge accounting model, which aligns hedge accounting more closely with risk management. The types of hedging relationships – fair value, cash flow and foreign operation net investment – remain unchanged, but additional judgment will be required. The standard contains new requirements to achieve, continue and discontinue hedge accounting and allows additional exposures to be designated as hedged items.

Extensive additional disclosures regarding an entity's risk management and hedging activities are required.

The Company does not expect IFRS 9 (2014) to have material impact on the financial statements. Currently, the Company creates a value adjustment to receivables based on aging as follows: receivables within maturity, up to 7 days overdue, up to 30 days overdue, up to 60 days overdue, up to 90 days overdue, up to 120 days overdue, up to 150 days overdue, up to 180 days overdue, up to 210 days overdue, up to 240 days overdue, up to 270 days overdue, up to 365 days overdue, up to 1825 overdue and older.

The Company expects that a similar approach will also be applied under IFRS 9, taking into account the likelihood of

¹ Programs with defined post-employment benefit plans or other long-term employee benefit plans.

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

a future deterioration in the economic environment over the following year.

The significant increase in credit risk, as per the IFRS 9 definition, is expected to occur in the bucket 90 days overdue.

The classification and measurement of the Company's financial instruments are not expected to change under IFRS 9 because of the nature of the Company's operations and the types of financial instruments that it holds. However, the Company believes that impairment losses are likely to increase and become more volatile for assets in the scope of expected credit loss impairment model.

IFRS 15 REVENUE FROM CONTRACTS WITH CUSTOMERS (Effective for annual periods beginning on or after 1 January 2018.

Earlier application is permitted.)

IFRS 15 has been issued on 28 May 2014

and is effective for the periods beginning on or after 1 January 2018. The new Standard provides a framework that replaces existing revenue recognition guidance in IFRS.

Entities will adopt a five-step model to determine when to recognise revenue, and at what amount. The new model specifies that revenue should be recognised when (or as) an entity transfers control of goods or services to a customer at the amount to which the entity expects to be entitled.

Depending on whether certain criteria are met, revenue is recognised:

- over time, in a manner that depicts the entity's performance; or
- at a point in time, when control of the goods or services is transferred to the customer.

IFRS 15 also establishes the principles that an entity shall apply to provide qualitative

and quantitative disclosures which provide useful information to users of financial statements about the nature, amount, timing, and uncertainty of revenue and cash flows arising from a contract with a customer. Management assessed the impact of IFRS 15 on the Company's financial statements. In 2018, the Company will adjust recognition of service revenues, revenues from sale of hardware, and costs related to sales channels remuneration.

Upon the initial application of the Standard, the Company will recognize an adjustment in equity and as an asset from capitalized costs of approximately EUR 2.3 million.

The asset will be amortised over time. The Company expects that the impact of the application of the Standard on 2018 profit and loss will be approximately EUR 500 thousand (cost reduction).

IFRS 16 LEASES (Effective for annual periods beginning on or after 1 January 2019.

Earlier application is permitted if the entity also applies IFRS 15.)

IFRS 16 supersedes IAS 17 Leases and related interpretations. The Standard eliminates the current dual accounting model for lessees and instead requires companies to bring most leases on-balance sheet under a single model, eliminating the distinction between operating and finance leases. Under IFRS 16, a contract is, or contains, a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. For such contracts, the new model requires a lessee to recognise a right-of-use asset and a lease liability. The right-of-use asset is depreciated and the liability accrues interest. This will result in

a front-loaded pattern of expense for most leases, even when the lessee pays constant annual rentals.

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

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

The Company assesses the impact of the standard on the financial statements and it has not yet quantified the impact. The Company has identified areas that are impacted by the Standard. These comprise rental of premises and land on which transmitters for telecommunication signal distribution are located, administrative premises and rental of machinery and equipment.

¹ Programs with defined post-employment benefit plans or other long-term employee benefit plans.

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

AMENDMENTS TO IFRS 2: CLASSIFICATION AND MEASUREMENT OF SHARE-BASED

PAYMENT TRANSACTIONS *(Effective for annual periods beginning on or after 1 January 2018; to be applied prospectively. Early application is permitted.)*

The amendments clarify share-based payment accounting on the following areas:

- the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments;
- share-based payment transactions with a net settlement feature for withholding tax obligations; and
- a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity settled.

This pronouncement is not yet endorsed by the EU. The Company expects that the amendments, when initially applied, will not have a material impact on the presentation of the financial statements of the entity because the Company does not enter into share-based payment transactions.

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; to be applied prospectively.)*

The amendments address concerns arising from implementing IFRS 9 before implementing the replacement standard that the IASB is developing for IFRS 4. The amendments introduce two optional solutions. One solution is a temporary

exemption from IFRS 9, effectively deferring its application for some insurers. The other is an overlay approach to presentation to alleviate the volatility that may arise when applying IFRS 9 before the forthcoming insurance contracts standard.

This pronouncement is not yet endorsed by the EU. The Company, as an insurance provider, intends to apply the exemption from adopting IFRS 9 and therefore does not expect any material impact on the financial statements of the Company.

AMENDMENTS TO IFRS 10 AND IAS 28 SALE OR CONTRIBUTION OF ASSETS BETWEEN AN INVESTOR AND ITS ASSOCIATE OR JOINT VENTURE *(The effective date has not yet been determined by the IASB, however earlier adoption is permitted.)*

The Amendments clarify that in a transaction involving an associate or joint venture, the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business, such that:

- a full gain or loss is recognised when a transaction between an investor and its associate or joint venture involves the transfer of an asset or assets which constitute a business (whether it is housed in a subsidiary or not), while
 - a partial gain or loss is recognised when a transaction between an investor and its associate or joint venture involves assets that do not constitute a business, even if these assets are housed in a subsidiary.
- The Entity does not expect that the amendments, when initially applied, will

have material impact on the financial statements.

