Annual Report 2014

O2 Slovakia, s. r. o.

Content

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PPF Group

About PPF Group

Introduction

PPF Group invests into multiple market segments such as banking and financial services, telecommunications, real estates, retail, insurance, metal mining, agriculture and biotechnology. PPF's reach spans from Central and Eastern Europe to Russia, the USA and across Asia. PPF Group owns assets of over EUR 24 billion (as of June 30, 2014).

PPF Group's history

PPF was founded in the Czech Republic in 1991 as an investment fund and participated in the privatisation of the local economy. The Group's early days were difficult. Its first large investment was the acquisition of a major interest in Česká pojišťovňa, the largest insurer in the Czech Republic, in the mid 1990s. Its successful transformation from a state-owned, ineffective company into a functioning private business laid the foundation for subsequent successes. In the latter half of the 1990s, PPF founded Home Credit specialising in consumer finance and then acquired and built PPF banka and eBanka. In the sector of financial services and insurance, PPF expanded also to Slovakia. Meanwhile in the Czech Republic in 2004 PPF successfully concluded the restructuring of the largest domestic private TV channel (TV NOVA) and consequently sold it to US-based CME. At the beginning of the millennium, PPF pursued investments into insurance and consumer financing in Russia. Consequently, PPF made further investments, e.g. into gold and silver mining (Polymetal). In 2007, PPF signed an agreement with Italian-based insurance company Generali to form a joint venture active in Central and Eastern Europe and CIS countries. Within the international expansion, PPF entered the Asian markets, primarily China and Vietnam, and invested in Ukraine, Belarus, Kazakhstan and other countries. In recent years, PPF Group has focused on strengthening and developing its previous investments whilst continuing to seek new investment and business opportunities, to broaden the portfolio diversification by new business sectors as well as territories. PPF Group entered the sophisticated business sectors of telecommunications and biotechnologies as well as real estate investments in Western Europe, mainly the Netherlands and Germany.

PPF Group's Milestones in 2014

At the end of 2013, PPF made an agreement with Telefónica S.A. to acquire a 65.9 % share in Telefónica Czech Republic, a. s., including its 100%-owned subsidiary Telefónica Slovakia. The total acquisition cost was CZK 63.6 billion. PPF Group financed the transaction through an equity tranche of CZK 35.5 billion and a syndicated bank loan provided by a consortium led by Société Générale. Following approval of the transaction by the European Commission, the deal was closed at the end of January, 2014. O_2 is the largest telecommunications operator the Czech market and No. 3 operator in Slovakia. PPF Group acquired a minority stake in OriBase Pharma, a biotechnology company based in France, which specialises in the development of new methods of treatment in oncology. Over the course of 2014, SOTIO, the main biotechnology investment of PPF Group, continued to research next-generation therapies. SOTIO became the first Czech company to initiate an international phase III clinical trial for its active cellular immunotherapy treatment for prostate cancer. In line with the agreement with its business partners, PPF Group sold its shares in Energy and industrial holding (EPH) back to EPH. PPF Group's equity investment into EPH back in 2009, as well as the Group's important contributions to EPH as the major shareholder, significantly contributed to developing EPH into one of the biggest players in the energy sector in Central Europe (the Czech Republic, Slovakia, Poland, Germany).

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O2 Slovakia, s. r. o.

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O2 Slovakia, s. r. o. belongs to the portfolio of PPF Investment Group. For all its commercial activities in Slovakia, it uses the brand name O_2. It joined the Slovak market of mobile operators upon the decision of the Selection Committee of the Slovak Telecommunication Office of the Slovak Republic on 25 August 2006. The commercial operation started d on 2 February 2007. In 2014, O_2 won Operator the Year Award in an independent customer survey for the 6th time running. It shows that O_2 Fér offer as well as O_2 Moja Firma and O_2 Paušál reflect the actual customer needs.

Fairness, simplicity, and transparency

The main principles of mobile communication in O_2 are fairness, simplicity and transparency. The fairness brought about the cancellation of compulsory monthly fees for invoiced services, so the customers always pay only for what they actually use. Transparency and simplicity mean the same prices for calls during days and nights, workdays as well as weekends, to customer numbers in all Slovak networks and calls from Slovakia and the Czech Republic to all EU countries at domestic prices. No binding contracts – programmes and services for residential O_2 customers are without any commitment. The products and services of O_2 are attractive therefore there is no need to be conditioned with meaningless commitment.

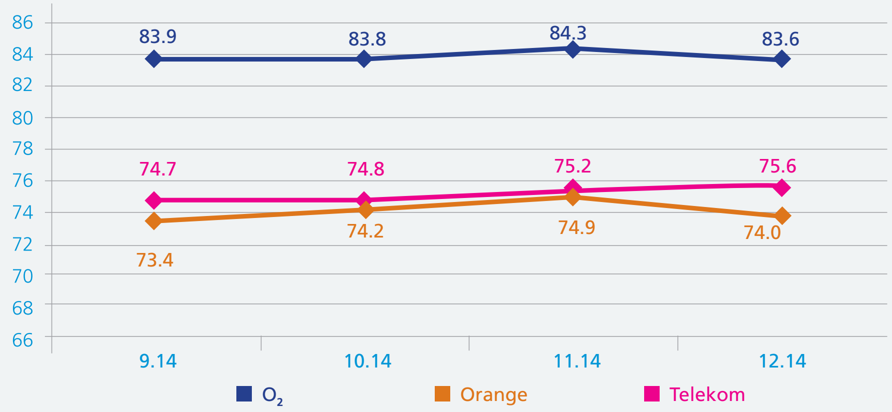
Equal benefits for all

O_2 provides equal benefits to all customers regardless of whether they top up their credit or pay monthly and whether they are with O_2 longer or are new customers. Such approach as well as high-quality service is appreciated by many customers. From 2008 until 31 December 2014, customers transferred more than 705,000 phone numbers to the O_2 network. From the beginning of 2014 until 31 December, customers transferred more than 88 thousand SIM cards.

We are changing the rules of mobile communication in Slovakia

By introducing the O_2 Fair for residential customers in September 2008, O_2 fundamentally changed the rules of mobile communication in Slovakia. Benefits of O_2 Fair are mainly in the non-binding nature of services, clear price list and equal price for calls and text messages. The customers always pay only for what they actually use. Customers may also adjust the O_2 Fair programme to their own needs via Extra packages made up of minutes, SMS/MMS messages and data at favourable prices. O_2 is the only operator that enabled its customers to make automatic calls from Slovakia to the EU countries for top-up as well as pay-monthly customers. Calls and text messages from Slovakia to all mobile and landline networks in such countries cost the same as calls and text messages to all networks in Slovakia. The only condition is to use O_2 Fér, O_2 Paušál or O_2 Moja Firma programme.

Residential CSI overall – 2H 2014
3-month rolling data



Moreover, last year O_2 made calls, SMS/MMS messages and data in the Czech Republic available for the same price as in Slovakia for customers of all programs - O_2 Fér, O_2 Paušál and O_2 Moja Firma.

The company also contributed to making mobile number portability among all three operators more accessible by significantly shortening the period for transferring a number to the network of another operator from prehistoric 25 days to the current 4 days. Back in 2010, O_2 introduced its new programme for self-employed and small and medium-sized companies - O_2 Moja Firma. The customers of O_2 Moja Firma pay a cap of maximum EUR 44 for calls, text/MMS messages to all networks in Slovakia and all EU countries and usage of Internet.

O_2 customer base is continually growing

2014 was yet another year in the series of successful years. At the end of last year, there were 1.684 million active customers of O_2. O_2 proved that a fair, innovative and transparent approach, and attractive offer of services are exactly what customers expect from their operator. Last year was yet another year when O_2 maintained the highest level of customer satisfaction among all the operators. It was shown by a survey conducted by the independent Ipsos Tambor Agency and O2 Slovakia.

Quick data remain our priority for the following years

O_2 continues to expand its own 3G network. The commercial launch of products on its own 3G network took place as early as in June 2011. In December 2014, the coverage by own 3G network was over 60% of Slovak population. In late 2014, O_2 confirmed that the completion of 3G network remained its priority. At the same time, O_2 put emphasis on expansion of its coverage by the fastest 4G network. Already in 2010, O_2 was the first to test the 4G network in Slovakia and in August 2012, O_2 launched the first pilot commercial operation. Frequencies acquired in the auction enabled the operator to develop its own fourth generation network. At the end of last year, O_2 expanded the 4G network coverage to two largest cities in Slovakia - Bratislava and Košice.

Partner solutions

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

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

3 Company Management

Company Management

Martin Vlček
Chief Executive Officer

In the past, he was an external advisor for PPF and PMU CZ a. s. Between 2002 and 2011, he worked for Penta Investments as investment manager and later he was the director of Pet Center retail network. Before joining our company, he held the positions of Executive Director for Finances in the Czech O_2 and also Investment Director in PPF, a. s., where he was responsible for investment in O_2. He became the General Director of O2 Slovakia, s. r. o. on 18 June 2014.

