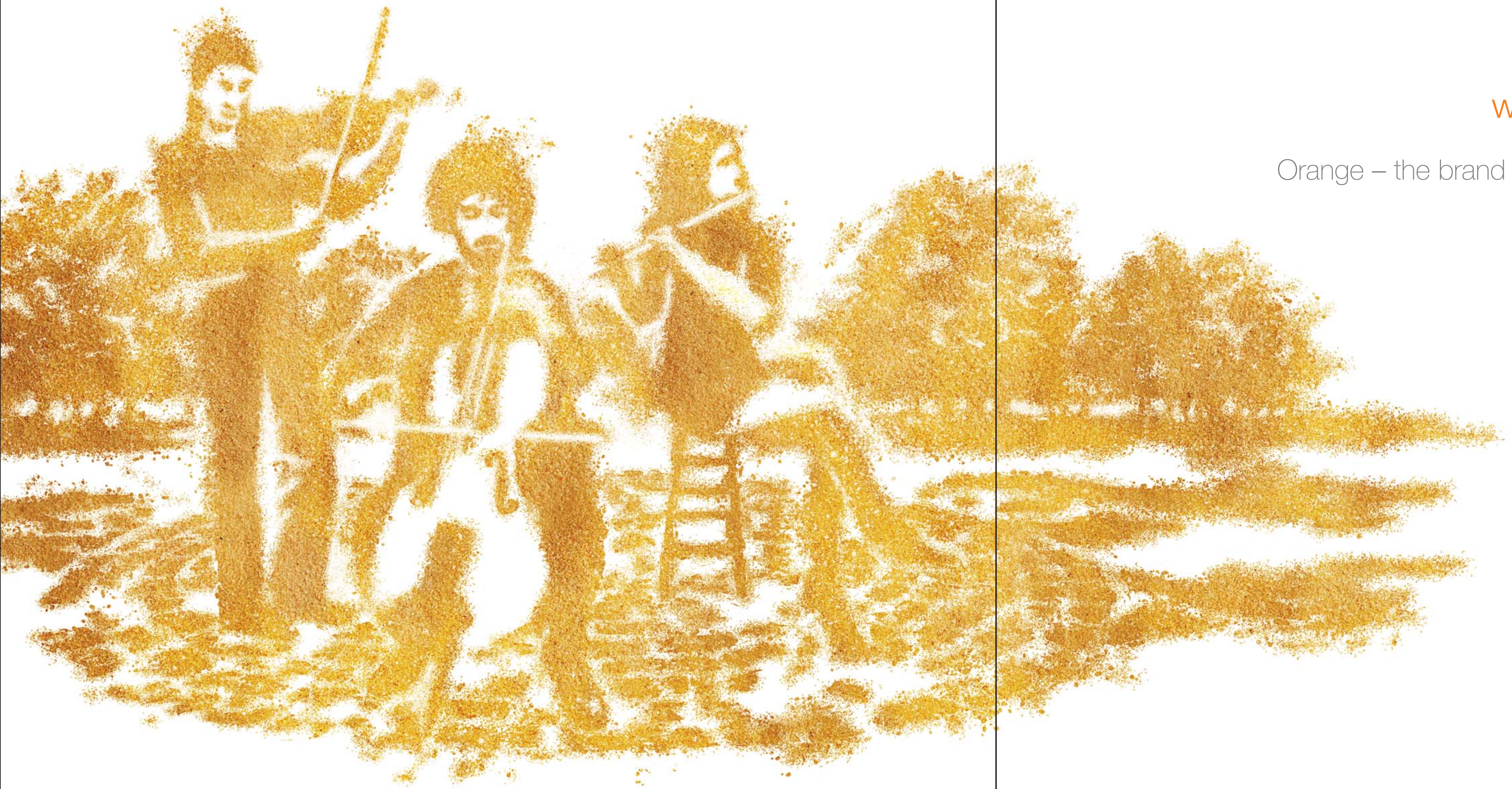
day by day together for 15 years

annual report
2011

orange™

contents



we are part of a strong group

Orange – the brand of the global France Telecom Group

Orange Slovensko, a.s.

registered office of the Company
Prievozská 6/A, 821 09 Bratislava, Slovak Republic

Company Identification Number
35697270

date of registration in the Commercial Register of the Slovak Republic
3 September 1996

legal form
Joint Stock Company

entry status in the Commercial Register
Filed in the Commercial Register of Bratislava 1 District Court
Section Sa, File No. 1142/B

company characteristics

Orange Slovensko is a telecommunications operator providing complex telecommunications services. In its state-of-the-art mobile and fixed networks, it provides voice services, internet connection and television services. Currently, it is the biggest mobile operator in Slovakia. As of 31 December 2011, Orange Slovensko had almost 2.94 million active mobile network customers and more than 50 thousand customers in its fixed fibre network. Orange Slovensko is a member of the global Orange Group, which is one of the largest operators and broadband internet providers in Europe and one of global leaders in providing telecommunications services to multinational companies. The revenues of Orange Group as of 31 December 2011 amounted to EUR 45.3 billion, with 226 million customers.

Orange Slovensko is the first telecommunications operator in Slovakia that launched the latest FTTH based new generation fixed network.

Along with the 2G mobile data network with nationwide coverage, Orange is a leading provider of mobile broadband internet in the largest 3G network in Slovakia with an unrivalled coverage of more than 3.7 million inhabitants in 135 towns and almost 400 adjacent villages. The high-speed data network of Orange in HSPA+ standard, which is accessible over the whole territory of the Slovak Republic under UMTS coverage, provides support to data download speed of up to 21.1 Mbit/s. It is even available with the speed of up to 42.2 Mbit/s to almost 35% of Slovak population. Orange provides broadband internet connection also over DSL, with the maximum theoretical speed of up to 12 Mbit/s.

