Annual Report 2009

Orange Slovensko, a.s.

Content

we are a coordinated team

Orange Slovensko, a.s. and its bodies

Orange Slovensko, a. s.

Seat of the Company

Prievozská 6/A

821 09 Bratislava

Slovak Republic

Company Identification Number

35 69 72 70

Date of Registration in Commercial Registry of the SR

3 September 1996

Legal Form

Joint Stock Company

Entry Status in Commercial Registry

Filed in the Commercial Registry

Bratislava 1 District Court

Section Sa, File Nr. 1142/B

Board of Directors

Chairman	Brigitte Marie Bourgoin
Vice-Chairman	Ing. Ladislav Rehák
Member and Chief Executive Officer	Ing. Pavol Lančarič, PhD.
Members	Dominique Garnier
	Ing. Ivan Golian, CSc.
	Corentin Maigné
	Antonio Anguita Ruiz

Supervisory Board

Chairman	Bertrand du Boucher
Members	Vincent Brunet
	Aude Dubrulle
	Ján Kodaj
	Ing. Ivan Marták
	Ing. Dana Prekopová, MBA

Management

Chief Executive Officer	Ing. Pavol Lančarič, PhD.
Deputy Chief Executive Officer and ITN Director	Ing. Ivan Golian, CSc.
Chief Financial Officer	Corentin Maigné
Strategy and Regulatory Affairs Director	Ing. Ivan Marták
Commercial Director	Ing. Zuzana Nemečková
Communication and Brand Director	Mgr. Andrea Cocherová
Human Resources Director	Ing. Andrea Kopná
Customer Services Director	Bc. Vladislav Kupka

we are a part of a bigger world

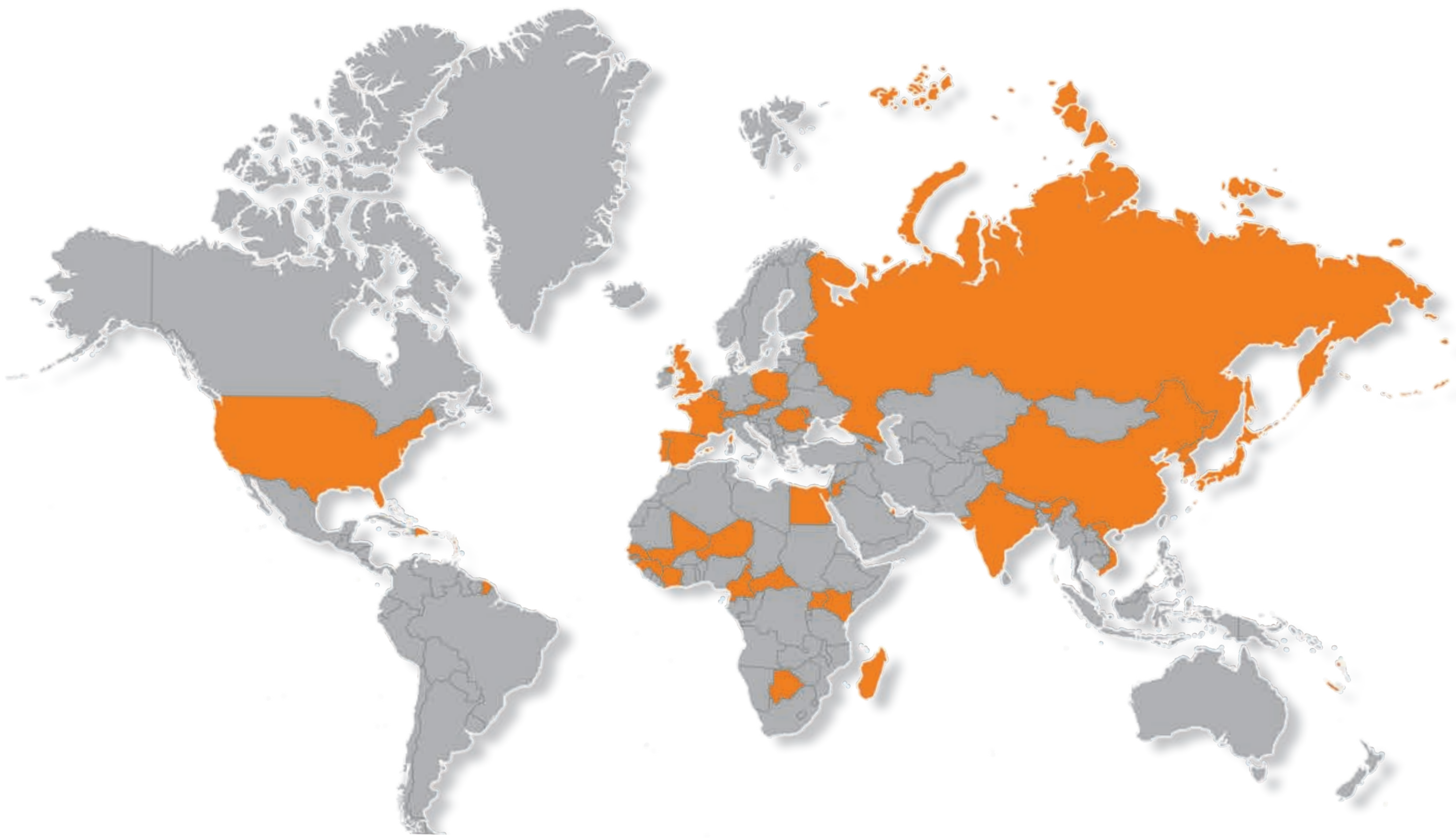
Orange and France Telecom Group

Orange and France Telecom Group

Orange is the key brand of France Telecom Group - one of the world's leading telecommunications operators and the third largest mobile operator in Europe.

France Telecom is one of the leading telecommunications operators worldwide. In 2009, France Telecom Group achieved revenues of 50.9 billion EUR on 31 December 2009, it recorded nearly 193 million customers in 32 countries with 132.6 million of mobile customers and 13.5 million of broadband internet users. Business communications solutions and services are offered by a Group under Orange Business Services programme and with this brand France Telecom is among the world leaders in providing telecommunication services to multinational companies. France Telecom (NYSE: FTE) is a company traded on Euronext Paris Eurolist and in New York stock-exchange.

The France Telecom Group is via Atlas Services Belgium the owner of 100% of shares in Orange Slovensko.



United Kingdom, Poland, Slovakia, Belgium, France, Spain, Switzerland, Austria, Moldova, Romania, Russia, United States, Caribbean, Dominican Republic, China, Japan, Vietnam, India, Jordan, Bahrain, Guinea Bissau, Senegal, Mali, Niger, Egypt, Guinea Conakry, Cote D'Ivoire, Cameroon, Uganda, Central African Republic, Kenya, Madagascar, Botswana, Mauritius, Reunion, Vanuatu, New Caledonia, Equatorial Guinea

Source: www.orange.com

we retained our leadership of the market

company's management report

Ing. Pavol Lančarič, PhD.
Chief Executive Officer
and Member of the Board of Directors

Dear Shareholders, Partners and Customers,

I am proud to present to you the Annual Report of Orange Slovensko, a.s. for the past year. A year that has certainly been one of the most difficult for all the subjects of the Slovak infocommunications market, in the modern history of the Slovak telecommunications market. Although telecommunications is among the sectors that are least affected by the global economic crisis, its impact is enhanced by the increasing regulation of the telecommunications market which affects all telecommunication operators, not only in Europe. The telecommunications services of Orange are used by most Slovaks. It would be therefore naive to assume that the economic crisis which directly affected their lives would not also in some way be reflected in the results of the largest telecommunications operator in the country.