Martin Klímek
Director of Finances

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

Radek Štěrba
Director for Sales and Customer Services

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

Jana Studničková
Marketing Director

In January 2014, management of O_2 was strengthened by the arrival of Jana Studničková who took the position of Marketing Director. During 2013, she was one of the key members of team preparing the project of the fourth operator for the Czech market for PPF, Mobile Services and Revolution Mobile. As Chief Commercial Officer, she was responsible for preparation the product portfolio, marketing communication, PR as well as sales channels. Before, she had worked for PPF Group and in SAZKA sázková kancelář as Marketing and Sales Director during company consolidation. She had participated in successful recovery of the company and was responsible for the sales network, marketing portfolio and communication. In the past, she worked for MOBILKOM a.s./U:FON as Marketing and Sales Director and in Penta Investments Group, where she was responsible for the Group's communication activities and marketing.

Ján Žďárský
Network Director

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

Ján Vanovčan
IT Systems Director

Ján studied software engineering specialisation artificial intelligence. After holding various IT positions in healthcare, insurance industry and telecommunication operator SW development, since 2000 he held the consulting architect post in Logica. As a consultant, he worked on projects for Slovak operators as well as in Hungary, the Czech Republic and the UK. He joined O_2 Slovakia in 2007 as Integration and Architecture Manager and later was promoted to the position of Director of department. He used to design and manage several projects in O_2 Slovakia in the area of CRM, integration of systems and electronic channels.

René Parák
Corporate Communication Director

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

Mária Rapanová
Human Resources Director

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

Dávid Durbák
Legal Affairs Director

He graduated from Faculty of Law of the Comenius University in Bratislava in 2001. His professional career started in Slovak Telekom, a. s., at the Department for Regulation Affairs where he spent 4 years and was responsible for providing legal support to the company in proceedings with state authorities, mainly representing the company in several proceedings at the Antimonopoly Office of the Slovak Republic. At the same position, he was also responsible for evaluation of new products of the company. He joined O_2 Slovakia in April 2007 at the position of a lawyer responsible mainly for the legal support of customer relations and was part of several important projects such as activation of pay-monthly services. Since April 2011, he has held the position of Legal Affairs Director, being responsible for overall legal support to the company.

Tomáš Masár
Strategy and Business Development Director

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

Supervisory Board

There are 3 members of Supervisory Board. The Supervisory board oversees activities of company executives. It inspects the books of accounts, checks the information and the statements of finances. At least once per year, it provides a report regarding its activities to the general assembly. The role of general assembly of O2 Slovakia is performed by the Board of Directors of O2 Czech Republic. The Supervisory Board meets as necessary.

Martin Štefunko

Martin Štefunko, Chairman of the Supervisory Board of O2 Slovakia, s. r. o., and Chairman of the Supervisory Board of O2 Czech Republic, a. s.,he has been member of top management PPF Group since 2009 and currently, he holds the position of Investment Division Director. Before, from 2001, he worked in Penta Investments holding the position of Investment Director and he was responsible for managing investment projects in retail, health care, power industry and mechanical engineering. He is a member of the Supervisory Board of PPF Group N. V., member of the Board of Directors of PPF, a. s. and Chairman of the Supervisory Board of PPF banka a. s.

Jan Tomaník

Jan Tomaník is Investment Manager in PPF, a. s. where he participated in the Group's acquisitions into power industry and telecommunications segments, including investment into Telefónica. Between 2008 and 2011 he worked as a stock analyst in WOOD & Company.

Tomáš Budník

Tomáš Budník si Executive Director of O2 Czech Republic and Deputy Director of IT & Demand Management Division. He has worked in the telecommunication sector for more than 20 years in INEC, Český Telecom and GTS, held several managerial positions in retail, marketing, customer care and regulation. In GTS, he was responsible for planning, construction, development and operation of telecommunications network and providing services to customers. As Executive Director, he participated in restructuring of MobilKom that operated U:fon network. In 2011 he joined PPF Group, first as IT Director of Eldorado and in 2013, he led the 4th mobile operator project. Since June 2014, he is Executive Director of O_2 Czech Republic and also Deputy Director of IT & Demand Management Division.

4 CEO Address

Martin Vlček

Chief Executive Officer O_2 Slovakia

Dear shareholder, customer, employee and partner,

Allow me, first of all to say that 2014 was a successful year for O_2 Slovakia. The growth of customer base and revenues, smooth transition with new owner and inclusion into the powerful PPF Group are proof to us our company is in good condition. Even though I could use several characteristics related to the number of successes for 2014, from the point of long-term development, 2014 was the year of investment. Last year, our investment was as much as 32 % of the total revenues compared to 10 % for the previous year. In line with our investment strategy, the majority of resources were invested into our network. We modernized the 2G network and broadened the coverage of 3G and 4G networks. In 2014 we brought the no-commitment policy to all our programs – in April we cancelled commitment also for the businesssegment. By cancelling the contract and related contractual penalties, resulting from failure to meet the minimum amount spent, we introduced the new O_2 Moja Firma programme with transparent system of benefits based on the principle „the higher the usage, the higher the benefit". The fair approach, where customers pay only for the services and minutes actually drawn, becomes an integral part of all our programmes. The customers may change and amend their programme as they wish and are not subject to pointless fees during the whole time of using our services. The favourite O_2 Paušál programme was also subject to some improvements. In the first place, we focused at the most demanding customers and introduced the diamond version of the programme, which includes unlimited calls and text messages to all EU countries as well as 15 GB of data and highest bonus for phone amounting up to EUR 528. Furthermore, we made the bonus system of the whole family of O_2 Paušál more attractive – now it is 33 % more favourable when used for the period of 24 months. Moreover, the amount of data was automatically doubled for customers of Gold and Platinum O_2 Paušál and we also introduced benefits to those customers who do not wish to use the bonus for phone. Last year, all our customer programmes - O_2 Fér, O_2 Paušál and O_2 Moja Firma - were subject to improving favourability of our portfolio. In June, we enabled all our customers (automatically and free of charge) to call, send text and MMS messages, and surf on the Internet in the Czech Republic for the same prices as in Slovakia. The importance of such step was reflected by headlines of Slovak and Czech media which identified it as the "roaming revolution" in Slovakia.

At the end of last year we also introduced our services in our own 4G network in selected locations of two largest cities in Slovakia – Bratislava and Košice. In line with our principles, surfing in the 4G network will not be reflected in the total sum of invoice as access to the 4G network is automatic and free for all customers having suitable equipment, coverage and a SIM card. When introducing the functionality of our network we gave promise to our customers that at the end of 2015, half of the population would be included in the 4G coverage by O_2. At the same time, our activities related to improving the coverage of our 3G network, were intensified and there will be more investment in 2015 as well. Due to new features, highly appreciated by our customers, we can present a year-to-year growth of operating indicators. Last year, the revenues of O_2 totalled EUR 224.2 mil. a year-to-year increase by 7.9 % compared with 2013. The average monthly revenue per customer (ARPU) of top-up services totalled EUR 6, ARPU for post - paid customers totalled EUR 13.3. As of 31 December 2014, the year-to-year number of active customers increased by 9.4 % to over 1.684 mil. From the beginning of 2014 we recorded the net increase of customer base by 145,000 SIM cards. Such increase was caused by 10.8 % year-to-year increase of post - paid customers to almost 858,000 while the number of top-up customers recorded a 7.9 % year-to-year increase to over 826,000. We have also achieved important milestones from the point of view of O_2 principles, as well as further progress of the company. First of all, yet again, we proved that we are the operator with highest customer satisfaction on the market. The fact was reflected by receiving several awards in surveys organized by relevant telco media in Slovakia. We were awarded Operator of the year 6th time in customer survey Techbok of the year and we received the Operator Certificate by Mobilmania. sk portal. We also highly appreciate The Best Employer of Slovakia award in the large companies' category for the second year running. According to Aon Hewitt, the organizer of the Best Employers study in Slovakia, we improved in all monitored criteria. We are very happy as the award mensured high confidence of employees, which is even more valuable due to the fact that in 2014, we managed the change of the majority owner. Finally, on behalf of O_2 Slovakia I would like to thank all our customers who spread the good word by using services of O_2, as well as employees as it would not be possible without them. All awards and excellent operating results are owed mainly to their hard work. Introducing new ideas and their application on the telecommunications market is not an easy task, however, we will not ease up in 2015 to keep the increasing trend and favour and support of all the people participating in the building the O_2 brand.

5

Calendar of Important Events in 2014

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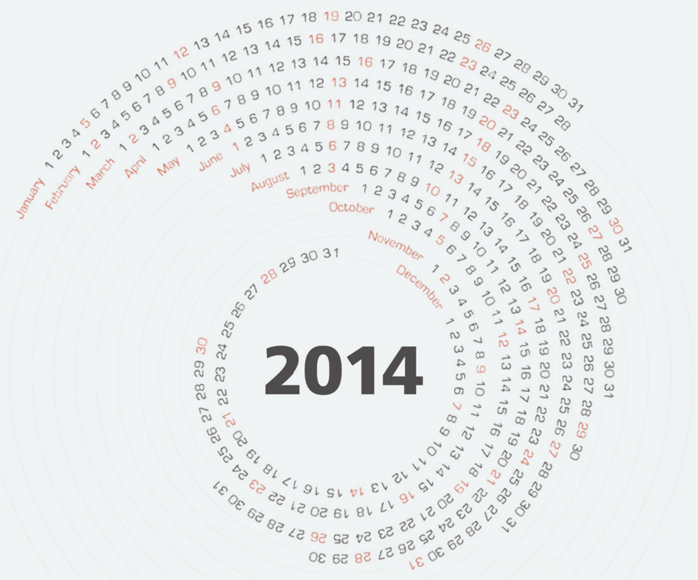

January

For the 5th time running, O_2 won the independent TECHBOX of the Year survey, in which readers, among other things, vote for the best operator in Slovakia. We defended the first place with almost half of all votes. The results of the survey prove that fair and transparent approach as well as continuous introduction of technological innovations and novelties is appreciated by more and more customers.

