2020 Annual Report of O_2 Slovakia, s.r.o.

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O_2 Slovakia, s.r.o.

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O_2 came to the market in February 2007 as the third operator. From the beginning of its operation, it has been bringing revolutionary solutions, open communication and fairness for all customers alike. With its simple product portfolio, it has been systematically trying to change the rules of mobile communication. The values of fairness, simplicity and transparency are the values, which according to the operator should even transcend business. Therefore, it is trying to promote them also across the whole society. It counts among the most popular employers engaging itself through its Fair Foundation also in the area of corporate social responsibility.

O_2 is QMS quality certified according to the ISO 9001 standard, which guarantees a high level of quality of services including their constant improvement. It also holds the ISO 27001 certificate aimed at information security management.

O_2 is simultaneously a holder the ISO 37001 certificate – anti-corruption management systems, which only enhances observance of the above-mentioned values.

O_2 Business Services

The telecommunication operator O_2 Business Services is a 100 % subsidiary of O_2 Slovakia. It was established in 2015 for the purpose of increasing efficiency and flexibility of telecommunication services for corporate customers.

Tesco mobile

Tesco Mobile is a partner product of TESCO STORES SR, a.s. and O_2 Slovakia, s.r.o. The sale is performed in the Tesco's sales network and the reliability of services provided is ensured by the use of the O_2 Slovakia network. Tesco Mobile was introduced to the telecommunication market in December 2009 and since then it has followed its successful operation in the United Kingdom of Great Britain and Northern Ireland and in Ireland. Currently, it operates also in the Czech Republic. In Slovakia, Tesco Mobile is primarily concentrated on provision of prepaid services.

O_2 Czech Republic, a.s.

O_2 Czech Republic, a.s.

The parent company of O_2 Slovakia is O_2 Czech Republic, which is the largest operator in the Czech market. It provides voice, online and data services to customers ranging from households, through small and medium enterprises to the large corporations.

O_2 has always offered state-of-the-art technologies. Currently, it is preparing for the arrival of the 5G networks and it was the first to test them in real environment. O_2 is simultaneously the largest provider of Internet to households and companies offering it for 99 % of addresses. The fixed line connection works best in combination with the O_2 Smart Box modem, which has been developed by O_2. Its O_2 TV service makes it the largest operator of online television broadcasting in the Czech Republic. O_2 bought many exclusive sports rights for its customers so it offers the most attractive sports content in the Czech market.

The company counts among the biggest players in the area of hosting and cloud services, as well in the area of managed services and ICT. Since the trends in the telecommunication sector have been significantly changing, O_2 is also focusing on developing and offering other than traditional telecommunication services. These include, for example, financial services such as insurance of devices, travel insurance in the mobile or solution for electronic record-keeping of sales called O_2 eKasa.

Through its corporate O_2 Foundation, it concentrates on development of children and young people. It has been a long-term supporter of the Line for Hearing and Sight Impaired (Linka pre nepočujúcich a nevidiacich), Safety Line (Linka bezpečia) and the Elderly Line (Linka pre seniorov). Within the O_2 Smart School (O_2 Chytrá škola) program, it helps teachers and parents to teach children how to use the Internet in a safe and reasonable way. Within its long-term social campaign, Freedom is Not Commonplace (Sloboda nie je samozrejmosť), O_2 reminds of the important moments of the second half of the 20th century.

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Company Management

Company Management

Igor Tóth
Chief Executive Officer
and Executive Officer
of O$_2$ Slovakia from 1 January 2021
and Marketing Director
until 31 December 2020

Igor Tóth has rich experience in the commercial area and he has been working with O$_2$ already since 2008. He assumed the office of CEO on January 1, 2021 from his previous position as a Marketing Director. In O$_2$, he started at the position of Market Survey Specialist where he was responsible for managing marketing activities in the segment of residential as well as business customers including plan product portfolio, brand strategy, marketing communication as well as customer value management. In 2011, he was engaged in the field of customer experience management at the Head Office of Telefónica Europe in London. In 2017, he won the first-ever title Marketer of the Year.

Peter Gažík
Chief Executive Officer
of O$_2$ Slovakia
until 31 December 2020

Peter Gažík headed O$_2$ Slovakia since 1 June 2015 until 31 December 2020 and since 1 January 2021 he has become the Chief Executive Officer of the Hungarian operator Telenor. During the period 2011 – 2014, he was engaged in O$_2$ in the position of a Public Affairs Director and then 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.

Dávid Durbák
Legal Affairs Director
and Executive Officer

Dávid Durbák graduated from the Faculty of Law of the Comenius University in Bratislava in 2001. He started his professional career in Slovak Telekom, a. s., at the Department for Regulatory Affairs where he spent 4 years being responsible for providing legal support to the company in proceedings with state authorities, mainly representing the company in several proceedings before the Antimonopoly Office of the Slovak Republic. He has been engaged in O$_2$ since 2007, whereas he was responsible for assessment of new products and in 2011 he came to his current position of Legal Affairs Director and he has been the Executive Officer since 4 June 2014.

Tomáš Kimlička
Chief Financial Officer
and Executive Director

Tomáš Kimlička has been in charge of the finances from 1 February 2020, when he became a member of O2's top management. He has several years of work experience in managerial positions in the field of financial management in various companies such as Tatry Mountain Resorts or SkyEurope Airlines. Tomáš was primarily dedicated to implementation of new processes and systems in financial management and covered complex areas of accounting, controlling, procurement and IT. Tomáš Kimlička graduated from the Faculty of Economic Informatics at the University of Economics in Bratislava specialized in accounting and auditing. He became the company's Executive Officer on 1 August, 2020.

Juraj Eliáš
Networks Director

Juraj Eliáš joined O$_2$ from O$_2$ Business Services, where he held the position of the Technical Director. In 1988, he completed his studies at the Electrotechnical Faculty of the Slovak Technical University in Bratislava. He started his career in telecommunications in the Telecommunications Research Institute in Banská Bystrica, gaining further experience in the field of IT in Agrobanka Prague, Isternet, which was later bought by Euroweb. Since 2002, he was engaged in Nextra and following the acquisition by GTS Slovakia he acted as the Technical Director. His priority is to build a robust, reliable and simultaneously safe network, which will ensure quality converged mobile and fixed services for the needs of O$_2$ and O$_2$ Business Services, i.e. all customers starting with households, including smaller business and ending with corporations and state administration.

Company Management

Tomáš Masár
Business Strategy
and Development Director

Milan Morávek
Sales and Customer Service Director
and since 1 January 2021
appointed Marketing Director

Jana Sekerová
Human Resources Director

Ján Vanovčan
Information
Systems Director

Tomáš Masár studied at the Faculty of Management of the Comenius University in Bratislava and investment banking at the Paris Assas II University in Paris. His career started with Citibank London, later Citibank Private Bank in Geneva and ČSOB in Prague. In 2006, he started working in the telecommunication business, first in Eurotel CZ and later in Telefónica O_2 CZ where he was dedicated to business development as well as to the project of establishment of the third mobile operator in Slovakia. He stayed in Slovakia to manage the Project Office and strategic projects in O_2 Slovakia. From 2008, he was in charge of marketing product department, roaming and inter-operator relations (interconnect). Since 1 July 2012, he has been responsible for the strategic development of our company and search for new business opportunities.

Milan Morávek started in O_2 on 1 May 2018. He has more than 22 years of experience in sales in the areas of FMCG and in telecommunications. At the age of 21, he started out in Coca-Cola. He joined O_2 from the position of the Residential Sales Director at Telekom, where for 8 years he went through various areas in the Sales Department and since 2013 he was in charge of the entire residential sales. Milan Morávek got his bachelor's degree in Corporate Management & Economy at the University of Seattle. He got his MBA in finance and marketing at the Open University Business School in UK.

Jana Sekerová has held the position of the Human Resources Director since 1 June 2019. She was engaged with O_2 since 2008 at the Finance Department, where for the past 7 years prior to assuming her new position, she had acted as the Head of the Controlling Department. Moreover, in the period 2012 – 2013 she was also the financial manager for TESCO Mobile. Before joining O_2, she worked for PricewaterhouseCoopers Slovakia as an auditor for companies mainly from the energy and foodstuffs industries.

Ján Vanovčan studied software engineering specialized in artificial intelligence. After holding various IT positions in healthcare, insurance industry and SW development for telecommunication operators, since 2000 he held the consulting architect post in Logica. As a consultant, he worked on projects for Slovak telecommunication operators but also in Hungary, Czech Republic and UK. He joined O_2 Slovakia in 2007 as Integration and Architecture Manager to be later promoted to the position of the Head of this department. He designed and managed several projects in O_2 Slovakia in the area of CRM, integration of systems and electronic channels.

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Supervisory Board Members

2020 Supervisory Board Members

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

Jindřich Fremuth

Chairman of Supervisory Board of O_2 Slovakia, s.r.o.

Jindřich Fremuth has been engaged in O_2 since 2009. Prior to assuming the position of the Chief Executive Officer of O_2 CZ at the beginning of 2018 he lead the Commercial Division which includes also management of relations with residents, business and corporate customers as well as product development and marketing. Prior to joining O_2, he worked as a consultant in the consulting company McKinsey & Company where he was focusing on technologies and telecommunications. He became a member of the Supervisory Board of O_2 Slovakia on 10 January 2018.

Michal Gajdzica

Member of Supervisory Board of O_2 Slovakia, s.r.o.

Michal Gajdzica has been engaged in O_2 CZ since 2014. Before assuming the position of the Head of Security and Risk Management at the end of 2018, he headed the Internal Audit and Risk Management Department. In his early career, for several years he was dedicated to trading on the capital markets. He spent most of his career working as an analyst and a consultant in financial planning and strategic consulting in private and public sectors. Just before joining O_2, he worked for SkyToll as its Chief Financial Officer. He has been a member of the Supervisory Board O_2 Slovakia since March 21 2018.

Jan Bechyně

Member of Supervisory Board of O_2 Slovakia, s.r.o.

Jan has been dedicated to finance throughout his entire life. After graduating from the College of Economy, he held several positions starting with the financial manager in Unilever and ending with the Head of Financial Controlling in O_2 Czech Republic. In the companies O_2 IT Services, O_2 Family and O_2 TV he acts as a representative of the parent company O_2 Czech Republic and performs the function of the Executive Officer. He has served as a member of the Supervisory Board of O_2 Slovakia since 1 November 2017.

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Igor Tóth about 2020

Igor Tóth about 2020

Igor Tóth
Chief Executive Officer
of O2 Slovakia

Dear friends of O2 Slovakia,

I could dedicate these few lines to the crisis caused by the pandemic, which broke out already in early 2020 and hit the whole economy in full force. I could dedicate them to the complexity of work, while strictly observing the anti-pandemic measures that lead to changes affecting the whole society.

I could also write about the change in consumer behaviour of our customers or other aspects that we were trying to adapt to throughout 2020. However, I will dedicate these few lines to a year that was a year of great changes for O$_2$ that brought about the opening of great topics. At the beginning, it must be said that the crisis year of 2020 was, besides the economic aspects, also a test of the inner strength of each commercial entity in the market. I am pleased to evaluate that O$_2$ passed this test and in 2020 achieved a significant profit also due to timely business decisions.

An even more important measure from the society-wide perspective was the nearly flawless operation of mobile services, home connection and television at the time when our services were to support not only the functioning of households, but also of commercial and public entities. In addition, 2020 was also about topics related to activities aimed at helping people who found themselves in domestic isolation as a result of the anti-pandemic measures. To alleviate this situation, we responded flexibly during the first wave, so we offered them a number of benefits free of charge.

We were handing out data, applications within our SMART post paid plans could be used without limitations, we allowed them temporary free access to the HBO GO service, we accelerated the data after it was used up in the Internet na doma (Home Internet) plan or we added TV stations to the O$_2$ TV service. We also supported projects, online platforms and initiatives dealing with the issue of digital remote learning through generous grants from our O$_2$ Fair Foundation, which has long been dedicated to the topic of education.

