Annual report 2015

O2 Slovakia, s.r.o.

Obsah

1

O_2 Czech Republic

The O_2 Czech Republic Group consists of the company O_2 Czech Republic, a.s., (O_2 CR) and several other subsidiaries. The ownership rights of O_2 CR in the subsidiaries are exercised by the company's Board of Directors. O_2 CR is the largest integrated provider of telecommunication services in the Czech market. Currently, it operates nearly eight million mobile and fixed lines, which makes it one of the leading providers of fully convergent services in Europe. O_2 CR offers its mobile customers in Czech Republic the latest technologies such as HSPA+ and LTE.

Subsidiaries and Investments

Company	Share capital	Share and voting rights
O_2 Slovakia, s.r.o.	103 203 437 €	100 %
Internethome, s.r.o.	67 765 000 Kč	100 %
O_2 Family, s.r.o.	200 000 Kč	100 %
O_2 TV, s.r.o.	1 000 000 Kč	100 %
O_2 IT Services, s.r.o.*	200 000 000 Kč	100 %
O_2 Business Services, a. s.**	25 000 €	100 %
Bolt Start Up Development, a. s.	2 000 000 Kč	100 %
Investments		
První certifikační autorita, a. s.	20 000 000 Kč	23,25 %
Tesco Mobile ČR, s.r.o.	200 000 Kč	50 %
Tesco Mobile Slovakia, s.r.o.**	5 000 €	50 %
AUGUSTUS, spol. s r. o.***	166 000 Kč	39,76 %

* O_2 CR excercise direct management control through its shareholder interest.

** Shareholder interest throught O2 Slovakia, s.r.o.

*** O_2 CR does not have control over the company.

During the years 2012 and 2013, O_2 CR brought a fundamental change to the Czech telecommunication market, when for example it was the first operator in Czech Republic to enable virtual operators to access its network. In spring 2013, O_2 CR also introduced the revolutionary unlimited FREE postpaid plans. O_2 CR disposes of the most compact offer of voice and data services in Czech Republic, while paying extraordinary attention to utilization of the growth potential mainly in the area of ICT. With its data centres of total area of 7,300 square meters, O_2 CR counts among the biggest players in the area of hosting and cloud services as well as in the area of managed services. These data centres are the only ones in Czech Republic and Central Europe that obtained the TIER III level certification. The service O_2 TV makes O_2 CR an operator of simultaneously the largest operator of online TV broadcasting in Czech Republic.

2

O2 Slovakia, s.r.o.

O2 Slovakia, s.r.o.

O2 Slovakia, s.r.o. (O_2) launched its commercial operation on 02/02/2007. The company obtained the licence based on the decision of the tender committee of the Telecommunication Authority of Slovak Republic dated 25/08/2006. The licence includes the rights to use the frequencies GSM 900 MHz, GSM 1800 MHz, UMTS and 28/29 GHz for the period of 20 years for the purposes of providing telecommunication services in the Slovak Republic. In Slovakia O_2 is the fastest growing mobile operator. From the beginning of its operation, it has been bringing revolutionary solutions, open communication and fairness for all customers alike. Its simple product portfolio has been systematically changing the rules of mobile communication. It was the first operator in Slovakia to bring a truly unlimited calling and texting plan as well as to launch the commercial testing operation of the LTE network or to offer payments by mobile via the NFC technology.

O_2 has been constantly enjoying the highest customer satisfaction among all operators. It is a 7 times consecutive winner of the title Operator of the Year awarded by an independent customer opinion poll. In 2013, 2014 and 2015 the operator was also announced the best employer among large companies in an independent survey of Aon Hewitt.

Fairness, Simplicity and Transparency

The main principles of mobile communication in O_2 are fairness, simplicity and transparency. Fairness brought a cancellation of compulsory monthly fees in postpaid services, so customers pay always only for what they actually use. Transparency and simplicity mean equal prices for calls during the day and night, work days and also weekends, to numbers in all networks in Slovak Republic as well as calls from Slovak Republic and Czech Republic to all European Union countries at local prices. Years ago O_2 cancelled commitment on provided services. They are sufficiently attractive and convenient, there is no need to threaten customers with sensless fines and payments. They are in O_2, because they want to be.

Equal Benefits for All

Equal benefits for all regardless of whether they recharge their credit or pay for the services used via an invoice, but also regardless of whether they have been with O_2 for a long period of time or they are new customers. Many customers appreciate this approach. In the period from 2008 to 31 December 2015, customers ported to O_2 more than 791 thousand telephone numbers. Since the beginning of 2015 until December 31, customers transferred to O_2 nearly 86 thousand SIM cards.

Changing the Rules of Mobile Communication in Slovakia

By introducing the O_2 Fér offer for residential customers in September 2008, O_2 brought a fundamental change to the rules of mobile communication in Slovakia. The benefits of the O_2 Fér plan lie mainly in the non-committed services, transparent price list and unified price for calls and SMS text messages. Simultaneously, the customers can adjust the O_2 Fér plan to their own needs by means of the Extra packages composed of the minutes, SMS / MMS messages or data at convenient prices. O_2 was the only one to bring customers an option to call automatically from Slovakia to the European Union countries at local prices. The calls and SMS messages from Slovakia to all mobile and fixed networks in these countries cost the same as the calls and SMS messages to all networks in the Slovak Republic. All that the customers need to do is to use the offers O_2 Fér, O_2 Paušál or O_2 Moja Firma. Moreover, O_2 automatically and free of charge made available to all customers of all plans – O_2 Fér, O_2 Paušál and O_2 Moja Firma, calls, SMS/MMS messages and data in the Czech Republic at identical prices as in Slovakia. The company also contributed to launching of the automatic number portability among all three operators as well as to a significant reduction of the period for number porting to the network of the other telecommunication operator from the prehistoric 25 to the current 4 days. Also owing to these brave customer-oriented solutions, O_2 has been a long term leader in customer satisfaction and this year it was even honoured with the Best CEx award.

O_2's Customer Base Continuously Growing

2015 was for O_2 yet another successful year in a row. O_2 continues expanding and empowering its own fast networks. The commercial launch of products on its own 3G network was performed back in June 2011. In April 2015, O_2 covered with its own 3G network nearly 70 % of Slovakia's population. Simultaneously, last year O_2 focused predominantly on expanding its coverage by the fastest 4G network. Even back in 2010, O_2 was the first to run a successful test of the 4G network in Slovakia and in August 2012 it launched the first pilot commercial operation of the 4G network in Slovakia. Towards the end of last year, O_2 expanded its 4G coverage to the 13 biggest towns in Slovakia and their adjacent areas, whereas according to the published plans, by the end of 2016 the coverage by own 4G network should reach as much as 60 % of the Slovak Republic's population.

Partner solutions

O2 Slovakia, s.r.o. decided to cooperate in the area of partner solutions through which mobile services are provided.

Tesco mobile is a partner product of Tesco Stores SR, a. s. and O2 Slovakia, s.r.o., sold within the retail network of Tesco Stores SR, a. s. In December 2009, Tesco mobile in Slovakia followed up on the successful operation in the British islands. It offers its services on the markets in the United Kingdom of Great Britain and Northern Ireland and in the Republic of Ireland. The service provider is O2 Slovakia s.r.o.

3

Company Management

Company Management

Peter Gažík
Chief Executive Officer

He was engaged in O_2 on the position of a Public Affairs Director during the period 2011 – 2014 and subsequently he cooperated with O_2 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. He became the Chief Executive Officer of O2 Slovakia, s.r.o. on 1 June 2015.

Martin Klímek
Finance Director

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

Radek Štěrba
Director for Sales and Customer Services

Radek Šterba has a lot of experience in sales and customer services in the telecommunication business. He joined O_2 Slovakia from the Czech Republic where he had worked in T-Mobile at the position of the Vice-President of Sales to Residential Customers where he was responsible for all sales channels including branded stores, franchises, dealers, distributors, retail networks as well as telesales. He is experienced in the area of implementing the company strategy for sales, introducing the non-traditional products and, of course, managing the sales team.