February

On the occasion of our 7th birthday, O_2 prepared a competition for the chance to win 7, 77 and 777 prizes for all its customers. The customers could win 7 mobile phones, 77 weekend stays or 777 key ring chargers.

March

O_2 introduced a new programme - O_2 Internet with bonus. The programme features 7 GB of prepaid data for EUR 20 with possibility to use data on more SIM cards and possibility to use the bonus of EUR 198 to purchase a tablet with O_2 Mobil+ service. By doing so, O_2 answered requests of its customers and introduced a package including larger amount of data. Residential O_2 customers may choose their own telephone number for a single fee of EUR 10. For business customers, the offer of personalized telephone number remains free of charge.

April

O_2 cancelled the contract and contractual penalties resulting from failure to meet the minimum amount spent. We introduced the clear system of benefits based on “the higher the usage, the higher the benefit” principle. O_2 unified the line of no commitment services for all its customers.

May

O_2 announced change in the position of its General Director. Ramiro Lafarga Brollo was replaced by experienced manager Martin Vlček.

June

O_2 brought calls, messages and Internet in the Czech Republic to its customers for the same prices as in Slovakia, as if they had never crossed the border. And that is for customers of all programmes, O_2 Fér, O_2 Paušál and O_2 Moja Firma, automatically and without any difference.

July

O_2 introduced a new free service to its customers – Consumption Analysis. By utilizing such analysis, the customers get a new view of the telecommunication expenses structure. The service is designated for larger companies and available for post-paid customers with 3 and more SIM cards.

Calendar of Important Events in 2014

August

O_2 launched a new portal - www.napady.o2.sk - that enables customers to participate in creation of new products. The website is dedicated to all who have great ideas on how to improve provided services or have completely new ideas within the telecommunication services. O_2 expanded the family of post-paid O_2 Paušál with Diamond Paušál dedicated to most demanding customers. Apart from unlimited calls and text messages from Slovakia and the Czech Republic to the entire EU, it gives them the possibility to use up to 15 GB of data. At the same time, there is also an attractive bonus for phone amounting up to EUR 528 available to customers. If customers are not interested in a bonus for phone, they may increase the amount of data for their O_2 Paušál, free of charge. If using the bonus for phone, O_2 Internet+ will cost only EUR 3 per month. For all customers of O_2 Paušál with Internet, O_2 also brought more attractive bonus for purchase of device by 33 percent. O_2 doubled the amount of data for the customers of Gold and Platinum O_2 Paušál, automatically and free of charge. The customers with the Gold Paušál may now use up to 1 GB of data instead of 500 MB and customers with the Platinum Paušál may now use 2 GB instead of 1 GB.

September

O_2 announced plans to launch operation of the fastest mobile Internet LTE (Long Term Evolution) or 4G. O_2 also presented its plans of further expansion of the 3G network and modernization of 2G network.

October

Within pre-Christmas promotion, O_2 enabled its customers to call one close person for one month completely free of charge. All the customers had to do was to choose one number in O_2 network and activate the service free of charge. Yet again, the customers of O_2 Paušál got something extra from their operator. Now they can split their bonus for phone for purchase of several devices, another phone, tablet or other new introductions in our portfolio.

November

The operator will use the O_2 brand in the Czech Republic and Slovakia until 2019. For the second time running, O_2 has been voted Best Employer in Slovakia in the category of large companies. Results of O_2 improved in all monitored criteria. Operator handled successfully the change of majority owner, the repeated award proving high trust of employees is therefore even more valuable.

December

O_2 launched operation of its own 4G network in parts ofBratislava and Košice. The customers can now surf on the internet with average speed of app. 25 Mbps for download and 15 Mbps for upload.

6 Portfolio

O_2 Paušál (O_2 Flat Rate)

O_2 Paušál is a programme without commitment, combining bonus for phone every 24 months, Internet package, free text messages and prepaid minutes to all networks in Slovakia and from Slovakia and Czech Republic to the entire EU. It is aimed at all customers who want to buy the phone at a more advantageous price and at the same time who want to use O_2 services more advantageously without commiting themselves. There are five levels of O_2 Paušál on offer: Blue, Silver, Gold, Platinum, and Diamond.

O_2 Fér (O_2 Fair)

The O_2 offer for all customers is based on the "no commitment" principle. The customers can activate or deactivate various service packages at more advantageous prices according to their needs, thus they can adjust the O_2 Fér offer themselves at any time and without any additional fees, depending on what they use and how long they want to use it. The O_2 Fair service is a permanent offer for O_2 customers. That means that it stays equally simple, fair and advantageous and it does not matter at all whether it is Christmas time or any other season during the year:

- Uniform price of calls of EUR 0.13 per minute to participant numbers in all networks in Slovakia and from Slovakia and the Czech Republic to the EU countries at anytime.
- Uniform price of text message sent of EUR 0.06 per message to participant numbers in all networks in Slovakia and from Slovakia and the Czech Republic to the EU countries at anytime.
- Free calls after the 1st minute within the O_2 Slovakia network.
- The same prices regardless of whether the customer is a top-up or pay-monthly customer.
- The same prices for data in the Czech Republic as in Slovakia.

For the O_2 Fair service, customers may purchase the Extra packages of minutes, text messages, MMS and data at advantageous prices. By purchasing the packages, the customers make up their own discount offer according to what suits them at that moment. The Extra packages work in a monthly interval and customers can activate or deactivate them without any additional fees.

O_2 Moja Firma (O_2 My Company)

The offer for small and medium-sized companies and self-employed, O_2 Moja Firma offers corporate customers the maximum price limit of EUR 44 and automatic price optimising of one minute rate to all the networks in Slovakia and from Slovakia and the Czech Republic to the entire EU without any binding. This means customers pay the maximum of EUR 44 for calls to all networks in Slovakia and from Slovakia and the Czech Republic to the entire EU. Of course, in months when they call less, customers pay only for the minutes they actually use. According to their needs, every customer may activate data, additional voice or text message packages. Moreover, the O_2 My Company programme ensures high-quality care for customers with one SIM card, whether it is in the area of service or many benefits, such as the free selection of a phone number. With three SIM cards and more, there is a free Consumption Analysis service available that helps to decrease the company spending.

7 Corporate Responsibility

Heart for Children (Srdce pre deti)

In 2014, O_2 supported the Heart for Children charitable programme. Last year, the amount of financial contribution was not only based on each provided phone but the operator also donated breathing apparatuses for children that needed it the most and customers could help by selecting to receive the electronic invoice. As more than three quarters of them selected to receive the electronic invoice in due time, together they saved oxygen in the total value of EUR 25,000. The operator presented 49 breathing apparatuses to 6 hospitals and 4 families all over Slovakia.

Global Enterprise Project

Also in 2014, O_2 was the partner of the GEP (Global Enterprise Project) project. GEP is an activity of the European Roundtable of Industrialists (ERT), Junior Achievement – Young Enterprise Europe and European Schoolnet Organization. Its aim is to support better understanding and promoting the globalization, enterprise and experience needed in order to succeed in the global economy among young people. Employees of O2 actively participated at this activity as consultants in the form of lectures (concerning the causes and impacts of globalisation) at secondary schools.

Start-up community support

In 2014, O_2 launched cooperation with the Startup Awards project in Slovakia. Startup Awards is the biggest start-up event in Slovakia and last year was the second year of awarding the most innovative enterprise ideas. Apart from the digital sphere ideas, in 2014, projects from art, research and development, and social sphere could also participate. O_2 as the partner and supporter of the event took care of the finalists after the competition was over and invited them to the biggest IT event in the world – CES in Las Vegas when they were given the first-hand of the IT world at its best. The finalists also received media package or services from O_2.

Sponsoring – Grape Festival

O_2 was the general partner of the Grape Festival in 2014 yet again and brought a lot of great music and experience to its customers and fans. During the festival, there were attractive services and rich program available for all the participants – free text and MMS messages, discount tickets via the O_2 Extra benefit portal, mobile festival guide, free WiFi in the whole area of the festival, competitions, phone charging stations and a great O_2 World relax zone. The festival mood was reflected in the pictures which participants sent to take part in the competition to win a new phone. Together, they made almost 5,000 pictures and as many as 65 % of them were sent via a festival application that more than 6,000 visitors downloaded into their mobile phones. In 2014, O_2 in cooperation with metoo.sk made live streaming for those who could not visit the festival. During the festival, they were seen by 73,222 people, the most people connected from Slovakia, the Czech Republic and Great Britain.