I am pleased that in spite of these circumstances I have positive news for you. All our efforts in the past year have been focused on perceiving the new market conditions primarily as an opportunity. There is only one way of dealing with the current economic environment: internally by adaptation of internal processes and cost structures as well as externally by responding to the new and changing needs of our customers.

in 2009, Orange once again became the most successful telecommunications operator in the Slovak market

We are also pleased that in 2009 it was our customers who acknowledged this effort. In 2009, Orange once again became the most successful telecommunications operator in the Slovak market. More than 968 thousand commercial operations, including activations of a new user programme and renewals of contracts, as well as customers migrating from pre-paid services to the post-paid user programme and a stable market share of nearly 52% confirm that Orange is still the most attractive telecommunications brand in Slovakia. The total number of active mobile services customers amounted to 2.891 million at the end of the year. The proportion of customers using invoiced services increased to 69% of our customer total. The number of customers using the monthly user programmes rose by 3.8% on a year-on-year basis. The customer base of „Orange Doma" services (services of FTTH Network - FiberNet, FiberTV and FiberTel) increased the most in a year-on-year comparison, by more than 89%.

we are glad that we succeeded
in delivering services to our customers
that meet their new and changing needs
in times of economic crisis

We are glad that we succeeded in delivering the services to our customers that meet their new and changing needs in times of economic crisis, whether with the concept of new monthly user programmers or in new forms of customer care in times of crisis. With the "Paušál Snov" - new form of post-paid monthly user programme, unlimited phone calls in the largest mobile network in Slovakia have become the standard. More than 300 thousand customers switched over to the „Paušál Snov" programme in the past year and more are still joining.
Following that trend, the growth of voice traffic, together with the growth of mobile data services, was one of the most important factors affecting our financial results. The volume of minutes of outgoing voice traffic generated in 2009 was 6% higher than in 2008 and the number of outgoing minutes used

by the average Orange customer per month was significantly higher than the Slovak average. The average Orange customer used approximately 137 outgoing minutes which is 50 minutes more than the average of the customers of other operators.

for the first time, we introduced the full mobile internet service for households, with no data limit

The fastest-growing part of revenues had already traditionally been the mobile data services. Its share in total revenues reached 17.5%. The technological lead of Orange with its largest mobile 3G network is the engine of the growth of mobile data: we have accelerated this again up to 7.2 Mbit/s, while we also continued to present new and attractive mobile internet connection programmes. For the first time, we introduced a full mobile internet service for households, with no data limit. „Internet na doma“ (the home internet service) became the most attractive mobile internet connection service from Orange last year. The proof of customers´ satisfaction is the constantly increasing volume of data traffic. Orange as number one in mobile internet services also introduced a new technological product - an innovative service for broadband internet access at 870 MHz frequency band which enables it to provide a quality connection even in rural areas that are difficult to access.

Orange responded flexibly and offered a helping hand to its customers under a complete care programme, also providing assistance and protection in difficult life situations

The economic crisis has not only changed the communication needs of customers but also created new ones. Orange responded flexibly and offered a helping hand to its customers under a complete programme of care, also providing them with assistance and protection in difficult life situations. The ‚lifebelt' in the form of „Poistenie faktúr" (the Invoice Insurance) became demonstrably the most successful. The fact that Orange introduced this service at the right time is demonstrated by the over one hundred thousand customers that have activated it. We also offered a helping hand to our customers in job searching via the mobile service Orange World Job and free via „Linka práce" (the Job Line).

the special project of a change of points of sales brought results in form of the record values of our customers' satisfaction index

Not only has our company undergone a transformation, but so have the points of sale - again, only to satisfy the customers. The unique project of points of sale transformation has resulted in a record growth of customer satisfaction index TRIM at 105 points. In Banská Bystrica, we opened a new Customer Care centre providing full support for the entire portfolio of customers, from call centre services through invoice care to technical support, and thus we created 200 new jobs in the region. The opening of the first telecommunications Ombudsman office in Slovakia which started serving customers of Orange to protect their consumer rights was not left without a public response either. A special form of care for our business customers is presented in the innovative project "Orange Biznis Fórum" (Orange Business Forum), with the ambition of inspiring customers with successful case studies of business leaders from around the world.

The global economic crisis has had a negative impact indeed, but in spite of this, it has brought many positives, including those for Orange.

We believe that thanks to the transformation we went through we will come out of the crisis an even stronger and healthier company, able to respond to the needs of our customers and to deliver the most advanced telecommunications services of the highest quality. We will continue to be a strong, credible and reliable partner for our customers, employees and shareholders.

Pavol Lančarič

2009 proved our strenght and skills

financial report for 2009

Orange Slovensko, a.s.

Independent Auditor's Report And Separate Financial Statement

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

Year ended 31 December 2009.

Company identification number: 35 69 72 70
TAX identification number: SK2020310578

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Independent auditor's report

Deloitte.

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Court in Bratislava I
Section Sro, File 4444/B
Id. Nr.: 31 343 414
VAT Id. Nr.: SK2020325516

Orange Slovensko, a.s.

INDEPENDENT AUDITOR'S REPORT

To the Shareholders and Board of Directors of Orange Slovensko, a.s.:

1. We have audited the accompanying separate financial statements of Orange Slovensko, a.s., which comprise the statement of financial position as at 31 December 2009, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

The Board of Directors' Responsibility for the Financial Statements

2. The Board of Directors is responsible for the preparation and fair presentation of these financial statements in accordance with the Slovak Act on Accounting and with International Financial Reporting Standards as adopted by the European Union. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

3. 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 that the financial statements are free of 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 the auditor's 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, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 audit opinion.

Opinion

4. In our opinion, the separate financial statements present fairly, in all material respects, the financial position of Orange Slovensko, a.s. as of 31 December 2009, and its financial performance and cash flows for the year then ended in accordance with the Slovak Act on Accounting and with International Financial Reporting Standards as adopted by the European Union.

Bratislava 23 March 2010

Deloitte Audit s.r.o.
Licence SKAu No. 014

Ing. Jozef Hýbl, FCCA
Responsible auditor
Licence SKAu No. 857

Separate statement of financial position at 31 december 2009

Assets

In thousands of EUR	Note	31 December 2009	31 December 2008
Non-current assets			
Property, plant and equipment	4	422,714	472,671
Intangible assets	5	74,682	77,363
Investments in unconsolidated subsidiaries	6	106	106
Non-current receivables		1,618	1,619
Other non-current assets		242	523
		499,362	**552,282**
Current assets			
Inventories	8	14,475	18,234
Trade and other receivables	9	64,062	64,851
Other assets		2,650	2,981
Current income tax receivable		19,807	–
Current financial assets	10	–	239
Cash and cash equivalents	11	5,799	29,091
		106,793	**115,396**
Total assets		**606,155**	**667,678**

Equity and liabilities

In thousands of EUR	Note	31 December 2009	31 December 2008
Equity			
Share capital	12	39,222	39,227
Reserves		15,260	15,260
Retained earnings		329,172	328,408
		383,654	**382,895**
Non-current liabilities			
Non-current provisions	14	27,611	34,533
Deferred tax liabilities	7	16,075	20,062
Other non-current liabilities		–	2,338
		43,686	**56,933**
Current liabilities			
Interest-bearing loans	13	–	59,749
Current financial liabilities	10	20,420	–
Trade payables and other liabilities	15	131,725	132,854
Current income tax payable		–	8,523
Current provisions		1	728
Deferred income	16	26,669	25,996
		178,815	**227,850**
Total equity and liabilities		**606,155**	**667,678**

Separate statement of comprehensive income for the year ended 31 december 2009

In thousands of EUR	Note	2009	2008
Revenues	**17**	**812,666**	**863,104**
External purchases	18	(368,230)	(396,258)
Other operating expenses, net	19	(35,118)	(43,500)
Wages and contributions	20	(55,032)	(53,891)
Amortization and depreciation expense		(106,564)	(117,523)
Operating profit		**247,722**	**251,932**
Interest income and related revenue	22	191	911
Interest expense	21	(255)	(4,330)
Other finance income / (expenses)		39	(121)
Profit before tax		**247,697**	**248,392**
Income tax	23	(47,938)	(49,348)
Profit for the year		**199,759**	**199,044**
Profit attributable to Owners of the Company:		199,759	199,044