Orange Slovensko is the first telecommunications operator in Slovakia that launched the latest FTTH-based (Fiber To The Home) new generation fixed network, which currently covers more than 314 thousand households in 17 towns in Slovakia. The quality of Orange Slovensko services meets criteria of ISO 9001:2000 certificate and the company is a holder of ISO 14001:2004 environmental management certificate. In Slovakia, it is the leader in the field of corporate social responsibility and corporate philanthropy by means of to the Nadácia Orange – the oldest and, based on public opinion surveys, the most trustworthy corporate foundation in Slovakia. Thanks to its extensive and long-term activities in the field of corporate social responsibility, Orange was awarded, for the third time, a prestigious award – 2010 Via Bona Slovakia grand prix to large corporations for a comprehensive approach to responsible business.

bodies of the Company

board of Directors

chairman	Brigitte Bourgoin
vice-chairman	Ladislav Rehák
member and chief executive officer	Pavol Lančarič
members	Dominique Garnier
	Pierre Hamon
	Ivan Golian
	Corentin Maigné

supervisory Board

chairman	Bertrand du Boucher
vice-chairman	Vincent Brunet
members	Ivan Marták
	Dana Prekopová
	Ján Kodaj
	Jérôme Berger

management

chief executive officer	Pavol Lančarič
deputy chief executive officer and ITN director	Ivan Golian
chief financial officer	Corentin Maigné
strategy and regulatory affairs director	Ivan Marták
commercial director	Zuzana Nemečková
communications and brand director	Andrea Cocherová
human resources director	Andrea Kopná
customer service director	Vladislav Kupka

persons behind the success of the Orange brand

Meet the Directors of Orange Slovensko.

Pavol Lančarič

CEO

He was born in 1963, graduated from the Faculty of Commerce at the Economics University in Bratislava and received his PhD in 1991. Between 1990 and 1992, he was a member of the Advisory Committee of the Prime Minister at the Slovak Government Office. Since 1993, he has taken management positions in various multinational companies. Since 1997, he has been working at Orange Slovensko, a.s., where he started as the Commercial Director. Since 1999, he has been the CEO of Orange Slovensko, a.s., where he also serves as a Board member.

Ivan Golian

ITN Director and Deputy Chief Executive Officer

He was born in 1964. He completed university education at the Slovak Technical University in Bratislava and achieved his PhD at the Department of Applied Informatics and Automation at MTF STU. Beginning in 1993, he worked at the Department of Electronics and Automation in KIHO Gent, Belgium, and about two years later he began to work at Digital Equipment Corporation as a project manager for banking and telecommunications sector. In 1997, he joined Orange Slovensko, where he worked for more than eight years as a member of the senior management, ITN Director and Chief Operation Officer. In 2005, he became Deputy Chief Executive Officer. Beginning in 2006, he was the VUB bank´s Board member and also worked as the Director of Information Technologies and operations in there. Since January 2009, he has been the ITN Director at Orange Slovensko, and he is also the Deputy CEO and a Board member.

Ivan Marták

Strategy and Regulatory Affairs Director

He was born in 1964. He graduated in journalism from the Philosophical Faculty at Comenius University in Bratislava. He obtained technical training in telecommunications from the Slovak Technical University in Bratislava. Since 1992, he worked in the International Telecommunication Union, and in 1995, from the Canadian Institute of Telecommunications Management in Montreal. Beginning in 1993, he held various management positions at Slovenské telekomunikácie, š.p. (Slovak Telecom). Since 2001, he has been working in Orange Slovensko, a.s. as the Strategy and Regulatory Affairs Director.

Corentin Maigné

Chief Financial Officer

He was born in 1971. He graduated from the Ecole SuperiEure de Commerce De Reims and obtained his MBA Degree at Canterbury Business School (University of Kent, Great Britain). In 1994, he started working for France Telecom and was responsible for centralization of accounting and internal control. From June 1998, he worked as the Chief Financial Officer and was in charge of purchasing, controlling and budgeting in a regional business unit. About two years later he began to work at Orange as the International Financial Controller for Spain, Jordan and Slovakia until 2002, when he started to work as the Deputy Chief Financial Officer of Orange Dominicana. From 2006, he worked for Mobistar Group in Brussels as Controller. At Orange Slovensko, a.s., he has been working from 2008 as the Chief Financial Officer and as Board member.

Andrea Cocherová

Communications and Brand Director

She was born in 1972. She graduated from the Philosophical Faculty at Comenius University in Bratislava. Beginning in 1994, she worked as a reporter and later as the editor of the monthly – Strategy. In 1996, she took the position of Executive Director of the Advertising Council. At Orange Slovensko, a.s., she has been working since June 1997, where she first worked as Public Relations Manager and later as Communication Manager. She became Communications and Brand Director when the position was established in 2004. She has been the Vice-President of the Council for Advertising and the Trustee of the Nadácia Orange.

Vladislav Kupka

Customer Services Director

He was born in 1974. He graduated from the Philosophical Faculty at University of St. Cyril and Methodius in Trnava. In 1994, he started working in sales and since 1996, he has worked in Orange Slovensko, a.s., first as an employee of the Customer Centre, a year later he started working for the Back Office as a coach, and he worked up to the position of Residential Customers Manager. Since July 2008, he has been Customer Services Director at Orange Slovensko, a.s..

Andrea Kopná

Human Resources Director

She was born in 1967. She graduated from the Economics University in Bratislava. Since 1991, she has been operating in the field of human resources management. In 1996, she took the position of Deputy Human Resources Director of Globtel GSM (later Globtel, a.s.) and of Orange Slovensko, a.s.. Since 2003, she has been working as Human Resources Director at Orange Slovensko, a.s..

Zuzana Nemečková

Commercial Director

She was born in 1970. She graduated from the Faculty of Commerce at the University of Economics. In 1993, she began working as Assistant to Director and later as a Marketing Manager at Tchibo Slovensko, s.r.o. In 1996, she became Director of Sales, Marketing and Communications with Rajo, a.s. Since 2001 she has worked at Orange Slovensko, a.s., as the Commercial Director.

we have been here for 15 years, thanks to you

CEOs foreword

Dear shareholders, customers, employees, partners and friends,

in 2011, we celebrated 15 years of operations of our company in the Slovak market. I would like to use this opportunity to thank our customers for the trust they have shown us in the long-term and, also our employees for their sincere efforts to make us the best choice for customers.

In general, the economic environment has not been favourable to telecommunications operators all over Europe. A combination of economic stagnation, regulation, as well as decline in revenues represents a big challenge for the telecommunications sector. It has affected, in particular, companies such as Orange, which intend to stay at the forefront of technological development and provide customers with the latest top quality services. If we want to be the best customer choice, we have to generate sources for investments when revenues decline.

We remained the most attractive telecommunications operator in the market, chosen by the largest number of customers.

We managed to meet those goals successfully in 2011. While pursuing that, key roles were played by the long-term strategic focus of Orange on high level services in all networks as well as in all contact points, the persistent focus on quality, innovative and favourable offers and, last but not least, motivated team of employees. Thanks to those factors, and a successful management of costs, we achieved all the financial goals set by our shareholder. With revenues of Eur 729 million, we reached profitability level of 43.4% of earnings before taxation, depreciation and amortization, an amount of Eur 316 million, as well as to accumulate sufficient cash for investments, with net cash flow of the company before financing and payment for GSM/UMTS licences worth Eur 197 million at the end of the year.