8

Independent auditor's report and Individual financial statements for the year ended 31 December 2014

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Translation of the statutory Auditor’s Report originally prepared in Slovak language

Independent Auditor’s Report

To the owner and directors of O2 Slovakia, s.r.o.:

We have audited the accompanying financial statements of O2 Slovakia, s.r.o. (“the Company”), which comprise the statement of financial position as at 31 December 2014, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management’s Responsibility for the Financial Statements

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

Auditor’s Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity’s preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 December 2014, 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.

Other Matter

The financial statements of the Company as at and for the year ended 31 December 2013 were audited by another auditor who expressed an unmodified opinion on those statements on 11 March 2014.

30 January 2015
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. Richard Farkaš, PhD.
License SKAU No. 406

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2014

in thousands of EUR	Note	31 December 2014	31 December 2013
ASSETS			
Non-current assets			
Property, plant and equipment (net)	8	75,349	81,093
Non-current intangible assets (net)	9	72,700	20,687
Investment in joint venture		3	3
Long-term receivables		18	61
Deferred tax asset	10	10,883	14,692
TOTAL NON-CURRENT ASSETS		158,952	116,536
Current assets			
Inventories	11	3,239	1,940
Trade receivables and other financial receivables	13	29,354	31,377
Loans provided	14	8,600	74,400
Cash and cash equivalents		847	1,480
Prepaid expenses		3,454	1,098
TOTAL CURRENT ASSETS		45,494	110,295
TOTAL ASSETS		204,445	226,831
EQUITY			
Share capital		103,203	103,203
Legal reserve fund and other funds		5,491	3,742
Retained earnings		32,624	34,978
TOTAL EQUITY	15	141,318	141,923
LIABILITIES			
Non-current liabilities			
Long-term provisions		-	129
Other non-current liabilities	16	88	135
TOTAL NON-CURRENT LIABILITIES		88	264
Current liabilities			
Trade payables and other financial liabilities	17	50,774	77,851
Current tax liability		5,926	1,003
Deferred revenues	18	6,339	5,789
TOTAL CURRENT LIABILITIES		63,039	84,643
TOTAL LIABILITIES		63,127	84,907
TOTAL EQUITY AND LIABILITIES		204,445	226,831

The notes on pages 30 to 61 are an integral part of these financial statements.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2014

in thousands of EUR	Note	31 December 2014	31 December 2013
Revenues from sale of services		198,984	197,751
Revenues from sale of merchandise		23,627	8,076
Other revenues		1,740	2,181
TOTAL REVENUES		224,351	208,008
Costs of goods sold and services provided	19	(133,290)	(122,134)
Depreciation and amortization	8.9	(23,220)	(18,654)
Personnel costs	20	(15,684)	(14,186)
Other expenses	21	(8,062)	(4,044)
OPERATING PROFIT		44,095	48,990
Finance costs		(342)	(184)
Finance income		181	171
Finance costs (net)		(161)	(13)
PROFIT BEFORE TAX		43,934	48,977
Income tax expense	22	(11,310)	(14,006)
PROFIT AFTER TAX		32,624	34,971
Other comprehensive income for the period		-	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		32,624	34,971

The notes on pages 30 to 61 are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2014

in thousands of EUR	Share capital	Legal reserve fund and other funds	Retained earnings/ accumulated losses from previous periods	Total equity
Balance as at 1 January 2013	240,000	2,018	(102,315)	139,703
Share capital decrease	(136,797)	-	136,796	(1)
Contribution to legal reserve fund	-	1,724	(1,724)	-
Dividends	-	-	(32,750)	(32,750)
Total comprehensive income for the period	-	-	34,971	34,971
BALANCE AS AT 31 DECEMBER 2013	103,203	3,742	34,978	141,923
Contribution to legal reserve fund	-	1,749	(1,749)	-
Dividends	-	-	(33,229)	(33,229)
Total comprehensive income for the period	-	-	32,624	32,624
BALANCE AS AT 31 DECEMBER 2014	103,203	5,491	32,624	141,318

The notes on pages 30 to 61 are an integral part of these financial statements.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2014

in thousands of EUR	31 December 2014	31 December 2013
Profit/loss from ordinary activities before income tax	43,934	48,977
Cash flows from operating activities		
Depreciation of property, plant and equipment and amortization of intangible assets	23,223	18,654
Change in value adjustment to receivables and write-off of receivables	1,694	1,905
Change in accruals and deferrals	(1,805)	(141)
Gain/loss on sale of non-current assets	(18)	(3)
Effect of changes in working capital		
Change in receivables from operations	3,655	(5,127)
Change in payables from operations	7,219	2,483
Change in inventories	(1,299)	(148)
Income tax paid (levy on business in regulated industries)	(2,578)	(1,278)
NET CASH FLOWS FROM OPERATING ACTIVITIES	30,091	16,345
Cash flows from investing activities		
Acquisition of property, plant and equipment	(9,416)	(11,070)
Acquisition of non-current intangible assets	(65,104)	(6,127)
Proceeds from sale of property, plant and equipment	41	41
Short-term loans provided to the parent company	(8,600)	(47,400)
Repayment of short-term loans from the parent company	74,400	-
NET CASH FLOWS FROM INVESTING ACTIVITIES	(8,679)	(64,556)
Cash flows from financing activities		
Dividends paid	(65,979)	-
NET CASH FLOWS FROM FINANCING ACTIVITIES	(65,979)	-
NET INCREASE OR NET DECREASE OF CASH AND CASH EQUIVALENTS	(633)	766
Cash and cash equivalents at the beginning of the accounting period	1,480	714
Cash and cash equivalents at the end of the accounting period	847	1,480

The notes on pages 30 to 61 are an integral part of these financial statements.

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

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 parent company is O2 Czech Republic a.s., Za Brumlovkou 266/2, 140 22 Prague 4 – Michle, the Czech Republic.

The Company is a part of PPF Group ("PPF Group") with the parent company PPF Arena 2 B.V. ("PPF").

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

The following changes were performed in 2014: Based on a resolution of sole shareholder the Company changed its name from Telefónica Slovakia, s.r.o. to O2 Slovakia, s.r.o. on 6 May 2014. The sole shareholder approved the new terms of Articles of Incorporation, accepted resignation of Procurist Mgr. David Durbák and appointed him to the position of Executive Director. By means of a resolution from 25 June 2014 the parent company changed its name to O2 Czech Republic a.s. The above stated changes were recorded in the Commercial Register in 2014.

The European Commission confirmed the transaction of purchase of a 65.9 % share in the parent company Telefónica Czech Republic, a.s. including a 100% share in the Company by the financial Group PPF. The Company became a part of the PPF Group on 28 January 2014.

The Company is entitled to conduct its business under the brand name O2 for a period of four years till 27 January 2019.

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

Based on the decision of the Regulatory Authority for Electronic Communications and Postal Services from 3 January 2014, the frequency bands 800 and 1800 MHz necessary for construction of a new generation LTE network, were allocated to the Company.

NUMBER OF EMPLOYEES

The number of employees employed by the Company in 2014 amounted in average to 416, in 2013 it was 405 employees.

The number of employees as at 31 December 2014 was 437, thereof 10 managers (as at 31 December 2013 it was 405 thereof 10 managers).

INFORMATION ON UNLIMITED LIABILITY

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

LEGAL REASON FOR THE PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements have been prepared as ordinary financial statements in accordance with Article 17 (6) and Article 17a (2) of the Act No. 431/2002 Coll. on Accounting as amended for the accounting period from 1 January 2014 to 31 December 2014.

DATE OF APPROVAL OF THE FINANCIAL STATEMENTS FOR ISSUE

These financial statements have been prepared as at 31 December 2014 and for the year then ended and were prepared and authorized for issue by the Company's statutory representatives on 30 January 2015. The sole shareholder of the Company can amend these financial statements until they are not approved by the sole shareholder.

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

The Financial Statements of the Company as at 31 December 2013, i.e., for the preceding accounting period, were approved by the The Annual General Meeting on 25 June 2014.

THE COMPANY'S BODIES

EXECUTIVE OFFICERS

Ramiro Lafarga Brollo
(from 1 December 2011 to 18 June 2014)
Ing. Martin Klímek (from 2 May 2012)
Radek Štěrba, MBA (from 12 May 2011)
Mgr. Dávid Durbák (from 4 June 2014)
Ing. Martin Vlček (from 18 June 2014)

SUPERVISORY BOARD

Martin Bek
(from 30 November 2012
to 31 January 2014)
František Schneider
(from 30 November 2012
to 13 December 2013)
David Melcon
(from 30 November 2012
to 31 January 2014)
JUDr. Jakub Chytil
(from 13 December 2013
to 31 January 2014)
Martin Štefunko (from 1 February 2014)
Jan Tomaník (from 1 February 2014)
Ing. Martin Vlček
(from 1 February 2014 to 18 June 2014)
Tomáš Budník (from 18 June 2014)

PROCURIST

Mgr. Dávid Durbák
(from 6 November 2012 to 4 June 2014)

SHAREHOLDER STRUCTURE

Structure is as follows:

	As at 31 December 2014 (in thousands of EUR)	Share and voting rights (%)	As at 31 December 2013 (in thousands of EUR)	Share and voting rights (%)
O2 Czech Republic a.s.	103,203	100	103,203	100
Total	103,203	100	103,203	100

INFORMATION ABOUT THE ULTIMATE PARENT

The consolidated financial statements are prepared by O2 Czech Republic a.s. The consolidated financial statements are available at the registered office of the parent company and at the City court in Prague, the Czech Republic. The consolidated financial statements of the PPF Group are prepared by PPF Arena 2 B.V., registered office Strawinskylaan 933, Amsterdam, the Netherlands, incorporated in the Commercial Register of the Chamber of Commerce for Amsterdam under the identification number 59029765. The consolidated financial statements of the PPF Group are available at the registered office of the company.