AMENDMENTS TO IAS 7 *(Effective for annual periods beginning on or after 1 January 2017, to be applied prospectively. Early application is permitted.)*

The amendments require new disclosures that help users to evaluate changes in liabilities arising from financing activities, including changes from cash flows and non-cash changes (such as the effect of foreign exchange gains or losses, changes arising for obtaining or losing control of subsidiaries, changes in fair value).

This pronouncement is not yet endorsed by the EU. The Company expects that the amendments, when initially applied, will not have a material impact on the presentation

¹ Programs with defined post-employment benefit plans or other long-term employee benefit plans.

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

of the financial statements of the Company.

AMENDMENTS TO IAS 12: RECOGNITION OF DEFERRED TAX ASSETS FOR UNREALISED LOSSES (Effective for annual periods beginning on or after 1 January 2017; to be applied prospectively. Early application is permitted.)

The amendments clarify how and when to account for deferred tax assets in certain situations and clarify how future taxable income should be determined for the purposes of assessing the recognition of deferred tax assets.

This pronouncement is not yet endorsed by the EU. The Company expects that the amendments, when initially applied, will not have a material impact on the presentation of the financial statements of the Company because the Company already measures future taxable profit in a manner consistent

with the Amendments.

AMENDMENTS TO IAS 40 TRANSFERS OF INVESTMENT PROPERTY (Effective for annual periods beginning on or after 1 January 2018; to be applied prospectively.)

The amendments reinforce the principle for transfers into, or out of, investment property in IAS 40 Investment Property to specify that such a transfer should only be made when there has been a change in use of the property. Based on the amendments a transfer is made when and only when there is an actual change in use – i.e. an asset meets or ceases to meet the definition of investment property and there is evidence of the change in use. A change in management intention alone does not support a transfer.

This pronouncement is not yet endorsed

by the EU. The Company does not expect that the amendments will have a material impact on the financial statements because the Company does not have investment property.

IFRIC 22 FOREIGN CURRENCY TRANSACTIONS AND ADVANCE CONSIDERATION (Effective for annual periods beginning on or after 1 January 2018).

The Interpretation clarifies how to determine the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration in a foreign currency. In such circumstances, the date of the transaction is the date on which an entity initially

recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration.

This pronouncement is not yet endorsed by the EU. The Company does not expect that the Interpretation, when initially applied, will have material impact on the financial statements as the Company uses the exchange rate on the transaction date for the initial recognition of the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration.

ANNUAL IMPROVEMENTS TO IFRS

The improvements introduce two amendments to two standards and consequential amendments to other standards and interpretations that result in accounting changes for presentation, recognition or measurement purposes. Most of these amendments are applicable to annual periods beginning on 1 January 2017 or 1 January 2018, with earlier adoption permitted.

The Company expects that none of these amendments will have a significant impact on its financial statements.

¹ Programs with defined post-employment benefit plans or other long-term employee benefit plans.

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

8. PROPERTY, PLANT AND EQUIPMENT

in thousands of EUR	Buildings	Technologies and office equipment	Other assets	Acquisition of property, plant and equipment	Total
Acquisition cost/Conversion cost					
BALANCE AS AT 1 JANUARY 2016	46 437	97 555	510	10 023	154 525
Additions	247	7 598	1	24 954	32 800
Disposals	40	5 508	22	-	5 570
Transfers	370	1 986	-	(2 356)	-
BALANCE AS AT 31 DECEMBER 2016	47 014	101 631	489	32 621	181 755
BALANCE AS AT 1 JANUARY 2017	47 014	101 631	489	32 621	181 755
Additions	2 226	11 680	-	25 753	39 659
Disposals	201	5 412	8	925	6 546
Transfers	1 502	5 295	-	(6 798)	-
BALANCE AS AT 31 DECEMBER 2017	50 541	113 194	481	50 652	214 868
Accumulated depreciation					
BALANCE AS AT 1 JANUARY 2016	16 516	64 103	407	-	81 027
Additions	2 464	10 243	35	-	12 742
Disposals	19	5 455	21	-	5 495
BALANCE AS AT 31 DECEMBER 2016	18 961	68 891	421	-	88 273
BALANCE AS AT 1 JANUARY 2017	18 961	68 891	421	-	88 273
Additions	2 540	12 193	12	-	14 745
Disposals	151	5 358	9	-	5 517
BALANCE AS AT 31 DECEMBER 2017	21 350	75 726	424	-	97 502

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

in thousands of EUR	Buildings	Technologies and office equipment	Other assets	Acquisition of property, plant and equipment	Total
Impairment losses					
BALANCE AS AT 1 JANUARY 2016	-	-	-	680	680
Additions	-	-	-	-	-
Disposals	-	-	-	-	-
BALANCE AS AT 31 DECEMBER 2016	-	-	-	680	680
BALANCE AS AT 1 JANUARY 2017	-	-	-	680	680
Additions	-	-	-	-	-
Disposals	-	-	-	(680)	(680)
BALANCE AS AT 31 DECEMBER 2017	-	-	-	-	-
Carrying amount					
AS AT 1 JANUARY 2016	29 921	33 452	103	9 343	72 819
AS AT 31 DECEMBER 2016	28 053	32 740	68	31 941	92 802
AS AT 1 JANUARY 2017	28 053	32 740	68	31 941	92 802
AS AT 31 DECEMBER 2017	29 191	37 464	57	50 651	117 366

Property, plant and equipment do not include any separate, individually significant items. The Company does not record any property, plant and equipment which are not utilized, except for property, plant and equipment in acquisition.