Separate statement of changes in equity for the year ended 31 december 2009

In thousands of EUR	Note	Share capital	Reserves	Retained earnings	Total
Balance as at 1 January 2008		39,227	15,260	321,792	376,279
Dividends paid		–	–	(192,525)	(192,525)
Share based compensation	24	–	–	97	97
Profit for the year		–	–	199,044	199,044
Balance as at 31 December 2008		**39,227**	**15,260**	**328,408**	**382,895**
Dividends paid	12	–	–	(199,000)	(199,000)
Share based compensation	24	–	–	–	–
Euroconversion		(5)	–	5	–
Profit for the year		–	–	199,759	199,759
Balance as at 31 December 2009		**39,222**	**15,260**	**329,172**	**383,654**

Separate statement of cash flow for the year ended 31 december 2009

In thousands of EUR	Note	2009	2008
Profit for the year		**199,759**	**199,044**
Taxes		47,938	49,348
Interest income		(191)	(911)
Interest expense		255	4,972
Depreciation and amortization of tangible and intangible assets		106,564	117,523
Other		10,097	17,966
Profit from operating activities before changes in working capital		364,422	387,942
(Increase) in trade and other receivables (including accruals/deferrals of assets)		(3,621)	(3,844)
Decrease/(Increase) in inventory		3,759	(1,022)
Increase/(Decrease) in trade liabilities (including accruals/deferrals of liabilities)		7,501	(7,356)
Cash generated from operations		372,061	375,720
Interest received		191	911
Interest paid		(255)	(4,972)
Income tax paid		(80,253)	(50,201)
Cash flows from operating activities		**291,744**	**321,458**
Investing activity			
Purchase of property, plant and equipment		(78,232)	(102,467)
Proceeds from sale of non-current assets		1,285	2,096
Decrease/(Increase) in other non-current assets		240	(68)
Net cash outflow from investing activities		**(76,707)**	**(100,439)**
Financing activity			
Increase/(Decrease) in current financial assets / liabilities	10	20,420	(145)
Decrease in short term bank loans		(59,749)	(19,916)
Dividends paid	12	(199,000)	(192,525)
Net cash outflow from financing activities		**(238,329)**	**(212,586)**
Net (decrease)/increase in cash and cash equivalents		**(23,292)**	**8,433**
Cash and cash equivalents at the beginning of year		**29,091**	**20,658**
Cash and cash equivalents at the end of year	11	**5,799**	**29,091**

Notes to the separate financial statements for the year ended 31 december 2009

1. General information

Orange Slovensko, a.s. (the "Company") is a joint stock company established on 29 July 1996 and incorporated on 3 September 1996 with registered office on Prievozská 6/A, 821 09 Bratislava, Slovak Republic. In August 2008 Atlas Services Belgium, S.A. acquired all shares held by Wirefree Services Nederland B.V.. Wirefree Services Nederland B.V. was the major shareholder from November 2005 when acquired all shares held by minority shareholders and became the 100% shareholder of Orange Slovensko, a.s. The Company's principal activity is establishing and operating of public mobile telecommunication networks at assigned frequencies as well as operating of optical fiber network.

Approval of the 2008 Financial Statements

On April 28, 2009 the General Meeting approved the 2008 financial statements of Orange Slovensko, a.s. (Notary Deed No. N 484/2009, Nz 13608/2009, NCR1s 13773/2009).

Members of the Company's Bodies

Body	Function	Name
Board of Directors	Chairman	Brigitte Marie Bourgoin
	Deputy Chairman	Ing. Ladislav Rehák
	Member and Chief Executive Officer	Ing. Pavol Lančarič, PhD.
	Member	Dominique Garnier
	Member	Ing. Ivan Golian, CSc.
	Member	Corentin Maigné
	Member	Antonio Anguita Ruiz
Supervisory Board	Chairman	Bertrand du Boucher
	Member	Vincent Brunet
	Member	Aude Dubrulle
	Member	Ján Kodaj
	Member	Ing. Ivan Marták
	Member	Ing. Dana Prekopová, MBA
Management	Chief Executive Officer	Ing. Pavol Lančarič, PhD.
	Deputy CEO and ITN Director	Ing. Ivan Golian, CSc.
	Chief Financial Officer	Corentin Maigné
	Strategy and Regulatory Affairs Director	Ing. Ivan Marták
	Commercial Director	Ing. Zuzana Nemečková
	Communication and Brand Director	Mgr. Andrea Cocherová
	Human Resources Director	Ing. Andrea Kopná
	Customer Services Director	Bc. Vladislav Kupka

Employees

	31 December 2009	31 December 2008
Number of employees	1,334	1,367
Of which: managers	127	137

2. Adoption of new and revised standards

In the current year, the Company has adopted all of the new and revised standards and interpretations issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that are relevant to its operations, have been endorsed by the EU, and are effective for accounting periods beginning on 1 January 2009.

(a) Standards and Interpretations Effective in 2009 and Adopted by the Company

The following standards, amendments and interpretations to standards has been adopted by the Company as of 1 January 2009:

- IFRS 7 (Amendments), 'Financial Instruments: Disclosures': Expand the disclosures required in respect of fair value measurements and liquidity risk. The change in accounting policy only results in additional disclosures;
- IAS 1 (Revised), 'Presentation of Financial Statements: A Revised Presentation' (effective 1 January 2009). IAS 1 has been revised to enhance the usefulness of information presented in the financial statements. The revised standard prohibits the presentation of items of income and expenses ("non-owner changes in equity") in the statement of changes in equity, requiring "non-owner changes in equity" to be presented separately from owner changes in equity in a statement of comprehensive income. As a result the Company presents in the separate statement of changes in equity, whereas all non-owner changes in equity are presented in the separate statement of comprehensive income. The change in accounting policy has only little impact on presentation of Company's financial statements;
- IAS 23 (Revised), 'Borrowing Costs' (effective from 1 January 2009). IAS 23 requires an entity to capitalize borrowing costs directly attributable to the

acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs was removed. The company has applied IAS 23 but in current period had no borrowing costs directly attributable to the acquisition, construction or production of a qualifying assets.

(b) Standards and interpretations effective in 2009 but not relevant to the Company's operation

The following standards, amendments and interpretations are mandatory for accounting period beginning on or after 1 January, 2009 but are not relevant to the Company's operation:

- IFRS 1 (Amendments), 'First-time Adoption of IFRS - Cost of an Investment in a Subsidiary,Jointly controlled Entity or Associate' (effective for annual periods beginning on or after 1 January 2009);
- IFRS 2 (Amendments), 'Share-Based Payment: Vesting Conditions and Cancellations' (effective 1 January 2009);
- IFRS 8, 'Operating Segments' (effective from 1 January 2009).
- IAS 27 (Amendments), 'Consolidated and Separate Financial Statements - Cost of an Investment in a Subsidiary, Jointly controlled Entity or Associate'(effective from 1 January 2009);
- IAS 32 (Amendment) 'Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation' (effective from 1 January 2009);
- IFRIC 9 (Amendment) 'Reassessment of Embedded Derivatives and IAS 39 Financial Instruments: Recognition and Measurement – Embedded Derivatives' (effective for periods ending on or after 30 June 2009);
- IFRIC 13 'Customer Loyalty Programmes' (effective on or after 1 July 2008);

- IFRIC 15 'Agreements for the Construction of Real Estate' (effective for accounting periods beginning on or after 1 January 2009);
- IFRIC 16 'Hedges of a Net Investment in a Foreign Operation' (effective on or after 1 October 2008);
- IFRIC 18 'Transfers of Assets from Customers' (effective for transfers of assets from customers received on or after 1 July 2009).