2. STATEMENT OF COMPLIANCE

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

3. BASIS OF PREPARATION

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

i. Basis of measurement

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

ii. Functional and presentation currency

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

iii. Use of estimates and judgments

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amount recognized in the financial statements are described in the following notes:

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

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

Information about estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are discussed in note:

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

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

4. SIGNIFICANT ACCOUNTING POLICIES

a) Foreign currency

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

b) Non-current intangible assets

i. Recognition and measurement

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

ii. Subsequent expenditure

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

iii. Amortization

Amortization is calculated from the acquisition cost of the asset.

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

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

	Estimated useful life in years	Annual rate of amortization in %	Amortization method
Software	2 to 7	14.3 to 50	straight-line
Valuable rights	2 to 19	5.3 to 50	straight-line
Other intangible assets	4	25	straight-line

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

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

iv. Impairment review

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

c) Property, plant and equipment

i. Recognition and measurement

Items of property, plant and equipment are initially measured at cost less accumulated depreciation (see below) and accumulated impairment losses (see accounting policy f)). Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials, direct labor and any other costs directly attributable to bringing the assets to a working condition for their intended use.

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

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

ii. Subsequent expenditure

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

iii. Depreciation

Depreciation is charged to profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land and assets under construction are not depreciated.

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

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

Depreciation methods and useful lives, as well as residual values, are reassessed at the reporting date and adjusted if appropriate. In the event of a temporary diminution in the value in use of a non-current tangible asset, an impairment provision equal to the difference between its value in use and net book value is recognized.

iv. Impairment review

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

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

When the Company determines that the carrying value of non-current assets may not be recoverable based upon the existence of one or more of the above indicators of impairment, any impairment is measured based on the Company´s estimates of projected net discounted cash flows expected to result from that asset, including eventual disposition.

The estimated impairment could prove insufficient if the analysis overestimated the cash flows or conditions change in the future. For further details refer to note f) Impairment.

d) Leases

i. Assets leased (the Company as Lessee)

Assets held by the Company under leases which transfer to the Company substantially all of the risks and rewards of ownership are classified as finance lease. On initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases are classified as operating leases and are not recognized in the Company's statement of financial position.

ii. Lease payments

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

iii. Assets leased (the Company as Lessor)

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

e) Financial instruments

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

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

The Company derecognizes a financial asset when contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset.

Non-derivative financial liabilities are initially recognized at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortized costs using the effective interest method.

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

ii. Non-derivative financial assets – measurement

The Company classifies financial assets into the following categories: financial assets at fair value through profit or loss, loans and receivables, available-for-sale financial assets, cash and cash equivalents. The classification depends on the purpose for which the financial asset was acquired, whether it is quoted in a public market and/or on the intentions of the Company's management.

From the above mentioned categories the Company only has loans, receivables and cash and cash equivalents in the reported periods.

LOANS AND RECEIVABLES

Loans and receivables represent non-derivative financial assets with fixed or determinable payment dates, not quoted in an active market. These are classified in current assets except for when their maturity is later than 12 months from the reporting date.

Loans and receivables are measured at amortized cost. The valuation of doubtful receivables is adjusted to their recoverable value using allowances through profit or loss if there is objective evidence that the Company is not able to collect the total outstanding amount. The amount of the allowance is the difference between the carrying amount and the recoverable amount, expressed as the current value of future cash flows, discounted at the interest rate available to comparable debtors. Cash flows relating to short-term receivables are usually not discounted.

CASH AND CASH EQUIVALENTS

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

iii. Non-derivative financial liabilities – measurement

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

The Company's management determines the classification at initial recognition and reassesses it at each reporting date. The initial measurement is at fair value less transaction costs directly attributable to acquisition of a specific financial liability and subsequently stated at amortized carrying amount determined using the effective interest rate method. Profit or loss resulting from financial liabilities is recognized in the statement of profit or loss. Financial liabilities are classified as short-term if the Company does not have an unconditional right to settle the liability in more than 12 months after the reporting date.

LOANS

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

TRADE AND OTHER PAYABLES

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

f) Impairment

FINANCIAL ASSETS

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

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.
Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.
All impairment losses are recognized in profit or loss and reflected in an allowance account against receivables.
An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortized cost, the reversal is recognized in profit or loss.

NON-FINANCIAL ASSETS

The carrying amounts of the Company's non-financial assets, including property, plant and equipment (see accounting policy c) iv), intangible assets (see accounting policy c) iv), inventories (see accounting policy g)) and deferred tax assets (see accounting policy m)) are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.
An impairment loss is recognized whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognized in profit or loss. A cash-generating unit is the smallest identifiable asset group that generates cash flows that are largely independent from other assets and groups.
Impairment losses recognized in respect of cash-generating units are allocated to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.
The recoverable amount of an asset or cash-generating unit is the greater of its fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.
Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.
An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had been recognized.

g) Inventories

Inventories are measured at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.
Acquisition cost includes the purchase price and related costs (transport costs, customs duty, commissions, etc.). Any discounts and rebates received decrease the cost of inventories.
Slow moving and obsolete inventories are written down for any impairment of value. The amount of any write-down of inventories to net realizable value and all losses of inventories are recognized as an expense in the period the write down or loss occurred. The cost of inventory is based on the weighted average principle.

h) Prepaid expenses and accrued income

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

j) Provisions

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

k) Revenues

Sales revenues from own services and goods are stated net of Value Added Tax, discounts and deductions (rebates, bonuses, early payment discounts, etc.). Revenues are recognized at the date of delivery of goods or provision of services. They are measured at fair value of the consideration received or receivable if this amount can be estimated reliably.

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

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

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

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

The relative weight of each indicator is considered when concluding which revenue accounting treatment to use. If the Company enters into a relation characterized by representation or mediation (agent relationship), the revenue is recognized in its net value, i.e. at the amount of a margin or commission.

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

VOICE SERVICES, SMS AND DATA

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

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

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.

CONNECTION FEES

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

l)Finance costs and finance income

Finance costs and finance income comprise mainly from:

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

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

Foreign currency gains and losses on financial assets and liabilities are reported on a net basis as either finance income or finance cost depending on whether foreign currency movements are in a net gain or net loss position.

m) Income tax

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

i.Current tax

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

ii. Deferred tax

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

Deferred tax is not recognized for:

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

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

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

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

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

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

iii.Tax exposures

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

n) Employee benefits

SHORT-TERM EMPLOYEE BENEFITS

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

5. DETERMINATION OF FAIR VALUES

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

i.Trade receivables and other financial receivables

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

ii.Non-derivative financial liabilities

Non-derivative financial liabilities are measured at fair value, at initial recognition and for disclosure purposes, at each annual reporting date. Fair value is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the measurement date. Fair values of loans are calculated by discounting future cash flows using effective interbank rates. For received loans with a remaining maturity of less than three months, it is reasonable to regard their book value as approximate fair value.

6. INVESTMENTS

The Company has a 50 % share in the company Tesco Mobile Slovakia, s.r.o. Share capital of the company is EUR 5 thousand. Financial statements of the company Tesco Mobile Slovakia, s.r.o. for 2014 were not available as at the date of preparation of these financial statements. Loss for 2013 amounted to EUR 16 thousand. Retained earnings from previous years amounted to EUR 84 thousand as at 31 December 2013.

7. NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

The following new standards, amendments to standards and interpretations are not yet effective as at
31 December 2014, and have not been applied in preparing the financial statements:

Amendments to IAS 19 – Defined Benefit Plans: Employee Contributions
Effective for accounting periods beginning on or after 1 February 2015. The amendments apply retrospectively. Earlier application is permitted.

The amendments are relevant only to defined benefit plans that involve contributions from employees or third parties meeting certain criteria. Namely that they are:

- set out in the formal terms of the plan;
- linked to service; and
- independent of the number of years of service.

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

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

IFRIC 21 Levies

Effective for accounting periods beginning on or after 17 June 2014, applies retrospectively. Earlier application is permitted.

The Interpretation provides guidance as to the identification of the obligating event giving rise to a liability, and to the timing of recognizing a liability to pay a levy imposed by government.

In accordance with the Interpretation, the obligating event is the activity that triggers the payment of that levy, as identified in the relevant legislation and as a consequence, the liability for paying the levy is recognized when this event occurs.