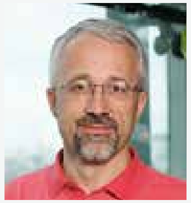
Igor Tóth
Marketing Director

Igor Tóth has rich experience in the area of marketing and he has been working with O_2 already since 2008. Recently, he held in O_2 the position of the Head of Commercial Marketing Department being responsible for managing marketing activities in the segment of residential as well as the 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 O_2, he was engaged in the field of marketing survey in T-Mobile. Igor also acts an external lecturer at the Faculty of Management of the Comenius University. He became the Marketing Director on 1 July 2015.

Ján Žďárský
Network Director

Ján has worked in the area of mobile network operation since 1996 when he joined Eurotel Praha, the first Czech mobile operator and predecessor of Telefónica in the Czech Republic. He spent his early days in the technical department supervising the creation of 2G mobile network, then he led one of the technical specialist department as its Supervisor. In 2003, he was offered to do such technical work abroad and his position was Team Leader of several technical teams, he spent 5 years working on several projects in Columbia, USA, Sweden and Brazil where he gained a lot of valuable experience. In 2008, he returned to the Czech Republic to work for Telefónica and spent 3 years working at the position of Senior Project Manager at the Network Operation Department. He has lived and worked in Slovakia since April 2011, first holding the position of Senior Manager of Network Operation and from 1 January 2013 Network Department Director.

Company Management



Ján Vanovčan
IT Systems Director

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

René Parák
Corporate Communication Director

He studied at the Academy of Performing Arts (VSMU) in Bratislava. First, he was a PR Manager in Markíza TV, then he led the Marketing Department of Jasná Ski Centre and before joining O_2 he had worked for KPMG Slovensko, a. s., where he was responsible for marketing and communication. He joined O2 Slovakia in 2007. At first, he was responsible for external communication and PR and in March 2011 he became Corporate Communication Director.
He is responsible for the complex company communication (external as well as internal).

Mária Rapanová
Human Resources Director

Mária Rapanová started her professional carrier at the position of Human Resources Manager in a private IT company, she held the same position in Komercní banka Bratislava. Later, she worked as a manager for T-Mobile (originally Eurotel) and Slovak Telekom. From 2005, she managed the Education and Development Department and was responsible for education and development of more than 6000 employees of the company. She joined O2 Slovakia in November 2008 and she was in charge of education and development and since 2010, she has managed the Human Resources Operative Services Department and represented O_2 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 became Human Resources Director on 1 June 2013.

Dávid Durbák
Legal Affairs Director

He graduated from Faculty of Law of the Comenius University in Bratislava in 2001. His professional career started in Slovak Telekom, a. s., at the Department for Regulation Affairs where he spent 4 years and was responsible for providing legal support to the company in proceedings with state authorities, mainly representing the company in several proceedings at the Antimonopoly Office of the Slovak Republic. At the same position, he was also responsible for evaluation of new products of the company. He joined O2 Slovakia in April 2007 at the position of a lawyer responsible mainly for the legal support of customer relations and was part of several important projects such as activation of pay-monthly services. Since April 2011, he has held the position of Legal Affairs Director, being responsible for the complex legal support to the company.

Tomáš Masár
Strategy and Business Development Director

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

Supervisory Board Members

Martin Štefunko

He holds the Ph.D. degree in economic theory and history of economic thinking from the University of Economy in Bratislava, where he also took the master's study in the field of finance, banking and investments. His 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, he worked in Penta Investments and since 2004 in the position of an 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. In the period 2009–2015, he acted as a top management member in the PPF Group. He was a 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. Since February 2014, he has been the Chairman of the Supervisory Board of O2 Slovakia, s.r.o.. Since December 2015, he has been the Chairman of the Supervisory Board of O2 Business Services, a.s.

Radek Štěrba

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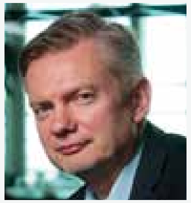

Tomáš Budník

He graduated from the Faculty of Engineering at the College of Mining at the Technical University of Ostrava. He has been working in the industry for more than twenty 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. On his most recent assignment within GTS, he was charged with 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 led the project of the fourth mobile operator. From June 2014, he has been a member of the Supervisory Board of O2 Slovakia, s.r.o. and since July 2014 he has been a nominee Chief Executive Officer of O2 Czech Republic a.s. Since June 2015, he has been a member of the Supervisory Board of Bolt Start Up Development a.s.

4

CEO Address

Peter Gažík
Chief Executive Officer of O_2 Slovakia

Dear shareholder, dear customers, employees and partners,

For the Slovak O_2, 2015 was mainly a year of investments similarly as the previous year. In line with our investment strategy, the largest volume of funds was allocated to modernization and expansion of our own 2G, 3G and 4G networks. In 2015, we managed to enhance the quality of our 2G network, which is closely interconnected with expansion of our own 4G network. At year-end, our 4G network covered already a fourth of the Slovak Republic's population. We did not lag behind in the coverage expansion trend even with our 3G network, which can be nowadays used by nearly 70 % of Slovaks. In addition to investments, in 2015 we also closed another chapter of the Slovak O_2, namely by becoming a complex telecommunication operator. Towards the year-end we started offering a portfolio of fixed services and ICT solutions for corporate customers via the company O_2 Business Services Slovakia. Product-wise, in 2015 we focused on a gradual improvement of benefits for the O_2 Fér and O_2 Paušál plans. O_2 Paušál got several enhancements such as a service by which the Diamond and Platinum O_2 Paušál customers can donate unlimited calls to as many as 4 other O_2 Paušál users. Moreover, the customers of Golden O_2 Paušál were also added free minutes. With the new set up, they do not need to count them at all, as they call automatically and send messages from Slovakia and Czech Republic without any limitations. However, not only the O_2 Paušál customers received benefits. For customers of the popular O_2 Fér plan, we prepared yet another service called Fair Cap (Férový strop) meaning that once the service is activated our postpaid customers will not pay more than EUR 40 for the mobile services consumed. As a company with a strong customer-orientation, we again concentrated on the comfort of our customers. In 2015, we were gradually introducing 4G network browsing without a fee for speed also abroad. The offer started out with Czech Republic and was gradually expanded to Austria, Poland, Hungary, Croatia, Slovenia, Russia, USA, Netherlands, Germany and Italy. We also prepared a pleasant summer surprise for our customers, when during the busiest holiday period, i.e. from 1 July to 31 August we made the prices of EU outbound calls "local". The O_2 Fér customers were calling from abroad only at 13 cents, customers of the corporate plan O_2 Moja Firma only at 12 cents and the O_2 Paušál customers only at 10 cents a minute. The end of the year was marked by a marathon of gradual launching of our own 4G network in 13 biggest towns in Slovakia and their adjacent areas. At year-end, the coverage by our own 4G network achieved as much as 25 % of the population, whereas in 2016 we are planning to expand this coverage to nearly 60 % of the Slovak Republic population. In selected parts of the capital, we also successfully tested the LTE Advanced technology, which our customers can use as well. Speed of a network enhanced in this manner reaches in real conditions up to 165 Mbps, whereas the theoretical network maximum allows us to achieve values only a bit higher. Thanks to our year-round work, we can label also 2015 as a successful year, which is supported by a year-on-year growth of operating indicators. The total revenues of O_2 Slovakia reached last year € 245 mil., which represents a more than a 9% increase against 2014. The average monthly revenue per user (ARPU) in prepaid services accounted last year for € 5.8, the ARPU for postpaid customers achieved € 12.9. As at 31 December 2015, the number of active customers grew year-on-year by 7.4% to 1.809 mil. From the start of 2015, we recorded a net increase in our customer base by nearly 125 thousand SIM cards. This increase was driven by a 13% year-on-year increase in postpaid customers to 971 thousand, while the number of prepaid customers went up year-on-year by 1.4 % to more than 838 thousand. Since we do not measure the success of our company from its establishment only by means of figures, we can again boast also milestones that nurture a good reputation of O_2 in Slovakia. We again confirmed that we were an operator with the highest customer satisfaction in the market, which was proven also by the awards organized by relevant technical media in Slovakia. We appreciate winning the 7th title in the customer opinion poll Techbox of the Year in the category Operator of the Year 2015, as well as the best operator's certificate given out by the Mobilmania.sk portal. Very significant for us is however also the recognition as the best employer in Slovakia according to the study Best Employers Slovakia of Aon Hewitt in the category of large companies. We received this award already for the third consecutive time. In conclusion, on behalf of O_2 Slovakia I would like to thank all who contributed to our success in 2015. I thank not only our customers, who by using the services of O_2 confirm the company's good reputation, but also to our employees who are doing a truly fantastic job. All awards and excellent operating performance are first and foremost the credit of their work. Bringing and professing new ideas in the telecommunication market is not an easy task, but we will not ease up on our efforts even in 2016 and we would like to sustain not only the growing trend, but mainly the favour and support of all who are participating in building the O_2 brand.