In addition, 2020 was also a year of several significant topics in the telecommunications business. Already in April, we were the first to bring to the market also the unlimited O$_2$ SMART postpaid plans in three price levels. In the summer, we cancelled the automatic machines on the customer line and humanized our approach to customers, who talk to a living person already from the beginning of the call. In September, we introduced a new digital operator Radosť, which the customer controls through an application without the need to visit the shop. The October launch of the first commercial testing operation of the 5G network in Slovakia in four Bratislava town districts was a society-wide event in a difficult time of widespread hoaxes and misinformation.

As you could see from these few lines, for O_2 2020 was not just about the pandemic. It was a year of big projects and huge effort by my colleagues to overcome the crisis and come out of it even stronger.

For all of us, I can say that we have succeeded and it is bringing us a great advantage and satisfaction even for 2021, which will certainly not be easier from the point of view of the corona crisis. I would like to thank my colleagues for 2020, as well as my predecessor Peter Gažík, who guided us safely through all this year, and all of you for your trust in O_2.

Igor Tóth, CEO of O_2

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Calendar of Significant Events of 2020

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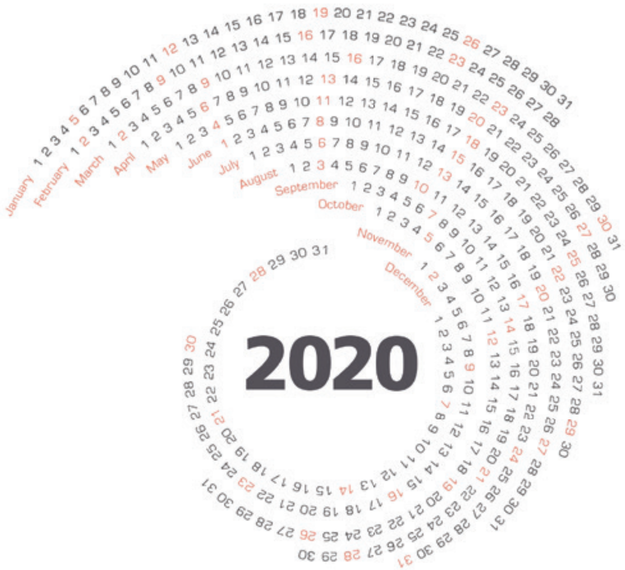

January

Every year, O$_2$ employees can recommend meaningful projects from their surroundings to the grant program announced by the Fair Foundation, and so apply for financial support. In January, O$_2$ announced that during the third year, up to 35 projects responded to the grant call, which the Fair Foundation supported with the amount of EUR 59,880. The condition for applying for projects was their public benefit purpose and focus on a wide target group. At the end of January, O$_2$ received several awards, whether for its approach to customers or creative concepts. In the latest KPMG study focused on customer experience, it made it into the top ten most popular companies in Slovakia and ranked 9th. At the 10th annual 2019 PROKOP awards ceremony for the best PR projects, it won two first places for communication of the Pripravte sa na eKasu (Get Ready for eCash Register) and Nebuď pirát (Don't Be a Pirate) projects, which was created in cooperation with the Elite Solutions, Seesame and Zenith Media agencies. The Head of Communication and O$_2$ spokeswoman Tereza Molnár has also become the PR personality of 2019.

Calendar of Significant Events of 2020

O_2 ranked first in the independent poll „TECHBOX of 2019“, in which readers vote also in the best operator category. This happened already for the eleventh time.

February

Since February, Tomáš Kimlička has strengthened O2's top management as the Chief Financial Officer, having multiple years of experience in managing positions within financial management in various companies such as Tatry Mountain Resorts and SkyEurope Airlines.

March

At the beginning of March, O_2 communicated the launch of a tender for 5G network supplier. The tender counts on all relevant players who declare readiness for delivery of the technologies.

In mid-March, in connection with the spread of coronavirus and necessary preventive measures O_2 announced adjustments in operation of its shops that O_2 subsequently opened after a week in a temporarily reduced mode. In March, O_2 during the emergency situation in Slovakia in connection with coronavirus added benefits for customers aimed to improve conditions for working from home or spending the free time. After temporary enhancements with a free access to HBO GO, faster data after their use up in the Internet at Home plan or by adding TV stations to the plans Modrá O_2 TV and O_2 TV in Mobile we came up also with new SMART post paid plans whose customers had the opportunity to use each elected application without any data limitations.

The emergency situation in Slovakia due to the spread of coronavirus and the related measures had a considerable impact also on the Slovak operators, especially on the load of their networks.

O_2 at the time of introduction of the first national measures recorded a significant increase in its operations traffic which was approaching the peak periods of the year. The extraordinary situation in Slovakia was projected in the increased number of calls, which went up by as much as 10%, the call duration was extended by roughly one third and data traffic grew by as much as one fourth. At the time when Slovakia was amidst of an emergency situation with schools closed, also the O_2 Fair Foundation, which is long-term dedicated to education, decided to help by announcing a grant entitle O_2 Digital School with the amount of EUR 60 thous. determined for projects, online platforms or initiatives, which address the topic of digital distance learning conceptually and systematically.

April

After launching the new SMART postpaid plans in November last year in mid-April 2020 O_2 came with another revolution in the market. O_2 introduced the trio of unlimited data postpaid plans – Titanium, Platinum and Diamond O2 SMART postpaid plan – in three speed variants. A new era of unlimited use of mobile services thus started during the coronation crisis, when the demand for large volumes of data was higher than ever before.

Also in April O_2 continued to bring benefits and activities for customers, who at the time of the corona crisis stayed at home, and in this way made it much easier for them to manage it. In April it was rewarding customers as a part of the Dobré data (Good Data) campaign with a 10 GB data package for meeting 4 challenges, which were: Learning Together, Moving, Thinking of the Elderly and Supporting Artists. Later in May, a fifth challenge was added - Helping Your Grandparents with Digitization.

Calendar of Significant Events of 2020

Another activity was the launch of an online "Telesná na doma" (Physical Education at Home) in collaboration with O_2 Matej Tóth Sports Academy, which O_2 has long supported.

At the end of April, O_2 brought its customers the opportunity to activate an eSIM card that has the same features like a plastic SIM card, but it represents an electronic chip in the smartphone on which the customer uploads a SIM profile via a QR code. Along with the launch of this service, O_2 also put the first eSIM-only folding smartphone Motorola Razr on its offer.

During April, in addition to an extraordinary grant from the Fair Foundation to support various forms online education called O_2 Digital School, O_2 decided to announce an extraordinary employee grant called „sKORO NA všetko" (Nearly for Everything). Both grants were the operator's natural response to the exceptional situation caused by the pandemic of the COVID-19 disease. The employee call was aimed at supporting those projects that, in the situation arisen, help in various areas, whether it is education of marginalized groups, 3D printing of protective shields, support or assistance to the elderly and support online activities for a wide group of the population. The extraordinary employee grant counted up to 41 enrolled projects, of which the Fair Foundation supported 16 with the amount of EUR 36,000.

May

In May, O2 introduced its customers to a digital box that unites the customer documentation in a single digital space. After electronic sending and cashless payment of invoices, with the Digital Box O2 reacts to technological development and environmentally-friendly solutions and at the same time a more convenient and transparent method of storing documentation that the customer needs

to use the operator's services. In order to support customers in their decision to make a transition to a modern environment, it offered them a fee discounted by EUR 2 for each plan with payment on invoice, with the so-called Digital Bonus. On the contrary, the customers who choose not to use the benefits of digital behaviour were adjusted the prices of services invoiced starting from 29 June.

July

O2 has decided to radically change the experience, which the customer mostly has when calling customer lines. Therefore from July it switched off the interactive voice response (so – called IVR) on the O$_2$ Customer Line, which serves for navigating customers or directing them to self-service, and brings a direct connection with the Customer Line's employee from the beginning of the call. With the new system, O$_2$ customers do not have to listen to previously recorded long lists of options or enter any numbers in the menu, but immediately after dialling 949 they will be welcomed and connected with the next available assistant.

September

From September, O$_2$ customers can use another technological novelty in the form of WiFi call services, so-called VoWiFi (Voice over WiFi). VoWiFi is a technology enabling the transmission of calls via WiFi network. Customers do not need any external application to connect and their call will be made directly from their phone just like a standard call by selecting a specific contact from their phonebook.

Using VoWiFi requires a connection to a WiFi network, 4G LTE SIM, which should be a standard, and a supported device.

The new digital plan from O$_2$ Radosť launched its offer on 24 September 2020. The offer includes 3 plans at the price ranging from EUR 5 to 20. The highest plan Nekonečná radosť (Infinite Joy) brings its customers endless data, calls as well as SMS and MMS messages for the price of EUR 20 with validity for 30 days. Radosť (Joy) works exclusively in a simple application available for both Android and iOS systems, while it does not have a network of branches or its own infoline.

October

In October, O2 Matej Tóth Sports Academy reopened its gates already for the fourth time. The new year of the O_2 Matej Tóth Sports Academy started in a strange situation when many primary school pupils have not had any physical education lessons for several months. Schools are showing extraordinary interest in the project of the Olympic winner. In the last two years of the competition for the

academy, O_2 received altogether more than half a million votes. In October, O_2 launched a pilot commercial test operation of 5G networks in selected parts of Bratislava. On the assigned frequencies, it runs tests of 5G technology from Nokia, Ericsson, Huawei and ZTE. 5G from O_2 can be tested by every customer with a compatible device located in its coverage up to in four town districts of Bratislava. At the time of distance learning and recommended home office, in October O_2 brought the possibility of getting a more convenient wireless fixed Internet.

All new customers who order the service O_2 Home Internet from 10 November to 31 January 2021, can get a better price for Silver and Gold tariff with a 50% discount valid until the end of school year (until 30 June 2021).

November

In November, O2 presented an offer for new and existing customers SMART postpaid plans in form of an extra bonus up to EUR 240 on selected devices. The Extra Christmas Bonus for the robotic vacuum cleaner Xiaomi, smart Samsung TV with a 50 or 55 inch screen or Yoga tablet from Lenovo could be used also by customers who were already using the bonus for device purchase. In addition, O_2 customers now by purchasing these devices also supported the BUDDY program, to which a part of the proceeds from sale will be dedicated. The BUDDY program has enjoyed a long-term support from O_2 Fair Foundation. Its goal is to help children who cannot grow up in a family, and get prepared for living an independent life. Every year, the O_2 operator has traditionally reminded the general public of the values brought by 17 November.

Calendar of Significant Events of 2020

The year 2020 was no exception. This year, O_2 joined its values with the writer Daniel Hevier, who has long-term worked with O_2 on their common project O_2 Radostná škola s Danielom Hevierom (Joyful School with Daniel Hevier). O_2 approached Daniel Hevier to write a Fairly Tale of Freedom that is intended (not only) for the youngest readers, but lessons can be learned from it by readers of each generation.

O_2 participated in the tender for frequencies from the 700 MHz, 900 MHz and 1,800 MHz bands and in electronic auction it gained the frequencies suitable also for building of a nationwide 5G network.

December

In December 2020, O_2 announced a change in the position of the Chief Executive Officer. From January 1, 2021, the former Head of Marketing Igor Tóth became the new CEO of O_2 in Slovakia. The long-term CEO of O_2 Slovakia Peter Gažík accepted the offer to manage the Hungarian telecommunications operator Telenor (Telenor Magyarország) and from 1 January 2021 he has held the position of the CEO there. Telenor has been a part of the PPF Group since 2018.

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Portfolio

O_2 SMART Paušál

In November 2019, the extremely successful O_2 Paušál postpaid plan evolved into the new O_2 SMART Paušál postpaid plans. Each of them brings customers unlimited calls, SMS and MMS. Customers can enjoy large volumes of data, extra data for favourite applications, subscription to digital services included a postpaid plan and a device bonus. In 2020, O_2 SMART Paušál postpaid plan brought customers an expansion by new digital services, as well as by new applications, to which they can select additional data according to their needs. It also grew by three new levels with infinite data.