The Company does not lease its property, plant and equipment to third parties.

PLEDGED ASSETS

No pledge has been established on property, plant and equipment as at 31 December 2017 (as at 31 December 2016: none).

The Company does not have any restricted rights to property, plant and equipment as at 31 December 2017 (as at 31 December 2016: none).

INSURANCE

The Company's property, plant and equipment is insured against damages caused by theft and natural disaster up to EUR 148,823 thousand (2016: EUR 143,283 thousand).

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

9. NON-CURRENT INTANGIBLE ASSETS

in thousands of EUR	Licences	Software and valuable rights	Brand	Acquisition of intangibles	Total
Acquisition cost /Conversion cost					
BALANCE AS AT 1 JANUARY 2016	49 588	44 764	19 689	6 121	120 163
Additions	291	2 541	-	5 070	7 902
Disposals	-	1 448	-	-	1 448
Transfers	1 972	2 975	-	(4 947)	-
BALANCE AS AT 31 DECEMBER 2016	51 851	48 832	19 689	6 244	126 617
BALANCE AS AT 1 JANUARY 2017	51 851	48 832	19 689	6 244	126 617
Additions	72	9 223	-	-165	9 130
Disposals	-	14	-	-	14
Transfers	620	3 742	-	(4 362)	-
BALANCE AS AT 31 DECEMBER 2017	52 543	61 782	19 689	1 717	135 731
Accumulated depreciation					
BALANCE AS AT 1 JANUARY 2016	6 736	39 941	5 119	-	51 797
Additions	3 291	6 312	4 726	-	14 329
Disposals	-	1 448	-	-	1 448
BALANCE AS AT 31 DECEMBER 2016	10 027	44 806	9 845	-	64 678
BALANCE AS AT 1 JANUARY 2017	10 027	44 806	9 845	-	64 678
Additions	3 387	4 364	4 725	-	12 475
Disposals	-	14	-	-	14
BALANCE AS AT 31 DECEMBER 2017	13 413	49 155	14 570	-	77 139

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

in thousands of EUR	Licences	Software and valuable rights	Brand	Acquisition of intangibles	Total
Carrying amount					
BALANCE AS AT 1 JANUARY 2016	42 852	4 823	14 570	6 121	68 366
BALANCE AS AT 31 DECEMBER 2016	41 824	4 026	9 844	6 244	61 938
BALANCE AS AT 1 JANUARY 2017	41 824	4 026	9 844	6 244	61 938
BALANCE AS AT 31 DECEMBER 2017	39 129	12 627	5 119	1 717	58 593

The Company does not have any non-current intangible assets which are not utilized in meeting its objectives, except for non-current intangible assets in acquisition.

The Company does not lease its non-current intangible assets to third parties.

Non-current intangible assets include a telecommunication license acquired in years 2006, 2014 and 2016, key system and a brand summarized as follows:

in thousands of EUR		31 December 2017	31 December 2016
Telecommunication licence	Acquisition cost	49 148	48 499
	Carrying amount	35 735	38 472
CRM system	Acquisition cost	18 231	16 363
	Carrying amount	2 602	2 000
Brand	Acquisition cost	19 689	19 689
	Carrying amount	5 119	9 844

LIEN

No lien has been established on non-current intangible assets as at 31 December 2017 (as at 31 December 2016: none).

The Company does not have any restricted rights to non-current intangible assets as at 31 December 2017 (as at 31 December 2016: none).

INSURANCE

See note 8 Property, plant and equipment.

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

10. DEFERRED TAX ASSET

in thousands of EUR	2017	2016
Deferred tax asset at the beginning of the period	7 425	11 176
Change in statement of profit or loss	(1 929)	(3 751)
there of: effect of a change in tax rate	-	(353)
DEFERRED TAX ASSET AT THE END OF THE PERIOD	5 496	7 425

The deferred tax assets are represented by the following items:

in thousands of EUR		
Property, plant and equipment and non-current intangible assets	(549)	2 674
Receivables	883	1 087
Inventories	10	11
Liabilities	5 026	3 478
Other	126	175
TOTAL DEFERRED TAX ASSET	5 496	7 425
Part realizable in 12 months	5 999	6 632
Part realizable later than in 12 months	(503)	793
TOTAL DEFERRED TAX ASSET	5 496	7 425

The Company has offset deferred tax assets and liabilities because there is a legally enforceable right to offset current tax assets against current tax liabilities, which relate to the same tax authority. Deferred taxes are calculated using currently enacted tax rates expected to apply in the period in which the asset is realized or the liability settled. Tax rate applicable for temporary differences is 21% (2016: 21%).

The total deferred tax asset contains also the deferred tax liability from the special tax on business in the regulated sectors.

From 1 January 2017, the time limit of Act No. 235/2012 Coll. on Special Levy on Business in Regulated Industries ceased to be effective. Therefore, the Company recorded deferred tax liability for the special levy on business in regulated industries resulting from adjustments to the Company's profit or loss according to Decree of the Finance Ministry of the Slovak Republic No. MF / 011053 / 2006-72 from 15 February 2016, as amended on 19 December 2006 by Decree of the Ministry of Finance of the Slovak Republic No. MF / 026217/2006. To calculate the deferred tax on a special levy on business in regulated industries, the Company uses the expected coefficient of the share of the revenues from the regulated activity to the total revenues of the Company and the applicable tax rates expected to apply in the period in which the liability is settled.