Orange also excelled in the field of market results. We maintained our position as the most attractive telecommunications operator in the market, chosen by the largest number of customers. Orange signed the biggest number of postpaid and prepaid contracts as well as mobile internet connection deals, up to 1,240,000 customers.

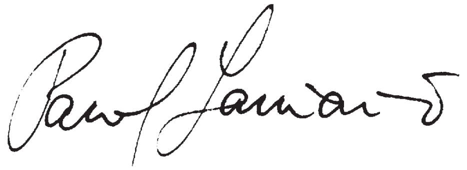
Moreover, we experienced a record low in postpaid customers churn amounting to 7.4%. This has resulted in an increase of active customers' numbers in our mobile network by 2.3%, namely, to 2.94 million active users.

The share of data services in total revenues for mobile services amounted to 21.8%. The continuous double-digit growth of data traffic is not only the result of data equipment availability, but goes hand in hand with the network quality and speed. Last year, we increased the speed of the largest 3G network to 42.2 Mbit/s and, to provide customers with full scale use of it, we offered them tablets or two devices – a tablet and a phone starting at Eur 1.

We have brought top mobile equipment – smartphones and tablets – to our customers, which induced our growth in the field of mobile services.

We have brought top mobile equipment – smartphones and tablets – to our customers, which has helped generate our growth in the field of mobile services. We have invested in innovations, development and quality. We were the first to present a unique innovation that introduced a change in the approach to mobile phones subsidising. Only our customers can buy subsidised phones for discounted prices with no contract, or get phones with plans and even with additional discounts based on the cumulative sum in preceding bills.We have introduced a new enhanced triple play TV, Internet and Phone package for a favourable price, as well as access to millions of songs to computers and phones for our customers using the MusicJet service.

Our performance last year shows that we are in a very good financial and commercial condition. Also in 2012, we will try to be a reliable partner for our customers in every life situation and, at the same time, to be the best in the market.



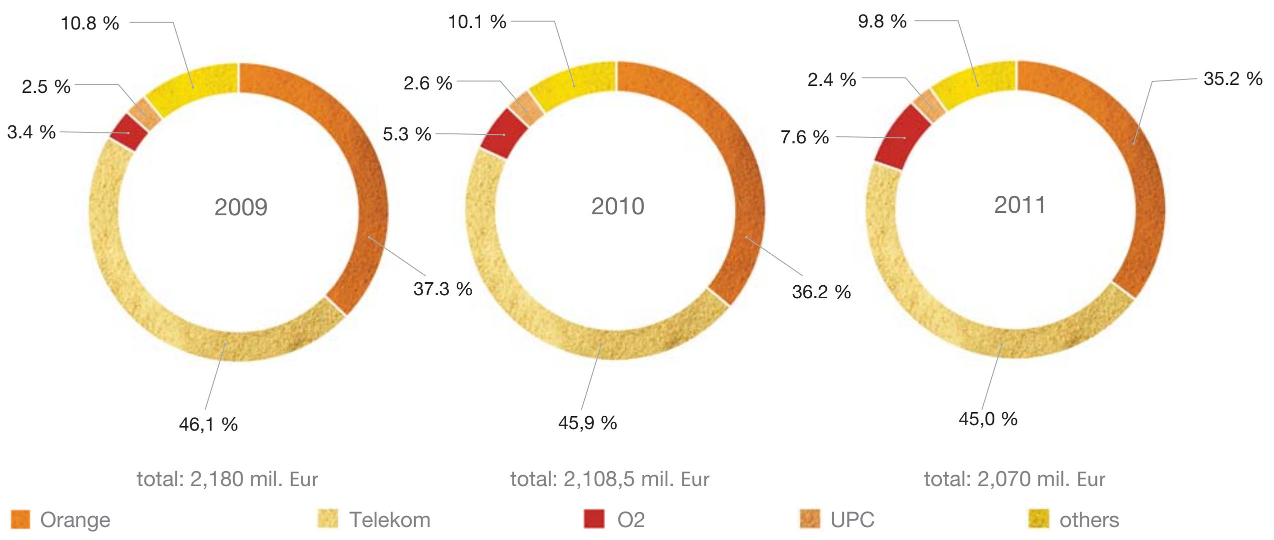
Ing. Pavol Lančarič, PhD.
Chief Executive Officer and Member of the Board of Directors

big challenges are our big opportunities

telecommunications market in 2011

2011 was marked by a continuing modest decline of the telecommunications market. It was predominantly caused by the regulation and falling demand as a result of fears of economic crisis. Combination of both aforementioned factors resulted in a decline of the entire telecommunications market in 2011 by 1.8 % compared to 2010.

development of revenues of the telecommunications market broken down to operators



As a result of the regulation and economic situation, revenues in the telecommunications markets have been declining for several years.
Source: data published by operators

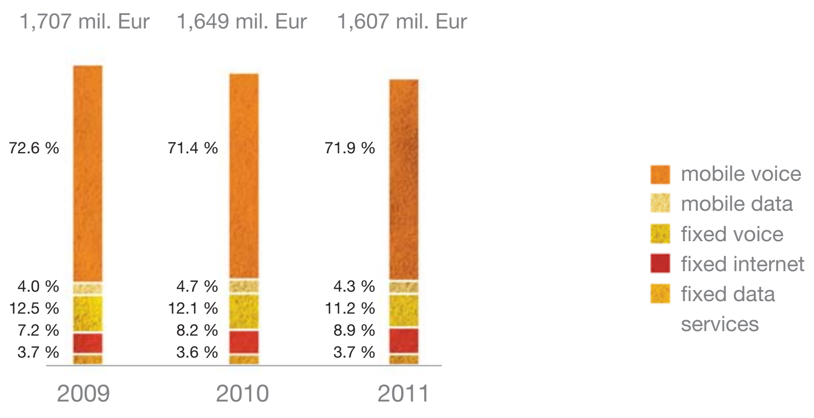
We experienced a decline in revenues in almost all segments of telecommunications services. The only exemption, with a slight increase, was fixed internet connection that increased by 4.6% on the year-on-year basis.

After years of growth, also the mobile data services market declined for the first time, namely, by 9.3%. Total mobile market revenues that form 61% of the telecommunications market value decreased by 2.4%. The decline was caused by a drop in the volume of total voice traffic and a reduction in the average price.