Radosť (Joy)

Radosť (Joy) is a new digital plan from O_2, which was launched in the Slovak mobile market by introduction of its offer on September 24, 2020. It includes 3 plans at the price from EUR 5 to 20. Radosť works exclusively in a simple application available for Android and iOS systems, whereas it does not have any branch network or its own infoline.

O_2 Dáta

The offer of O_2 Data plans is designed for customers with a large data and a lower SMS and voice consumption. The O_2 Data plans are built on significantly higher volumes of data, whereas the price of calls and SMS is driven by the actual consumption of customers. Thanks to a bonus, customers may choose with their plan a device at a convenient price.

O_2 Fér

O_2 Fér is a revolutionary product that brought the “no commitment” principle and equal prices of calls and SMS messages to all networks and at all times to the market. 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.

O_2 Voľnosť (Freedom)

With the O_2 Voľnosť prepaid card, the customers do not need to count the minutes and may call as much as they want. The entire call to all networks costs only 10 cents, even if it lasted an hour. The SMS is charged 5 cents and they also have 1GB of data for EUR 1.

O_2 Internet na doma (O₂ Home Internet)

O_2 Internet na doma is a wireless Internet connection designed for households and companies. It involves the use of LTE TDD technology on the frequency range of 3.5 GHz and 3.7 GHz allowing to provide customers with speed and experience similar to metallic networks without the necessity to dig for cables. O_2 Internet na doma brings a high transmission speed, stable connection without outages or impact of the weather and an easy free-of-charge installation.

O_2 TV

The digital television O_2 TV gives the customers a possibility to enjoy more than 70 TV channels. The O_2 TV service is available for four devices and different TV channels may be watched on several devices at the same time. Customers may use the comfort of the digital television with the recording and stop function, or the option to watch live broadcasting or re-playing shows during up to seven days after its broadcasting. O_2 TV is available also in the version for mobile devices as a part of O_2 SMART Paušál postpaid plans.

O_2 eKasa

The certified cash register system O_2 eKasa represents a comprehensive easy-to-use solution for business. Customers may choose between a desktop or a compact version. Besides a cash register solution, customers automatically get also connection to the Internet.

8

Social Responsibility

Social Responsibility

O_2 counts among those companies that have the courage to voice their opinion also in society-wide topics not directly related with business. It perceives corporate responsibility as its integral part without hesitating to step up for the values of fairness and transparency and promote them also outside of the realm of its business. Precisely these values represent the key pillars of the company that are encoded in its corporate culture and the company builds on them also in its social responsibility strategy.

For a long time, O_2 has been highlighting the importance of freedom in its various aspects and fighting disinformation and hoaxes spreading online, which it considers a dangerous phenomenon.

It equally emphasizes the importance of responsible use of data and mobile phones, such as their use for the needs of digital education.

The basic pillars of the social responsibility strategy of O_2 includes, besides the fair approach to all customers, also an open relation to employees and a careful selection of suppliers with the aim of excluding from the supplier chain businesses with affairs or dubious practices. For these efforts the company was honoured also with the Via Bona Slovakia award in the category Fair Player in the Market, namely for the "courage to open sensitive social topics" and for the overall fair approach to business.

Corporate Social Responsibility during the Coronavirus Pandemic

Product Benefits during the Coronavirus

During the emergency situation in Slovakia in relation with the coronavirus O_2 added benefits for customers aimed at improving the home office conditions or spending of free time.

It presented its customers with the gift of unlimited data to applications in O_2 SMART Paušál postpaid plans. Customers could thus use even more intensively HBO GO, Tidal Music, O_2 TV, Denník N, SME, YouTube, Facebook, Instagram, Tick Tok, Waze, WhatsApp, Gmail, Maps from Google or Viber.

In addition, they had the opportunity to activate for free and use the HBO GO service which allows unlimited watching of movies or series on up to 5 voluntary devices.

Due to the increased demands on use of Internet services at the time of the pandemic O_2 automatically and free of charge increased fivefold the data speed after using up their volume to as much as 10 Mbit/s in all program tariffs of O_2 Home Internet.

O_2 automatically and free of charge added the most watched documentary and film channels Joj Cinema, Film +, Film Europe, CS Film, National Geographic, NatGeo Wild, Viasat Explore, Viasat History and Spektrum also in the Modrá O_2 TV program and O_2 TV on Mobile.

O_2 also temporarily suspended the charging of its customer line.

O_2 Dobré dáta (O_2 Good Data)

Since mid-April, O_2 donated a 10 GB data package to those of its customers who behaved responsibly in the emergency pandemic situation and stayed at home.

Customers had the option to meet one or more of the 5 challenges, which included “Learning Together”, “Moving”, “Thinking of the Elderly” “Supporting Artists”, “Helping Your Grandparents with Digitization”.

Photos or videos about the fulfilment of individual challenges just needed to be uploaded to the web www.dobredata.o2.sk.

In a special online campaign video the CEO of O_2 Slovakia Peter Gažík made appearance, who was in a conference call with famous personalities of the Slovak Internet such as Ján Koleník, Fero Joke, Barbora Krajčírová, Kristína Tormová, Laci Strike and Matej Tóth.

The O_2 Good Data campaign was joined almost by 54,000 competitors, who were rewarded by O_2 for their responsible approach to coping with the pandemic situation and for remaining at home with more than 640,000 GB of data.

O_2 Matej Tóth Sports Academy and Physical Education at Home

Nowadays children lack movement and therefore, four years ago O_2.partnered with the Slovak Olympic champion Matej Tóth and the O_2 Matej Tóth Sports Academy was established. Thanks to the academy, every year the operator helps schools and children across Slovakia to find joy and love for sports. During this time, the Academy has been active in more than 200 primary grammar schools throughout Slovakia led by almost 400 special trained coaches.

In 2020, the schools were closed due to a pandemic, the world moved to the online environment and the children stayed at home without moving. This was the very reason why the Academy decided to quickly respond and came up with the idea of Physical Education at Home. Coaches and experts of the

Academy from all over Slovakia prepared a series of playful exercises in 24 training videos. The second wave of the pandemic came in September. Some schools were opened, but gyms remained closed and the physical education classes were not given. That is why we continued with the successful concept further and the 2nd series of Physical Education – Physical Education for Home and also Classroom was created.

Besides Physical Education at Home, O_2 announced on the website akademia.o2.sk already the fourth year of the competition for the O_2 Matej Tóth Sports Academy. In this year, 323 schools enrolled in the competition and the number of votes increased up to 331 thousand. In the next school year, another 40 primary grammar schools will enjoy the Academy on their grounds.

O_2 Joyful School with Daniel Hevier

The O_2 Fair Foundation has had a long-term cooperation with the writer Daniel Hevier within the project O_2 Joyful School with Daniel Hevier. Its goal is systematic bottom up change of the education system, starting with teachers, pupils and their parents. Daniel Hevier worked systematically with teachers even during the coronavirus pandemic through social networks and meetings via online platforms, during which they shared experiences and tips to streamline teaching during the period of closed schools.

November 17 – Freedom is Not a Fairy Tale

Just like during the previous years, also in 2020 O_2 continued in its campaign remembering 17 November. This date is one of the most important days of the modern history of our country. Freedom is hard to gain, but it is easily lost. Sometimes it is enough to get comfortable and forget about what had happened. Therefore, O_2 wanted to again remind the people that freedom was not commonplace #slobodaniejesamozrejmost.

In cooperation with the renown writer Daniel Hevier, with whom the operator has been a long-term partner in the O_2 project Joyful School with Daniel Hevier, this time O_2 brought a special fairy tale about the story of the Velvet Revolution not actually being a fairy tale and that freedom was not commonplace. The story about a freelance artist Zechariah, who before 1989 faced censorship and a lack of freedom of speech was performed by the charismatic actor Robo Roth and broadcast in a special podcast SME Fairy Tales of the Slovak daily SME and in a video premiere on the Facebook account of O2 SK. The campaign was joined by several celebrities, of which many read the fairy tale to their offspring. These included, for example, Lenka Šoóšová, Mária Čírová, Vladimír Kobielsky, Barbora Krajčírová, Ján Koleník, Fero Joke, Lady Zika, Kristína Tormová and others.

The fairy tale was processed into illustrations by the illustrator Hedviga Gutierrez. In such form it also appeared in a special edition of Soda magazine and on O2's social networks. Moreover, O_2 reminded about 17 November also on the Tidal streaming service by publishing its own playlist of „revolutionary songs", in collaboration with HBO GO it also drew attention to the November ‚89-themed films and sent SMS messages to parents informing them about the premiere of the fairy tale. The fact that people liked the campaign are evidenced by their immediate reactions through their comments on social networks, but also by the fact that during this period we saw a significant increase in fans.

Supporting Permanent Sustainability

O2 strives to put emphasis on environmental protection, therefore it stopped using plastic bottles in its offices and shops, saving as many as 160,000 PET bottles a year.

O2 also cancelled bigboards and billboards along express roads, not only because they distract the drivers from driving, but also due to ecological reasons. Customers have also the possibility to sign all contracts biometrically, i.e. paperlessly. Our goal is to make our events meet a certain ecological standard.

Corporate Culture

The values of fairness, transparency and openness are a natural part of the corporate culture of O_2. According to the ECHO Employee Survey ran by IPSOS, employees perceive O_2 as a good employer and are proud of its non-core business activities. They are equally proud of being the employees of O_2 and the engagement index in 2020 stood at the level of 81%. The survey also showed that the employees appreciate in O_2 mainly openness and the team; according to the results the O_2 team got even stronger during the coronavirus crisis.

We supported the volunteering activities also despite the pandemic situation and our employees helped also for example during the mass testing. Just like in the past years, also in 2020 we supported the community spirit of the employees by the Employee Grant Program of the Fair Foundation that tens of our employees joined. On a regular basis, we were bringing our employees tips on how to manage home office, various online workshops and webinars and we also organized the second year of O_2 Inspirathon – an event where the employees themselves are the speakers. Despite the pandemic situation, we supported the Christmas charity activities such as the collection for a community centre and fundraisers for selected organizations. We also organized online sports games and an online Christmas talk show for our employees.

O2 Fair Foundation

The O_2 Fair Foundation was established in 2014 to support projects aspiring to change Slovakia for the better and make it more educated, innovative and open.

In 2020, the O_2 Fair Foundation responded very quickly to the closing of schools during the first wave of the coronavirus pandemic and as one of the first foundations launched the grant program O_2 Digital School. A total of 16 projects succeeded in the grant program. They were aimed at teacher education, primary and secondary grammar school pupils, but also at the development of preschoolers. The selected projects included various video courses or video stories, entertainment videos, e-learning courses and initiatives, interactive applications and web interfaces. The projects were supported by the amount of EUR 60,000.

During April, in addition to an extraordinary grant from the Fair Foundation to support various forms online education called O_2 Digital School, O_2 decided to announce also an extraordinary Employee Grant called "sKORO NA všetko" (Nearly for Everything). The employee call was aimed at supporting those projects that in the situation arisen help in various areas, whether in education of marginalized groups, 3D printing of protective shields, support or assistance to the elderly and support of online activities for a wide group of population. The projects received support in the amount of EUR 36,000.

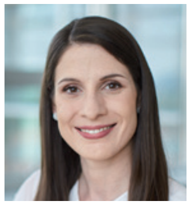
In 2020, the O_2 Fair Foundation supported the project stalosato.sk of the IPčko organization. The aim of the project is prevention and assistance to victims of sexual violence on the Internet. Attention to this topic was drawn by the documentary film "V síti" ("In the Net") at the beginning of the year. Following up on the film, the aim of the project was to create a set of assistance tools for grooming victims and also to act preventively and educationally for potential victims of sexual violence on the Internet or for their parents, educators and social workers.

During the coronavirus pandemic, the O_2 Fair Foundation provided material as well as financial support to the initiative ktopomozeslovensku.sk (Who Will Help Slovakia).