(c) Standards, Interpretations and Amendments to the Existing Standards and Interpretations in Issue not yet Effective and which have not yet been Adopted for Use in the EU

Certain new standards, amendments and interpretations to existing standards have been issued that are mandatory for the Company's accounting period beginning on or after 1 January, 2010 or later periods but not yet endorsed for use in the EU:

- IFRS 1 (Amendments), 'First-Time Adoption of IFRS - Additional Exemptions for First-Time Adopters' (effective for annual periods beginning on or after 1 January 2010). IFRS 1 has been amended to provide additional exemptions from full retrospective application of IFRS for the measurement of oil and gas assets and leases;
- IFRS 2 (Amendments) 'Group Cash-Settled Share-Based Payment Arrangements' (effective 1 January 2010). For group reporting and consolidated financial statements, the amendment clarifies that if an entity receives goods or services that are cash settled by shareholders not within the group, they are outside the scope of IFRS 2;
- IFRS 3 (Revised) 'Business Combinations' (effective 1 July 2009). The revised standard continues to apply the acquisition method to business combinations, with some significant changes e.g. all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments

classified as debt subsequently re-measured through the income statement;

- IAS 24 (Amendments) 'Related Party Disclosures' (effective 1 January 2011). The revised Standard simplifies the disclosure requirements for entities that are controlled, jointly controlled or significantly influenced by a government (referred to as government related entities) and clarifies the definition of a related party;
- IAS 27 (Amendments) 'Consolidated and Separate Financial Statements' (effective 1 July 2009). Requires the effects of all transactions with non-controlling interest to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses;
- IAS 39 (Amendments) 'Financial Instruments: Recognition and Measurement – Eligible Hedged Items' (effective 1 July 2009): The amendments provide clarification on two aspects of hedge accounting: identifying inflation as a hedged risk or portion, and hedging with options;
- IFRS 9 'Financial Instruments' (effective 1 January 2013). Standard covering classification and measurement of financial assets, as the first part of its project to replace IAS 39;
- IFRIC 14 (Amendments) 'Prepayments of a Minimum Funding Required' (effective 1 January 2011). Without this amendments, in some circumstances entities are not permitted to recognise as an asset some voluntary prepayments for minimum funding contributions. The amendments must be applied retrospectively to the earliest comparative period presented;
- IFRIC 17 'Distribution of Non-cash Assets to Owners' (effective for annual periods beginning on or after 1 July 2009); The interpretations provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends;
- IFRIC 19 'Extinguishing Financial Liabilities with Equity Instruments' (effective 1 July 2010). Addresses only the accounting by the entity that issues equity

instruments in order to settle, in full or in part, a financial liability. It does not address the accounting by the creditor (lender).

The management of the Company anticipates that all of the above amended Standards and Interpretations will be adopted in the Company's financial statements when these are endorsed for use in EU and that the adoption of those Standards and Interpretations will have no material impact on the financial statements of the Company in the period of initial application.

3. Significant accounting policies

(a) Statement of Compliance

The separate financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (the "EU") and on the going concern assumption. IFRS as adopted by the EU do not currently differ from IFRS as issued by the International Accounting Standards Board (IASB), except for certain standards and interpretations which have not been endorsed by the EU as described above.

(b) Legal Framework for Preparing the Financial Statements

These financial statements are the Company's separate financial statements prepared under Act on Accounting No. 431/2002 Coll. on Accounting, as amended. The financial statements were prepared for the reporting period from 1 January 2009 to 31 December 2009 in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU"). The Company elected to use exemption from consolidation in accordance with the 7th Directive of EU as well as with IAS 27.10 and not to present consolidated financial statements, which is also incorporated into Act on Accounting No. 431/2002 Coll. on Accounting, as amended.

Orange SA (France), the Company's ultimate parent, prepares consolidated financial statements in accordance with IFRS as adopted by EU for a group of companies, which also includes Orange Slovensko a.s.

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

(c) Basis of Preparation

The financial statements are presented in EUR, rounded to the nearest thousand. They are prepared on the historical cost basis and on the going concern assumption. Principal accounting policies are included in the paragraphs below.

(d) Foreign Currency

- Foreign Currency Transactions

As at 1 January 2009, the Slovak Republic entered the eurozone and the Slovak crown (SKK) was replaced by the euro (EUR). The conversion exchange rate was set at EUR/SKK 30.1260. As a result, the Company converted its accounting books to euros as at this date, and the financial statements for 2009 and subsequent years will be prepared in euros. Comparative data for 2008 were translated using the conversion exchange rate of EUR/SKK 30.1260. On the euro introduction date, the individual items of the assets and liabilities were translated from Slovak crowns to euros using the conversion exchange rate except for advances received, advances made, and certain accruals and deferrals denominated in euros, all of which were translated using the historical exchange rate.

Transactions denominated in foreign currencies are translated into EUR at the rate of exchange ruling at the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling on the balance sheet date. The exchange rate differences on translation are charged to the result for the period. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to EUR at foreign exchange rates ruling at the dates the fair value is determined.

(e) Segment Reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

The Company operates in the Slovak Republic, which is deemed to be one geographical segment. The Company predominantly operates in the mobile telecommunication segment. However in September 2007 the company launched a fixed telecommunication (optical fibre) network. As at 31 December 2009, the fixed telecommunication segment was immaterial to show it as a separate segment.

(f) Property, Plant and Equipment

- Owned Assets

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

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

- Leased Assets

Leases in terms of which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Machinery, equipment, motor vehicles, furniture and fixtures acquired by way of finance lease is stated at an amount equal to the lower of its fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation (see below) and impairment losses. Currently no asset is classified as leased assets

- Subsequent Expenditure

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

- Depreciation

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

	2009	2008
Radio Access Network	5 to 20 years	8 to 20 years
Transmission	5 to 30 years	9 to 30 years
Switching	5 to 10 years	8 to 10 years
Data Network	5 years	5 years
Dedicated Platforms	5 years	5 years
Other Network	5 to 10 years	5 to 10 years
IT Non-Network Hardware & Infra-structure	3 to 5 years	3 to 5 years
Buildings	10 to 30 years	10 to 30 years
Other Non-Network Equipment	3 to 10 years	3 to 10 years
Local Loop	10 to 30 years	10 to 30 years

The useful lives of certain categories of property, plant and equipment are reassessed annually by the France Telecom Group which results in changes to the useful lives of certain assets. These changes are recorded as changes in accounting estimates on a prospective basis.

On the company level the revision of individual asset's useful life is performed when indicators of earlier end of life exist.

(g) Intangible Assets

Intangible assets acquired separately by the Company are stated at cost less accumulated amortization and impairment losses if applicable. Intangible assets mainly comprise software and licenses for the operation of telecommunication network.

- Subsequent Expenditure

Subsequent expenditure on capitalized intangible assets is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

- Amortization

Intangible assets are amortized from the date they are available for use, using the straight-line method over the following estimated useful lives:

	2009	2008
software	3 to 10 years	3 to 10 years
licenses	10 to 16 years	10 to 16 years

The useful lives of certain categories of intangible assets are reassessed annually by the France Telecom Group which results in changes to the useful lives of certain assets. These changes are recorded as changes in accounting estimates on a prospective basis.

On the Company level the revision of individual asset's useful life is performed when indicators of earlier end of live exist.

(h) Impairment of Assets

The carrying amounts of the Company's assets are reviewed at each balance sheet 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 the income statement.

For intangible assets that are not yet available for use, the recoverable amount is estimated at each balance sheet date.

The recoverable amount of other assets is the greater of their net selling price 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.

(i) Investments in Subsidiaries

Investments in subsidiaries represent the investments in wholly – owned subsidiaries: Orange CorpSec, spol. s r.o. with the seat on Prievozská 6/A, 821 09 Bratislava, Slovakia and Nadácia Orange (“the Foundation”), having the seat on Prievozská 6/A, 821 09 Bratislava. The Company’s investments have been accounted for at cost.

(j) Inventories

Inventories are stated 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 necessary to complete the sale and selling expenses.

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

(k) Trade Receivables

Trade receivables are recognized initially at fair value (original invoice amount), less provision for impairment of receivables. A provision for impairment of trade receivables is established when there is objective evidence that Orange will not be able to collect all amounts due according to the original terms of receivables (see Note 9).

(l) Cash and Cash Equivalents

Cash and cash equivalents consist of cash in hand and balances with banks, and highly liquid investments with insignificant risk of changes in value and original maturities of three months or less at the date of acquisition.

(m) Financial Assets

Financial assets are classified into the following specified categories: financial assets as 'at fair value through profit or loss' (FVTPL), 'held-to-maturity investments', 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. As at 31 December 2009 the Company holds only financial assets categorised as 'loans and receivables'.

- Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

(n) Financial Liabilities

Financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised costs using the effective interest rate method, with interest recognised on an effective yield basis.

(o) Borrowing Cost

All borrowing costs are recognised in profit or loss in the period in which they are incurred. As the Company does not have any loans dedicated to investment activities, there are no borrowing costs eligible for capitalization.

(p) Provisions

A provision is recognized when the Company has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. The Company records Provision for Universal services, Provision for asset retirement and Provision for retirement benefit cost (see Note 14).

(q) Trade and Other Payables

Trade and other payables are stated at their cost.

(r) Revenues

The Company provides mobile and fibre optics communication services to individuals and commercial and non-commercial organizations. The Company generates revenue primarily by providing digital wireless services for voice and data as well as value-added services, text and multimedia messaging. To a lesser extent, Orange Slovensko a.s. generates revenue from the sale of wireless handsets.

The Company recognizes mobile usage and roaming service revenue based upon minutes of traffic processed or contracted fee schedules when the service is rendered. Revenues due from foreign carriers for international roaming calls are included in revenues in the period in which the call occurs.

Certain prepaid usage services are billed in advance resulting in deferred income. Related revenues are recognized based on the usage or the expiry of the prepaid vouchers.

Discounts and incentives are accounted for as a reduction in revenues when granted.

The company enters into multiple element arrangements which include the sale of handsets, activation fees and service contracts to customers through Company owned stores and Orange branded shops . These transactions include the sale of a mobile handset, the up-front charge of non-refundable activation fees to connect the customer to the service, and subsequently monthly fees and airtime fees charged during the contract period. The Company recognizes revenue from the sale of handsets upon delivery to the customer. The corresponding cost of sales is charged to expense when sales are recognized which results in a net loss on the sale of the handset. Activation fees charged to the customer are recognized as revenue when activation is made and the related cost is expensed. Current services fees are recorded as revenue from service when performed.

Other service revenues are recognized when delivered and accepted by customers and when services are provided in accordance with contract terms.

Revenue and related expenses associated with the wholesale of wireless handsets to distributors are recognized when the products are delivered and accepted; as such sales transactions are separate and distinct from the sale of wireless service to customers.

(s) Expenses

- Operating Lease Payments

For operating leases, the lease payments are expensed on a straight-line basis over the lease period.

(t) Taxation

Income tax expense for the year comprises current and deferred tax.

- Current Income Tax

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

- Deferred tax

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

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

(u) Share Based Payment

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date (see Note 24). The Company accounts for the rights to parent's (France Telecom) equity instruments granted by the parent to the employees of the Company, as equity-settled transactions in accordance with IFRS 2, and recognizes a payroll related expense and corresponding increase in equity as a contribution from the parent. In accordance with IFRS 2 „Share-based Payment", the fair value of stock options, employee share issues (concerning the shares of France Telecom) is determined on the grant date. For cash-settled share-based payments, a liability equal to the portion of the goods or services received is recognized at the current fair value determined at each balance sheet date.

(v) Employee Benefits

- Long-Term Service Benefits

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

4. Property, plant and equipment

In thousands of EUR	Land and Buildings	Plant and Equipment	Motor Vehicles	Fixtures and Fittings	ARO *)	Under Con- struction	Total
Cost							
At 1 January 2008	3,975	1,022,574	8,210	26,324	6,109	38,517	1,105,709
Additions	-	-	-	-	-	87,380	87,380
Disposals	-	(99,656)	(280)	(2,337)	(83)	(173)	(102,529)
Transfer	439	70,854	814	4,655	12,439	(89,201)	0
At 31 December 2008	**4,414**	**993,772**	**8,744**	**28,642**	**18,465**	**36,523**	**1,090,560**
At 1 January 2009	4,414	993,772	8,744	28,642	18,465	36,523	1,090,560
Additions		-	-	-	-	43,540	43,540
Disposals	(360)	(7,981)	(2,253)	(1,720)	(12,729)	(203)	(25,246)
Transfer	518	40,009	1,578	6,760	-	(48,865)	-
At 31 December 2009	**4,572**	**1,025,800**	**8,069**	**33,682**	**5,736**	**30,995**	**1,108,854**
Accumulated depreciation							
At 1 January 2008	1,561	590,838	2,875	17,583	838	709	614,404
Charge for the year	399	95,961	1,607	3,329	899	-	102,195
Disposals	-	(96,088)	(208)	(2,330)	(83)	-	(98,710)
At 31 December 2008	**1,959**	**590,711**	**4,274**	**18,582**	**1,654**	**709**	**617,889**
At 1 January 2009	1,959	590,711	4,274	18,582	1,654	709	617,889
Charge for the year	405	86,192	1,603	3,734	-	-	91,934
Disposals	(20)	(18,791)	(1,750)	(1,682)	(731)	(709)	(23,683)
At 31 December 2009	**2,344**	**658,112**	**4,127**	**20,634**	**923**	**0**	**686,140**
Carrying amount							
At 1 January 2008	**2,414**	**431,736**	**5,335**	**8,741**	**5,271**	**37,808**	**491,305**
At 31 December 2008	**2,455**	**403,061**	**4,470**	**10,060**	**16,811**	**35,814**	**472,671**
At 1 January 2009	**2,455**	**403,061**	**4,470**	**10,060**	**16,811**	**35,814**	**472,671**
At 31 December 2009	**2,228**	**367,688**	**3,942**	**13,048**	**4,813**	**30,995**	**422,714**

*) asset retirement obligation (ARO)

At 31 December 2009 none of the properties were pledged to secure bank loans. In 2009 the transfers from assets under construction to plant and equipment mainly comprised investments into the upgrade of existing network, particularly the increase in 2G/3G Mobile RAN equipment & releases, 2G/3G mobile RAN infrastructure, civil works, transmission cables and IT infrastructure.

5. Intangible assets

In thousands of EUR	Software	GSM Licenses	UMTS License	Other Intangible Assets	Under Construction	Total
Cost						
At 1 January 2008	92,945	22,764	49,834	266	4,957	170,766
Additions	-	-	-	-	11,985	11,985
Disposals	(102)	-	-		(231)	(333)
Transfer	7,290	-	-	1,540	(8,830)	-
At 31 December 2008	**100,133**	**22,764**	**49,834**	**1,806**	**7,881**	**182,418**
At 1 January 2009	100,133	22,764	49,834	1,806	7,881	182,418
Additions	-	-	-	-	11,949	11,949
Disposals	(2,904)	-	-	-	(1)	(2,905)
Transfer	8,008	-	-	-	(8,008)	-
At 31 December 2009	**105,237**	**22,764**	**49,834**	**1,806**	**11,821**	**191,462**
Accumulated amortization						
At 1 January 2008	68,104	16,362	5,339	-	-	89,805
Charge for the year	10,509	1,761	3,051	8	-	15,329
Disposals	(79)	-	-	-	-	(79)
At 31 December 2008	**78,534**	**18,123**	**8,390**	**8**	**-**	**105,055**
At 1 January 2009	78,534	18,123	8,390	8	-	105,055
Charge for the year	9,717	1,761	3,051	101	-	14,630
Disposals	(2,905)	-	-	-	-	(2,905)
At 31 December 2009	**85,346**	**19,884**	**11,441**	**109**	**-**	**116,780**
Carrying amount						
At 1 January 2008	**24,841**	**6,402**	**44,495**	**266**	**4,957**	**80,961**
At 31 December 2008	**21,599**	**4,641**	**41,444**	**1,798**	**7,881**	**77,363**
At 1 January 2009	**21,599**	**4,641**	**41,444**	**1,798**	**7,881**	**77,363**
At 31 December 2009	**19,891**	**2,880**	**38,393**	**1,697**	**11,821**	**74,682**

In 2009 the additions to software mainly comprise the purchase of new software and platforms relating to new billing system included within “under construction” category, which will be put in service in the future.