To a large extent, mobile services revenues continued to be generated by users with plans; revenues from prepaid services made up only 14% of the market. In 2011, we observed a continuing decline in the market of telephone services in the fixed network. In figures, revenues declined by 9.4% and the number of customers dropped by 1.9%.

After years of growth, a decline of 9.3% was observed also in the mobile data services market.

structure of the telecommunications market revenues broken down to services



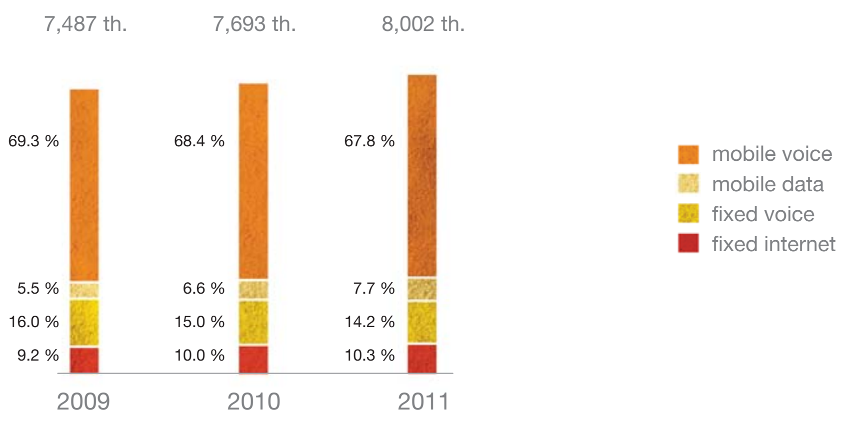
The mobile market represents as much as 61 % of the total value of the telecommunications market. In 2011, it generated total revenues in the amount of Eur 1.22 bn.
Source: data published by operators

The overall number of customers in the telecommunications market in 2011 increased by 4% to 8.002 million. We recorded an increase of the number of customers in three out of four market segments – with the exception of the fixed lines market, where the number of customers declined by 21 thousand.

Based on the survey titled Market and Demand, around 93% of inhabitants of Slovakia use mobile phones, with the penetration level reaching 112%. It means that there is a growing number of customers in the market with two and three SIM cards, as well as customers with data SIM cards. At the end of 2011, there were 6.047 million mobile services customers; that represents a year-on-year increase by 4.8%.

The biggest increase of the number of customers in the last year was recorded by the fixed internet, namely by 6.9%.

number of the telecommunications market customers



The number of mobile phone users continued to grow, with two-thirds out of them subscribed to one of the calling plans.
Source: data published by operators

we are the leader and thus we offer high-end services

Orange Slovensko, a.s. on the telecommunications market in 2011

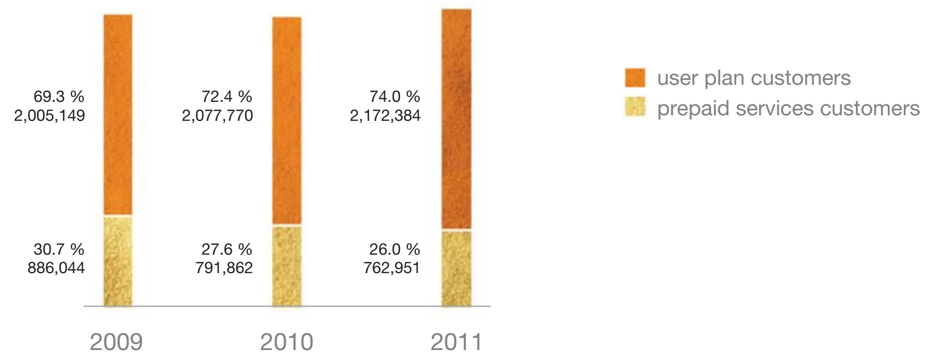
The long-term strategic orientation of Orange is built on strong foundations that bring palpable advantages to our customers. That is also the reason why we were the best operator in the rank of the number of commercial operations.

If we take into account the total number of signed and renewed contracts in 2011, Orange continued to be the most attractive operator for its customers. There were 1,240,000 customers of voice, data, postpaid and prepaid mobile services who showed their trust to us. The number of commercial operations was even higher than in the preceding year, by 2.3%. Rising satisfaction of Orange customers also resulted in a further decrease of the natural churn level of postpaid customers to 7.4%, which is, from the historical viewpoint, the lowest level ever.

In 2011, Orange remained the most attractive operator for its customers

It resulted in the year-on-year increase of the number of active Orange customers by almost 2.3% to 2.94 million active users of mobile services. Moreover, there were 51 thousand customers who used the services of digital TV and Internet connection over the optic fibre network. The share of postpaid customers in the total customer base increased by 4.6% to 74.5%; in line with the long-term strategic orientation of Orange on the postpaid segment. Customers can choose from a wide range of plans, dominantly by those subscribed to in sales points of Orange, based on the individual approach and analysis of their customer behaviour. The concept of the Orange garancia (Orange guarantee) tangibly contributes to customer satisfaction increase and still represents a unique approach to the sale of mobile telecommunications services, at least in our market. Persisting preference of postpaid monthly plans among customers reflects a high level of satisfaction of customers and the contracts show their trust to Orange as their operator. Postpaid services also enable them to use voice and data services in larger volumes and for more favourable prices.

customer structure of Orange mobile voice services



Development of the customer base structure in 2011 was in line with expectations and market development

A broad offer of plans is a matter of course which our customers are used to. Each customer is different and everyone prefers a different combination of voice, data and additional services. Our offer of voice services continues to be dominated by the popular Paušály snov (Plans of Dreams). Their offers and options were enhanced last year, based on the feedback from our customers and such upgraded plans are now offered as Paušály snov + (Plans of Dreams +). Thanks to them, customers have the choice of as many as 1,044 various combinations of voice services while, thanks to the Orange garancia (Orange guarantee), this process is simple and transparent. As at the end of 2011, Orange had 846,604 customers using some of the Paušály snov + (Plan of Dreams +) combinations and more than 700 thousand customers subscribed to one of the infinite calls in the Orange network plans, which represents almost one quarter of the customer base.

new principle in subsidising phones

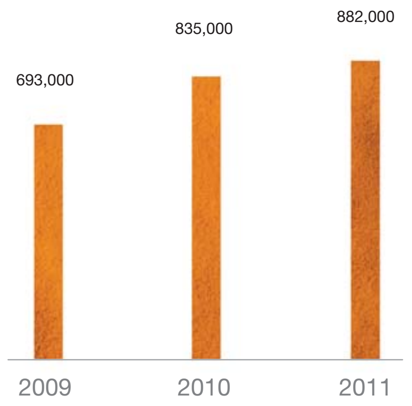
The Slovak mobile communications market has been given new impetus by an innovation from Orange – reverse subsidising of mobile phones.