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

11. INVENTORIES

in thousands of EUR	31 December 2017	31 December 2016
Material	573	576
Merchandise	7 058	3 437
TOTAL INVENTORIES	7 631	4 013

The Company recognized a provision for slow moving material and merchandise in total amount of EUR 49 thousand (2016: EUR 49 thousand). No lien has been established on inventories as at 31 December 2017 (as at 31 December 2016: none). Material in amount of EUR 1,419 thousand, merchandise in amount of EUR 41,017 thousand was recognized as an expense in 2017 (in 2016: material in amount of EUR 1,711 thousand, merchandise in amount of EUR 37,946 thousand).

12. FINANCIAL INSTRUMENTS ACCORDING TO CATEGORIES

31 December 2017 (in thousands of EUR)			
Assets according to Statement of financial position	Amortized cost	Nominal value	Total
Trade receivables and other financial receivables	57 284	-	57 284
Loans and borrowings	500	-	500
Cash and cash equivalents	-	9 109	9 109
	57 784	9 109	66 893

31 December 2017 (in thousands of EUR)			
Liabilities according to Statement of financial position	Amortized cost		Total
Trade payables and other financial liabilities		83 428	83 428
Income tax liability		3 428	3 428
Loans received		25 000	25 000
		111 856	111 856

31 December 2016 (in thousands of EUR)			
Assets according to Statement of financial position	Amortized cost	Nominal value	Total
Trade receivables and other financial receivables	25 761	-	25 761
Loans and borrowings	2 900	-	2 900
Cash and cash equivalents	-	19 167	47 828
	28 661	19 167	47 828

31 December 2016 (in thousands of EUR)			
Liabilities according to Statement of financial position	Amortized cost		Total
Trade payables and other financial liabilities		58 968	58 968
		58 968	58 968

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

13. TRADE AND OTHER FINANCIAL RECEIVABLES

in thousands of EUR	31 December 2017	31 December 2016
Receivables	65 279	33 921
Impairment provision	(7 995)	(8 160)
NET RECEIVABLES	57 284	25 761

in thousands of EUR	31 December 2017	31 December 2016
Receivables not impaired	24 237	12 361
Receivables impaired	41 042	21 560
TOTAL RECEIVABLES	65 279	33 921

Ageing structure of receivables not impaired:

in thousands of EUR	31 December 2017	31 December 2016
Not past due	23 920	9 987
Overdue less than 90 days	181	1 785
Overdue less than 180 days	9	255
Overdue less than 365 days	92	279
Overdue more than 365 days	35	55
TRADE RECEIVABLES NOT IMPAIRED	24 237	12 361

Ageing structure of receivables impaired:

in thousands of EUR	31 December 2017	31 December 2016
Not past due	30 685	9 651
Overdue less than 90 days	3 435	3 741
Overdue less than 180 days	637	1 007
Overdue less than 365 days	1 051	800
Overdue more than 365 days	5 233	6 631
TOTAL RECEIVABLES IMPAIRED	41 042	21 560

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

Ageing structure of impairment provision:

in thousands of EUR	31 December 2017	31 December 2016
Not past due	1 136	382
Overdue less than 90 days	243	226
Overdue less than 180 days	450	349
Overdue less than 365 days	945	628
Overdue more than 365 days	5 222	6 575
IMPAIRMENT PROVISION AT THE END OF THE PERIOD	7 995	8 160

Movements in the impairment provision:

in thousands of EUR	31 December 2017	31 December 2016
At the beginning of the period	8 160	9 321
Utilisation	2 751	2 328
Creation in the statement of profit or loss	2 586	1 167
IMPAIRMENT PROVISION AT THE END OF THE PERIOD	7 995	8 160

The Company's experience with receivables collection is reflected in creation of the impairment provision. The Company's management believes that there are no other risks that would impair receivables in excess of created impairment provision.

Receivables of the Company are covered with a combination of bank guarantees, blank promissory notes and received collaterals as summarized below:

in thousands of EUR	31 December 2017	31 December 2016
Combination of bank guarantees and blank promissory note	9 156	8 985
Collaterals received	1 875	1 457
TOTAL SECURED RECEIVABLES	11 031	10 442

Credit risks and currency risks to which the Company is exposed and impairment provisions to trade receivables and other financial receivables are described in note 25.

Receivables are not secured by a lien or any other form of security as at 31 December 2017 (as at 31 December 2016: none).

The Company does not have any restricted rights to receivables.

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

14. LOANS PROVIDED AND RECEIVED

in thousands of EUR	Interest rate	Maturity	31 December 2017	31 December 2016
Loans provided				
O2 Business Services, a.s.	6M EURIBOR p.a. +1,47 %	30 April 2018	500	2 900
Loans received				
O2 Czech Republic, a.s.	6M EURIBOR p.a. +1,42 %	30 April 2018	25 000	-
TOTAL LOANS RECEIVED			25 000	-

The Company has loan facilities agreed with parent company and various banks according to the following summary:

in thousands of EUR	31 December 2017	31 December 2016
Slovenská sporiteľňa a.s.	5 000	5 000
Citibank Europe plc, pobočka zahraničnej banky	-	2 300
O2 Czech Republic a.s.	40 000	-
TOTAL AGREED LOAN FACILITY	45 000	47 300

The Company provided a credit limit to O2 Business Services subsidiary in the amount of EUR 5 000 thousand.

Should the 6M EURIBOR interest rate will be negative with respective interest expense be also negative, the companies O2 Slovakia, s.r.o., O2 Czech Republic a.s. and O2 Business Services, a.s. will apply so called „Zero Floor“, which means that provided loan will be charged zero interest plus agreed margin.