The liability to pay a levy is recognized progressively if the obligating event occurs over a period of time.

If the obligating event is the reaching of a minimum activity threshold, the corresponding liability is recognized when that minimum activity threshold is reached.

The Interpretation sets out that an entity cannot have a constructive obligation to pay a levy that will be triggered by operating in a future period as a result of the entity being economically compelled to continue to operate in that future period.

The Company expects that the Interpretation, when initially applied, will not have a material impact on the financial statements, since it does not results in a change in the entity's accounting policy regarding levies imposed by governments.

ANNUAL IMPROVEMENTS TO IFRS

The improvements introduce eleven amendments to nine standards and consequential amendments to other standards and interpretations. Most of these amendments are applicable to annual periods beginning on or after 1 February 2015, with earlier adoption permitted. Another four amendments to four standards are applicable to annual periods beginning on or after 1 January 2015, with earlier adoption permitted.

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

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

8. PROPERTY, PLANT AND EQUIPMENT

in thousands of EUR	Buildings	Technologies and office equipment	Other assets	Acquisition of property plant and equipment	Total
Acquisition cost/Conversion cost					
Balance as at 1 January 2013	41,094	80,544	458	9,472	131,568
Additions	1,943	6,521	42	643	9,149
Disposals	4	1,058	-	-	1,062
Transfers	1,423	1,972	-	(3,395)	-
BALANCE AS AT 31 DECEMBER 2013	44,456	87,979	500	6,720	139,655
Balance as at 1 January 2014	44,456	87,979	500	6,720	139,655
Additions	415	3,955	134	2,580	7,084
Disposals	5	2,005	2	-	2,012
Transfers	503	483	32	(1,017)	-
BALANCE AS AT 31 DECEMBER 2014	45,369	90,411	664	8,283	144,727
Accumulated depreciation					
Balance as at 1 January 2013	8,976	36,985	236	-	46,197
Additions	2,638	10,026	45	-	12,709
Disposals	1	1,023	-	-	1,024
BALANCE AS AT 31 DECEMBER 2013	11,613	45,988	281	-	57,882
Balance as at 1 January 2014	11,613	45,988	281	-	57,882
Additions	2,510	10,146	143	-	12,799
Disposals	0	1,981	2	-	1,983
BALANCE AS AT 31 DECEMBER 2014	14,122	54,153	422	-	68,698

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

in thousands of EUR	Buildings	Technologies and office equipment	Other assets	Acquisition of property plant and equipment	Total
Impairment losses					
Balance as at 1 January 2013	-	-	-	680	680
Additions	-	-	-	-	-
Disposals	-	-	-	-	-
BALANCE AS AT 31 DECEMBER 2013	-	-	-	680	680
Balance as at 1 January 2014	-	-	-	680	680
Additions	-	-	-	-	-
Disposals	-	-	-	-	-
BALANCE AS AT 31 DECEMBER 2014	-	-	-	680	680
Carrying amount					
As at 1 January 2013	32,118	43,559	222	8,792	84,691
As at 31 December 2013	32,843	41,911	219	6,040	81,093
As at 1 January 2014	32,843	41,991	219	6,040	81,093
As at 31 December 2014	31,247	36,257	242	7,603	75,349

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 2014 (as at 31 December 2013: none).

The Company does not have any restricted rights to property, plant and equipment as at 31 December 2014 (as at 31 December 2013: none).

INSURANCE

The Company's property, plant and equipment is insured against damages caused by theft and natural disaster up to EUR 129,558 thousand (2013: EUR 105,720 thousand).

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

9. NON-CURRENT INTANGIBLE ASSETS

in thousands of EUR	Licences	Software and valuable rights	Other intangible assets	Acquisition of intangibles	Total
Acquisition cost/Conversion cost					
Balance as at 1 January 2013	5,591	31,714	-	4,416	41,721
Additions	-	6,036	-	2,422	8,458
Disposals	-	-	-	-	-
Transfers	-	3,486	-	(3,486)	-
BALANCE AS AT 31 DECEMBER 2013	5,591	41,236	-	3,352	50,179
Balance as at 1 January 2014	5,591	41,236	-	3,352	50,179
Additions	40,556	1,844	19,689	348	62,438
Disposals	-	11	-	-	11
Transfers	-	458	-	(458)	-
BALANCE AS AT 31 DECEMBER 2014	46,147	43,527	19,689	3,243	112,606
Accumulated depreciation					
Balance as at 1 January 2013	1,682	21,867	-	-	23,549
Additions	284	5,659	-	-	5,943
Disposals	-	-	-	-	-
BALANCE AS AT 31 DECEMBER 2013	1,966	27,526	-	-	29,492
Balance as at 1 January 2014	1,966	27,526	-	-	29,492
Additions	1,685	8,346	394	-	10,425
Disposals	-	11	-	-	11
BALANCE AS AT 31 DECEMBER 2014	3,651	35,861	394	-	39,905

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

in thousands of EUR	Licences	Software and valuable rights	Other intangible assets	Acquisition of intangibles	Total
Carrying amount					
Balance as at 1 January 2013	3,909	9,847	-	4,416	18,172
Balance as at 31 December 2013	3,624	13,711	-	3,352	20,687
Balance as at 1 January 2014	3,624	13,711	-	3,352	20,687
Balance as at 31 December 2014	42,496	7,666	19,296	3,243	72,700

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 recorded an investment in a Foundation (Férová nadácia) in acquisition cost of EUR 6.6 thousand which is not considered significant for the purposes of these financial statements.

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

LIEN

No lien has been established on non-current intangible assets as at 31 December 2014 (as at 31 December 2013: none).

The Company does not have any restricted rights to non-current intangible assets as at 31 December 2014 (as at 31 December 2013: none).

INSURANCE

See note 8 Property, plant and equipment.

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

Software and valuable rights include a telecommunication license acquired in years 2006 and 2014 and several key systems summarized as follows:

in thousands of EUR		31 December 2014	31 December 2013
Telecommunication licence	Acquisition cost	46,147	5,591
	Carrying amount	42,496	3,624
CRM system	Acquisition cost	12,670	10,902
	Carrying amount	1,430	4,204
Brand	Acquisition cost	19,689	-
	Carrying amount	19,296	-

10. DEFERRED TAX ASSET

in thousands of EUR	2014	2013
Deferred tax asset at the beginning of the period	14,692	26,779
Change in statement of profit or loss	(3,809)	(12,087)
thereof: effect of a change in tax rate	-	(668)
DEFERRED TAX ASSET AT THE END OF THE PERIOD	10,883	14,692

As at 1 January 2013, the income tax rate was changed from 19 % to 23 %. Subsequently, as at 1 January 2014 the income tax rate was decreased to 22 %.

The deferred tax assets are represented by the following items:

in thousands of EUR	31 December 2014	31 December 2013
Property, plant and equipment and non-current intangible assets	9,160	12,041
Receivables	637	571
Inventories	11	11
Liabilities	1,075	853
Tax losses	-	1,216
TOTAL DEFERRED TAX ASSET	10,883	14,692
Part realizable in 12 months	4,096	3,245
Part realizable later than in 12 months	6,787	11,447
TOTAL DEFERRED TAX ASSET	10,883	14,692

The Company has offset deferred tax assets and liabilities because there is a legally enforceable right to offset current tax assets against current tax liabilities, which relate to the same tax authority. Deferred taxes are calculated using currently enacted tax rates expected to apply in the period in which the asset is realized or the liability settled.

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

11. INVENTORIES

in thousands of EUR	31 December 2014	31 December 2013
Material	521	459
Merchandise	2.718	1.480
TOTAL INVENTORIES	3.239	1.940

The Company recognized a provision for slow moving material and merchandise in total amount of EUR 49 thousand (2013: EUR 49 thousand).

No lien has been established on inventories as at 31 December 2014 (as at 31 December 2013: none). Material in amount of EUR 2,234, merchandise in amount of EUR 23,154 was recognized as an expense in 2014 (in 2013: material in amount of EUR 2,699, merchandise in amount of EUR 8,890).