Offers with subsidised mobile phones have been popular for many years. During last 15 years, Orange customers bought more than 7 million mobile devices, with every second device subsidised. The current demand for new mobile devices with modern functionalities, especially smartphones is one of the drivers of the demand for plans. Reverse subsidising of mobile phone by Orange is an innovation that gave new impetus to the Slovak mobile communications market. It provides Orange customers with a unique possibility to get subsidised mobile phones starting at Eur 1 without contracts. The prices of phones depend on the total sum of bills during the last period without a contract. However, advantages of cumulative amount of bills may be enjoyed also by customers who decide to opt for contracts. In such case, Orange provides them with additional discounts on prices of mobile phones. In 2011, more than 100,000 customers made use of this offer. By introducing the reverse subsidising, Orange managed to extend and enhance its offer so that really everyone can choose from it, regardless of the fact whether they want a contract or not and still enjoy the possibility to get a subsidised phone. Reverse subsidising based on the cumulative sum of bills is an attractive form of rewarding loyalty.

we offer high-end data services and devices

Mobile data services have been the fastest growing segment in the structure of Orange revenues. Their share in revenues from services provided in the last year amounted to almost 22%. At the same time, the growth of the number of mobile data services users was record high – 14% in 2011. We grew in all segments of mobile broadband – internet in mobile phone, internet at home and mobile internet connection for computers, notebooks and tablets.

increase of the number of mobile data services customers



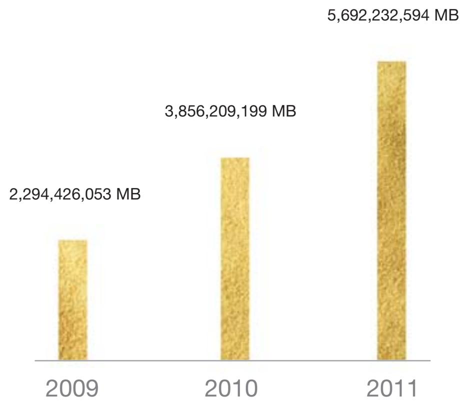
As traditionally, mobile data was the fastest growing segment of our customer base and revenues

A characteristic trend accompanying the onset of mobile broadband networks and increasing penetration of smart mobile devices is a continuous double-digit year-on-year data traffic increase. That pace has even exceeded the growth of the customer base. The overall volume of data traffic of Orange customers increased by 48% in 2011 alone.

Increasing demand for data is related to the possibilities of the data network that are continuously being upgraded by Orange, as well as functionalities of smartphones and tablets, whose penetration keeps growing. The share of smartphones and tablets in total sales amounted to almost 70%, in the decisive period of the last year. More than one third of mobile devices used by customers in Orange mobile networks are smartphones and tablets.

Orange has been trying to respond to such tendencies by the systematic increase of accessibility and speed of its 3G network, as well as innovations in the offer of services and devices. Last year, we extended our offer of internet connections by internet without contract, bills or monthly fees. To those favouring prepaid services, we started offering the Kreditný internet (Credit Internet). In 2011, Orange made it possible for almost 35 % of the Slovak population to access the mobile internet with a maximum theoretical speed of downloading of up to 42 Mbit/s and uploading of up to 5.8 Mbit/s. At the same time, we also upgraded the mobile broadband offer for the remaining part of Slovakia by increasing the maximum theoretical download speed to 21 Mbit/s.

data traffic development

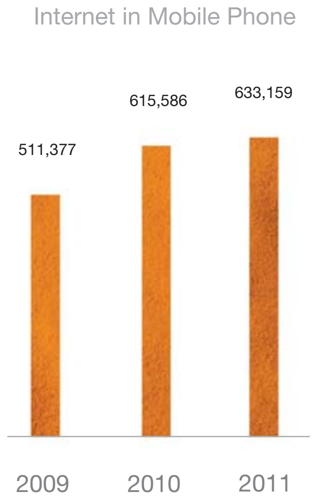


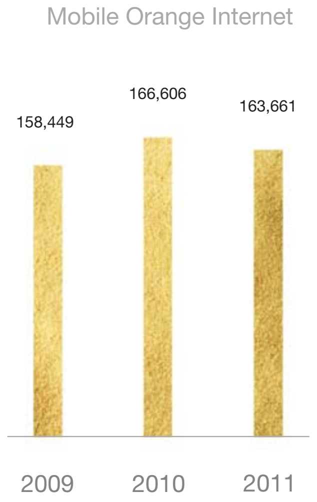
Data traffic has been growing rapidly thanks to the fact that broadband networks and technological progress enable customers to use mobile data devices more intensively.

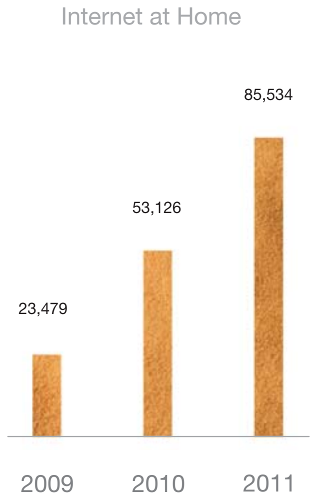
In 2011, Orange made it possible for almost 35 % of the Slovak population to access the mobile internet with a maximum theoretical speed of downloading of up to 42 Mbit/s.

Increased use of modern mobile devices in our network was driven by innovative hardware offers. We were the first in the market to offer tablets with selected packages of mobile internet starting at Eur 1. One extraordinarily successful proposition was an offer for customers to take one plan with two devices for subsidised prices – a tablet and a phone, and thus use the data included in the plan on both devices at the same time. Altogether, Orange customers bought 12 thousand tablets last year, which probably made Orange the largest retailer of such devices in the Slovak market.

structure of Orange mobile data services customers







Number of customers using Internet in Mobile Phone keeps growing, also thanks to growing popularity of smartphones. The Internet in Mobile Phone enables them to fully utilise all functionalities and possibilities.