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

15. EQUITY

SHARE CAPITAL

Total authorized and issued share capital of the Company amounts to EUR 103,203 thousand as at 31 December 2017 (as at 31 December 2016: EUR 103,203 thousand). The share capital is fully paid up.

Shareholder's share represents rights and responsibilities of shareholders.

LEGAL RESERVE FUND

According to the Commercial Code the Company is obliged to create a legal reserve fund in the minimum amount of 5% of net profit (annually) and up to a maximum of 10% of share capital. As at 31 December 2017 the balance of legal reserve fund is EUR 10,230 thousand (as at 31 December 2016: EUR 9,287 thousand). No mandatory contribution to the legal reserve fund is required, as the legal reserve fund has already attained the maximum limit stipulated in the legislation. Distribution of the legal reserve fund can be made for covering of the Company's losses only.

DISTRIBUTION OF ACCOUNTING PROFIT REPORTED IN THE PRECEDING ACCOUNTING PERIOD

The sole shareholder decided on payment of dividend in the amount of EUR 40 672 thousand and on contribution to the legal reserve fund in the amount of EUR 1,033 thousand.

Dividends for 2016 were paid to the sole shareholder on 7 April 2017.

The Company generated a profit in the amount of EUR 47,186 thousand for 2017 and the sole shareholder will decide on its distribution.

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

16. OTHER NON-CURRENT LIABILITIES

in thousands of EUR	31 December 2017	31 December 2016
Social fund	11	39
Liabilities from leasing and other payables	384	372
Provision for base stations' removal	1 921	1 550
TOTAL NON-CURRENT LIABILITIES	2 316	1 961

OUT OF IT SOCIAL FUND

The social fund liabilities are presented among payables towards employees and moved during the period as follows:

in thousands of EUR	Social fund
Balance as at 1 January 2016	67
Creation	78
Drawing	106
Release	-
BALANCE AS AT 31 DECEMBER 2016	39
Creation	82
Drawing	110
Release	-
BALANCE AS AT 31 DECEMBER 2017	11

The social fund is used to satisfy social, health and other needs of employees.

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

17. TRADE AND OTHER FINANCIAL LIABILITIES

in thousands of EUR	31 December 2017	31 December 2016
Trade payables	36 079	30 306
Unbilled supplies	39 981	22 517
Tax liabilities (except for income tax)	3 545	3 089
Employees	3 359	2 532
Other	464	525
TOTAL CURRENT LIABILITIES	83 428	58 968

Ageing structure of current liabilities:

in thousands of EUR	31 December 2017	31 December 2016
Not past due	83 060	57 378
Overdue less than 180 days	266	1 367
Overdue less than 365 days	56	159
Overdue more than 365 days	47	64
TOTAL CURRENT LIABILITIES	83 428	58 968

The structure of liabilities according to their maturity is presented in note 25, part Liquidity risk.

Trade payables and other financial liabilities are not secured by a lien or any other form of security.

18. DEFERRED REVENUES

Deferred revenues mainly include credit of customers for prepaid services. The credit is valid for 1 to 12 months according to the amount of last charge.

19. REVENUES

in thousands of EUR	31 December 2017	31 December 2016
Revenue from sale of services	220 421	208 889
Revenue from sale of merchandise	46 778	39 877
Other revenue	2 454	2 513
REVENUE TOTAL	269 653	251 279

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

20. EXTERNAL PURCHASES

in thousands of EUR	31 December 2017	31 December 2016
Telecommunication services	55 314	53 534
Merchandise sold	41 017	37 946
Dealer commissions	17 572	16 268
Marketing costs	9 339	9 106
Outsourcing of services within the Group and from external suppliers	9 448	6 659
Lease	8 243	8 083
Energy consumption	2 628	1 843
Repairs of property, plant and equipment	2 023	1 433
Other	6 077	8 939
TOTAL EXTERNAL PURCHASES	151 661	143 811

Expenses related to audit of financial statements in the year ended 31 December 2017 amounted to EUR 30 thousand (2016: EUR 30 thousand). KPMG Slovensko, spol. s r.o. was appointed on 22 March 2017 as an independent auditor for the period ended 31 December 2017.

Expenses related to tax advisory provided by the independent auditor were in the year ended 31 December 2017 in the amount of EUR 10 thousand (2016: EUR 10 thousand).

The independent auditor did not provide any other services. These expenses are included in Other external purchases.

21. PERSONNEL COSTS

in thousands of EUR	31 December 2017	31 December 2016
Wages and salaries	15 916	14 614
Social security	6 075	5 071
TOTAL PERSONNEL COSTS	21 991	19 685

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

22. OTHER EXPENSES

in thousands of EUR	31 December 2017	31 December 2016
Fees paid to the Group	936	946
Fees to Telecommunication Office for frequencies	3 151	2 238
Creation of impairment provision for receivables	2 586	1 167
Deliberate investment	-	1 021
Other	330	388
TOTAL OTHER EXPENSES	7 003	5 760

23. FINANCE INCOME AND FINANCE COSTS

in thousands of EUR	31 December 2017	31 December 2016
Interest expense	357	48
Exchange rate losses	571	318
Other financial expenses	116	95
TOTAL FINANCIAL EXPENSES	1 044	461

in thousands of EUR	31 December 2017	31 December 2016
Interest income	28	26
Exchange rate gains	677	179
TOTAL FINANCIAL INCOME	705	205

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

24. TAX EXPENSES AND RECONCILIATION OF THE EFFECTIVE TAX RATE

in thousands of EUR	31 December 2017	31 December 2016
Deferred tax	1 928	3 752
Special levy on business in regulated industries	3 291	1 628
Current tax	11 265	9 141
TOTAL TAX EXPENSES	16 484	14 521

In accordance with Act No. 235/2012 Coll. on Special Levy on Business in Regulated Industries and on Amendments and Supplements to certain laws in the wording of Act No. 440/2012 Coll., the Company considers itself a regulated legal person. Consequently, the Company is obliged to pay a special levy provided that its profit for the accounting period exceeds EUR 3 000 thousand (deductible amount).