5

Calendar of 2015 Significant Events

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January

O_2 became a 6th time winner of the independent survey "TECHBOX of the Year", in which the readers vote also for the best operator in Slovakia. In January 2016, O_2 confirmed its position also with its seventh win in the poll. Its results confirm that customers appreciate a fair and transparent approach and new ideas in the telecommunication market.

February

O_2 brought all customers of residential plans with Android smartphones the possibility to buy applications and games in the Google Play store with the payment via O_2. According to the type of the digital content, O_2 will enable one-off payments or also payments in form of subscription.

March

O_2 expanded its own 3G network to other more than 80 new locations across Slovakia including the smaller villages. The operator's coverage by its own 3G network reached in 2015 nearly 70 % of Slovak Republic's population.

April

The O_2 Paušál customers with the Platinum or Diamond versions can give up to 4 close persons unlimited calls to all networks in Slovakia, Czech Republic and to the entire EU as a present. The free of charge benefit is available to all O_2 Paušál customers. They can get the unlimited calls and SMS already starting from € 15.

May

O_2 announced a change in the position of the Chief Executive Officer. Starting from June, Martin Vlček was replaced by an experienced manager Peter Gažík.

June

In 2015, for the first time in its history O_2 donated 2 % of its taxes. Besides long-term supported projects, thanks to a public call the operator found other projects intensely engaged in the support of young people's employment. They received the total amount of more than EUR 115 thousand. O_2 thus continues in the activities aimed at fighting young people's unemployment.

July

O_2 brought all its customers outbound roaming calls within the European Union at prices as in Slovakia. The offer was valid for customers of all plans without the necessity of any activation or fee, automatically starting from 1 July and lasting until 31 August 2015. The customers of O_2 Paušál plans were calling in the roaming within the EU countries at 10 cents, of O_2 Moja Firma plan at 12 cents and of O_2 Fér plan and other tariffs at 13 cents a minute.

August

Also in 2015, O_2 was the general partner of the August music festival Grape. For the festival visitors, the mobile operator prepared again a variety of useful services and entertaining activities: festival application for smartphones, a free Wifi connection in the entire festival area, the first borrowing centre for external chargers in Slovakia, an amazing relax zone O_2 Svet and many competitions for great prizes. A popular service were again the free SMS and MMS messages in the O_2 Slovakia network to the telephone numbers during the entire festival for its visitors.

September

O_2 introduced a new service, available to all who want to use data on their tablets anywhere. At EUR 9 per month, the customers will get additional 1 GB of data and also a bonus of EUR 96 for a new tablet and/or telephone.

October

O_2 changed the quantity of free minutes to all networks within the Golden O_2 Paušál. From the original 300 free minutes, starting from October all customers can use unlimited calls to all networks not only in Slovakia and Czech Republic but also to the entire EU at the same monthly fee of € 30. Simultaneously, O_2 brought its O_2 Fér customers the Fair Cap service, which can be activated by all customers with the O_2 Fér plan and invoice payment (residential and also corporate). The Fair Cap amounts to € 40 VAT inclusive, while the amount includes also the monthly fee for the service itself, which costs EUR 1 per month including VAT.

November

O_2 Business Services Slovakia officially entered the Slovak telecommunication market by introducing a complex portfolio of fixed and also mobile telecommunication services and ICT solutions for corporate customers.

O_2 started it corporate online magazine entitled Sóda (www.soda.o2.sk). Its philosophy is to offer the page visitors "intelligent reading for their coffee" through positive and inspirational topics, bring valuable information served in a light and captivating manner. O_2 is thus trying to transfer its values – fairness or simplification of life by means of technologies into the form of quality content.

December

In 2015, for the third consecutive time O_2 became the best employer in Slovakia in the category of large companies. In 2015, 42 companies enrolled for the Best Employers Slovakia study. In 2015, O_2 was the first to make browsing in the fastest LTE network available abroad. After Czech Republic and Austria, in December added were also Croatia, Slovenia, Russia, Hungary, USA and Poland, Germany, Netherlands and Italy. The O_2 customers can thus use the 4G network without any additional fees. In 2015, O_2 covered with its own 4G network the 13 biggest towns and their adjacent areas, whereby it expanded its 4G network to 25 % of Slovakia's population. Next year, O_2 is planning to cover nearly 60 % of population. In December in selected areas of Bratislava O_2 ran a successful test of the LTE Advanced technology. This technology allows to increase the data downloading and uploading speeds in the 4G network of O_2. The network's theoretical maximum in data download reaches 180 Mbps, while the actual tests confirmed the speed at the level of 165 Mbps.

6 Portfolio

O_2 Paušál

O_2 Paušál is a non-committed plan combining telephone, Internet, free SMS and prepaid minutes to all networks in Slovakia and from Slovakia and Czech Republic to the entire EU territory. With O_2 Paušál, the customers will also get the highest hardware bonuses on 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 O_2 without getting committed. The offer includes five alternatives of O_2 Paušál: Blue, Silver, Gold, Platinum and Diamond. Moreover, customers of the top two O_2 Paušál alternatives can share the benefit of unlimited calls with up to other 4 customers with an activated O_2 Paušál.

O_2 Fér

O_2 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 O_2 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.

The key benefits of O_2 Fér include:

- unified price of € 0.13 /min. for calls and € 0.06 for sending an SMS to telephone numbers in all networks in the Slovak Republic and from SR and CR to the European Union countries at any time.
- free calling after the 1st minute to the O_2 Slovakia network, to the telephone numbers of O_2
- daily cap of € 0.50 € for the data fee,
- use of Internet in Czech Republic at the same prices as in Slovakia,
- no obligatory monthly fees or commitment.

O_2 Internet with a Bonus

A favourable combination of the volume of prepaid data and a price bonus for device is offered by the plan O_2 Internet with a Bonus. Customers can decide to use their bonus for a tablet or modem and be constantly connected any time they need to. Of course, without any commitments.

7 Corporate Responsibility

Výzva k ľudskosti (Humanity Challenge)

In 2015, O_2 joined the Internet Humanity Challenge. It became the first company to officially support a call for humanity and solidarity. Since keeping a word is fair, O_2 is coming with a plan of concrete steps of material and financial aid. O_2 decided to provide material and financial assistance to those who need it the most through the activities of the civic association Človek v ohrození (Man in Danger). The association has a close cooperation with the originators of the challenge.

2 Percents

In 2015, for the first time in its history O_2 donated 2 % of its taxes. Besides long-term supported projects, thanks to the public call the operator found other projects with an intense engagement in the support of young people's employment. They received the total amount of more than EUR 115 thousand. O_2 thus continues in the activities aimed at fighting young people's unemployment.