Board of Trustees of O_2 Fair Foundation

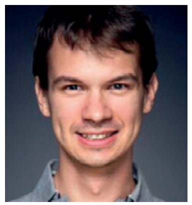
Igor Tóth
Chairman of the Board of Trustees

Tereza Molnár
Board member



Andrea Baloghová
Board member

Inspiring People Standing with O_2 Fair Foundation



Michal Meško
(Martinus)

Juraj Vaculík
(Aeromobil)

Auditors` report and Financial statements prepared in accordance

with International Financial Reporting Standards

as adopted by the European Union as at 31 December 2020

Independent Auditors' Report

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
Internet: www.kpmg.sk

Translation of the Auditors' Report originally prepared in Slovak language

Independent Auditors' Report

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of O2 Slovakia, s.r.o. ("the Company"), which comprise the statement of financial position as at 31 December 2020, statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2020, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis for Opinion

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

Responsibilities of the Statutory Body and Those Charged with Governance for the Financial Statements

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

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

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

KPMG

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

Those charged with governance are responsible for overseeing the Company´s financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

KPMG

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

Reporting on other information in the Annual Report

The statutory body is responsible for the other information. The other information comprises the information included in the Annual Report prepared in accordance with the Act No. 431/2002 Coll. on Accounting as amended ("the Act on Accounting") but does not include the financial statements and our auditors' report thereon. Our opinion on the financial statements does not cover the other information in the Annual Report.

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

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

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

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

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

10 February 2021
Bratislava, Slovak Republic

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

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

Responsible auditor:
Ing. Ľuboš Vančo
License SKAU No. 745

Individual financial statements for the year ended 31 December 2020

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2020

in thousands of EUR	Note	31 December 2020	31 December 2019
ASSETS			
Non-current assets			
Property, plant and equipment (net)	9, 11	220,057	209,913
Non-current intangible assets (net)	10	85,564	53,510
Capitalized contract acquisition costs and contract assets	12	7,524	6,991
Investment in subsidiaries	6	6,934	6,934
Investment in joint venture	6	3	3
Non-current receivables	16	10,833	19,807
Deferred tax asset	13	594	3,203
TOTAL NON-CURRENT ASSETS		331,509	300,361
Current assets			
Inventories	14	10,340	8,830
Trade receivables and other financial receivables	16	48,056	87,749
Loans provided	17	–	1,000
Income tax		1,103	–
Capitalized contract acquisition costs and contract assets	12	222	108
Cash and cash equivalents		26,615	31,221
Prepaid expenses		1,600	1,574
TOTAL CURRENT ASSETS		87,936	130,482
TOTAL ASSETS		419,444	430,843
EQUITY			
Share capital		103,203	103,203
Legal reserve fund and other funds		10,320	10,320
Retained earnings		52,975	53,148
TOTAL EQUITY	18	166,498	166,671
LIABILITIES			
Non-current liabilities			
Other non-current liabilities	19	64,396	54,298
TOTAL NON-CURRENT LIABILITIES		64,396	54,298
Current liabilities			
Trade payables and other financial liabilities	20	81,251	83,169
Current income tax liability		–	1,959
Loans received	17	100,000	117,775
Contract liabilities	21	7,299	6,971
TOTAL CURRENT LIABILITIES		188,550	209,874
TOTAL LIABILITIES		252,946	264,172
TOTAL EQUITY AND LIABILITIES		419,444	430,843

The notes on pages 10 to 46 are an integral part of these financial statements.

Individual financial statements for the year ended 31 December 2020

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2020

in thousands of EUR	Note	2020	2019
REVENUES	22	286,830	295,359
Asset capitalized		2,986	3,010
Costs of goods sold and services provided	23	(130,895)	(146,428)
Depreciation and amortization	9, 10	(38,773)	(36,579)
Amortisation of capitalised contract acquisition costs	12	(6,314)	(5,519)
Personnel costs	24	(26,258)	(26,264)
Other expenses	25	(5,198)	(4,916)
Losses from impairment of financial assets	16	(4,469)	(3,530)
OPERATING PROFIT		77,909	75,133
Financial costs	26	(6,910)	(3,955)
Financial income	26	318	215
Financial costs (net)		(6,592)	(3,740)
PROFIT BEFORE TAX		71,317	71,393
Income tax expense	27	(18,342)	(18,245)
PROFIT AFTER TAX		52,975	53,148
Other comprehensive income for the period		–	–
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		52,975	53,148

The notes on pages 10 to 46 are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2020

in thousands of EUR	Share capital	Legal reserve fund and other funds	Retained earnings from previous periods	Total equity
BALANCE AS AT 1 JANUARY 2019	103,203	10,320	53,268	166,791
Dividends	–	–	–53 268	–53 268
Total comprehensive income for the period	–	–	53 148	53 148
BALANCE AS AT 31 DECEMBER 2019	103,203	10,320	53,148	166,671
BALANCE AS AT 1 JANUARY 2020	103,203	10,320	53,148	166,671
Dividends	–	–	(53,148)	(53,148)
Total comprehensive income for the period	–	–	52,975	52,975
BALANCE AS AT 31 DECEMBER 2020	103,203	10,320	52,975	166,498

The notes on pages 10 to 46 are an integral part of these financial statements.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2020

in thousands of EUR	31 December 2020	31 December 2019
Profit/loss from ordinary activities before income tax	71,318	71,393
Cash flows from operating activities		
Depreciation of property, plant and equipment and amortization of intangible assets	38,773	36,579
Change in value adjustment to receivables and write-off of receivables	5,459	4,543
Change in accruals and deferrals	303	385
Interest expense	4,072	3,460
Gain/loss on sale of non-current assets	29	22
Depreciation of capitalized expenses to obtain a contract	6,314	5,519
Effect of changes in working capital		
Change in receivables from operations	42,963	(12,041)
Change in payables from operations	(8,078)	(12,632)
Change in inventories	(1 510)	(376)
Interest paid	(4,072)	(3 460)
Income tax paid and levy on business in regulated industries	(18,796)	(19,404)
NET CASH FLOWS FROM OPERATING ACTIVITIES	136,775	73,988
Cash flows from investing activities		
Acquisition of property, plant and equipment	(29,212)	(15,976)
Acquisition of non-current intangible assets	(32,589)	(26,270)
Proceeds from sale of property, plant and equipment	85	52
Short-term loans provided to subsidiary	1,000	–
NET CASH FLOWS USED IN INVESTING ACTIVITIES	(60,716)	(42,194)
Cash flows from financing activities		
Dividends paid	0	(2 492)
Lease payments	(9,741)	(8 341)
Loans received	(70 923)	–
NET CASH FLOWS USED IN FINANCING ACTIVITIES	(80,664)	(10,833)
NET INCREASE OF CASH AND CASH EQUIVALENTS	(4,605)	20,961
Cash and cash equivalents at the beginning of the accounting period	31,221	10,260
Cash and cash equivalents at the end of the accounting period	26,616	31,221

The notes on pages 10 to 46 are an integral part of these financial statements.

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

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 2020 were companies within PPF Group controlled by Mr. Petr Kellner.

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

The Company is entitled to conduct its business under the brand name O2 till 27 January 2022. The parent company extended the agreement on the use of the O2 brand until 2030. The Company is incorporated in the partnership program of the Telefónica Group which enables the partner telecommunication operators to draw economic benefits from the extent of the Telefónica Group and to co-operate in key business areas.

NUMBER OF EMPLOYEES

The number of employees employed by the Company in 2020 amounted in average to 701, in 2019 it was 704 employees.

The number of employees as at 31 December 2020 was 694, thereof 9 managers (as at 31 December 2019 it was 718, thereof 9 managers).

INFORMATION ON UNLIMITED LIABILITY

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

LEGAL REASON FOR THE PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements have been prepared as ordinary financial statements in accordance with Article 17 (6) and Article 17a (2) of the Act No. 431/2002 Coll. on Accounting as amended for the accounting period from 1 January 2020 to 31 December 2020.

DATE OF APPROVAL OF THE FINANCIAL STATEMENTS FOR ISSUE

These financial statements have been prepared as at 31 December 2020 and for the year then ended and were prepared and authorized for issue by the Company's statutory representatives on 10 February 2021.

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

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

The financial statements of the Company as at 31 December 2019, i.e., for the preceding accounting period, were approved by the Annual General Meeting on 4 March 2020.

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

THE COMPANY'S BODIES

EXECUTIVE OFFICERS

Ing. Martin Klímek (until 31 December 2019)

Ing. Tomáš Kimlička (from 1 August 2020)

Mgr. Dávid Durbák (from 4 June 2014)

Mgr. Peter Gažík (from 1 June 2015
until 31 December 2020)

SUPERVISORY BOARD

Ján Bechyně (from 1 November 2017)

Ing. Jindřich Fremuth (from 10 January 2018)

Mgr. Michal Gajdzica (from 21 March 2018)

SHAREHOLDER STRUCTURE

Shareholder structure is as follows:

	As at 31 December 2020 (in thousands of EUR)	Share and voting rights (%)	As at 31 December 2019 (in thousands of EUR)	Share and voting rights (%)
O_2 Czech Republic a.s.	103,203	100	103,203	100
TOTAL	103,203	100	103,203	100

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

INFORMATION ABOUT THE ULTIMATE PARENT

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

The majority share (83.58%) of voting rights in parent company in 2020 are held indirectly by Mr. Petr Kellner, through companies within PPF Group that is controlled by Mr. Petr Kellner. The PPF Group in 2020 consisted namely of following companies:

- PPF A3 B.V.
- PPF Telco B.V.
- PPF CYPRUS MANAGEMENT Ltd

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

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

2. STATEMENT OF COMPLIANCE

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

3. BASIS OF PREPARATION

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

The company operates in the telecommunications sector which was not significantly affected by the COVID-19 pandemic and the Company has shown relatively stable sales over the past few weeks and its operations including supplies have been discontinued. Based on publicly available information as at the date of preparation of the financial statements, the Company's management has assessed the potential impact of the pandemic and its expected impact on the Company and the Company's economic environment in which it operates including measures already taken by the Slovak Government and other governments in which the Company's partners and customers operate.

Based on currently publicly available information, currently achieved key performance indicators of the Company as well as the steps taken by the Company's management, the Company' s management does not expect a direct immediate and significantly adverse impact of the COVID-19 pandemic on the Company, its operations, financial condition and operating results.

However, the Company's management cannot rule out the possibility that the extension of the restricted mode, the escalation of the severity or the consequent adverse impact of such measures on the Company's economic environment will not adversely effect on the Company and its financial position and results in the medium and long term. The Company's management continues to monitor the situation closely and will respond to it in order to mitigate the impact of such events and circumstances as they occur.

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

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

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

Leasing

The company is the lessee of the technology location premises. Some of the contracts are of indefinite duration. For the purpose of determining the amount of the lease obligation under IFRS 16, the Company estimates the useful life of such contracts. The lifetime of contracts is derived from the average lifetime of similar fixed-term contracts, on average 9 years.

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

The Company is obliged to remove the base stations and their technical equipment, if they put an end to their use. Provision for removal was determined based on the cost of the removal (for single base), which the Company will have to make to meet its commitments to environmental protection in the context of removing the base and putting them in their original condition. The provision is determined on the basis of current costs, which are extrapolated into future years using the best available estimate of dealing with this obligation. The liability is discounted at the risk-free interest rate. This estimate is reviewed annually and the provision is adjusted accordingly, while the value of assets is also adjusted. The Company estimates the useful life of their stations ranges from 40 to 84 years. The provision for disposal of the facilities (ARO) was recognized in the amount of EUR 3,117 thousand (2019: EUR 2,915 thousand).

Sensitivity analysis of Assets retirement obligation (ARO)

Change in the discount rate by 1 percentage point and change in the costs for removing the base by 10% compared to the original estimates used as at 31 December 2020 would increase or decrease the provision for the dismantling of the facilities (ARO) in the following amounts:

		31 December 2020
in thousands of EUR	Increase	Decrease
Discount rate +/– l p.p.	(1 245)	2 319
Dismantling costs +/– 10%	312	(312)

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

Sensitivity analysis has been estimated based on year-end balances and the actual results of these estimates may vary in the future.

The Company expects that the total costs of dismantling the facilities and putting leased sites to their original condition will be at the end of their useful life in the total amount of EUR 27,444 thousand (2019: EUR 26,218 thousand) in future prices.