The levy is determined on the basis of the latest known profit before tax adjusted according to Decree of the Finance Ministry of the Slovak Republic No. MF / 011053 / 2006-72 from 15 February 2016, as amended on 19 December 2006 by Decree of the Ministry of Finance of the Slovak Republic No. MF / 026217/2006 and multiplied by the coefficient determined as the proportion of revenues generated from activities in the regulated area (in the field of electronic communications under a general authorization or an individual right to use numbers or frequencies) to the total revenue of the Company. The rate of levy is 0.00726 (Act No. 235/2012 Coll. – article 6) paid on a monthly basis.

in thousands of EUR	31 December 2017	31 December 2016
Profit before tax	63 670	56 226
Theoretical tax of 21 %	13 371	12 370
Special levy on business in regulated industries	3 291	1 628
Tax rate change	-	353
Permanent differences	(178)	170
TOTAL TAX EXPENSES	16 484	14 521

In November 2016 Slovak parliament has amended the Act 595/2003 Coll. on Income tax. One of the changes is a decrease of the statutory income tax rate from 22 % (valid for 2016) to 21 % (valid for 2017).

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

25. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

The Company is exposed to various financial risks due to its activities. The Company's overall risk management focuses on unpredictability of financial markets and economic environment and pursues to minimize potential adverse impacts on the Company's financial results. Financial instruments include cash, a capital instrument of another accounting entity, any arrangement entitling to gain or binding to provide cash or another financial asset or any arrangement entitling or binding to exchange financial assets and liabilities. The main risks arising from financial instruments used by the Company are market risk, credit risk and liquidity risk. The financial department is responsible for financial risk management based on rules approved by the parent company.

MARKET RISK MANAGEMENT

The market risk represents risk of fluctuations in fair value of future cash flows of a financial instrument due to changes in market prices. The market risk includes currency, interest rate and other price risks.

CURRENCY RISK

The currency risk represents the risk of fluctuations in fair value of future cash flows of a financial instrument due to changes in foreign exchange rates. The Company is exposed to movements in the American Dollar, Czech Crown and reserve currency created by the International Monetary Fund XDR (Special Drawing Rights) which represents a minimum risk in connection with the position of these currencies on the total amount of liabilities/assets. Consequently, no sensitivity analysis was performed.

Overview of financial receivables in foreign currencies translated at the foreign exchange rate as at 31 December 2017 to EUR is as follows:

in thousands of EUR	USD	XDR	Total
Not past due	-	146	146
Overdue less than 180 days	-	322	322
Overdue less than 365 days	-	49	49
Overdue more than 365 days	-	33	33
TOTAL CURRENT RECEIVABLES	-	550	550

Overview of financial liabilities in foreign currencies translated at the foreign exchange rate as at 31 December 2017 to EUR is as follows:

in thousands of EUR	CZK	USD	XDR	Total
Not past due	(280)	(1 635)	(1 394)	(3 309)
Overdue less than 180 days	-	-	(23)	(23)
Overdue less than 365 days	-	-	(3)	(3)
Overdue more than 365 days	-	-	-	-
TOTAL CURRENT LIABILITIES	(280)	(1 635)	(1 420)	(3 335)

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

INTEREST RATE RISK

Revenues, expenses and operating cash flows of the Company are not significantly affected by changes in market interest rates. In June 2016, the Company entered into an agreement on revolving with parent company O2 Czech Republic, a.s. As of 31 December 2017 the balance of drawn loan was EUR 25,000 thousand (2016: EUR 0 thousand). The Company was granted a credit line up to the amount of EUR 40,000 thousand. As of 2 June 2016 the Company entered into an agreement on revolving with subsidiary O2 Business Services, a.s. As of 31 December 2017 the balance of drawn loan was EUR 500 thousand (2016: EUR 2,900 thousand). The Company was granted a credit line up to the amount of EUR 5 000 thousand. The Company's management considers the risk of significant fluctuations in the interest rate of this loan as insignificant and therefore, no sensitivity analysis with respect to interest rate changes was performed. The Company's management does not use hedging instruments to manage the risk of variable interest rate.

OTHER PRICE RISKS

Other price risks arise in the case of financial instruments, for example, due to changes in prices of commodities or shares. The Company is not exposed to any significant price risk.

CREDIT RISK

Credit risk represents the risk that one party to a financial instrument causes financial loss to another party by failing to fulfil an obligation. The Company is exposed to credit risk resulting from its operating activities. The Company's rules for credit risk management define maturity and limits for individual partners. The Company decreases the credit risk of partners by using bank guarantees or blank promissory notes. Concentration of credit risk in connection with trade receivables is limited due to the Company's large client base. Additionally, if the client fails to pay the outstanding amount for provided services even after follow-up notices, the Company limits outgoing calls to the client and subsequently the provision of services is interrupted. The Company creates a bad debt provision for receivables due to impairment, which represents an estimate of possible losses from trade and other receivables. The creation covers instances of individually significant credit risk as well as general loss from receivables where the impairment is not assessed on an individual basis. The summary of the ageing structure of short-term receivables is disclosed in Note 13. Receivables which were overdue as at the reporting date without impairment are kept from creditworthy partners with good payment discipline. On the basis of past experience with payment discipline of these contractual partners the Company's management is convinced that no impairment of these receivables is necessary.