List of Supported Entities:

SOVVA – StartUpAwards.sk

ID Space Team – TEDx Youth, Rozbaľ to (Bring It On) Bratislava

Aptech Europe – IT courses, trainings and retraining of young unemployed students

Voices.sk – weekend schools with active workshops supporting employment and business sustainability

ZMPS – practical training of young entrepreneurs, global business week

STUBA Green Team – support of a university team that simulates the functioning of a company with all departments

F. A. Hayek Foundation – PEntrepreneurial Idea of the Year, Junior Chamber International Slovakia

Vagus – Day and integration centre for the homeless people

Červený nos (Red Nose) – Clowndoctors

Banskobystrický Maratón

Divadelná Nitra – an international theatre festival

Divadelné združenie GUnaGU (theatre ensemble)

OPI Trainings

Donor SMS

The donor SMS are a tool how to simply and immediately send help to those in need. In 2015, we cooperated with the following associations:

Magna (Deti v núdzi – Children in Need)

Človek v ohrození (Man in Danger)

Dobrá krajina a Srdce pre deti (Nadácia Pontis) – Good Country and Heart for Children

Depaul Slovensko (Depaul Slovakia)

Dobrý anjel (Good Angel)

8 Sponsorship

What does sponsoring mean for us?

We want to be the everyday oxygen for an active life. Therefore, we support activities bringing a breath of fresh air, which have their true fans. Whether it is a music festival, sports events or CSR activities, we like projects full of enthusiasm and joy of living, events organized by exceptional people excited about the right thing.

We Love Music Under the Stars

Grape Festival stands for amazing experience, great music and young people of all age categories. We are big fans of this festival and as its general partner we are trying to improve it every year. Also in 2015, O_2 became the general partner of Grape Festival, bringing its customers and fans a decent portion of excellent music and experience. For the duration of the festival, we prepared attractive services and a rich program for all visitors– free SMS or MMS messages, less expensive tickets via the portal O_2 Extra výhody (Benefits), mobile festival guide, free wifi in the entire festival area, competitions, phone charging stations or the great relaxing zone O_2 Svet.

We Support Behsity

Being fair is a long-distance run. That is why we are partners of runs and proud to support the best Slovak athletes and the current world champion Matej Tóth. We also support the Beh SiTy portal.

We Love Children's Laughter

Every child deserves to be happy. That is the reason we support the charity project of the Nový čas daily Heart for Children, as its main goal is to help improve the living conditions of children with a severe health or social disadvantage.

9

Independent Auditor's Report and Individual Financial Statements as at 31 December 2015

KPMG

KPMG Slovensko spol. s r.o.
Dvořákovo nábrežie 10
P.O. Box 7
820 04 Bratislava 24
Slovakia

Telephone +421 (0)2 59 98 41 11
Fax +421 (0)2 59 98 42 22
Internet www.kpmg.sk

<u>Translation of the statutory Auditor's Report originally prepared in Slovak language</u>

Independent Auditor's Report

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

We have audited the accompanying financial statements of O2 Slovakia, s.r.o. ("the Company"), which comprise the statement of financial position as at 31 December 2015, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management as represented by the statutory body is responsible for the preparation of these 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 management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of the financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KPMG

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 December 2015, 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.

29 January 2016
Bratislava, Slovak Republic

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

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

Responsible auditor:
Ing. Richard Farkaš, PhD.
License SKAU No. 406

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2015

in thousands of EUR	Note	31 December 2015	31 December 2014
ASSETS			
Non-current assets			
Property, plant and equipment (net)	8	72 819	75 349
Non-current intangible assets (net)	9	68 366	72 700
Investment in joint venture	6	9	3
Investment in subsidiaries	6	3028	-
Long-term receivables		203	18
Deferred tax asset	10	11 176	10 883
TOTAL NON-CURRENT ASSETS		155 602	158 952
Current assets			
Inventories	11	4 540	3 239
Trade receivables and other financial receivables	13	25 927	29 354
Loans provided	14	22 000	8 600
Cash and cash equivalents		4 842	847
Prepaid expenses		2 626	3 454
Total current assets		59 934	45 494
TOTAL ASSETS		215 536	204 445
EQUITY			
Share capital		103 203	103 203
Legal reserve fund and other funds		7 122	5 491
Retained earnings		43 308	32 624
TOTAL EQUITY	15	153 634	141 318
LIABILITIES			
Non-current liabilities			
Other non-current liabilities	16	427	88
TOTAL NON-CURRENT LIABILITIES		427	88
Current liabilities			
Trade payables and other financial liabilities	17	46 919	50 774
Current tax liability		7 680	5 926
Deferred revenues	18	6 877	6 339
Total current liabilities		61 476	63 039
TOTAL LIABILITIES		61 903	63 127
TOTAL EQUITY AND LIABILITIES		215 536	204 445

The notes on pages 31 to 64 are an integral part of these financial statements.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2015

in thousands of EUR	Note	31 December 2015	31 December 2014
Revenues from sale of services		205 668	198 984
Revenues from sale of merchandise		37 461	23 627
Other revenues		2 184	1 740
TOTAL REVENUES		245 314	224 351
Costs of goods sold and services provided	19	(138 828)	(133 290)
Depreciation and amortization	8,9	(25 985)	(23 220)
Personnel costs	20	(17 058)	(15 684)
Other expenses	21	(5 563)	(8 062)
OPERATING PROFIT		57 880	44 095
Finance costs		(560)	(342)
Finance income		229	181
Finance costs (net)		(331)	(161)
PROFIT BEFORE TAX		57 549	43 934
Income tax expense	22	(14 241)	(11 310)
PROFIT AFTER TAX		43 308	32 624
Other comprehensive income for the period		-	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		43 308	32 624

The notes on pages 31 to 64 are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2015

in thousands of EUR	Share capital	Legal reserve fund and other funds	Retained earnings from previous periods	Total equity
Balance as at 1 January 2014	103 203	3 742	34 978	141 923
Contribution to legal reserve fund	-	1 749	(1 749)	-
Dividends	-	-	(33 229)	(33 229)
Total comprehensive income for the period	-	-	32 624	32 624
BALANCE AS AT 31 DECEMBER 2014	103 203	5 491	32 624	141 318
Contribution to legal reserve fund	-	1 631	(1 631)	-
Dividends	-	-	(30 993)	(30 993)
Total comprehensive income for the period	-	-	43 308	43 308
BALANCE AS AT 31 DECEMBER 2015	103 203	7 122	43 308	153 634

The notes on pages 31 to 64 are an integral part of these financial statements.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2015

in thousands of EUR	31 December 2015	31 December 2014
Profit/loss from ordinary activities before income tax	57 549	43 934
Cash flows from operating activities		
Depreciation of property, plant and equipment and amortization of intangible assets	25 901	23 223
Change in value adjustment to receivables and write-off of receivables	1 721	1 694
Change in accruals and deferrals	1 366	(1 805)
Gain/loss on sale of non-current assets	142	(18)
Effect of changes in working capital		
Change in receivables from operations	1 520	3 655
Change in payables from operations	(8 466)	7 219
Change in inventories	(1 301)	(1 299)
Income tax paid and levy on business in regulated industries	(12 781)	(2 578)
NET CASH FLOWS FROM OPERATING ACTIVITIES	65 651	74 025
Cash flows from investing activities		
Acquisition of property, plant and equipment	(7 403)	(9 416)
Acquisition of non-current intangible assets	(7 113)	(65 104)
Proceeds from sale of property, plant and equipment	287	41
Short-term loans provided to the parent company	(22 000)	(8 600)
Repayment of short-term loans from the parent company	8 600	74 400
NET CASH FLOWS FROM INVESTING ACTIVITIES	(27 629)	(8 679)
Cash flows from financing activities		
Dividends paid	(30 993)	(65 979)
Acquisition of non-current financial assets	(3 034)	-
NET CASH FLOWS FROM FINANCING ACTIVITIES	(34 027)	(65 979)
NET INCREASE OR NET DECREASE OF CASH AND CASH EQUIVALENTS	3 995	(633)
Cash and cash equivalents at the beginning of the accounting period	847	1 480
Cash and cash equivalents at the end of the accounting period	4 842	847

The notes on pages 31 to 64 are an integral part of these financial statements.

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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 2015 was PPF Arena 2 B.V. that was part of PPF Group ("PPF Group").

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 following changes were performed in 2015: Based on a resolution of sole shareholder from 26 May 2015, the sole shareholder accepted resignation of member of the Supervisory board Jan Tomaník, accepted resignation of Executive Officer Radek Štěrba, MBA and appointed him to the position of member of the Supervisory Board, accepted resignation of Executive Officer Martin Vlček and appointed Mgr. Peter Gažík to the position of Executive Officer. The above stated changes were recorded in the Commercial Register in 2015.