12. FINANCIAL INSTRUMENTS ACCORDING TO CATEGORIES

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

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

31 December 2013 (in thousands of EUR) Assets according to Statement of financial position	Amortized cost	Nominal value	Total
Trade receivables and other financial receivables	31,377	-	31,377
Loans and borrowings	74,400	-	74,400
Cash and cash equivalents	-	1,480	1,480
	105,777	1,480	107,257

31 December 2013 (in thousands of EUR) Liabilities according to Statement of financial position	Amortized cost	Total
Trade payables and other financial liabilities	77,851	77,851
	77,851	77,851

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

13. CURRENT FINANCIAL RECEIVABLES

in thousands of EUR	31 December 2014	31 December 2013
Receivables	39,858	42,582
Impairment provision	(10,504)	(11,205)
NET RECEIVABLES	29,354	31,377

in thousands of EUR	31 December 2014	31 December 2013
Receivables not impaired	17,455	20,206
Receivables impaired	22,403	22,376
TOTAL RECEIVABLES	39,858	42,582

Ageing structure of receivables not impaired:

in thousands of EUR	31 December 2014	31 December 2013
Not past due	12,302	7,094
Overdue less than 180 days	4,840	13,112
Overdue less than 365 days	131	-
Overdue more than 365 days	182	-
TRADE RECEIVABLE NOT IMPAIRED	17,455	20,206

Ageing structure of receivables impaired:

in thousands of EUR	31 December 2014	31 December 2013
Not past due	9,195	7,932
Overdue less than 180 days	3,188	3,715
Overdue less than 365 days	898	1,104
Overdue more than 365 days	9,121	9,625
TOTAL RECEIVABLES IMPAIRED	22,403	22,376

Movements in the allowance for impaired trade receivables from third parties were as follows:

in thousands of EUR	31 December 2014	31 December 2013
At the beginning of the period	11,205	10,724
Utilisation	2,305	1,291
Creation in the statement of profit or loss	1,604	1,772
BAD DEBT PROVISION AT THE END OF THE PERIOD	10,504	11,205

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

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

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

in thousands of EUR	31 December 2014	31 December 2013
Combination of bank guarantees and blank promissory note	9,034	1,304
Collaterals received	1,410	1,250
TOTAL SECURED RECEIVABLES	10,444	2,554

Credit risks and currency risks to which the Company is exposed and impairment provisions to trade receivables and other financial receivables are described in note 23.

No lien has been established on trade receivables and other financial receivables as at 31 December 2014 (as at 31 December 2013: none).

Receivables are not secured by a lien or any other form of security as at 31 December 2014 (as at 31 December 2013: none).

The Company does not have any restricted rights to receivables.

14. LOANS PROVIDED AND RECEIVED

in thousands of EUR	Interest rate	Maturity	31 December 2014	31 December 2013
Loans provided				
O2 Czech Republic a.s.	1M EURIBOR p.a. 0,024 %	30 June 2015	8,600	74,400
TOTAL LOANS PROVIDED			8,600	74,400

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

in thousands of EUR	31 December 2014	31 December 2013
Slovenská Sporitelňa	2,500	2,500
Citibank Europe plc, foreign bank branch	2,300	2,324
Československá obchodná banka	2,150	2,150
TOTAL AGREED LOAN FACILITY	6,950	6,974

A bank guarantee that was a condition for participation in the auction for an LTE license was issued in 2014. The Company is not utilizing any bank guarantee nor is drawing any loan facility at the reporting date.

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

15. EQUITY

SHARE CAPITAL

Total authorized and issued share capital of the Company amounts to EUR 103,203 thousand as at 31 December 2014 (as at 31 December 2013: 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 2014 the balance of legal reserve fund is EUR 5,491 thousand (as at 31 December 2013: EUR 3,742 thousand). In future, contribution in the amount of EUR 4,830 thousand from the Company's profits will be required in order to reach the statutory limit. Distribution of the legal reserve fund can be made for covering of the Company's losses only.

DISTRIBUTION OF ACCOUNTING PROFIT REPORTED IN THE PRECEDING ACCOUNTING PERIOD

The sole shareholder decided on payment of dividend in the amount of EUR 33,229 thousand and on contribution to the legal reserve fund in the amount of 5 % of net profit, i.e. EUR 1,749 thousand. Dividends for 2013 were paid to the sole shareholder on 4 September 2014. The Company generated a profit in the amount of EUR 32,624 thousand for 2014 and the sole shareholder will decide on its distribution.

16. OTHER NON-CURRENT LIABILITIES

SOCIAL FUND

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

in thousands of EUR	Social fund
Balance as at 1 January 2013	122
Creation	60
Drawing	83
BALANCE AS AT 31 DECEMBER 2013	99
Creation	60
Drawing	71
BALANCE AS AT 31 DECEMBER 2014	88

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

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

17. CURRENT LIABILITIES

in thousands of EUR	31. December 2014	31. December 2013
Payables to the shareholder from profit distribution	-	32,750
Trade payables	22,149	20,875
Unbilled supplies	23,558	20,058
Tax liabilities (except for income tax)	2,637	2,363
Employees	2,430	1,805
TOTAL CURRENT LIABILITIES	50,774	77,851

Ageing structure of current liabilities:

in thousands of EUR	31. December 2014	31. December 2013
Not past due	49,092	75,342
Overdue less than 180 days	1,644	1,381
Overdue less than 365 days	16	665
Overdue more than 365 days	22	463
TOTAL CURRENT LIABILITIES	50,774	77,851

The structure of liabilities according to their maturity is presented in note 23, part Liquidity risk.

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

18. DEFERRED REVENUES

Deferred revenues mainly include credit of customers for prepaid services. The credit is valid for 1, 3 or 6 months according to the amount of last charge.

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

19. EXTERNAL PURCHASES

in thousands of EUR	2014	2013
Telecomunication services	52,397	56,471
Merchandise sold	23,154	8,890
Dealer commisions	14,903	14,705
Marketing costs	11,188	12,651
Outsourcing of services within the Group and from external suppliers	10,791	6,927
Lease	7,517	8,312
Energy consumption	2,513	1,800
Repairs of property, plant and equipment	2,182	2,522
Other	8,645	9,856
TOTAL EXTERNAL PURCHASES	133,290	122,134

Expenses related to audit of financial statements amounted in the year ended 31 December 2014 to EUR 30 thousand (2013: EUR 64 thousand). KPMG Slovensko, spol. s r.o. was appointed on 25 June 2014 as new independent auditor for the period ended 31 December 2014.

Expenses related to tax advisory provided by the independent auditor were in the year ended 31 December 2014 in the amount of EUR 20 thousand (2013: EUR 0 thousand).

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

20. PERSONNEL COSTS

in thousands of EUR	2014	2013
Wages and salaries	11,991	10,610
Social security	3,693	3,576
TOTAL PERSONNEL COSTS	15,684	14,186

21. OTHER EXPENSES

in thousands of EUR	2014	2013
Fees paid to the Group	4,432	66
Fees to Telecommunication Office for frequences	1,741	1,714
Creation of bad debt provision for receivables	1,604	1,772
Other	285	492
TOTAL OTHER EXPENSES	8,062	4,044

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

22. TAX EXPENSES AND RECONCILIATION OF THE EFFECTIVE TAX RATE

in thousands of EUR	2014	2013
Deferred tax	3,809	12,087
Special levy on business in regulated industries	1,708	1,919
Current tax	5,793	-
TOTAL TAX EXPENSES	11,310	14,006

In accordance with Act No. 235/2012 Coll. on Special Levy on Business in Regulated Industries and on Amendments and Supplements to certain laws in the wording of Act No. 440/2012 Coll., the Company considers itself a regulated legal person. Consequently, the Company is obliged to pay a special levy provided that its profit for the accounting period exceeds EUR 3,000 thousand (deductible amount). The levy is determined on the basis of the latest known profit or loss before taxation, after the adjustment for the deductible amount. The levy rate amounts to 0.00363 (Article 6 of Act No. 235/2012 Coll.) paid on a monthly basis.

in thousands of EUR	2014	2013
Profit before tax	43,934	48,977
Theoretical tax of 22 % (2013: 23 %)	10,105	11,265
Special levy on business in regulated industries	1,708	1,919
Permanent and temporary differencies	(503)	822
TOTAL TAX EXPENSES	11,310	14,006

The Company utilized tax losses from previous periods in 2014.

in thousands of EUR	2014	2013
Tax loss at the beginning of period	5,358	67,570
Utilization of tax loss	(5,358)	(62,212)
TAX LOSS NOT UTILIZED AT THE END OF THE PERIOD	-	5,358

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

23. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

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

MARKET RISK MANAGEMENT

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

CURRENCY RISK

The currency risk represents the risk of fluctuations in fair value of future cash flows of a financial instrument due to changes in foreign exchange rates.

The Company is exposed to movements in the American Dollar, British Pound and Czech Crown, which represents a minimum risk in connection with the position of these currencies on the total amount of liabilities/assets. Consequently, no sensitivity analysis was performed.

Overview of financial receivables in foreign currencies translated at the foreign exchange rate as at 31 December 2014 to EUR is as follows:

in thousands of EUR	USD	XDR	Total
Not past due	-	105	105
Overdue less than 180 days	(10)	747	737
Overdue less than 365 days	-	45	45
Overdue more than 365 days	-	12	12
TOTAL CURRENT RECEIVABLES	(10)	909	899

Overview of financial liabilities in foreign currencies translated at the foreign exchange rate as at 31 December 2014 to EUR is as follows:

in thousands of EUR	CZK	GBP	USD	XDR	Total
Not past due	405	22	163	59	649
Overdue less than 180 days	-	-	-	534	534
Overdue less than 365 days	-	-	-	-	-
Overdue more than 365 days	-	-	(2)	-	(2)
TOTAL CURRENT LIABILITIES	405	22	161	593	1,181

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

INTEREST RATE RISK

Revenues, expenses and operating cash flows of the Company are not significantly affected by changes in market interest rates. In March 2012, the Company concluded a loan agreement with the parent company Telefónica Czech Republic, a.s., on provision of a short-term loan. As at 31 December 2014, the outstanding balance of the loan amounted to EUR 8,600 thousand (2013: EUR 74,400 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. The Company used a security in the form of a bank guarantee in relation to the auction regarding an LTE license. This security was a condition of the Telecommunication Office.