Future events and their impact cannot be determined with a certainty. Similarly, accounting estimates require review and estimates used for preparation of the financial statements are adjusted when new circumstances arise, or new information and experience is available, or when the business environment in which the Company operates changes. Actual results may differ from those estimated.

Sales commissions as incremental contract acquisition costs

The amortization period (useful life) for capitalized incremental costs of obtaining a contract was set as the expected average time that the customer will use the Company's services. This amortization period was further specified by the product and the sales channel that received the contract. Amortization periods are revised and reassessed regularly with respect to the development of business activities, trends in the telecommunications sector and the structure of business channels.

4. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been consistently applied in all periods presented in the financial statements.

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.

Where the use of non-current intangible assets is determined by a contract (e.g. brand) or by an official decision (license), useful life shall be determined according to the validity of the contract or official decision.

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

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 19	5 to 50	straight-line
Brand	6	17	straight-line
Other valuable rights	2 to 19	5 to 50	straight-line

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

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

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

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

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.

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

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

	Estimated useful life in years	Annual rate of depreciation in %	Depreciation method
Buildings	4 to 88	1 to 25	straight-line
Technology and office equipment	2 to 18	6 to 50	straight-line
Optical networks	11 to 35	3 to 9	straight-line
Other property, plant and equipment	2 to 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 g) Impairment.

d) Leases – IFRS 16

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

- there is an identified asset, whether explicit or implicit, and
- the lessee obtains substantially all economic benefits from the use of the identified asset, and the lessee has
- the right to control the use of the identified property.

This accounting method shall apply to contracts concluded after 1 January 2019.

The Company applied the exemption and applied the new IFRS 16 to all contracts it concluded prior to 1 January 2019 and identified them as leases under IAS 17 and IFRIC 4 (grandfather the definition of lease on transition). This means that it does not reassess leases classified under IAS 17 and whether they meet the new definition of leases under IFRS 16.

The Company used a single discount rate for sets of leasing contracts with similar characteristics according to the length of the lease up to 5 years, 6 to 10 years and 10 or more years. Short-term leases that do not relate to the lease of network technologies are reported in the same way as low-value leases within operating costs evenly over the lease term. The effective interest rate is 2%.

Within the chosen accounting policy, the Company assesses the possibility and probability of exercising of the right to renew or early termination when reporting the right to use.

Upon initial recognition and subsequent revaluation of a lease that includes a lease and a non-lease component, the Company allocates the contractually agreed consideration to each lease component on a pro rata basis, if agreed separately, and based on the total value of the non-lease components if agreed separately. The Company recognizes separately the leasing and non-leasing components of land and real estate leases.

i. Assets leased (the Company as Lessee)

The Company recognizes the right-of-use assets and lease obligations at the commencement of the lease. The initial value of the right to use the property is determined as the sum of the initial value of the lease obligation, the rental payments made before or on the commencement date of the lease, the initial direct cost to the lessee less any lease incentives received. The Company has a liability for dismantling or restoring the leased asset after the lease term and therefore creates a provision under IAS 37 described in Part 3 (iii).

In determining the lease term, the length of the agreed lease term as well as the possibility of its early termination or termination are considered or the possibility of extending the contract. In assessing the likelihood of exercising the option to extend or prematurely terminate the lease term, the Company takes into account all relevant facts and circumstances that provide economic incentives to exercise (non-exercise) those options. The period by which the contract can be renewed (or the period following the possibility to terminate the contract prematurely) is included in the lease term only if the Company is sufficiently certain that the extension will be exercised.

The right-of-use assets is depreciated on a straight-line basis over the lease term from the commencement of the lease to its termination. If the lease involves a transfer of ownership or a purchase option, the right-of-use assets is depreciated on a straight-line basis over the useful life of the asset. Depreciation begins on the date of commencement of the lease. The assessment of possible impairment of the right-of-use assets is carried out in a similar way to the assessment of impairment of property, plant and equipment as described in accounting policy (b) iv. above.

The lease obligation is initially measured on the date when the leased asset is made available to the lessee (the lease commencement date). Leases are initially measured at the present value of the lease payments over the lease term that were not paid at the initial measurement using the discount rate, which is the incremental borrowing rate. Lessee's incremental borrowing rate was determined based on available financial information relating to the Company. Subsequent revaluation of the lease obligation is made in the event of a change in the terms of the contract (e.g. a change in the lease term due to the option to extend or prematurely terminate the contract, change in rental payment based on a change in the index or rate used to determine payments, change in the assessment of the probability of a purchase option enforcement, etc.). Any subsequent reassessment of the lease obligation will also affect the measurement of the right-of-use asset. If this would lead to a negative value of the right-of-use asset, the remaining impact is recognized with an impact on profit or loss (so the resulting right-of-use asset will be recognized at nill). During the accounting period, the Company did not account for the revaluation of the lease obligation due to the above changes.

The Company has exercised an optional exemption and does not report the right-of-use asset or lease obligation in lease contracts

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

where the value of the leased assets is clearly less than EUR 5,000. The estimated value of assets is based on the assumption that they are new assets. If the value of the asset cannot be reliably determined, the optional exemption is not applied to such lease.

In the statement of financial position, the Company recognizes the right-of-use assets under tangible fixed assets, machinery and equipment and lease liabilities under current and long-term payables. In addition, the Company recognized lease transactions in the cash flow statement as follows:

- principal payments relating to lease obligations in cash flow from financing activities,
- interest payments on lease obligations under cash flow from operating activities (interest requirements are applied here in accordance with IAS 7),
- payments for short-term rental, lease of small assets and payments of variable parts of rent that are not included in the measurement of lease obligations under cash flow from operating activities.

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 originated. Other financial assets and financial liabilities are recognized when the Company becomes a part of the contractual relationship.

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. Subsequently 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 amortized cost, financial assets at fair value with fair value through other comprehensive income (FVOCI) and financial assets at fair value through profit or loss (FVTPL). The classification depends on business model for managing the asset and the asset's contractual cash flow characteristics. From the above categories, the Company only records assets measured at amortized cost in the reporting periods.

Financial assets are measured at amortized cost unless they are designated as FVTPLs and are held under a business model to collect contractual cash flows and their respective contractual terms and conditions provide for the emergence of cash flows that are exclusively principal and interest payments.

iii. Non-derivative financial liabilities – measurement

The Company classifies its financial liabilities according to related contractual relations and depending on the purpose which the Company's management concluded a contract for. The Company has only financial assets at amortized cost in the reported periods (loans, trade payables and other financial liabilities).

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

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

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

Financial assets at amortized cost and contract assets are considered to be impaired base on expected credit losses. The Company has not any financial asset at FVOCI.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as expected lifetime credit losses. There is an exception for the following financial assets where 12-month expected credit losses are recognized: non-current bank loans and deposits in banks where the credit risk from initial recognition did not significantly increase.

When making the assessment of whether there has been a significant increase in credit risk since initial recognition and estimating the expected credit losses, the Company considers appropriate and relevant information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Company's historical experience and informed risk assessment, including information on possible future developments.

The Company assumes that the credit risk of financial assets has increased significantly if the maturity of the financial asset exceeds 30 days.

Default

The Company considers a financial asset to be in default if it is unlikely that the borrower meets its obligations to the Group in full without undertaking any steps like realization of the security (if available); or the borrower is overdue for more than 90 days.

Expected credit losses

Expected credit losses are determined as a weighted probability estimate of credit losses at the present value of all cash outflows. They are discounted at the effective interest rate of the financial asset.

All impairment losses are recognized in profit or loss and reflected in an allowance account against receivables.
Due to the ongoing economic crisis caused by COVID-19, the Company also took into account forecasts of macroeconomic indicators of unemployment and the development of the gross domestic product of the Slovak Republic as assumption of future development when determining expected credit losses. The company determined the causal dependence between the given indicators and the repayment of receivables on the basis of correlation and regression analysis and subsequently determined possible of future development scenario of the used macroeconomic indicators based on the forecasts of the National Bank of Slovakia. The company also considered the impact of the end of the payment moratorium on the repayment of bank loans by customers.

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

Applied scenarios for the development of macroeconomic indicators:

	Basic scenario	Negative scenario	Positive scenario	Scenario used
GDP development	5,60 %	-0,10 %	7,60 %	2.57 %
Development of unemployment	8,40 %	9,90 %	7,40 %	9.18 %
Value of impairment provision in thousands of EUR	7,005	7,266	6,829	7,143

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 h)) and deferred tax assets (see accounting policy n)) 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.

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

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

h) Prepaid expenses and accrued income

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

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

Prepaid expenses comprise mainly performance ordered from the Company's suppliers and providers and these relate to future periods in terms of substance and time. Upon delivery of a service these will be recognized in cost of services provided or cost of goods.

i) Accrued expenses and deferred income

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

j) Provisions

A provision is recognized in the statement of financial position when the Company has a present legal or constructive obligation as a result of a past event that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. The Company recognizes provision for decommissioning of transmitter stations, provision for untaken holiday and provision for litigations.

k) Revenues

Revenues from own services and goods are stated net of Value Added Tax, discounts and deductions (rebates, bonuses, early payment discounts, credit notes etc.). Revenues are recognized at the date of delivery of goods or provision of services. They are measured at fair value of the consideration received or receivable if this amount can be estimated reliably.
Revenues from services are recognized in the accounting period when rendered in proportion to the stage of completion of the service. The stage of completion is assessed by reference to proportion of services rendered to the overall extent of agreed services.

Depending on the tariff, customers may use a defined extent of telecommunication services during the billing period. The unused extent of services is not transferred to the following periods except for data transfer service, where unused data can be transferred to the following period.

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 is exposed to 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 is exposed to credit risk,
h) the company has the option to set the terms of the transaction
i) the Company manages 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.

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

The main activity of the Company is sale of telecommunication services to end customers, other operators and sale of mobile phones and accessories.

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

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

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

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 expense, and
- interest income
- losses from the issuance of investment certificates, 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.

The loss from the issuance of investment certificates represents the difference between the nominal value of the underlying receivables from hardware financing and the issue price of investment certificates adjusted for the cost of the service obligation and the settled provisions for receivables.

m) Income tax

Income tax (expense) comprises current and deferred tax. Current tax and deferred taxes are recognized in profit or loss except to the extent that they 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 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.

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

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. which is joint venture of the Company and Tesco Stores SR, a.s. Share capital of the company is EUR 5 thousand. Financial statements of the company Tesco Mobile Slovakia, s.r.o. for 2020 were not available as at the date of preparation of these financial statements. Profit for 2019 amounted to EUR 17 thousand. Retained earnings from previous years amounted to EUR 93 thousand as at 31 December 2019.

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

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

paid, equity is of EUR 2,937 thousand as at 31 December 2020. The Company records equity investment and capital funds investment in total sum of EUR 6,928 thousand. The Company assessed the potential impairment of investment and reached the conclusion that the investment is not impaired.

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

7. NEW STANDARDS AND INTERPRETATIONS

The following standards and interpretations that have been applied for annual periods beginning on or after 1 January 2020 did not have significant effect on the Company's financial statements.

8 STANDARDS AND INTERPRETATIONS NOT YET ADOPTED AS AT 31 DECEMBER 2020

New or amended Standards and Interpretations that are effective for annual periods beginning after 1 January 2020

Amendments to IFRS 16 Leases, COVID-19-Related rent concessions
Effective for annual periods beginning on or after 1 June 2020. Earlier application is permitted, including in financial statements not authorised for issue at 28 May 2020.

The amendments introduce an optional practical expedient that simplifies how a lessee accounts for rent concessions that are a direct consequence of COVID-19. A lessee that applies the practical expedient is not required to assess whether eligible rent concessions are lease modifications, and accounts for them in accordance with other applicable guidance. The resulting accounting will depend on the details of the rent concession. For example, if the concession is in the form of a one-off reduction in rent, it will be accounted for as a variable lease payment and be recognized in profit or loss.

The practical expedient will only apply if:

- the revised consideration is substantially the same or less than the original consideration.
- the reduction in lease payments relates to payments due on or before 30 June 2021; and
- no other substantive changes have been made to the terms of the lease.