The Company is entitled to conduct its business under the brand name O_2 for a period of four years till 27 January 2019. 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.

Based on the decision of the Regulatory Authority for Electronic Communications and Postal Services from 16 June 2015, the frequency bands 3430/3530 – 3470/3570 MHz designed for mobile, fixed communications networks respectively, to provide broadband services, were allocated to the Company.

NUMBER OF EMPLOYEES

The number of employees employed by the Company in 2015 amounted in average to 520, in 2014 it was 416 employees.

The number of employees as at 31 December 2015 was 576, thereof 10 managers (as at 31 December 2014 it was 437, thereof 10 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 2015 to 31 December 2015.

DATE OF APPROVAL OF THE FINANCIAL STATEMENTS FOR ISSUE

These financial statements have been prepared as at 31 December 2015 and for the year then ended and were prepared and authorized for issue by the Company's statutory representatives on 29 January 2016.

The sole shareholder of the Company can amend these financial statements until they are not approved 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 2014, i.e., for the preceding accounting period, were approved by the Annual General Meeting on 14 April 2015.

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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)

Radek Štěrba, MBA (from 12 May 2011 to 1 June 2015)

Martin Vlček (from 18 June 2014 to 1 June 2015)

SUPERVISORY BOARD

Tomáš Budník ((from 18 June 2014)

Radek Štěrba, MBA (from 1 June 2015)

Martin Štefunko (from 1 February 2014)

Jan Tomaník (from 1 February 2014 to 1 June 2015)

Martin Vlček (from 1 February 2014 to 18 June 2014)

SHAREHOLDER STRUCTURE

Structure is as follows:

	As at 31 December 2015 (in thousands of EUR)	Share and voting rights (%)	As at 31 December 2014 (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

INFORMATION ABOUT THE ULTIMATE PARENT

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.

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 particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amount recognized in the financial statements are described in the following notes:

- 4. Significant accounting policies: c) Property, plant and equipment – determination of useful life
- 4. Significant accounting policies: b) Non-current intangible assets – determination of useful life
- 4. Significant accounting policies: e) Current receivables

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.

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 note:

- 13. Current financial receivables – creation of value adjustment to receivables

Receivables are measured at their nominal value decreased by the value adjustment reflecting a reduction in the value of receivables. The amount of value adjustment is estimated based on historical experience and individual assessment.

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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.

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:

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

Amortization methods and useful lives, as well as residual values, are reassessed at the reporting date and adjusted if appropriate.

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

iv. Impairment review

Impairment review of non-current intangible assets is performed in a similar manner as for property, plant and equipment described in the accounting policy c) iv. below.

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. 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.

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.

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 amortization in %	Amortization method
Buildings	10 to 55	2 to 10	straight-line
Technology and office equipment	2 až 20	5 to 50	straight-line
Other property, plant and equipment	2 až 10	10 to 50	straight-line

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.

d) Leases

i. Assets leased (the Company as Lessee)

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.

ii. Lease payments

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

iii. Assets leased (the Company as Lessor)

Leases in which the Company does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same bases as rental income.

e) Financial instruments

i. Non-derivative financial assets and liabilities – recognition and derecognition

The Company initially recognizes loans and receivables on the date when they are originated.

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 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.

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.

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire.

ii. Non-derivative financial assets – measurement

The Company classifies financial assets into the following categories: financial assets at fair value through profit or loss, loans 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.

LOANS AND RECEIVABLES

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.

Loans and receivables are measured at amortized cost. The valuation of doubtful 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.

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.

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.

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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.

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.

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.

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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.

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. Share capital of the company is EUR 5 thousand. Financial statements of the company Tesco Mobile Slovakia, s.r.o. for 2015 were not available as at the date of preparation of these financial statements. Loss for 2014 amounted to EUR 1 thousand. Retained earnings from previous years amounted to EUR 68 thousand as at 31 December 2014. 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 25 thousand was fully paid, equity is of EUR 3 028 thousand. The Company records equity investment and capital funds investment in total sum of EUR 3 028 thousand.

In 2014 the Company established foundation „Férová nadácia" at costs EUR 6 600.

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 2015, and have not been applied in preparing the financial statements:

IFRS 9 FINANCIAL INSTRUMENTS

IFRS 9 has been issued in July 2014 and is effective for annual periods beginning on or after 1 January 2018. Key features of the new standard are:

Financial assets are required to be classified into three measurement categories: those to be measured subsequently at amortised cost, those to be measured subsequently at fair value through other comprehensive income (FVOCI) and those to be measured subsequently at fair value through profit or loss (FVPL).

Classification for debt instruments is driven by the entity's business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest (SPPI). If a debt instrument is held to collect cash flows, it may be carried at amortised cost if it also meets the SPPI requirement. Debt instruments that meet the SPPI requirement and are held in a portfolio where an entity both holds to collect assets' cash flows and sells assets may be classified as FVOCI. Financial assets that do not contain cash flows that are SPPI must be measured at FVPL (for example, derivatives). Embedded derivatives are no longer separated from financial assets but will be included in assessing the SPPI condition.

Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in other comprehensive income, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss.

Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The key change is that an entity will be required to present the effects of changes in own credit risk of financial liabilities designated at fair value through profit or loss in other comprehensive income.

IFRS 9 introduces a new model for the recognition of impairment losses – the expected credit losses (ECL) model. There is a 'three stage' approach which is based on the change in credit quality of financial assets since initial recognition. In practice, the new rules mean that entities will have to record an immediate loss equal to the 12-month ECL on initial recognition of financial assets that are not credit impaired (or lifetime ECL for trade receivables). Where there has been a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL. The model includes operational simplifications for trade receivables and lease.

The requirements for the hedge accounting have been changed in order to better match with the internal risk management. The standard offers the possibility to choose the accounting policy - either to account for the hedge according to IFRS 9 or continue to apply IAS 39 for all hedge relationships because the standard currently does not address the macro hedge accounting.

The standard has not been adopted by the European Union yet. The Company is currently assessing the impact of the new standard on its financial statements.

IFRS 15 REVENUE FROM CONTRACTS WITH CUSTOMERS

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 introduces the core principle that revenue must be recognised when the goods or services are transferred to the customer, at the transaction price. Any bundled goods or services that are distinct must be recognised separately, and any discounts or rebates on the contract price must generally be allocated to the separate elements. When the consideration varies for any reason, minimum amounts must be recognised if they are not at significant risk of reversal. Costs incurred to secure contracts with customers have to be capitalised and amortised over the period when the benefits of the contract are consumed.

The standard has not been adopted by

the European Union yet. The Company is currently assessing the impact of the new standard on its financial statements.

IFRS 14 REGULATORY DEFERRAL ACCOUNTS (Effective for annual periods beginning on or after 1 January 2016. Earlier application is permitted.)
IFRS 14 is a new Standard which permits an entity that is a first-time adopter of International Financial Reporting Standards to continue to account, with some limited changes, for ‚regulatory deferral account balances' in accordance with its previous GAAP, both on initial adoption of IFRS and in its subsequent financial statements.

The Company does not expect the Standard to have any impact on the financial statements since it does have any regulatory deferral account balances.

AMENDMENTS TO IFRS 11: ACCOUNTING FOR ACQUISITIONS OF INTEREST IN JOINT OPERATIONS (Effective for annual periods beginning on or after 1 January 2016; to be applied prospectively. Early application is permitted.)

These Amendments require business combination accounting to be applied to acquisitions of interests in a joint operation that constitutes a business.
Business combination accounting also applies to the acquisition of additional interests in a joint operation while the joint operator retains joint control. The additional interest acquired will be measured at fair value. The previously held interests in the joint operation will not be remeasured.

The Company do not expect this amendment to have an impact on its financial statements.

AMENDMENTS TO IAS 1 (Effective for annual periods beginning on or after 1 January 2016. Early application is permitted.) The Amendments to IAS 1 include the following five, narrow-focus improvements to the disclosure requirements contained in the standard.