Orange supports the use of mobile data services also by its offer of interesting value added services and its content. The MusicJet service pioneered its field and has enabled our customers to listen to or download, practically anywhere and anyhow, millions of songs from the music collection of the biggest global music publishing companies for a favourable monthly fee. The fact that the offer is successful was affirmed few months after its launch by the number of downloads and activations of the service that amounted to almost 50 thousands.

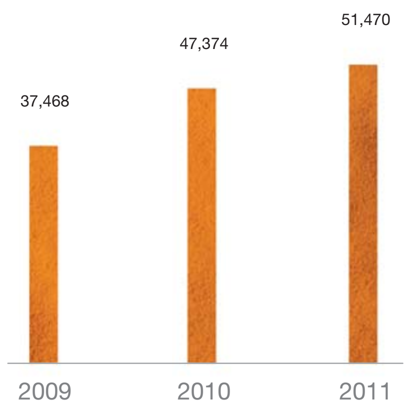
MusicJet pioneered its field and has enabled our customers to listen to millions of songs for a favourable monthly fee.

fixed fibre network digital services

We greatly simplified the Orange Doma (Orange at Home) offer and brought a new package combining the advantages of three services for the unrivalled price of Eur 19.99 per month.

For several years, Orange has been providing comprehensive digital communications services. Along to mobile networks, it operates one of the largest FTTH (Fiber To The Home) fibre networks, available to 314,000 Slovak households. Demand for such Orange services keeps growing each year. Last year, the development was driven by an updated offer of FiberNet and FiberTV services. We upgraded the Orange Doma (Orange at Home) offer and substantially simplified it, and bringing a new package combining advantages of three services for unrivalled price of Eur 19.99 per month. We increased the comfort of our customers using the Internet also by increasing the download speed to 100 Mbit/s even in the basic package. The basic package now contains TV with the 59 most wanted national and international TV channels, a unique TV archive and a possibility to download unlimited number of recordings and make calls for favourable prices. The number of Orange fibre network digital services users increased to almost 51 thousand last year. An interesting transformation was also observed in the structure of services used, with a leading position of the upgraded Orange Doma (Orange at Home) package among activated services.

number of the Orange Doma (Orange at Home) service customers



In 2011, more than 64% of Orange Doma (Orange at Home) customers opted for the most favourable Orange Doma (Orange at Home) triple play service.

established brand in the market

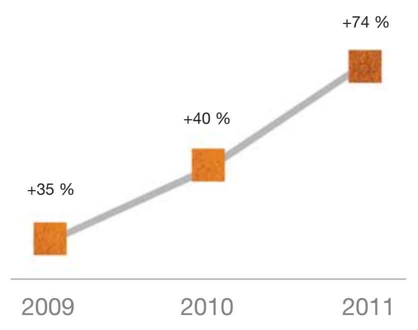
Another key moment of the last year was the stabilisation of the market share in the prepaid cards segment. We managed this especially thanks to an innovative offer with Funfón brand for the segment of young people. We fine-tuned the FunFón offer in June 2011 by launching the second-based charging, calls to all networks for 12 cents per minute and SMS messages for 6 cents and, on the top of it, free calls to three numbers for three years. Thanks to that, FunFón offered a unique and unrivalled combination of benefits on one SIM card. At the end of the year, FunFón had more than 85,000 active customers and became the most popular mobile communication brand in the target segment of young people.

a reliable partner, even abroad

Roaming ceased to be a luxury item for Orange customers long time ago. An increasing number of customers use their mobile phones or mobile internet abroad, too. Last year we recorded the biggest increase of roaming voice traffic, ranging from 10% to 80% in the EU countries. We also experienced 20 to 100 per cent increase in holiday destinations outside the EU, such as Croatia, Turkey, Thailand, i.e. in countries not affected by roaming prices regulation.

A rapid usage increase is also observed every year in data. Data traffic generated by Orange customers in roaming increased by as much as 74% compared to the previous year.