6. Investment in subsidiaries

Investments in subsidiaries at cost of EUR 100 thousand represent the investment in wholly-owned subsidiary, Orange CorpSec, spol. s r.o. The subsidiary was registered into a Commercial register on 1 February 2005. Summary financial information on the subsidiary is presented in the table below:

Further the Company recognized in 2009 investment in Nadácia Orange (“the Foundation”) at cost of EUR 6 thousand, which is considered immaterial for the purpose of these financial statements.

In thousands of EUR	Assets	Liabilities	Equity	Revenues	Profit/loss for the Period
At 31 December 2009	663	214	449	990	39
At 31 December 2008	694	284	410	984	12

7. Deferred tax assets and liabilities

The movement on the deferred tax account is as follows:

In thousands of EUR	31 December 2009	31 December 2008
At beginning of period – net deferred tax liability	20,062	27,935
Income statement	(3,987)	(7,873)
At end of period – net deferred tax liability	**16,075**	**20,062**

Deferred tax assets and deferred tax liabilities are attributable to the items detailed in the table below:

In thousands of EUR	31 December 2009			31 December 2008		
	Assets	Liabilities	Net	Assets	Liabilities	Net
Property, plant and equipment	-	23,686	(23,686)	-	25,187	(25,187)
Inventories	110	-	110	117	-	117
Receivables	2,677	-	2,677	1,371	-	1,371
Other (primary provision for Universal Service, see Note 14)	4,824	-	4,824	3,637	-	3,637
Net deferred tax	**7,611**	**23,686**	**(16,075)**	**5,125**	**25,187**	**(20,062)**

Deferred tax assets and liabilities were offset on the grounds that the Company has the legally enforceable right to offset their current tax assets against current tax liabilities and the deferred taxes relate to the same taxation authority.

8. Inventories

In thousands of EUR	31 December 2009	31 December 2008
Raw materials and consumables	1,013	1,329
Merchandise	14,041	17,522
Provision for slow moving merchandise	(579)	(617)
	14,475	**18,234**

Previously recognized provisions for slow moving merchandise were released for assets that were sold or donated.

At 31 December 2009 no inventories were pledged to secure bank loans.

9. Trade and other receivables

In thousands of EUR	31 December 2009	31 December 2008
Accounts receivable	103,029	99,162
Allowance for doubtful debts and receivables	(38,967)	(34,311)
	64,062	**64,851**

At 31 December 2009 no trade receivables were pledged to secure bank loans. The trade receivables are decreased by the allowance for receivables expected to be irrecoverable.

Allowance for doubtful debts is currently determined according to two methods:

- statistical method for the retail market based on the past track record of payment default by individuals and companies
- individual method based on examination of specific overdue items for the wholesale market (roaming, interconnect).

Aging of past due but not impaired trade and other receivables

In thousands of EUR	31 December 2009	31 December 2008
Total receivable	64,062	64,851
Of which: not due	51,263	49,018
past due not impaired	12,799	15,833
Less than 180 days	12,410	15,027
Between 180 days and 360 days	390	737
More than 360 days	0	69

Movements in the allowance for doubtful debts

In thousands of EUR	31 December 2009	31 December 2008
Balance at beginning of the year	34,311	33,516
Charged against bad debt provision	5,028	837
(Released) against bad debt provision	(372)	(42)
Balance at the end of the year	**38,967**	**34,311**

Aging of impaired trade and other receivables

In thousands of EUR	31 December 2009	31 December 2008
Total impaired	38,967	34,311
Of which: Less than 180 days	3,464	2,644
Between 180 days and 360 days	3,950	2,534
More than 360 days	31,553	29,133

10. Current financial assets / liabilities

The balance EUR 20 420 thousands (2008: EUR 239 thousands receivable) represents the liability on the cash pooling account within FT group. On 15 March 2006 Orange signed the Centralized Treasury Management Agreement with France Telecom S.A (FT). This agreement centralizes and organizes the cash management by FT of the company's available funds. France Telecom opened an EUR account with Bank Mendes Gans, part of the ING Group (BMG) dedicated to Orange Slovensko. During 2008 under the France Telecom decision the bank account was changed from BMG to BNP Paribas. The balance outstanding at any time on the bank account represents the cumulative cash-pool deposits (balance as at 31 December 2008) or overdraft (balance as at 31 December 2009) of Orange with FT.

Cash balances are not subject to any foreign exchange risk as they are denominated in local currency. The balances bear interest rate calculated as EONIA (EONIA: Euro Overnight Index Average). Interest is accounted for on a monthly basis and capitalised on the current account of the company. In case of overdraft the interest is paid on a monthly basis and is calculated as EONIA plus fixed rate of interest. Interest rate was 0.81% as at 31 December 2009.

11. Cash and cash equivalents

In thousands of EUR	31 December 2009	31 December 2008
Cash on hand and cash equivalents	330	281
Bank balances and deposits	5,469	28,810
Cash and cash equivalents in the balance sheet	**5,799**	**29,091**

EUR 365 thousands is pledged to the customs office and EUR 3.3 thousand to Tatra banka as a security deposit.

Orange's cash balance includes deposits held in interest bearing accounts, current accounts and cash on hand.

12. Equity

Share capital

At 31 December 2009 the authorized share capital comprised 1 181 755 ordinary shares, with a nominal value of EUR 33.19 each, 1 ordinary share with a nominal value of EUR 13.78 and 1 ordinary share with a nominal value EUR 0.66. At 31 December 2008 the authorized share capital comprised 33 764 441 ordinary shares, with a nominal value of 35 Slovak Crowns each, fully paid as at 13 January 2003.

Reserves

Reserves of EUR 15 260 thousands (2008: EUR 15 260 thousand) relate to Legal Reserve Fund which is not available for distribution and should be used for the coverage of future losses arising from business activities, if any.

Dividends

As at the date of preparation of these financial statements the Board of Directors made no decision regarding the amount of dividends to be paid from the profit of 2009.

In April 2009 the shareholders approved a dividend payment of EUR 199 million related to profits of 2008 at their annual general meeting. The amount of EUR 120 million was paid in June 2009 and EUR 79 million in October 2009.

13. Interest-bearing loans

Bank loans

In thousands of EUR	31 December 2009	31 December 2008
Bank loans	-	59,749
Balance at the end of the year	**-**	**59,749**

On 8 December 2006 the Company signed a Revolving Credit Facility Agreement with 3 Slovak banks. Revolving credit facility is in an aggregate amount of up to EUR 199 164 thousand and the final maturity date was 5 years after the date of the agreement. The balance at the end of 2009 is nil (2008: EUR 59 749 thousand). Interest was paid on a monthly basis and interest rate was 2.61% as at 31 December 2008.

As of December 31, 2008, the carrying amount of the loan with variable interest rate approximated its fair value.

14. Non current provisions

In thousands of EUR	Retirement Benefit Cost	Provision for Asset Retirement	Provision for Universal Services	Other	Total
Balance at 31 December 2008	186	18,892	15,455	-	34,533
Provisions made during the year	48	-	5,831	7	5,886
Provisions used during the year	(2)	(12,774)	-	-	(12,776)
Provisions reversed during the year	(32)	-	-	-	(32)
Balance at 31 December 2009	**200**	**6,118**	**21,286**	**7**	**27,611**

Provision for Retirement benefit cost represents payment of one month salary (average of the last quarterly income) which has to be paid only in the case of retirement according to Slovak law. During 2009 EUR 2 thousands (2008: EUR 3 thousands) was used to pay such an obligation.

Provision for Assets retirement obligation was recorded in amount of EUR 6 118 thousands, using the following assumptions based on an expert's study: average costs of site demolition of EUR 8 thousands, an average site usage of 132 years with an average useful life of equipment of 10 years, discount rate of 5.00%, inflation rate of 3.00% and number of sites of 2 045 (2008: EUR 18 892 thousands, 133 years, 4.75%, 5.00% and 1 932 sites respectively). The decrease of the provision was caused predominantly by decrease in the inflation rate from 5.00% to 3.00% and increase in discount rate from 4.75% to 5.00% in 2009. The Company shows an amount of EUR 4 813 thousand in the asset side of the balance sheet (Note 4).