The guidance on materiality in IAS 1 has been amended to clarify that:

- Immaterial information can detract from useful information.
- Materiality applies to the whole of the financial statements.
- Materiality applies to each disclosure requirement in an IFRS.

The guidance on the order of the notes (including the accounting policies) have been amended, to:

- Remove language from IAS 1 that has been interpreted as prescribing the order of notes to the financial statements.
- Clarify that entities have flexibility about where they disclose accounting policies in the financial statements.

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.

AMENDMENTS TO IAS 16 AND IAS 38: CLARIFICATION OF ACCEPTABLE METHODS OF DEPRECIATION AND AMORTISATION (Effective for annual periods beginning on or after 1 January 2016; to be applied prospectively. Early application is permitted.)

Revenue based depreciation banned for property, plant and equipment
The amendments explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment.

New restrictive test for intangible assets
The amendments introduce a rebuttable

presumption that the use of revenue-based amortisation methods for intangible assets is inappropriate. This presumption can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are 'highly correlated', or when the intangible asset is expressed as a measure of revenue.
It is expected that the Amendments, when initially applied, will not have material impact on the Company's financial statements as the Company does not apply revenue-based methods of amortisation/depreciation.

AMENDMENTS TO IAS 19 – DEFINED BENEFIT PLANS: EMPLOYEE CONTRIBUTIONS
(Effective for annual periods beginning on or after 1 February 2015. The amendments apply retrospectively. Earlier application is permitted.)

The amendments are relevant only to defined benefit plans , that involve contributions from employees or third parties meeting certain criteria: Namely that they are:
• set out in the formal terms of the plan;
• linked to service; and
• independent of the number of years of service.

When these criteria are met, a company is permitted (but not required) to recognise them as a reduction of the service cost in the period in which the related service is rendered.

The Company does not expect the Amendment to have any impact on the financial statements since it does have any defined benefit plans that involve contributions from employees or third parties.

AMENDMENTS TO IAS 27: EQUITY METHOD IN THE SEPARATE FINANCIAL STATEMENTS
(Effective for annual periods beginning on or after 1 January 2016 and apply retrospectively. Early application is permitted.)
The amendments to IAS 27 allow an entity to use the equity method in its separate financial statements to account for investments in subsidiaries, associates and joint ventures.

The Company does not expect that the amendments, when initially applied, will have material impact on the financial statements as the Company does not have subsidiaries, associates or joint ventures.

ANNUAL IMPROVEMENTS TO IFRSS
The improvements introduce ten amendments to ten standards and consequential amendments to other standards and interpretations. Most of these amendments are applicable to annual periods beginning on 1 February 2015 or 1 January 2016, with earlier adoption permitted. The Company expects that none of these amendments will have a significant impact on its financial statements.

Post-employment defined benefit plans or other long-term employee benefit plans

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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 2014	44 456	87 979	500	6 720	139 655
Additions	415	3 955	134	2 580	7 084
Disposals	5	2 005	2	-	2 012
Transfers	503	483	32	(1 017)	-
BALANCE AS AT 31 DECEMBER 2014	45 369	90 411	664	8 283	144 727
Balance as at 1 January 2015	45 369	90 411	664	8 283	144 727
Additions	376	8 226	-	3 252	11 853
Disposals	-	1 898	158	-	2 055
Transfers	691	816	4	(1 511)	-
BALANCE AS AT 31 DECEMBER 2015	46 437	97 555	510	10 023	154 525
Accumulated depreciation					
Balance as at 1 January 2014	11 613	45 988	281	-	57 882
Additions	2 510	10 146	143	-	12 799
Disposals	-	1 981	2	-	1 983
BALANCE AS AT 31 DECEMBER 2014	14 123	54 153	422	-	68 698
Balance as at 1 January 2015	14 122	54 153	422	-	68 698
Additions	2 394	11 455	106	-	13 956
Disposals	-	1 505	121	-	1 627
BALANCE AS AT 31 DECEMBER 2015	16 516	64 103	407	-	81 027

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 2014	-	-	-	680	680
Additions	-	-	-	-	-
Disposals	-	-	-	-	-
BALANCE AS AT 31 DECEMBER 2014	-	-	-	680	680
Balance as at 1 January 2015	-	-	-	680	680
Additions	-	-	-	-	-
Disposals	-	-	-	-	-
BALANCE AS AT 31 DECEMBER 2015	-	-	-	680	680
Carrying amount					
As at 1 January 2014	32 843	41 991	219	6 040	81 093
As at 31 December 2014	31 247	36 257	242	7 603	75 349
As at 1 January 2015	31 247	36 257	242	7 603	75 349
As at 31 December 2015	29 921	33 452	103	9 343	72 819

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 2015 (as at 31 December 2014: none).

The Company does not have any restricted rights to property, plant and equipment as at 31 December 2015 (as at 31 December 2014: none).

INSURANCE

The Company's property, plant and equipment is insured against damages caused by theft and natural disaster up to EUR 159 370 thousand (2014: EUR 129 558 thousand).

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

9. NON-CURRENT INTANGIBLE ASSETS

in thousands of EUR	Licences	Software and valuable rights	Trademark	Acquisition of intangibles	Total
Acquisition cost/Conversion cost					
Balance as at 1 January 2014	5 591	41 236	-	3 352	50 179
Additions	40 556	1 844	19 689	348	62 438
Disposals	-	11	-	-	11
Transfers	-	458	-	-458	-
BALANCE AS AT 31 DECEMBER 2014	46 147	43 527	19 689	3 243	112 606
Balance as at 1 January 2015	46 147	43 527	19 689	3 243	112 606
Additions	1 776	1 138	-	4 645	7 559
Disposals	-	2	-	-	2
Transfers	1 665	101	-	(1 767)	-
BALANCE AS AT 31 DECEMBER 2015	49 588	44 764	19 689	6 121	120 163
Accumulated depreciation					
Balance as at 1 January 2014	1 966	27 526	-	-	29 492
Additions	1 685	8 346	394	-	10 425
Disposals	-	11	-	-	11
BALANCE AS AT 31 DECEMBER 2014	3 651	35 861	394	-	39 905
Balance as at 1 January 2015	3 651	35 861	394	-	39 905
Additions	3 085	4 082	4 725	-	11 893
Disposals	-	1	-	-	1
BALANCE AS AT 31 DECEMBER 2015	6 736	39 941	5 119	-	51 797

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

in thousands of EUR	Licences	Software and valuable rights	Trademark	Acquisition of intangibles	Total
Carrying amount					
Balance as at 1 January 2014	3 624	13 711	-	3 352	20 687
Balance as at 31 December 2014	42 496	7 666	19 296	3 243	72 700
Balance as at 1 January 2015	42 496	7 666	19 296	3 243	72 700
Balance as at 31 December 2015	42 852	4 823	14 570	6 121	68 366

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.

LIEN

No lien has been established on non-current intangible assets as at 31 December 2015 (as at 31 December 2014: none).

The Company does not have any restricted rights to non-current intangible assets as at 31 December 2015 (as at 31 December 2014: none).

INSURANCE

See note 8 Property, plant and equipment.

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

Non-current intangible assets include a telecommunication license acquired in years 2006 and 2014 and several key systems summarized as follows:

in thousands of EUR		31 December 2015	31 December 2014
	Acquisition cost	46 147	46 147
Telecommunication licence	Carrying amount	39 411	42 496
	Acquisition cost	14 124	12 670
CRM system	Carrying amount	2 021	1 430
	Acquisition cost	19 689	19 689
Brand	Carrying amount	14 570	19 296

10. DEFERRED TAX ASSET

in thousands of EUR	2015	2014
Deferred tax asset at the beginning of the period	10 883	14 692
Change in statement of profit or loss	293	(3 809)
thereof: effect of a change in tax rate	-	-
DEFERRED TAX ASSET AT THE END OF THE PERIOD	11 176	10 883

The deferred tax assets are represented by the following items:

in thousands of EUR	31 December 2015	31 December 2014
Property, plant and equipment and non-current intangible assets	6 297	9 160
Receivables	1 374	637
Inventories	11	11
Liabilities	3 494	1 075
Tax losses	-	-
TOTAL DEFERRED TAX ASSET	11 176	10 883
Part realizable in 12 months	7 510	4 096
Part realizable later than in 12 months	3 666	6 787
TOTAL DEFERRED TAX ASSET	11 176	10 883

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.