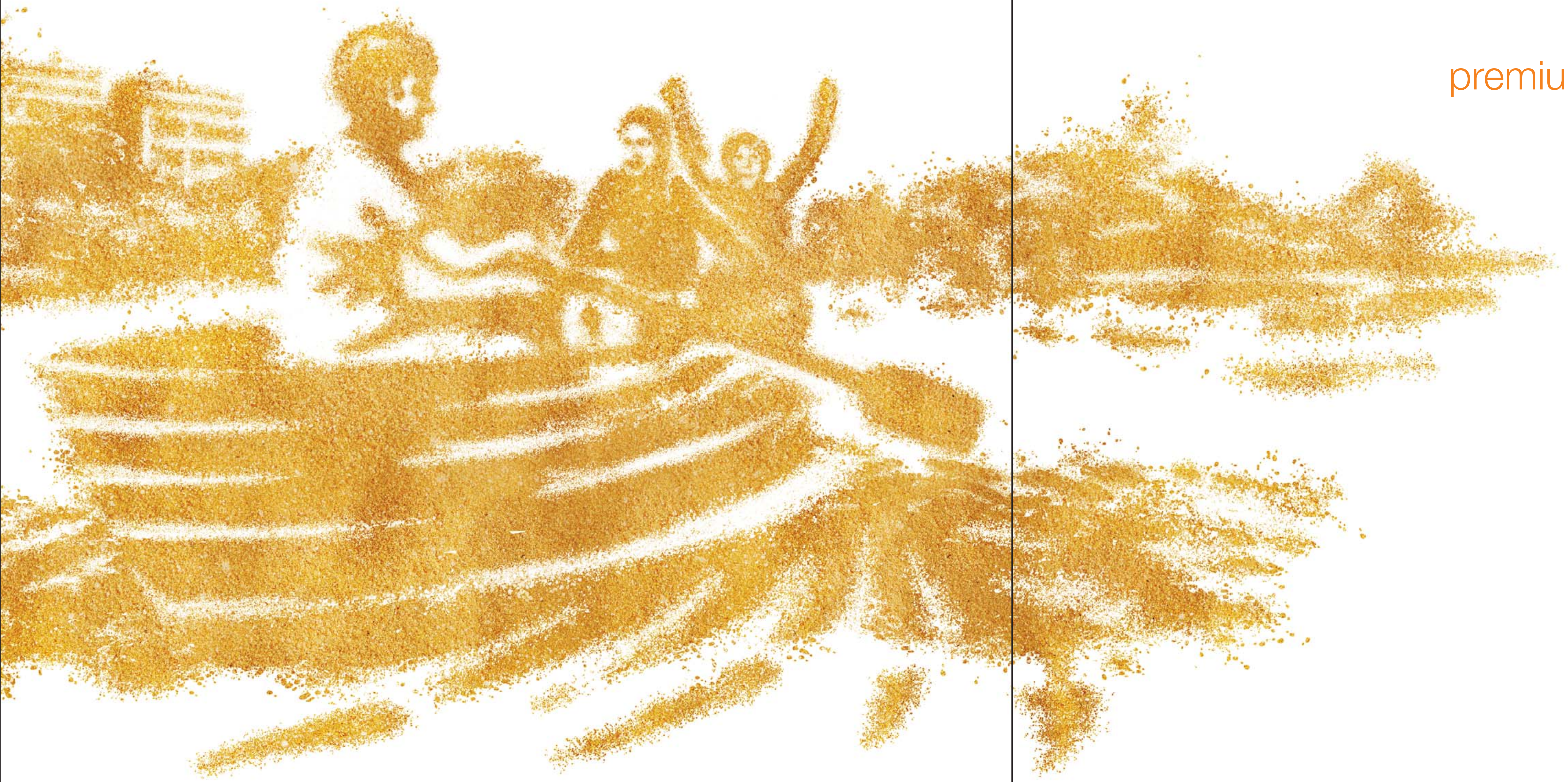
roaming data traffic



Increase of roaming data traffic is a natural response of the market to our prices and offers with interesting content that appeal to a broad base of customers.

The rapid increase of roaming traffic is backed by our innovative offers in the field of roaming services. With new Európa dáta (Europe Data) and Svet dáta (World Data) roaming packages, Orange customers can surf abroad with up to 98% discount starting at 9 cents/MB.

An original and unrivalled offer in its category, SMS Európa+ (SMS Europe+) package was the first to bring a combination of favourable roaming airtime prices with the travel insurance. This roaming package makes it possible to send SMS messages in roaming for a discounted price of 9 cents, which means saving of as much as 83% in certain cases and also contains MetLife Amslico travel insurance.



premium customer care is our No. 1 priority

customer care

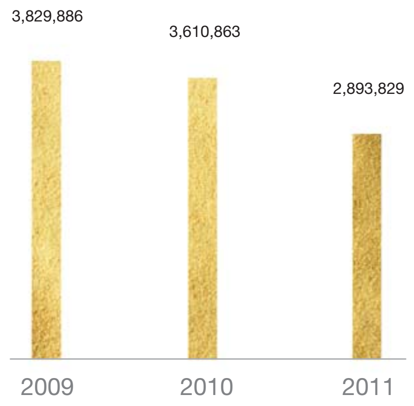
For 15 years, Orange has been pioneering not only the quality of its services in top technologies but also the level of provided customer care and innovations it brings in this area.

Last year, operators of the 905 Zákaznícka linka (Customer Line) made around 2.9 million calls with our customers. We managed to keep the quality standard our customers expect. As many as 88% of calls from our customers were answered in less than 20 seconds.

Together with innovations and improvement of the quality of our services and investments, one of our main priorities is to simplify communication of our customers with Orange over all contact points.

We are an inseparable partner for almost 3 million Slovaks, for 24 hours a day, 7 days a week, and thus we are fully aware of the huge responsibility we have towards them. Therefore, together with innovations, improvement of the quality of services and investments, one of our main priorities is to simplify communication of our customers with Orange over all contact points, to the maximum possible extent. At the same time, we maintain the quality standards of our customer lines and sales points our customers are used to. Improving the network, preventive measures when preparing offers, products and the Môj Orange (My Orange) on Orange website self-service zone contributed to a lower number of calls to customer lines than the preceding year. Again, we managed to improve the level of customer service by making it possible for our customers to handle many operations over electronic channels, such as electronic self-service available also on the web site or the web-based Orange e-shop.

number of calls to 905 Zákaznícka linka (Customer Line)



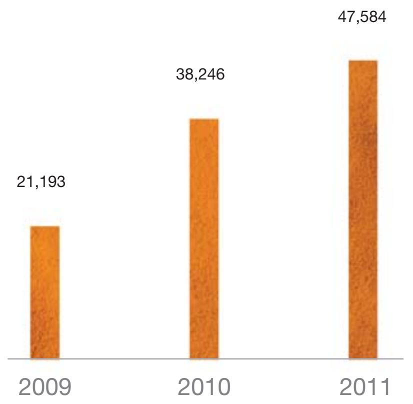
Our Customer line operators handle millions of calls every year; last year, 88% out of them were shorter than 20 seconds. A continuously increasing level of the customer service also contributes to reduce the number of calls to the Customer Line.

One of the innovations in the field of electronic services to our customers was a redesigned Zákaznícka zóna (Customer Zone) – a self-servicing zone for customers which makes it possible for them to actively change, activate and deactivate selected mobile services, as well as access information such as a free check of airtime consumption, statistics, overview of invoices etc. Every month, the site is visited by one hundred thousand customers who make 24 thousand actions there.

Another service that saves customers time and increases their comfort is the Orange e-shop. The number of transactions made over the online shop is increasing every year. In 2011, it was used by 47,584 customers, which is by 24% more than the year before.

Along with simplification of the purchasing process, design modifications and new functionalities, customers have also appreciated the possibility to receive further price discounts from a wide range of phones and limited offers of selected phones.

shopping on Orange e-shop



Popularity of online transactions keeps growing every year. It is not only thanks to a higher comfort for customers but also thanks to more favourable offers.

high quality technical support for our customers

The 14 905 Expert linka (Expert Line) by Orange became one of the innovations in the field of customer care procedures in the Slovak market. It was a response to a growing number of mobile data devices used by customers that require individual approach in order to guarantee high quality technical support that can fix most technical problems in a single phone call. The demand for the service, which is utilised not only by Orange customers but by anyone interested in such assistance, more than doubled on the year-on-year basis. With its assistance service, Orange helped more than 77 thousand customers to set up their computers or advised to configure their modems or phones.

customer care exceeding usual standard

Among other innovations in the field of Orange customer services were packages of premium customer support. With the Prednostná starostlivosť (Priority Care) and Exkluzívna starostlivosť (Exclusive Care) packages, we guarantee, for our customers, priority calls to Zákaznícke linky (Customer Lines) and priority connections to its operators. Packages also include services enabling 24/7 availability of our services in the case of technical problems, such as replacement SIM card, backing up contacts and rental of mobile phones. More than 1,700 customers opted for this form of premium care last year.