This practical expedient is not available for lessors. A lessee applies the amendments retrospectively and recognises the cumulative effect of initially applying them in the opening retained earnings of the reporting period in which they are first applied. The Company expects that the amendments, when initially applied, will have a material impact on the financial statements of the Company.

New or amended Standards and Interpretations that are effective for annual periods beginning after 1 January 2020, not yet endorsed by the EU as at 6 November 2020

Amendments to IFRS 10 and IAS 28 Sale or contribution of assets between an investor and its associate or joint venture
Effective date deferred indefinitely. Available for optional adoption in full IFRS financial statements. The European Commission decided to defer the endorsement indefinitely, it is unlikely that it will be endorsed by the EU in the foreseeable future.

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

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

The Company expects that the amendments, when initially applied, will have a material impact on its financial statements.

The quantitative impact of the adoption of the Amendments can only be assessed in the year of initial application of the Amendments, as this will depend on the transfer of asset or businesses to the associate or joint venture that take place during that reporting period.

Amendments to IAS 1 Presentation of financial statements classification of liabilities as current or non-current
Effective for annual periods beginning on or after 1 January 2023. Early application is permitted. The amendments clarify that the classification of liabilities as current or non-current shall be based solely on the Company's right to defer settlement at the end of the reporting period. The Company's right to defer settlement for at least 12 months from the reporting date need not be unconditional but must have substance.

The classification is not affected by management's intentions or expectations about whether and when the Company will exercise its right. The amendments also clarify the situations that are considered settlement of a liability.

The Company expects that the amendments, when initially applied, could have a material impact on its financial statements.

Amendment to IAS 16 Property, plant and equipment property – proceeds before Intended use
Effective for annual periods beginning on or after 1 January 2022. Early application is permitted.

The amendments to IAS 16 require that the proceeds from selling items produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended must be recognised, together with the cost of those items, in profit or loss and that the company must measure the cost of those items applying the measurement requirements of IAS 2.

The amendments must be applied retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended on or after the beginning of the earliest period presented in the financial statements in which the company first applies the amendments. The cumulative effect of initially applying the amendments will be recognised as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented (if necessary).

The Company expects that the amendments, when initially applied, will have a material impact on its financial statements.

Amendments to IAS 37 Provisions, contingent liabilities and contingent assets – Onerous contracts – Cost of fulfilling a contract
Effective for annual periods beginning on or after 1 January 2022. Early application is permitted.

In determining costs of fulfilling a contract, the amendments require a company to include all costs that relate directly to a contract. Paragraph 68A clarifies that the cost of fulfilling a contract comprises both: the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling contracts.

A company shall apply those amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application). The Company shall not restate comparative information. Instead, the company shall recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application.

The Company expects that the amendments, when initially applied, will have a material impact on its financial statements.
The quantitative impact of the adoption of the amendments is not yet determined as it will depend on the status of the contracts in place at the date of initial application of the amendments.

Annual Improvements to IFRS Standards 2018-2020
Effective for annual periods beginning on or after 1 January 2022 Early application is permitted.

Amendment to IFRS 9 Financial Instruments
The improvements clarify that, when assessing whether an exchange of debt instruments between an existing borrower and lender are on terms that are substantially different, the fees to include together with the discounted present value of the cash flows under the new terms include only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.

Amendment to Illustrative Examples accompanying IFRS 16 Leases
The improvements remove from illustrative Example 13 accompanying IFRS 16 reference to a reimbursement by the lessor to the lessee for leasehold improvements as well as an explanation of a lessee's accounting for such reimbursement.

Amendment to IAS 41 Agriculture
The improvements remove the requirement to use pre-tax cash flows to measure fair value of agriculture assets. Previously, IAS 41 had required a company to use pre-tax cash flows when measuring fair value but did not require the use of a pre-tax discount rate to discount those cash flows.

The Company expects that the amendments, when initially applied, will have a material impact on the financial statements of the Company.

9. PROPERTY, PLANT AND EQUIPMENT

in thousands of EUR	Buildings	Optical networks	Technologies and office equipment	Other assets	Right-of-use asset	Acquisition of property, plant and equipment	Total
Acquisition cost/Conversion cost							
Balance as at 1 January 2019	58,091	15,302	117,048	499	52,893	44,425	288,258
Additions	2,844	–	6,468	–	15,626	20,200	45,138
Disposals	131	266	7,144	9	–	–	7,550
Transfers	5,830	3,993	11,449	5	–	(21,277)	–
BALANCE AS AT 31 DECEMBER 2019	66,634	19,029	127,821	495	68,519	43,348	325,846
Balance as at 1 January 2020	66,634	19,029	127,821	495	68,519	43,348	325,846
Additions	3,570	1,923	4,744	117	11,613	15,233	37,200
Disposals	645	–	14,591	90	2	–	15,328
Transfers	8,427	3,097	24,081	676	–	(36,281)	–
BALANCE AS AT 31 DECEMBER 2020	77,986	24,049	142,055	1,198	80,130	22,300	347,718
Accumulated depreciation							
Balance as at 1 January 2019	23,940	767	71,157	433	–	2,095	98,392
Additions	2,810	1,166	10,595	28	9,213	924	24,736
Disposals	121	–	7 066	9	–	–	7,196
BALANCE AS AT 31 DECEMBER 2019	26,629	1,933	74,686	452	9,213	3,019	115,932
Balance as at 1 January 2020	26,629	1 933	74,686	452	9,213	3,019	115,932
Additions	3,352	1,280	11,801	56	9,933	595	27,007
Transfers	107	53	2,277	115	–	(2,553)	–
Disposals	629	–	14 562	89	–	–	15,280
BALANCE AS AT 31 DECEMBER 2020	29,352	3,213	71,925	419	19,146	3,614	127,659
Carrying amount							
As at 1 January 2019	34,151	14,534	45,890	66	52,893	42,329	189,865
AS AT 31 DECEMBER 2019	40,005	17,095	53,135	43	59,306	40,328	209,913
As at 1 January 2020	40,005	17,095	53,135	43	59,306	40,328	209,913
AS AT 31 DECEMBER 2020	48,420	20,728	65,576	559	60,984	21,238	220,057

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

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 2020 (as at 31 December 2019: nil).

The Company does not have any restricted rights to property, plant and equipment as at 31 December 2020 (as at 31 December 2019: nil).

INSURANCE

The Company's non-current assets are insured within the O2 Group for damage caused by theft and natural disaster.

10. NON-CURRENT INTANGIBLE ASSETS

in thousands of EUR	Licences	Software and valuable rights	Brand	Acquisition of intangibles	Total
Acquisition cost / Conversion cost					
Balance as at 1 January 2019	49,520	71,666	19,689	3,943	144,819
Additions	–	4,840	1,900	3,468	10,208
Disposals	–	5	–	–	5
Transfers	32	3,378	–	(3,410)	–
BALANCE AS AT 31 DECEMBER 2019	49,552	79,879	21,589	4,001	155,022
Balance as at 1 January 2020	49,552	79,879	21,589	4,001	155,022
Additions	–	7,718	1,900	34,200	43,818
Disposals	–	142	–	–	142
Transfers		3,416	–	(3,416)	–
BALANCE AS AT 31 DECEMBER 2020	49,552	90,871	23,489	34,785	198,698
Accumulated depreciation					
Balance as at 1 January 2019	16,874	53,887	19,296	–	90,057
Additions	3,502	5,599	2,135	225	11,461
Disposals	–	5	–	–	5
BALANCE AS AT 31 DECEMBER 2019	20,376	59,481	21,431	225	101,513
Balance as at 1 January 2020	20,376	59,481	21,431	225	101,513
Additions	3,469	6,357	1,900	–	11,983
Transfers	–	256	1	(257)	
Disposals	–	136	–	(32)	361
BALANCE AS AT 31 DECEMBER 2020	23,845	65,957	23,332	–	113,135
Carrying amount					
Balance as at 1 January 2019	32,646	17,780	394	3,943	54,762
BALANCE AS AT 31 DECEMBER 2019	29,176	20,399	159	3,776	53,510
Balance as at 1 January 2020	29,176	20,399	159	3,776	53,510
BALANCE AS AT 31 DECEMBER 2020	25,707	24,914	158	34,785	85,563

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.

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

Non-current intangible assets include a telecommunication license acquired in years 2006, 2014, 2016 and 2020 key system and a brand summarized as follows:

in thousands of EUR		31 December 2020	31 December 2019
	Acquisition cost	49,520	49,520
Telecommunication licence	Carrying amount	25,707	29,177
	Acquisition cost	36,057	31,822
CRM system	Carrying amount	11,389	9,768
	Acquisition cost	23,489	21,589
Brand	Carrying amount	158	159

LIEN

No lien has been established on non-current intangible assets as at 31 December 2020 (as at 31 December 2019: nil).

The Company does not have any restricted rights to non-current intangible assets as at 31 December 2020 (as at 31 December 2019: nil).

INSURANCE

See note 9 Property, plant and equipment.

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

11. LEASING

The Company especially leases sales premises, administrative and technological buildings, land for the location of telecommunications technology, vehicles and various office equipment.

Leases for the sales premises and administrative buildings are usually for a period of 3 to 5 years. Contracts may include options to extend the lease term and the amount of payments is often adjusted according to the development of the consumer price index. If it is probably that the option will be applied, it is taken into account in determining the length of the lease.

Rental of land, premises or masts where the telecommunications technology is located is usually concluded approximately for a period of 10 years, rental of vehicles for a period of 2 years. Rental of office equipment is usually short-term or a low-value underlying asset. The company has decided not to report assets for use and lease liabilities from these leases.

An overview of the rights to use leased assets in accordance with IFRS 16 reported under property, plant and equipment is given in the following table:

in thousands of EUR	2020	2019
Land and buildings for Network technology	53,289	50,999
Administrative premises	4,180	5,502
Stores	3,242	2,634
Motor vehicles	273	171
Total assets for rights and use	60,984	59,306

An overview of lease liabilities by residual maturity is given in the following table:

in thousands of EUR	2020	2019
Less than 1 year	8,951	8,978
1 to 5 years	24,392	28,068
More than 5 years	28,705	23,132
Total lease liability	62,048	60,178

In 2020, the additions of lease liabilities are amount of EUR 11,611 thousand (2019: EUR 15,735 thousand).

An overview of lease-related transactions reported in profit or loss is given in the following table:

in thousands of EUR	2020	2019
Land and buildings for Network technology	7,271	6,687
Administrative premises	1,344	1,334
Stores	1,116	969
Motor vehicles	201	223
Total depreciation of the right of use	9,933	9,213
Interest expense (included in finance costs)	1,224	1,251
Costs of low-value assets not reported under current lease liabilities (included in service costs)	110	129
Variable costs not included in rental liabilities (included in service costs)	376	412

Payments for leases relating to principal during the accounting period in the amount of EUR 9,741 thousand (2019: EUR 8,341 thousand) are reported under cash flows from financing activities in the cash flow statement.

12 CAPITALIZED CONTRACT ACQUISITION COSTS AND CONTRACT ASSETS

Capitalized contract acquisition costs are mostly commissions paid to external intermediaries directly attributable to obtaining a contract with customers (see note 3.iii Use of estimates and judgments).

in thousands of EUR	Dopad aplikácie IFRS 15
As at 1 January 2019	5,682
Capitalization of contract acquistion costs	6,736
Amortization of contract acquistion costs	5,516
As at 31 December 2019	6,902
As at 1 January 2020	6,902
Capitalization of contract acquistion costs	6,714
Amortization of contract acquistion costs	6,314
As at 31 December 2020	6,902

Contract asset is Company's right to consideration in exchange for goods or services that the Company already transferred to a customer and has not yet invoiced. These are contracts with customers where sale of subsidized telecommunication equipment is attached to the supply of telecommunication services. The contract asset is then result of relocation of contract revenues from telecommunication services provided and recognized during the life of the contract to revenues from sale of the subsidized equipment at the point in time.

in thousands of EUR	31 December 2020	31 December 2019
Current contract assets	222	108
Non-current contract assets	221	89
TOTAL CONTRACT ASSETS	443	197

Non-current contract assets are reported as part of the line Capitalized acquisition costs and contract assets in the statement of financial position.