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

11. INVENTORIES

in thousands of EUR	31 December 2015	31 December 2014
Material	528	521
Merchandise	4 012	2 718
TOTAL INVENTORIES	4 540	3 239

The Company recognized a provision for slow moving material and merchandise in total amount of EUR 49 thousand (2014: EUR 49 thousand).

No lien has been established on inventories as at 31 December 2015 (as at 31 December 2014: none).

Material in amount of EUR 1 866 thousand, merchandise in amount of EUR 36 201 thousand was recognized as an expense in 2015 (in 2014: material in amount of EUR 2 234 thousand, merchandise in amount of EUR 23 154 thousand).

12. FINANCIAL INSTRUMENTS ACCORDING TO CATEGORIES

31 December 2015 (in thousands of EUR) Assets according to Statement of financial position	Amortized cost	Nominal value	Total
Trade receivables and other financial receivables	25 927	-	25 927
Loans and borrowings	22 000	-	22 000
Cash and cash equivalents	-	4 842	4 842
	47 927	4 842	52 769

31 December 2015 (in thousands of EUR) Liabilities according to Statement of financial position	Amortized cost	Total
Trade payables and other financial liabilities	46 919	46 919
	46 919	46 919

31 December 2014 (in thousands of EUR) Assets according to Statement of financial position	Amortizovaná hodnota	Nominal value	Total
Trade receivables and other financial receivables	29 354	-	29 354
Loans and borrowings	8 600	-	8 600
Cash and cash equivalents	-	847	847
	37 954	847	38 801

31 December 2014 (in thousands of EUR) Liabilities according to Statement of financial position	Amortized cost	Total
Trade payables and other financial liabilities	50 774	50 774
	50 774	50 774

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

13. TRADE AND OTHER FINANCIAL RECEIVABLES

in thousands of EUR	31 December 2015	31 December 2014
Receivables	35 248	39 858
Impairment provision	(9 321)	(10 504)
NET RECEIVABLES	25 927	29 354

in thousands of EUR	31 December 2015	31 December 2014
Receivables not impaired	13 824	17 455
Receivables impaired	21 424	22 403
TOTAL RECEIVABLES	35 248	39 858

Ageing structure of receivables not impaired:

in thousands of EUR	31 December 2015	31 December 2014
Not past due	8 329	12 302
Overdue less than 180 days	5 390	4 840
Overdue less than 365 days	45	131
Overdue more than 365 days	60	182
TRADE RECEIVABLES NOT IMPAIRED	13 824	17 455

Ageing structure of receivables impaired:

in thousands of EUR	31 December 2015	31 December 2014
Not past due	7 808	9 195
Overdue less than 180 days	4 510	3 188
Overdue less than 365 days	1 211	898
Overdue more than 365 days	7 895	9 122
TOTAL RECEIVABLES IMPAIRED	21 424	22 403

Movements in the impairment provision:

in thousands of EUR	31 December 2015	31 December 2014
At the beginning of the period	10 504	11 205
Utilisation	2 904	2 305
Creation in the statement of profit or loss	1 721	1 604
IMPAIRMENT PROVISION AT THE END OF THE PERIOD	9 321	10 504

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.

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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 2015	31 December 2014
Combination of bank guarantees and blank promissory note	8 860	9 034
Collaterals received	1 397	1 410
TOTAL SECURED RECEIVABLES	10 257	10 444

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 23.

Receivables are not secured by a lien or any other form of security as at 31 December 2015 (as at 31 December 2014: none).

The Company does not have any restricted rights to receivables.

14. LOANS PROVIDED AND RECEIVED

in thousands of EUR	Interest rate	Maturity	31 December 2015	31 December 2014
Loans provided				
O2 Czech Republic a.s.	1M EURIBOR p. a. -0,22 %	30 june 2016	22 000	8 600
TOTAL LOANS PROVIDED			22 000	8 600

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

in thousands of EUR	31 December 2015	31 December 2014
Slovenská sporiteľňa	5 000	2 500
Citibank Europe plc, foreign bank branch	2 300	2 300
Československá obchodná banka	-	2 150
TOTAL AGREED LOAN FACILITY	7 300	6 950

Since the 1M EURIBOR interest rate is negative, the companies applies so called „Zero Floor", which means that granted loan is bearing no interest.

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

15. EQUITY

SHARE CAPITAL

Total authorized and issued share capital of the Company amounts to EUR 103 203 thousand as at 31 December 2015 (as at 31 December 2014: 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 2015 the balance of legal reserve fund is EUR 7 122 thousand (as at 31 December 2014: EUR 5 491 thousand). In future, contribution in the amount of EUR 3 198 thousand from the Company's profits will be required in order to reach the statutory limit. 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 30 993 thousand and on contribution to the legal reserve fund in the amount of 5% of net profit, i.e. EUR 1 631 thousand. Dividends for 2014 were paid to the sole shareholder on 22 October 2015. The Company generated a profit in the amount of EUR 43 308 thousand for 2015 and the sole shareholder will decide on its distribution.

16. OTHER NON-CURRENT LIABILITIES

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	Sociálny fond
Balance as at 1 January 2014	99
Creation	60
Drawing	71
Release	-
BALANCE AS AT 31 DECEMBER 2014	88
Creation	67
Drawing	88
Release	-
BALANCE AS AT 31 DECEMBER 2015	67

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 2015

17. TRADE AND OTHER FINANCIAL LIABILITIES

in thousands of EUR	31 December 2015	31 December 2014
Payables to the shareholder from profit distribution	-	-
Trade payables	24 328	22 149
Unbilled supplies	16 260	23 558
Tax liabilities (except for income tax)	3 239	2 637
Employees	2 754	2 430
Other	338	-
TOTAL CURRENT LIABILITIES	46 919	50 774

Ageing structure of current liabilities:

in thousands of EUR	31 December 2015	31 December 2014
Not past due	43 244	49 092
Overdue less than 180 days	3 661	1 644
Overdue less than 365 days	-	16
Overdue more than 365 days	14	22
TOTAL CURRENT LIABILITIES	46 919	50 774

The structure of liabilities according to their maturity is presented in note 23, 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, 3 or 6 months according to the amount of last charge.

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

19. EXTERNAL PURCHASES

in thousands of EUR	2015	2014
Telecommunication services	50 420	52 397
Merchandise sold	36 201	23 154
Dealer commissions	16 077	14 903
Marketing costs	9 394	11 188
Outsourcing of services within the Group and from external suppliers	8 791	10 791
Lease	7 462	7 517
Energy consumption	2 077	2 513
Repairs of property, plant and equipment	1 640	2 182
Other	6 766	8 645
TOTAL EXTERNAL PURCHASES	138 828	133 290

Expenses related to audit of financial statements in the year ended 31 December 2015 amounted to EUR 30 thousand (2014: EUR 30 thousand). KPMG Slovensko, spol. s r.o. was appointed on 2 June 2015 as new independent auditor for the period ended 31 December 2015. Expenses related to tax advisory provided by the independent auditor were in the year ended 31 December 2015 in the amount of EUR 10 thousand (2014: EUR 20 thousand). The independent auditor did not provide any other services.

These expenses are included in Other external purchases.