LIQUIDITY RISK

The liquidity risk represents risk that the Company will have difficulties in fulfilling obligations relating to financial liabilities which are settled using cash or other financial assets.

The Company's rules to decrease liquidity risk define the level of cash, cash equivalents and credit facilities which the Company has at its disposal, so as to be able to fulfil its obligations in time and to full extent.

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

The table below shows financial liabilities of the Company, based on undiscounted cash flows taking into account the earliest possible dates when the Company may be required to pay off these liabilities.

in thousands of EUR	31 December 2017	31 December 2016
Without maturity	-	-
Maturity up to 180 days	95 992	59 098
Maturity up to 365 days	15 864	-
Maturity more than 365 days	2 316	1 961
TOTAL LIABILITIES	114 172	61 059

The summary of the Company's financial liabilities includes in the maturity bucket up to 180 days a loan received from the parent company in the amount of EUR 25,000 thousand. The difference between the available assets and liabilities is covered by the possibility of extending the loan from the parent company. The provided credit line can be drawn up to EUR 40,000 thousand.

The table below shows information about the Company's expected maturity of non-derivative financial assets. The table was prepared based on undiscounted contractual maturity of financial assets including interest income from these assets.

in thousands of EUR	31 December 2017	31 December 2016
Without maturity	9 109	20 673
Maturity up to 180 days	45 955	38 277
Maturity up to 365 days	11 866	-
Maturity more than 365 days	16 471	-
TOTAL RECEIVABLES AND CASH AND CASH EQUIVALENTS	83 401	58 950

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

FINANCIAL ASSETS AND LIABILITIES OFFSETTING

The following financial assets were subject to offsetting, master netting agreements and similar agreements enabling offsetting:

in thousands of EUR	31 December 2017	31 December 2016
Trade and other receivables prior to offsetting	57 586	27 993
Gross offset amount	(302)	(2 232)
TRADE AND OTHER RECEIVABLES AFTER OFFSETTING	57 284	25 761

The following financial liabilities were subject to offsetting, master netting agreements and similar agreements enabling offsetting:

in thousands of EUR	31 December 2017	31 December 2016
Trade and other payables prior to offsetting	83 730	61 200
Gross offset amount	(302)	(2 232)
TRADE AND OTHER PAYABLES AFTER OFFSETTING	83 428	58 968

The Company records no financial assets and financial liabilities which would be subject to offsetting agreements and which were not offset in the balance sheet.

CAPITAL RISK MANAGEMENT

The primary objective of the Company's capital management is to ensure support of its business activities and maximize the shareholder value, taking into account guidelines of the parent company. In 2016, no changes were carried out in objectives, principles and procedures.

The capital structure of the Company consists of the shareholder's equity which includes share capital, reserve fund and retained earnings from previous periods. The Company's management manages the capital measured with equity of EUR 160,709 thousand as at 31 December 2017 (EUR 154,195 thousand as at 31 December 2016).

The Company may adjust the profit share paid to the shareholder or refund part of the capital to the shareholder in order to maintain or adjust the capital structure. The Company ensures capital management in co-operation with the parent company.

FAIR VALUE ESTIMATION

The carrying amount of each class of the Company's financial instruments approximates their fair value. The carrying amount of trade receivables, less provisions for bad and doubtful receivables, the carrying amount of other trade financial payables, loans and borrowings as well as the carrying amount of liabilities approximates their fair value. In the case of short-term receivables and payables the impact on their present value is insignificant.

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

26. RELATED PARTY TRANSACTIONS

IDENTITY OF RELATED PARTIES

Related parties of the Company are related companies within the group as well as their statutory bodies, directors, executive directors. Parent company is O2 Czech Republic a.s.

In 2017 the majority shareholder of the parent company were companies within PPF Group controlled by Mr. Petr Kellner (detail in Note 1, part Information about the ultimate parent).

All related party transactions were conducted under normal market conditions. The balances of receivables and payables are not interest bearing, not secured and payments are expected in cash or in form of offsetting.

Balances of financial assets are reviewed for impairment as at the reporting date. No value adjustment was recorded due to impairment.

Receivables, payables, expenses and revenues with related parties are disclosed in the following tables:

1. TRANSACTIONS WITH THE PARENT COMPANY

Assets and liabilities from transactions with the parent company are stated in the following overview:

in thousands of EUR	31 December 2017	31 December 2016
Acquired merchandise and property, plant and equipment	2 353	4 050
Trade and other receivables	1 168	10 894
Provided short-term loans	25 000	-
Trade payables	3 644	5 715

The Company realized the following transactions with the parent company:

in thousands of EUR	31 December 2017	31 December 2016
Sales of merchandise and services	1 214	291
Purchase of services	11 784	10 076
Financial income	-	48
Financial expenses	303	-

As at 31 December 2017 the Company paid dividends to the parent company for 2016 in the amount of EUR 40 672 thousand.