OTHER PRICE RISKS

Other price risks arise in the case of financial instruments, for example, due to changes in prices of commodities or shares.

The Company is exposed to price regulation of roaming fees by the European Union. Changes in prices in 2015 will not have a significant impact on revenues of the Company.

CREDIT RISK

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

LIQUIDITY RISK

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

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

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

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 2014	31 December 2013
Without maturity	-	36
Maturity up to 180 days	56,700	78,855
Maturity up to 365 days	-	-
Maturity more than 365 days	88	99
TOTAL LIABILITIES	56,788	78,990

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 2014	31 December 2013
Without maturity	865	1,541
Maturity up to 180 days	48,458	116,982
Maturity up to 365 days	-	-
Maturity more than 365 days	-	-
TOTAL RECEIVABLES AND CASH AND CASH EQUIVALENTS	49,323	118,523

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

FINANCIAL ASSETS AND LIABILITIES OFFSETTING

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

in thousands of EUR	31 December 2014	31 December 2013
Trade and other receivables prior to offsetting	34,777	34,660
Gross offset amount	(5,423)	(3,283)
TRADE AND OTHER RECEIVABLES AFTER OFFSETTING	29,354	31,377

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

in thousands of EUR	31 December 2014	31 December 2013
Trade and other receivables prior to offsetting	56,197	81,134
Gross offset amount	(5,423)	(3,283)
TRADE AND OTHER PAYABLES AFTER OFFSETTING	50,774	77,851

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 PPF Group's management. In 2014, no changes were carried out in objectives, principles and procedures. The capital structure of the Company consists of the shareholder's equity which includes share capital, reserve fund and retained earnings from previous periods. The Company's management manages the capital measured with equity of EUR 141,318 thousand as at 31 December 2014 (EUR 141,924 thousand as at 31 December 2013). The Company may adjust the profit share paid to the shareholder or refund part of the capital to the shareholder in order to maintain or adjust the capital structure. The Company ensures capital management in co-operation with the parent company.

FAIR VALUE ESTIMATION

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

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

24. RELATED PARTY TRANSACTIONS

IDENTITY OF RELATED PARTIES

Related parties of the Company are related companies within the group as well as their statutory bodies, directors, executive directors. The ultimate parent company is PPF Arena 2 B.V.

The Company is part of the PPF Group since January 2014. The PPF Group invests in several industries from banking and financial services through telecommunications, real estate, retail, insurance, mining and agriculture to biotechnology. The PPF Group operates in Europe, Russia, Asia and USA. As the settlement of the Company's sale was realized at the end of January 2014, related party transactions for the period of one month ended 31 January 2014 were identified with the group of former owner Telefónica, S.A. (Telefónica Group), and with the PPF Group for 11 months ended 31 December 2014. All related party transactions were conducted under normal market conditions. The balances of receivables and payables are not interest bearing, not secured and payments are expected in cash or in form of offsetting.

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

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

1. TRANSACTIONS WITH THE PARENT COMPANY

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

in thousands of EUR	31 December 2014	31 December 2013
Acquired merchandise and property, plant and equipment	24,972	408
Trade and other receivables	2,683	9,864
Provided short-term loans	8,600	74,400
Trade payables	5,272	33,118

The Company realized the following transactions with the parent company:

in thousands of EUR	31 December 2014	31 December 2013
Sales of merchandise and services	3,124	5,121
Purchase of services	22,342	13,403
Finance income	31	63

As at 31 December 2014 the Company paid dividends for 2012 and 2013 to the parent company in the amount of EUR 65,979 thousand.

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

2. TRANSACTIONS WITH OTHER RELATED PARTIES – PPF GROUP, TELEFÓNICA GROUP

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

in thousand of EUR	31 December 2014
Shares in companies	3
Trade and other receivables	468
Trade payables	3,244

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

in thousand of EUR	31 December 2014
Shares in companies	3
Trade and other receivables	51
Trade payables	745

The Company realized the following transactions with other related companies within the Telefónica Group:

in thousand of EUR	For the period from 1 January 2014 to 31 January 2014	For the year ended 31 December 2013
Sales of merchandise and services	-	801
Purchase of merchandise and services	273	4,271

The Company realized the following transactions with other related companies within the PPF Group:

in thousand of EUR	For the period from 1 February 2014 to 31 December 2014
Sales of merchandise and services	15
Purchase of merchandise and services	3,027

The list of companies of the PPF Group which the Company realized transactions in the period from January 2014 with, includes the following companies: Česká pojišťovna a.s., Generali Poisťovňa, a.s., Energotel a.s., Stredoslovenská energetika, Tesco Mobile Slovakia, s.r.o. The list of companies of the Telefónica Group which the Company realized transactions in January 2014 with, includes the following companies: OTECEL S.A., Telefónica Móviles Panamá, S., Telefónica Móviles Guatemala, Telefonica moviles de Uruguay, Telefonica Moviles Peru S.A., Telefonía Celular Nicaragua, O2 Czech Republic a.s., CZECH TELECOM Austria GmbH, O2 (UK) Limited, Communications (Ireland) L, O2 GERMANY GMBH & CO. OHG, Manx Telecom, Colombia Telecomuniciciones, TELFISA GLOBAL B.V., O2 Holding Ltd - HQ, TELECOM ITALIA SpA, Atento Česká republika a.s, CHINA UNICOM, Telefónica Global Roaming GmbH, Telefónica Europe Services, Telefónica Costa Rica TC, S.A, ex_TGT, S.A., Tesco Mobile Slovakia, s.r.o., Telefónica Móviles ElSalvador, Telefónica, S.A., TELEFÓNICA MÓVILES ESPANA S.A, Telefónica Móviles Argentina, TELEFÓNICA MÓVILES CHILE S.A., Pegaso PCS SA de CV, VIVO SA

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

25. CONTINGENT LIABILITIES

LITIGATIONS AND CLAIMS

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

UNCERTAINTIES IN TAX LEGISLATION

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

OTHER FINANCIAL LIABILITIES

The Company does not have any other financial liabilities as at 31 December 2014 (31 December 2013: none).

26. OPERATING LEASE

The Company leases cars, office, retail and technological premises under operating leases, where the terms range from 1 to 15 years, and land and roofs for base stations. The table below shows the total minimum lease payments resulting from irrevocable operating leases:

in thousand of EUR	31 December 2014	31 December 2013
Lease due within one year	4,487	4,402
Lease due within one to five years	11,838	10,812
Lease due over five years	8,218	7,160
TOTAL LEASE	24,543	22,374

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

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

in thousand of EUR	31 December 2014	31 December 2013
Lease due in one year	1,941	1,883
TOTAL LEASE	1,941	1,883

Total minimum lease payments under operating leases for land, buildings and equipment presented in 2014 as expense amounted to EUR 6,513 thousand (2013: EUR 7,097 thousand).

These lease contracts may include a condition of restoring the leased assets at the end of the lease term. The Company estimates the current value of future costs of liquidation and dismantling, taking into consideration changes in network infrastructure. At present, these future costs are not accounted for as their amount is insignificant with respect to the Company's operating results, financial position or cash flows.

27. INVESTMENT AND OTHER COMMITMENTS

in thousand of EUR	31 December 2014	31 December 2013
Investments and other commitments contracted but not included in the financial statements yet	2,160	1,526
TOTAL INVESTMENT AND OTHER COMMITMENTS	2,160	1,526

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

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

28. SUBSEQUENT EVENTS

No events with a material impact on the true and fair presentation of facts subject to the accounting occurred after 31 December 2014.

30 January 2015

Ing. Martin Vlček
Chief Executive Officer

Ing. Martin Klímek
Chief Financial Officer

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Report on Audit of Consistency

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

(Translation)

To the owner and directors of O2 Slovakia, s.r.o.:

We have audited the financial statements of the company O2 Slovakia, s.r.o. as of 31 December 2014, presented on pages 26 – 61 of the annual report. We have issued an independent auditor's report on the financial statements on 30 January 2015 with the following wording:

Independent Auditor's Report

To the owner and directors of O2 Slovakia, s.r.o.:

We have audited the accompanying financial statements of O2 Slovakia, s.r.o. ("the Company"), which comprise the statement of financial position as at 31 December 2014, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 December 2014, 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.

Other Matter

The financial statements of the Company as at and for the year ended 31 December 2013 were audited by another auditor who expressed an unmodified opinion on those statements on 11 March 2014.

30 January 2015
Bratislava, Slovak Republic

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

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

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

(Supplement to the auditor's report)

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

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

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

We have reviewed the consistency of the information presented in the annual report on pages 1 – 23 with the information presented in the financial statements as of 31 December 2014. We have not audited any data or information other than the accounting information obtained from the financial statements and accounting books. We believe that the audit performed provides a sufficient and appropriate basis for our opinion.

In our opinion, the accounting information presented in the annual report is consistent, in all material respects, with the financial statements as of 31 December 2014, presented on pages 26 – 61 of the annual report.

13 May 2015
Bratislava, Slovak Republic

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

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