20. PERSONNEL COSTS

in thousands of EUR	2015	2014
Wages and salaries	12 557	11 991
Social security	4 501	3 693
TOTAL PERSONNEL COSTS	17 058	15 684

21. OTHER EXPENSES

in thousands of EUR	2015	2014
Fees paid to the Group	1 121	4 432
Fees to Telecommunication Office for frequencies	1 888	1 741
Creation of impairment provision for receivables	1 721	1 604
Other	833	285
TOTAL OTHER EXPENSES	5 563	8 062

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

22. TAX EXPENSES AND RECONCILIATION OF THE EFFECTIVE TAX RATE

in thousands of EUR	2015	2014
Deferred tax	(293)	3 809
Special levy on business in regulated industries	1 330	1 708
Current tax	13 204	5 793
TOTAL TAX ESPENSES	14 241	11 310

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 or loss before taxation, after the adjustment for the deductible amount. The levy rate amounts to 0.00363 (Article 6 of Act No. 235/2012 Coll.) paid on a monthly basis.

in thousands of EUR	2015	2014
Profit before tax	57 549	43 934
Theoretical tax of 22 %	12 661	10 105
Special levy on business in regulated industries	1 330	1 708
Permanent differences	250	(503)
TOTAL TAX EXPENSES	14 241	11 310

The Company utilized tax losses from previous periods in 2014.

in thousands of EUR	2015	2014
Tax loss at the beginning of period	-	5 358
Utilization of tax loss	-	(5 358)
TAX LOSS NOT UTILIZED AT THE END OF THE PERIOD	-	-

23. 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, British Pound and Czech Crown, 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 2015 to EUR is as follows:

in thousands of EUR	USD	XDR	Total
Not past due	-	144	144
Overdue less than 180 days	(15)	385	370
Overdue less than 365 days	-	15	15
Overdue more than 365 days	-	71	71
TOTAL CURRENT RECEIVABLES	(15)	615	600

Overview of financial liabilities in foreign currencies translated at the foreign exchange rate as at 31 December 2015 to EUR is as follows:

in thousands of EUR	CZK	GBP	USD	XDR	Total
Not past due	212	12	249	160	633
Overdue less than 180 days	(1)	-	-	2 049	2 048
Overdue less than 365 days	-	-	-	-	-
Overdue more than 365 days	-	-	(5)	-	(5)
TOTAL CURRENT LIABILITIES	211	12	244	2 209	2 676

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

INTEREST RATE RISK

Revenues, expenses and operating cash flows of the Company are not significantly affected by changes in market interest rates. In March 2012, the Company concluded a loan agreement with the parent company Telefónica Czech Republic, a.s., on provision of a short-term loan. As at 31 December 2015, the outstanding balance of the loan amounted to EUR 22 000 thousand (2014: EUR 8 600 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 exposed to price regulation of roaming fees by the European Union. Changes in prices in 2016 will not have a significant impact on revenues of the Company.

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.

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.

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

in thousands of EUR	31 December 2015	31 December 2014
Without maturity	-	-
Maturity up to 180 days	54 598	56 700
Maturity up to 365 days	-	-
Maturity more than 365 days	427	88
TOTAL LIABILITIES	55 025	56 788

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 2015	31 December 2014
Without maturity	5 045	865
Maturity up to 180 days	60 800	48 458
Maturity up to 365 days	-	-
Maturity more than 365 days	-	-
TOTAL RECEIVABLES AND CASH AND CASH EQUIVALENTS	65 845	49 323

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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 2015	31 December 2014
Trade and other receivables prior to offsetting	29 479	34 777
Gross offset amount	(3 552)	(5 423)
TRADE AND OTHER RECEIVABLES AFTER OFFSETTING	25 927	29 354

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

in thousands of EUR	31 December 2015	31 December 2014
Trade and other payables prior to offsetting	50 471	56 197
Gross offset amount	(3 552)	(5 423)
TRADE AND OTHER PAYABLES AFTER OFFSETTING	46 919	50 774

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 Company is not subject to external capital requirements. 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 2015, 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 153 634 thousand as at 31 December 2015 (EUR 141 318 thousand as at 31 December 2014). 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 2015

24. 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 2015 the majority shareholder of the parent company was PPF Arena 2 B.V., which was part of consolidated group PPF managed by Ing. Petr Kellner. 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 2015	31 December 2014
Acquired merchandise and property, plant and equipment	3 838	24 972
Trade and other receivables	9 810	2 683
Provided short-term loans	22 000	8 600
Trade payables	4 887	5 272

The Company realized the following transactions with the parent company:

in thousands of EUR	31 December 2015	31 December 2014
Sales of merchandise and services	255	3 124
Purchase of services	10 066	22 342
Finance income	1	31

As at 31 December 2015 the Company paid dividends to the parent company for 2014 in the amount of EUR 30 993 thousand.

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

2. 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 2015	31 December 2014
Shares in companies	3	3
Trade and other receivables	5 207	51
Trade payables	2 568	745

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	For the period from 1 January 2015 to 31 December 2015	For the period from 1 February 2014 to 31 December 2014
Sales of merchandise and services	2 608	15
Purchase of merchandise and services	10 968	3 027

The list of companies of the PPF Group which the Company realized transactions in the period from January 2015 with, includes the following companies:

Česká telekomunikační infrastruktura a.s., Home Credit Slovakia, a.s.

25. 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

The Company does not have any other financial liabilities as at 31 December 2015 (31 December 2014: none).

26. OPERATING LEASE

The Company leases cars, office, retail and technological premises under operating leases, where the terms range from 1 to 15 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 2015	31. December 2014
Lease due within one year	5 011	4 487
Lease due within one to five years	9 902	11 838
Lease due over five years	6 979	8 218
TOTAL LEASE	21 892	24 543

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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 2015	31. December 2014
Lease due in one year	1 956	1 941
TOTAL LEASE	1 956	1 941

Total minimum lease payments under operating leases for land, buildings and equipment presented in 2015 as expense amounted to EUR 6 910 thousand (2014: EUR 6 513 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. At present, these future costs are not accounted for as their amount is insignificant with respect to the Company's operating results, financial position or cash flows.

27. INVESTMENT AND OTHER COMMITMENTS

in thousands of EUR	31. December 2015	31. December 2014
Investments and other commitments contracted but not included in the financial statements yet	929	2 160
TOTAL INVESTMENT AND OTHER COMMITMENTS	929	2 160

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, 70% till the end of 2018. The Company complied the condition to cover 25% of the area till the end of 2015.

28. SUBSEQUENT EVENTS

No events with a material impact on the true and fair presentation of facts subject to the accounting occurred after 31 December 2015.

29 January 2016

Peter Gažík
Chief Executive Officer

Martin Klímek
Chief Financial Officer

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Report on Audit of Consistency

of the annual report with the financial statements pursuant to Article 23 (5) of Act No. 540/2007 Coll. on Auditors, Audit and Oversight of Audit

(Translation)

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

We have audited the financial statements of the company O2 Slovakia, s.r.o. as of 31 December 2015, which is part of the annual report. We have issued an independent auditor's report on the financial statements on 29 January 2016 with the following wording:

Independent Auditor's Report

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

We have audited the accompanying financial statements of O2 Slovakia, s.r.o. ("the Company"), which comprise the statement of financial position as at 31 December 2015, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management as represented by the statutory body is responsible for the preparation of these 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 management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of the financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 December 2015, 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.

29 January 2016
Bratislava, Slovak Republic

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

Responsible auditor:
Ing. Richard Farkaš, PhD.
License SKAU No. 406

Report on the Audit of Consistency of the annual report with the financial statements

(Supplement to the auditor's report)

We have audited the consistency of the annual report with the financial statements in accordance with the Act on Accounting.

The accuracy of the annual report is the responsibility of the company's management. Our responsibility is to audit the consistency of the annual report with the financial statements, based on which we are required to issue an appendix to the auditor's report on the consistency of the annual report with the financial statements.

We conducted our audit in accordance with the International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the information presented in the annual report, subject to presentation in the financial statements, is consistent, in all material respects, with the relevant financial statements.

We have reviewed the consistency of the information presented in the annual report with the information presented in the financial statements as of 31 December 2015. We have not audited any data or information other than the accounting information obtained from the financial statements and accounting books. We believe that the audit performed provides a sufficient and appropriate basis for our opinion.

In our opinion, the accounting information presented in the annual report is consistent, in all material respects, with the financial statements as of 31 December 2015, which is presented in the annual report.

26 May 2016
Bratislava, Slovak Republic

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Responsible auditor:
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