13. DEFERRED TAX ASSET

in thousands of EUR	31 December 2020	31 December 2019
Deffered tax asset at the beginning of the period	3,203	3,378
Change in statement of profit or loss	(2 609)	(175)
there of: effect of a change in tax rate	–	–
Change in prior year profit	–	–
there of: effect of a change of accounting method	–	–
Deffered tax assets at the end of the period	594	3,203

The deferred tax assets are represented by the following items:

in thousands of EUR	31 December 2020	31 December 2019
Property, plant and equipment and non-current intangible assets	(5,197)	(3,598)
Receivables	1,120	1,449
Inventories	10	10
Liabilities	4,703	5,225
Other	(42)	117
Total deferred tax asset	594	3 203
Part realizable in 12 months	5,332	7,533
Part realizable later than in 12 months	(4,738)	(4,330)
Total deferred tax asset	594	3 203

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

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. Deferred tax rate applied to temporary differences relating to corporate income tax pursuant to Act 595/2003 Coll. on Income Tax is 21% (2019: 21%). The total deferred tax asset contains also the deferred tax liability from the special tax on business in the regulated sectors.

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

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

14. INVENTORIES

in thousands of EUR	31 December 2020	31 December 2019
Material	532	532
Merchandise	9,808	8,298
TOTAL INVENTORIES	10,340	8,830

The Company recognized a provision for slow moving material and merchandise in total amount of EUR 49 thousand (2019: EUR 49 thousand).

No lien has been established on inventories as at 31 December 2020 (as at 31 December 2019: nil).

In 2020, material in the amount of EUR 1,358 thousand, merchandise in the amount of EUR 38,249 thousand were recognized as expenses (in 2019: material in the amount of EUR 1,455 thousand, merchandise in the amount of EUR 45,811 thousand).

15. FINANCIAL INSTRUMENTS ACCORDING TO CATEGORIES

31 December 2020 (in thousands of EUR)

Assets according to statement of financial position	Amortized cost	Nominal value	Total
Trade receivables, loans and other financial receivables	48,056	–	48,056
Long-term receivables	10,833	–	10,833
Cash and cash equivalents	–	26,615	26,615
TOTAL ASSETS ACCORDING TO STATEMENT OF FINANCIAL POSITION	58,889	26,615	85,504

31 December 2020 (in thousands of EUR)

Liabilities according to the statement of financial position	Amortized cost	Total
Trade payables and other financial liabilities	145,647	145,647
Income tax liability	–	–
Loans received	100,000	100,000
TOTAL LIABILITIES ACCORDING TO THE STATEMENT OF FINANCIAL POSITION	245,647	245,647

31 December 2019 (in thousands of EUR)

Assets according to statement of financial position	Amortized cost	Nominal value	Total
Trade receivables, loans and other financial receivables	88,749	–	88,749
Long-term receivables	19,807	–	19,807
Cash and cash equivalents	–	31,221	31,221
TOTAL ASSETS ACCORDING TO STATEMENT OF FINANCIAL POSITION	108,556	31,221	139,778

31 December 2019 (in thousands of EUR)

Liabilities according to the statement of financial position	Amortized cost	Total
Income tax liability	137,467	137,467
Loans received	117,775	117,775
TOTAL LIABILITIES ACCORDING TO THE STATEMENT OF FINANCIAL POSITION	255,242	255,242

16. TRADE AND OTHER FINANCIAL RECEIVABLES

in thousands of EUR	31 December 2020	31 December 2019
Receivables	54,982	95,977
Impairment provision	(6,927)	(8,228)
NET RECEIVABLES	48,056	87,749

in thousands of EUR	31 December 2020	31 December 2019
Receivables not impaired	6,384	6,039
Receivables impaired	48,598	89,939
TOTAL RECEIVABLES	54,982	95,978

Ageing structure of receivables not impaired:

in thousands of EUR	31 December 2020	31 December 2019
Not past due	3,778	3,183
Overdue less than 90 days	2,191	2,407
Overdue less than 180 days	381	368
Overdue less than 365 days	13	57
Overdue more than 365 days	21	24
TRADE RECEIVABLES NOT IMPAIRED	6,384	6,039

These are mainly receivables from companies within the consolidated unit.

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

Ageing structure of receivables impaired:

in thousands of EUR	31 December 2020	31 December 2019
Not past due	40,760	78,863
Overdue less than 90 days	3,038	3,851
Overdue less than 180 days	821	899
Overdue less than 365 days	1,118	2,062
Overdue more than 365 days	2,862	4,265
TOTAL RECEIVABLES IMPAIRED	48,598	89,939

Ageing structure of impairment provision:

in thousands of EUR	31 December 2020	31 December 2019
Not past due	1,767	1,229
Overdue less than 90 days	430	344
Overdue less than 180 days	751	627
Overdue less than 365 days	1,117	1,861
Overdue more than 365 days	2,862	4,167
IMPAIRMENT PROVISION AT THE END OF THE PERIOD	6,927	8,228

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

Movements in the impairment provision:

in thousands of EUR	31 December 2020	31 December 2019
At the beginning of the period	8,627	8,403
Write-offs	5,953	3,306
Impairment loss in the statement of profit or loss	4,469	3,530
IMPAIRMENT PROVISION AT THE END OF THE PERIOD	7,143	8,627

The total value of impairment provisions at the end of 2020 also includes provision for long-term receivables in the amount of EUR 216 thousand.

The item Impairment losses on financial assets also includes net profit from the sale of trade receivables in the amount of EUR 606 thousand. Sold receivables were receivables from current invoicing to customers and these were 270 to 720 days past due.

Long-term receivables consist mainly of trade receivables arising from the financing of hardware sold to end customers in the form of monthly installments in the amount of EUR 10,833 thousand (2019: EUR 19,807 thousand).

The Company's experience in recovering receivables is reflected in the created provision. The Company also included into the value of the provision information concerning the future development of the economy (see note 4.f. Impairment). The Company's management believes that there are no other risks that would reduce the value of receivables beyond the impairment provision.

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

The Company's receivables are covered by a combination of bank guarantees, blank promissory notes and collateral received as shown in the following table (at fair values):

in thousands of EUR	31 December 2020	31 December 2019
Combination of bank guarantees and blank promissory note	838	1,070
Collaterals received	1,302	1,277
TOTAL SECURED RECEIVABLES	2,140	2,347

Credit risks and currency risks to which the Company is exposed to and impairment provisions to trade receivables and other financial receivables are described in note 27.

As at 31 December 2020, receivables are not secured by a lien (as at 31 December 2019: nil).

The Company does not have any restricted rights to receivables.

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

17. LOANS PROVIDED AND RECEIVED

in thousands of EUR	Interest rate	Maturity	31 December 2020	31 December 2019
Loans provided				
O2 Business Services, a.s.	„6M EURIBOR p.a. + 1.75%“	30 April 2020		1,000
TOTAL LOANS PROVIDED				1,000

in thousands of EUR	Interest rate	Maturity	31 December 2020	31 December 2019
Loans received				
O2 Czech Republic a.s.	„6M EURIBOR p.a. + 1,70%“	30 April 2021	100,000	117,775
TOTAL LOANS RECEIVED			100,000	117,775

The Company has established a credit line with the parent company and with several banks according to the following overview:

in thousands of EUR	31 December 2020	31 December 2019
Slovenská sporiteľňa, a.s.	5,000	5,000
O2 Czech Republic a.s.	200,000	200,000
TOTAL AGREED LOAN FACILITY	205,000	205,000

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

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

Within the scope of financial costs or financial income, the Company reports interest on the provided, or credit received as well as from the granted and undrawn credit facility.

18. EQUITY

SHARE CAPITAL

Total authorized and issued share capital of the Company amounts to EUR 103,203 thousand as at 31 December 2020 (as at 31 December 2019: 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 2020 the balance of legal reserve fund is in the amount of EUR 10,230 thousand (as at 31 December 2019: EUR 10,230 thousand). The Company has reached the maximum amount of legal reserve fund creation.

The legal reserve fund may only be used to cover the Company's losses.

DISTRIBUTION OF ACCOUNTING PROFIT REPORTED IN THE PRECEDING ACCOUNTING PERIOD

The sole shareholder decided to pay dividends in the amount of EUR 53,148 thousand on 4 March 2020.

Dividends for 2019 were settled with the sole shareholder by agreement on offsetting mutual receivables dated 29 April 2020.

In 2020, the Company generated a profit of EUR 52,975 thousand and its distribution will be decided by a single shareholder.

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

19. OTHER NON-CURRENT LIABILITIES

in thousands of EUR	31 December 2020	31 December 2019
Social fund	73	94
Liabilities from leasing and other payables	61,206	51,290
Provision for base stations' removal	3,117	2,914
TOTAL NON-CURRENT LIABILITIES	64,396	54,298

Lease liabilities and other payables include lease liabilities in the amount of EUR 53,097 thousand (2019: EUR 51,200 thousand) arising from the application of the new IFRS 16 (see note 11 Leasing).

Out of which: Social fund

The social fund liability is recognized as a payable to employees and its movements during the accounting period were as follows:

in thousands of EUR	Social fund
BALANCE AS AT 1 JANUARY 2020	94
Creation	157
Drawing	178
Release	–
BALANCE AS AT 31 DECEMBER 2020	73

According to the Social Fund Act, the social fund is used for social, health and other needs of employees.

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

20. TRADE AND OTHER FINANCIAL LIABILITIES

in thousands of EUR	31 December 2020	31 December 2019
Trade payables	45,393	36,792
Unbilled supplies	21,269	30,491
Leasing liabilities	8,951	8,978
Tax liabilities (except for income tax)	1,779	2,942
Employees	3,859	3,450
Other	–	516
TOTAL CURRENT LIABILITIES	81,251	83,169

Ageing structure of current liabilities:

in thousands of EUR	31 December 2020	31 December 2019
Not past due	80,754	82,471
Overdue less than 180 days	239	463
Overdue less than 365 days	101	95
Overdue more than 365 days	157	140
TOTOAL CURRENT LIABILITES	81,251	83,169

The structure of liabilities according to their maturity is presented in note 27, part Liquidity risk.

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

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

21. CONTRACTUAL OBLIGATIONS

Contractual obligation is the Company's obligation to deliver goods or provide services for which the Company has already received the consideration from the customer. Contractual obligations include a commitment to prepaid telecommunication service customers on prepaid cards. The revenue is recognized when the call or data transfer is made, other services are provided or expiry of the card's life and associated prepaid credit.

in thousands of EUR	31 December 2020	31 December 2019
Current Contractual obligations	7,299	6,971
Non-current Contractual obligations	–	–
TOTAL CONTRACTUAL OBLIGATIONS	7,299	6,971

As at 1 January 2020, the Company recognized revenue from contractual obligations in the amount of EUR 6,971 thousand.
In the following year, the Company expects to recognize revenue in the amount of EUR 7,299 thousand in respect of contractual obligations from prepaid but not yet delivered services.

22. REVENUES

in thousands of EUR	2020	2019
Revenue from sale of services	236,927	235,750
Revenue from sale of merchandise	46,154	56,274
Other revenue	3,749	3,335
REVENUE TOTAL	286,830	295,359

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

23. EXTERNAL PURCHASES

in thousands of EUR	2020	2019
Telecommunication services	41,847	48,045
Merchandise sold	38,249	45,811
Dealer commissions	16,679	16,355
Marketing costs	8,896	9,827
Outsourcing of services within the Group and from external suppliers	10,795	10,179
Lease	526	702
Energy consumption	5,172	4,403
Repairs of property, plant and equipment	3,159	3,318
Legal and consulting services	1,097	1,892
Other	4,475	5,896
Total external purchaces	130,895	146,428

Expenses related to audit of financial statements in the year ended 31 December 2020 amounted to EUR 36 thousand (2019: EUR 34 thousand).