An additional provision for Universal Services of EUR 5 831 thousands was recorded in 2009, total balance of provision recognized at 31 December 2009 amounts to EUR 21 286 thousands. The provision represents the management's best estimate of the amount of obligation to Slovak Telecom ("ST") for the universal services provided from January 2005. Under the currently valid Act on Telecommunications, Orange is required to contribute towards the costs associated with provision of so-called "universal service" mandated by the Act and currently provided by Slovak Telecom (see more in Note 30).

15. Trade payables and other liabilities

In thousands of EUR	31 December 2009	31 December 2008
Trade payables	50,336	32,871
Accrued liabilities	62,535	76,772
Tax liabilities (VAT)	7,108	11,118
Liabilities to employees	11,374	10,814
Other current liabilities	372	1,279
Total	**131,725**	**132,854**

Decrease in trade payables relates mainly to unpaid handset supplier invoices and interconnect providers. Accrued liabilities relate mainly to purchase of long-lived assets related to network.

Payables within and after maturity

In thousands of EUR	within maturity period	within 360 days overdue	more than 360 days overdue	Total
31 December 2009				
Trade payables	48,916	1,251	169	50,336
Accrued liabilities	62,535			62,535
Tax liabilities (VAT)	7,108			7,108
Liabilities to employees	11,374			11,374
Other current liabilities	372			372
Total	**130,305**	**1 251**	**169**	**131,725**

In thousands of EUR	within maturity period	within 360 days overdue	more than 360 days overdue	Total
31 December 2008				
Trade payables	31,601	1,078	192	32,871
Accrued liabilities	76,772			76,772
Tax liabilities (VAT)	11,118			11,118
Liabilities to employees	10,814			10,814
Other current liabilities	1,279			1,279
Total	**131,584**	**1,078**	**192**	**132,854**

16. Deferred income

In thousands of EUR	31 December 2009	31 December 2008
Prepaid phone cards (Prima cards)	6,676	6,351
Post paid customers	19,984	19,314
Other	9	331
Total	**26,669**	**25,996**

17. Revenues

Revenues are presented in the table below:

In thousands of EUR	2009	2008
Revenues from services	790,455	838,765
Sale of equipment	22,211	24,339
Total revenues	**812,666**	**863,104**

18. External purchases

External purchases are presented in the table below:

In thousands of EUR	2009	2008
Purchased goods and services	201,793	221,193
Service fees and interoperator costs	131,204	141,032
Costs associated with non-current assets	14,096	12,722
Other	21,137	21,311
Total external purchases	**368,230**	**396,258**

19. Other operating expenses, net

In thousands of EUR	2009	2008
Brand royalty and management fees	22,461	20,274
Bad debt provision	6,760	1,551
FX differences net	91	(918)
Other operating expenses	12,865	24,528
Other operating income	(7,059)	(1,935)
Total other operating expenses, net	**35,118**	**43,500**

Included in the Other operating expenses in 2009 is creation of Provision for Universal services of EUR 5 831 thousands (2008: EUR 15 456 thousands) (see Note 14).

20. Wages and contributions

In thousands of EUR	2009	2008
Wages and salaries	30,805	29,173
Bonuses and holiday payroll provision	9,531	10,265
Social contribution	10,631	10,319
Other	4,065	4,134
Total wages and contributions	**55,032**	**53,891**

21. Interest expenses

In thousands of EUR	2009	2008
Bank loan interest	206	4,330
Other	49	-
Total interest expenses	**255**	**4,330**

22. Interest income and related revenues

In thousands of EUR	2009	2008
Interest income	187	893
Other financial income	4	18
Total interest income	**191**	**911**

23. Income tax

A reconciliation of the effective tax rate is shown in the table below:

In thousands of EUR	2009	2008
Income tax payable from operating activities	51,925	57,221
Deferred income tax from operating activities	(3,987)	(7,873)
Total income tax	**47,938**	**49,348**

In thousands of EUR	2009	2008
Profit before tax	247,697	248,392
Income tax at the rate of 19%	47,062	47,194
Tax income in respect of prior year	(494)	(252)
Impact of adjusting items: permanent differences and other differences	1,370	2,406
Total income tax	**47,938**	**49,348**

24. Share based compensation

Under share based compensation the Company reports:

Employee Stock Option Plan

Under employee stock option plan, executive directors and senior managers have been granted the options to purchase ordinary shares of FT and exercise them at any time from the date of vesting to the date of expiry which was 31 December 2008. The estimated fair value of unexercised options amounted to EUR 152 thousands as at 31 December 2009 (2008: EUR 152 thousands).

Employee Share Offers

Following the sale of a portion of France Telecom‘s capital by the French State, shares were offered to the Group‘s current employees. FT sees employee shareholding as a way to motivate and reward employees on company’s performance. The estimated fair value of shares subscribed by employees amounted to EUR 326 thousands as at 31 December 2009 (2008: EUR 326 thousands).

Cash Incentive Plan

At the beginning of year 2008, France Telecom Group has issued Free Share Award and Cash Incentive plans with the underlying shares of France Telecom SA. The beneficiaries are the employees of its foreign subsidiaries. In some countries, the Free Share Award Plan is replaced by a Cash Incentive Plan, granted by the local Boards. In a Cash Incentive Plan, employees don‘t receive FT shares but a cash amount which corresponds to the FT share price at the vesting date. It will take effect at beginning of 2010, the condition for coming into effect was financial performance - Orange had to generate planned organic cash flow in 2007 and 2008. The estimated fair value of cash incentive plan amounted to EUR 900 thousands as at 31 December 2009 (2008: EUR 441 thousands).

25. Financial instruments

Risk Management Policies

Orange's activities expose it to a variety of financial risks, including mainly credit risk. Orange's overall risk management program focuses on the unpredictability of financial markets and economic environment and seeks to minimize potential adverse effects on its financial performance.

Capital Risk Management

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

The capital structure of the Company consists of debt, which includes the borrowings disclosed in note 13, cash and cash equivalents, cash pooling (Note 10) and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in notes 12.

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

The Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total loans (as shown in the separate balance sheet) less cash and cash equivalents.

The gearing ratios at 31 December 2009 and 2008 were as follows:

In thousands of EUR	31 December 2009	31 December 2008
Bank Loan	-	59,749
Cash and cash equivalents	(5,799)	(29,091)
Financial liabilities/(assets)	20,420	(239)
Net debt	**14,621**	**30,419**
Equity	**383,654**	**382,895**
Net debt to equity	**4 %**	**8 %**

Significant Accounting Policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 3 to the financial statements.

Main Categories of Financial Instruments

In thousands of EUR	31 December 2009	31 December 2008
Financial assets		
Cash and cash equivalents	5,799	29,091
Current financial assets	-	239
Investment in subsidiary	106	106
Financial liabilities		
Interest-bearing loans	-	59,749
Current financial liabilities	20,420	-

Financial Risk Management

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

Foreign Exchange Risk

In the past Orange faced foreign exchange risk as its revenues were denominated in Slovak Crowns, while a significant portion of capital and operational expenditures were denominated in other currencies, mainly EUR. The Company's exposure to changes in EUR exchange rate was ended effective January 1, 2009 when the Euro became the official currency of the Slovak Republic. From 1 January 2009 the Slovak Republic became the member of Euro Zone, the official conversion rate was stated for 30.126 SKK/EUR. From that date the Company has mainly exposure to USD currency which represents a minor risk in respect of USD position to total amount of liabilities/assets, and therefore no sensitivity analysis was performed. Company ensures that its net exposure is kept to an acceptable level by buying or selling USD and other foreign currencies at spot rates when necessary to address short-term imbalances.

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

In thousands of EUR	Liabilities		Assets	
	2009	2008	2009	2008
currency EUR	-	26,552	-	7,220
currency USD	1,500	302	81	321

Interest Rate Risk

Orange's income and operating cash flows are affected by changes in market interest rates. The Orange's interest rate risk arises from revolving loans. As at 31 December 2009 Orange has loan from France Telekom that incurred both floating rate of interest based on the EONIA and fixed rate of interest (see Note 10 for more details).