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

2. TRANSACTIONS WITH SUBSIDIARY

Assets and liabilities from transactions with subsidiary are stated in the following overview:

in thousands of EUR	31 December 2017	31 December 2016
Shares in companies	6 927	3 028
Acquisition of merchandise and property, plant and equipment	350	1 919
Trade and other receivables	215	1 297
Provided short-term loans	500	2 906
Trade payables	156	2 346

The Company realized the following transactions with subsidiary:

in thousands of EUR	31 December 2017	31 December 2016
Sales of merchandise and services	844	866
Purchase of services	629	149
Finance income	27	14

3.. TRANSACTIONS WITH OTHER RELATED PARTIES

Assets and liabilities from transactions with other related parties within the PPF Group and Tesco Mobile Slovakia, s.r.o. are stated in the following overview:

in thousands of EUR	31 December 2017	31 December 2016
Shares in companies	3	3
Trade and other receivables	21	3 380
Trade payables	2 471	2 927

Selected assets and liabilities from transactions with other related parties within the PPF Group and Tesco Mobile Slovakia, s.r.o. are stated in the following overview:

in thousands of EUR	31 December 2017	31 December 2016
Sales of merchandise and services	3 556	2 698
Purchase of merchandise and services	11 470	13 475

The list of companies from the PPF Group which the Company realized transactions in the period from January 2017 with, includes the following companies: Česká telekomunikační infrastruktura a.s., Home Credit Slovakia, a.s.

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

27. INFORMATION ON INCOME AND REMUNERATION OF KEY MANAGEMENT MEMBERS

Among key management members, 9 in total (2016: 10) are members of the executive management of the Company.

in thousands of EUR	31 December 2017	31 December 2016
Short-term employee benefits	1 343	1 583
TOTAL	1 343	1 583

28. CONTINGENT LIABILITIES

LITIGATIONS AND CLAIMS

The Company is not a participant in any litigations or claims except for ordinary business litigations. No significant adverse impact of litigations on the Company's financial position, results of operating activities or cash flows is expected.

UNCERTAINTIES IN TAX LEGISLATION

As many areas of the Slovak tax law have not been sufficiently tested in practice, there is some uncertainty as to how the tax authorities would apply them. The extent of this uncertainty cannot be quantified. It will be reduced only if legal precedents or official interpretations are available. Management of the Company is not aware of any circumstances that may give rise to a future material expense in this respect.

OTHER FINANCIAL LIABILITIES

As at 31 December 2017 the Company has contingent financial liabilities in the amount of EUR 2,699 thousand (31 December 2016: 364) which they committed to provide to its customers after all conditions are met.

29. OPERATING LEASE

The Company leases cars, office, retail and technological premises under operating leases, where the terms range from 1 to 30 years, and land and roofs for base stations. The table below shows the total minimum lease payments resulting from irrevocable operating leases:

in thousands of EUR	31 December 2017	31 December 2016
Lease due within one year	6 014	5 835
Lease due from one to five years	17 124	14 474
Lease due over five years	11 445	8 061
TOTAL LEASE	34 583	28 370

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

The Company has also concluded lease agreements for indefinite periods in addition to those summarized in the table above.

The lease payable from these contracts in the following year is summarized below:

in thousands of EUR	31 December 2017	31 December 2016
Lease due within one year	1 019	1 042
TOTAL LEASE	1 019	1 042

Total minimum lease payments under operating leases for land, buildings and equipment presented in 2017 as expense amounted to EUR 6,817 thousand (2016: EUR 7,783 thousand). These lease contracts may include a condition of restoring the leased assets at the end of the lease term. The Company estimates the current value of future costs of liquidation and dismantling, taking into consideration changes in network infrastructure.

30. INVESTMENT AND OTHER COMMITMENTS

in thousands of EUR	31 December 2017	31 December 2016
Investment and other commitments contracted but not included in the financial statements yet	11 557	2 067
TOTAL INVESTMENT AND OTHER COMMITMENTS	11 557	2 067

These commitments mainly relate to building of a telecommunication network, optical transfer network and exchange of equipment in sales points.

By purchase of a license for frequencies in 800 and 1800 MHz bands the Company committed to the Regulatory Authority for Electronic Communications and Postal Services to cover 25 % of the area of the Slovak Republic with LTE signal till the end of 2015, 50 % of the area till the end of 2017 and 70 % of the area till the end of 2018. As at the end of 2017 the Company covered more than 90 % of the area.

31. SUBSEQUENT EVENTS

No events with a material impact on the true and fair presentation of facts subject to the accounting occurred after 31 December 2017.

29 January 2018



Peter Gažík

Chief Executive Officer



Martin Klímek

Chief Financial Officer



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Translation of the Appendix to the independent Auditors' Report originally prepared in Slovak language

Appendix to the independent Auditors' Report issued on the Annual Report pursuant to Article 27 (6) 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")

To the Owners and Directors of O2 Slovakia, s.r.o.:

We have audited the financial statements of O2 Slovakia, s.r.o. ("the Company") as of 31 December 2017 presented in the appendix of the accompanying Annual Report. We have issued an independent auditors' report on the financial statements on 29 January 2018 with the following wording:

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of O2 Slovakia, s.r.o. ("the Company"), which comprise the statement of financial position as at 31 December 2017, statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to financial statements, including summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2017, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis for Opinion

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

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

Odborný register Obchodného súdu Bratislava I, oddiel Sro, vložka č. 4884/B
Commercial register of District court Bratislava I, section Sro, file No. 4884/B

IČO/Registration number: 31 548 338
Evidenčné číslo licencie audítora: 96
Licence number of statutory auditor: 96



Responsibilities of the Statutory Body for the Financial Statements

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

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

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.

29 January 2018
Bratislava, Slovak Republic

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

Responsible auditor:
Luboš Vančo
License SKAU No. 745

Report on Other Legal and Regulatory Requirements

Reporting on Information in the Annual Report

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

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

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

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

- the information given in the Annual Report for the year 2017 is consistent with the financial statements prepared for the same financial year; and
- the Annual Report contains information according to the Act on Accounting.

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

11 April 2018
Bratislava, Slovak Republic

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



Responsible auditor:
Luboš Vančo
License SKAU No. 745