On 1 April 2020, KPMG Slovensko, spol. s r.o. was appointed as an independent auditor for the period ended 31 December 2020.

In the year ended 31 December 2020, expenses related to tax advisory provided by the independent auditor were in the amount of EUR 10 thousand (2019: EUR 10 thousand). The independent auditor did not provide any other services.

These expenses are included among Legal and consultancy services.

24. PERSONNEL COSTS

in thousands of EUR	2020	2019
Wages and salaries	19,717	19,921
Social security	6,541	6,343
Total personnel costs	26,258	26,264

25. OTHER EXPENSES

in thousands of EUR	2020	2019
Fees paid to the Group	221	487
Fees to Telecommunication Office for frequencies	4,487	4,217
Other	489	212
Total other expenses	5,198	4,916

26. FINANCE INCOME AND FINANCE COSTS

in thousands of EUR	2020	2019
Interest expense	4,072	3,460
Exchange rate losses	318	226
Other financial expenses	2,520	269
Total financial expenses	6,910	3,955

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

in thousands of EUR	2020	2019
Interest income	33	35
Exchange rate gains	285	180
Total financial income	318	215

The Company securitized hardware financing receivables in 2020, their details are in Note 16. The securitization was carried out through investment certificates and the conditions for derecognising financial assets were given in IFRS 9.

The total value of derecognised receivables as of the date of issuence of certificates was in the amount of EUR 55,576 thousand. The total loss from the sale of receivables was in the amount of EUR 2,212 thousand and it is included in other financial expenses.

As the Company will manage the underlying receivables during the validity of the investment certificates, it also reported a service obligation in accordance with IFRS 9 in the amount of EIR 1,372 thousand. The balance of the service liability at the end of the accounting period was in the amount of EUR 757 thousand.

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

27. TAX EXPENSES AND RECONCILIATION OF THE EFFECTIVE TAX RATE

in thousands of EUR	2020	2019
Deferred tax	2,609	175
Special levy on business in regulated industries	3,290	3,180
Current tax	12,443	14,890
Total tax espenses	18,342	18,245

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.

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

in thousands of EUR	2020	2019
Profit before tax	71,318	71,393
Theoretical tax of 21%	14,977	14,993
Special levy on business in regulated industries	3,290	3,180
Permanent differences	75	72
Total tax expenses	18,342	18,245

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

28. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

The Company is exposed to various financial risks due to its activities. The Company's overall risk management focuses on unpredictability of financial markets and economic environment and pursues to minimize potential adverse impacts on the Company's financial results.

Financial instruments include cash, a capital instrument of another accounting entity, any arrangement entitling to gain or binding to provide cash or another financial asset or any arrangement entitling or binding to exchange financial assets and liabilities.

The main risks arising from financial instruments used by the Company are market risk, credit risk and liquidity risk. The financial department is responsible for financial risk management based on rules approved by the parent company.

Market risk management

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

Currency risk

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

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

Overview of financial receivables in foreign currencies translated at the exchange rate as at 31 December 2020 to EUR is as follows:

in thousands of EUR	XDR	Total
Not past due	167	167
Overdue less than 180 days	45	45
Overdue less than 365 days	–	–
Overdue more than 365 days	–	–
TOTAL CURRENT RECEIVABLES	212	212

Overview of financial liabilities in foreign currencies translated at the foreign exchange rate as at 31 December 2020 to EUR is as follows:

in thousands of EUR	CZK	USD	XDR	Total
Not past due	148	1,152	1,068	2,368
Overdue less than 180 days	–	–	404	404
Overdue less than 365 days	–	–	47	47
Overdue more than 180 days	–	–	163	163
TOTAL CURRENT LIABILITIES	148	1,152	1,682	2,982

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

Interest rate risk

Revenues, expenses and operating cash flows of the Company are not significantly affected by changes in market interest rates.

In June 2016, the Company entered into an agreement on revolving with parent company O2 Czech Republic, a.s. As of 31 December 2020, the balance of drawn loan was in the amount of EUR 100,000 thousand (2019: EUR 117,775 thousand). The Company was granted a credit line up to the of EUR 200,000 thousand.

As of 2 June 2016, the Company entered into an agreement on revolving with subsidiary O2 Business Services, a.s. As of 31 December 2020, the loan was paid off (2019: EUR 1,000 thousand). The Company was granted a credit line up to the amount of EUR 5,000 thousand.
The Company's management considers the risk of significant fluctuations in the interest rate of this loan as insignificant and therefore, no sensitivity analysis with respect to interest rate changes was performed.

The Company's management does not use hedging instruments to manage the risk of variable interest rate.

Other price risks

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

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

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 uses bad debt provision matrix to estimate expected credit losses from receivables that consist of small balances from large number of customers.

Allowances rates are calculated using the „roll rate" method based on the probability that the receivable falls through the stages of the delinquency until its write-off.

Percentage losses are based on actual credit losses over the previous six years. They are adjusted for the expected revenue from the sale of receivables. The Company usually sells receivables that are more than 1 year but less than 2 years overdue.

Credit risk and impairment of receivables for significant receivables is assessed individually.

The summary of the ageing structure of short-term receivables is disclosed in Note 16. 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.

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

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 liquidity risk mitigation policy defines the level of cash, cash equivalents and credit resources available to the Company to enable meeting its obligations in a timely manner.

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

in thousands of EUR	31 December 2020	31 December 2019
Without maturity	–	–
Maturity up to 180 days	175,946	195,697
Maturity up to 365 days	5,667	7,206
Maturity more than 365 days	64,034	54,298
Total liabilities	245,647	257,201

In the category Maturity within 180 days, the financial liabilities of the Company include received loan from the parent company in the amount of EUR 100,000 thousand. The distinction between available assets and liabilities is covered by the possibility of extending the parent company's loan. The provided credit line can be drawn up to the amount of EUR 200,000 thousand

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

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 2020	31 December 2019
Without maturity	26,616	31,221
Maturity up to 180 days	46,510	69,223
Maturity up to 365 days	11,110	27,104
Maturity more than 365 days	10,623	19,807
TOTAL RECEIVABLES AND CASH AND CASH EQUIVALENTS	94,859	147,355

Financial assets and liabilities offsetting

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

in thousands of EUR	31 December 2020	31 December 2019
Trade and other receivables prior to offsetting	50,546	89,070
Gross offset amount	(2,490)	(1,321)
TRADE AND OTHER RECEIVABLES AFTER OFFSETTING	48,056	87,749

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

in thousands of EUR	31 December 2020	31 December 2019
Trade and other payables prior to offsetting	83,741	84,490
Gross offset amount	(2,490)	(1,321)
TRADE AND OTHER PAYABLES AFTER OFFSETTING	81,251	83,169

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

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 2020, there were no changes 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 in the amount of EUR 166,498 thousand as at 31 December 2020 (as at 31 December 2019: EUR 166,671 thousand).

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 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 2020

29. 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.

The parent company is O2 Czech Republic a.s. In 2020, the majority shareholder of the parent company were companies within PPF Group controlled by Mr. Petr Kellner (detail in Note 1, part Information about the ultimate parent).

All related party transactions were conducted on arms-length basis. 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:

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

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 2020	31 December 2019
Acquired merchandise and property, plant and equipment	–	1,730
Trade and other receivables	3,298	4,110
Provided short-term loans	100,000	117,775
Trade payables	3,838	4,203

The Company realized the following transactions with the parent company:

in thousands of EUR	2020	2019
Sales of merchandise and services	745	1,730
Purchase of services	9,495	11,469
Financial expenses	2,746	2,122

As at 31 December 2020 the Company paid dividends to the parent company for 2019 in the amount of EUR 53,148 thousand.

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

2. TRANSACTIONS WITH SUBSIDIARY

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

in thousands of EUR	31 December 2020	31 December 2019
Shares in companies	6,927	6,927
Acquisition of merchandise and property, plant and equipment	17	9
Trade and other receivables	1,839	1,409
Provided short-term loans	14	1,000
Trade payables	710	594

The Company realized the following transactions with subsidiary:

in thousands of EUR	2020	2019
Sales of merchandise and services	2,595	1,968
Purchase of services	3,419	2,847
Finance income	33	35

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

3. TRANSACTIONS WITH OTHER RELATED PARTIES

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

in thousands of EUR	31 December 2020	31 December 2019
Shares in companies	3	3
Trade and other receivables	920	534
Trade payables	4,274	2,382

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	2020	2019
Sales of merchandise and services	3,313	3,505
Purchase of merchandise and services	12,268	12,493
Financial expenses	1,952	–

In 2020, the Company sold receivables from the repayment of hardware through the issuance of investment certificates.

The total value of issued investment certificates was in the amount of EUR 53,624 thousand.

The list of companies from the PPF Group which the Company realized transactions in 2020 with, includes the following companies:

Česká telekomunikační infrastruktura a.s., PPF Telecom Group, Air Bank and CME (from October 2020).

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

30. INFORMATION ON INCOME AND REMUNERATION OF KEY MANAGEMENT MEMBERS

Among key management members in 2020, 9 in total (2019: 9) are members of the executive management of the Company.

in thousands of EUR	2020	2019
Short-term employee benefits	1,441	1,469
Total	**1,441**	**1,469**

31. 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. The probability of imposing an additional tax will be reduced only when there are precedents or official interpretations by the tax authority. The management of the Company is not aware of any circumstances that would incur significant costs for the Company.

Other financial liabilities

As at 31 December 2020 the Company has contingent financial liabilities in the amount of EUR 186 thousand (31 December 2019: EUR 255 thousand) which they committed to provide to its customers after all conditions are met.

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

32. INVESTMENT AND OTHER COMMITMENTS

in thousands of EUR	31 December 2020	31 December 2019
Investment and other commitments contracted but not included in the financial statements yet	2,997	10,108
Total investment and other commitments	2,997	10,108

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

33. SUBSEQUENT EVENTS

By decision of the sole shareholder on 16 December 2020 and with effect from 1 January 2021 was appointed to the position of managing director Mgr. Igor Tóth, PhD.. With effect from 1.1.2021 was Mgr. Igor Tóth, PhD. appointed to the position of CEO of the Company.

No events with a material impact on the true and fair presentation of facts subject to the accounting occurred after 31 December 2020.

10. February 2021

Mgr. Igor Tóth, PhD.
Chief Executive Officer

Ing. Tomáš Kimlička
Chief Financial Officer

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Appendix to the independent Auditors' Report issued on 10 February 2021 (this Appendix is issued in respect of the Annual Report)

pursuant to Article 27 (6) of the Act No. 423/2015 Coll. on statutory audit and on amendments to Act No. 431/2002 Coll. on accounting as amended ("the Act on Statutory Audit")

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

We have audited the financial statements of O2 Slovakia, s.r.o. ("the Company") as of 31 December 2020 presented as part of the accompanying Annual Report. We have issued an unmodified independent auditors' report on the financial statements on 10 February 2021.

This Appendix supplements the aforementioned auditors' report in respect of the following information:

Report on Other Legal and Regulatory Requirements

Reporting on other information in the Annual Report

The statutory body is responsible for the other information. The other information comprises the information included in the Annual Report prepared in accordance with the Act No. 431/2002 Coll. on Accounting as amended ("the Act on Accounting"), but does not include the financial statements and our auditors' report thereon. Our opinion on the financial statements does not cover the other information in the Annual Report.

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

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

With respect to the Annual Report, once obtained, we are required by the Act on Accounting to express an opinion on whether the other information given in the Annual Report is consistent with the financial statements prepared for the same financial year, and whether it contains information required by the Act on Accounting.

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

- the other information given in the Annual Report for the year ended 31 December 2020 is consistent with the financial statements prepared for the same financial year; and
- the Annual Report contains information required by the Act on Accounting.

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

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

In addition to this, in light of the knowledge of the Company and its environment obtained in the course of the audit of the financial statements, we are required by the Act on Accounting to report if we have identified material misstatements in the other information in the Annual Report. We have nothing to report in this respect.

6 May 2021
Bratislava, Slovak Republic

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

Responsible auditor:
Ing. Ľuboš Vančo
License SKAU No. 745