The sensitivity analyses have been determined based on the exposure to interest rates at the balance sheet date. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the balance sheet date was outstanding for the whole year. A 50 basis points increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Orange's profit for the year ended 31 December 2009 would decrease/increase by EUR 102 thousands (2008: decrease/increase by EUR 299 thousands). This is attributable to the Company's exposure to interest rates on its variable rate borrowings under the Orange cash pooling.

Credit risk

Concentrations of credit risk with respect to trade receivables are limited due to the large number of customers comprising Orange's customer base.

In addition, should the customer fail to pay any due payment for services, Orange will limit the customer's outgoing calls and thereafter the provision of services will be disconnected.

Liquidity risk

Liquidity risk is the risk that the company will not be able to meet its financial obligations as they fall due. Orange's approach to managing liquidity is to ensure that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Orange's reputation. Management monitors rolling 12-months forecasts of the Orange's liquidity reserve (comprises loan facility and cash and cash equivalents) on the basis of expected cash flow.

Group's treasury department exercise the policy of cash pooling of the company's available funds to maximalise economic return and to manage the cash optimisation and centralization under the best financial conditions for most of the affiliated companies (see Note 10).

The following tables detail the Company's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay. The table includes both interest and principal cash flows.

2009

In thousands of EUR	Weighted average effective interest rate	Less than 1 month	1 – 3 months	3 months to 1 year	1 – 5 years	5+ years
Non-interest bearing	-	114,046	17,679	-	-	-
Financial guarantee contracts	-	-	-	-	3	365
Variable interest rate instruments	0,75%	20,420	-	-	-	-
Total		**134,466**	**17,679**	**-**	**3**	**365**

2008

In thousands of EUR	Weighted average effective interest rate	Less than 1 month	1 – 3 months	3 months to 1 year	1 – 5 years	5+ years
Non-interest bearing	-	105,252	26,720	883	-	-
Financial guarantee contracts	-	33	-	-	3	365
Variable interest rate instruments	4,49%	59,749	-	-	-	-
Total		**165,034**	**26,720**	**883**	**3**	**365**

26. Related party transactions

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

In thousands of EUR	31 December 2009	31 December 2008
Trade accounts receivable - current		
France Telecom SA	1,666	2,688
Equant	1,313	649
Orange Romania	156	195
Orange France SA	31	95
Orange CorpSec	35	27
Mobistar	13	11
Orange SA – Corp. UK France	-	264
Other	140	179
	3,354	**4,108**
Liabilities – current and Unbilled supplies		
France Telecom SA	13,111	13,573
France Telecom SA – cash pool account	20,420	-
Orange Brand Services	2,928	3,319
Orange SA – Corp. UK France	265	845
Orange Romania	81	561
PTK Centertel	57	100
Orange CorpSec	82	82
Other	72	1,020
	37,016	**19,500**

In thousands of EUR	2009	2008
Purchases		
France Telecom SA	17,380	18,139
Orange Brand Services	12,492	12,793
Orange Romania	553	2,396
Orange CorpSec spol. s r.o.	984	946
Orange France SA (ex FTM SA)	377	590
OCH (ex OCSA)	265	383
OPCS - Orange Personal Com. Serv. Ltd.	216	213
Orange SA - Corp. UK France	129	113
PTK Centertel	173	319
Mobistar	127	143
Other	939	1,383
	33,635	**37,418**
Sales		
France Telecom SA	12,339	9,218
Equant	4,024	1,853
PTK Centertel	673	1,078
Orange France SA (ex FTM SA)	256	437
Orange Romania	309	330
OPCS - Orange Personal Com. Serv. Ltd	185	278
Orange CorpSec spol. s r.o.	133	147
OCH (ex OCSA)	148	113
Mobistar	136	83
Other	858	616
	19,061	**14,153**

The following related party transactions are applicable for by the Company:

– Management fees, Brand fees - transactions mainly with Orange Brand Services and France Telecom SA (ultimate parent company);
– Intra-group international telecom services – mobile and other telecom services with other group companies;
– Shared products - mobile and other telecom services with other group companies.

27. Information on income and emoluments of members of the statutory bodies, supervisory bodies, and other bodies of the accounting entity

Income and emoluments of Company's members of the statutory body, supervisory body and other bodies are summarized in the following table:

In thousands of EUR	2009	2008
Statutory body	48	48
Supervisory body	88	88
Total	**136**	**136**

28. Operating leasing

Leases as Lessee

The Company is committed under operating leases with terms ranging from one to fifteen years relating primarily to office, retail space, technological premises and land and rooftops for base stations. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

In thousands of EUR	31 December 2009	31 December 2008
Less than one year	5,190	5,580
Between one and five years	4,630	8,707
After five years	856	1,136
	10,676	**15,423**

Total expense for rent represents EUR 12 millions (2008: EUR 11 millions) and primary represent office, retail space, technological premises and land and rooftops for base stations and other equipment.

The Company keeps evidence of assets under lease contracts.

29. Commitments and contingencies

Litigation

The Company is not involved in any legal proceedings outside of the normal course of business. Management does not believe that the resolution of the Company's legal proceedings will have material adverse effect on its financial position, the result of the operations or cash flow.

Commitments

The Company has CAPEX commitments in total amount of EUR 9 468 thousands, of which EUR 3 250 thousands relates to intangible investment and EUR 2 840 thousands relates to investment in network assets and the remaining commitments relates to investment into other long-lived assets.

Legal Commitments

The Company gave guarantees to third parties in amount of EUR 368 thousands.

30. Critical accounting estimates, judgements and key sources of estimation uncertainty

The preparation of financial statements in conformity with IFRS as adopted by the EU requires management to make judgments, estimates and assumptions that affect application of policies and reported amounts of assets and 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.

The 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.

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within next financial year are discussed below:

Estimated Useful Lives of Property, Plant and Equipment and Intangible Assets

Useful lives, which are described in the note 3 (f) and (g), are determined based on the Company's best estimate of useful lives of long-term assets.

Estimated Asset Retirement Obligation

The Company recorded asset retirement obligation for the retirement and decommissioning of base stations. Orange Slovensko, a.s., situates base stations on land, rooftops and other premises under various types of rental contracts. In estimating the fair value of the retirement obligation for the base stations, the Company made a range of assumptions such as the cost of removing network equipment and remediating the sites and time of site usage.

Provision for Universal Service Costs

Under the currently valid Act on Telecommunications, Orange is required to contribute towards the costs associated with provision of so-called "universal service" mandated by the Act and currently provided by Slovak Telekom. Slovak Telekom (incumbent operator) is claiming a total net universal service costs from all telecom operators arising from January 2005. The Telecommunications Office of the Slovak Republic reserves the right to review the calculation methodology that the incumbent operator would deploy for identification of the relevant net cost components as well as telecommunication operators' market share. The timing and amount of the claim to contribute towards the net costs of universal service, which the incumbent operator is entitled to impose on the Company, are largely contingent upon the results of the Telecommunications Office's resolution. Moreover, the Slovak law includes the possibility for the regulator to have an independent verification of the amounts claimed.

Final amount in respect to the universal service costs to incumbent operator is uncertain. However, the Company's management believes that the provision for universal services created as at 31 December 2009 represents the best estimate of the obligation in relation to reimbursement of the cost of universal service to Slovak Telecom.

Financial Crisis and Economic Recession

The management of the Company monitors the impact of the financial crisis and the economic recession on the Company's business activities. The management of the Company believes that the financial crisis and recession has no significant impact on the Company's business activities due to the nature of the Company's activities, large number of customers comprising Orange's customer base and limited level of risk associated with the use of external sources of financing.

31. Subsequent events

No events with a material impact on the true and fair presentation of facts presented in these financial statements occurred after 31 December 2009 up to the date of preparation of these financial statements.

32. Approval of financial statements

The financial statements were approved by the board of directors and authorised for issue on 23 March 2010.

Pavol Lančarič

Chief Executive Officer
and Member of
Board of Directors

Corentin Maigné

Chief Financial Officer
and Member of
Board of Directors

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