ombudsman as another tool to increase customer satisfaction

In June 2009, Orange launched the Kancelária telekomunikačného ombusdsmana (Telecommunications Ombudsman Office) for its customers. Orange Slovensko customers can contact the Telecommunications Ombudsman as an independent protector of consumer rights when they are not satisfied with outcomes of claims procedures. The Telecommunications Ombudsman may assess individual cases also depending on the social situation of clients and also takes other objective factors into consideration; based on them he can recommend Orange satisfying affected customers even if Orange Slovensko proceeded in line with applicable legislation. In 2011, customers sent altogether 500 motions to the the Kancelária telekomunikačného ombusdsmana (Telecommunications Ombudsman Office). Out of that, there were 149 motions dealt with in favour of customers and only 29 were classified as substantiated. In 120 cases, the Ombudsman recommended satisfying affected customers even despite that there had been no faults on the part of Orange in providing services. Since the beginning of his operation until now, the Telecommunications Ombudsman dealt with more than 1,000 consumer motions.

we provide top level services in a reliable network

network and information technologies

It is the strategic intention of Orange to ensure not only continuous accessibility of all our services at the top quality but also to be the leader in implementation of the latest technologies and enable its customers to benefit from the technological progress.

Network investments in the total amount of Eur 57 million that we made in 2011 were aimed at technological renovation as well as transformation and development projects that extend possibilities of electronic communication for our customers and further improve their customer comfort.

Last year, we managed to increase the theoretical download speed in the 3G network up to 42.2 Mbit/s for 35% of Slovaks.

Orange has traditionally been the leader in the quality, offer and availability of mobile data services. We operate the most extensive mobile broadband network that is accessible for more than 71% of Slovak population. In service capacity and quality management, we apply the so-called end-to-end management principle to all components and in its full range, from the radio section of the network, through the so-called backhaul up to the core of the network and connectivity to the Internet.

Last year, we managed to increase the theoretical download speed in the 3G network up to 42.2 Mbit/s (upload speed to 5.8 Mbit/s) for 35% of Slovaks, whereby the entire territory covered by 3G signal is equipped with the technological download speed of up to 21.1 Mbit/s. We achieved acceleration of the network and increase of its capacity at 30% of 3G base stations thanks to implementation of the HSPA+ technology, which coverage will be significantly increased. One of the key projects concerning the increase of the output of our mobile networks was an increase of the capacity of the 3G base stations representing more than half of mobile data traffic of our customers.

Last year, we strongly invested into projects that increase the throughput and reliability of connections of base stations. Above all, we replaced microwave connections by connecting base stations directly to the optic fibre network.

Also modernisation of the 2G network technology, which will be completed in the course of 2012, belongs to Orange's strategically most important technological projects. Along to reduction of network operating costs and further enhancement of its reliability, it will also enable faster and more flexible deployment of new technologies, including accessing mobile broadband network in 3G on frequencies currently used by the 2G. Among benefits of such modernisation we can also mention reducing the energy consumption and carbon trace in the entire network. Thus, the new technology will make it possible for us to reduce the quantity of produced CO_2 by around 20%, which has a noteworthy impact on the environment.

Last year, we completed the project of billing systems replacement, by which we accomplished the first stage of transformation of our information systems towards a modern architecture. We are very glad that customers did not notice the change. On the contrary, quality parameters of the project exceeded expectations; that fact was positively appreciated also by the Group and the project is a laureate of the 2011 France Telecom ITN Awards.

It is also worth to note developing cooperation with Orange business units in European countries, where our solution of SalesPad, the key element of the Orange garancia (Orange guarantee) sales process, is gradually being deployed in individual countries. It has been deployed to full operation in 1,200 sales points in Orange Spain. It was also one of projects that were awarded the 2010 ITN Awards.

our success is backed by a motivated team

employees of the company

Performance of our company is backed by our people. Only satisfied and well motivated employees are able to give performance expected from them. It is not only a fair remuneration system, but also their trainings, motivational and social incentives that matter.

Even despite declining revenues, Orange never stopped investing into its employees.

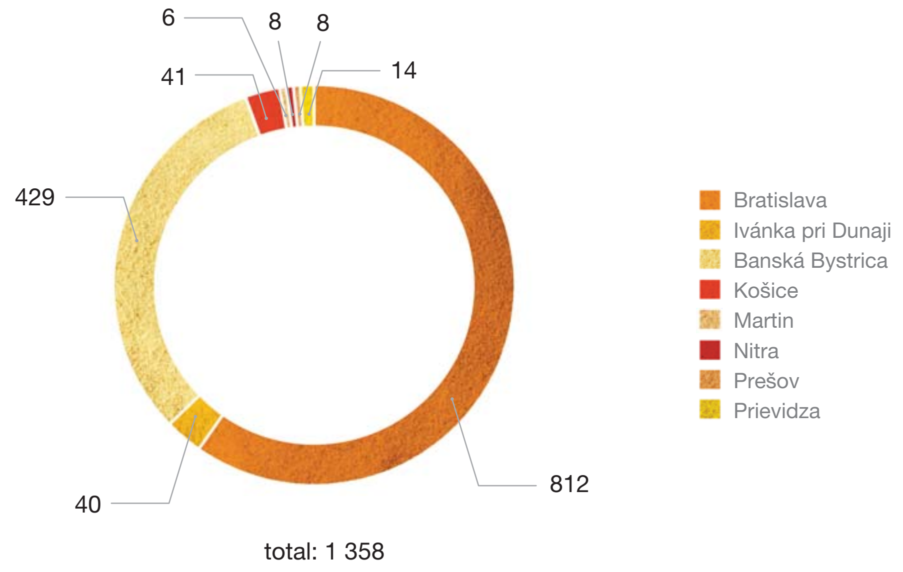
While complying with legislative requirements such as health and safety trainings, our company also supports many professional trainings, language courses, “soft skills” trainings and managerial skills development. In 2011, as many as 1,448 Orange employees took part in at least one training each, which means 59,750.5 training lessons in total. Even despite declining revenues, Orange did into cease to invest into its employees and the total amount dedicated for trainings and professional development amounted to 1 million Euros.

In 2011, employees had the chance to make use of a wide range of benefits: recreational stays, preventive medical checks in a private health care centre, flu vaccination, allowances for children summer camp, seasonal benefits, seasonal tickets for massage, discounted tickets to cultural events, universal passes for sport, culture, education and other activities, allowances for supplementary retirement pension insurance, extended holidays or compensation of lost salary due to sick leaves.

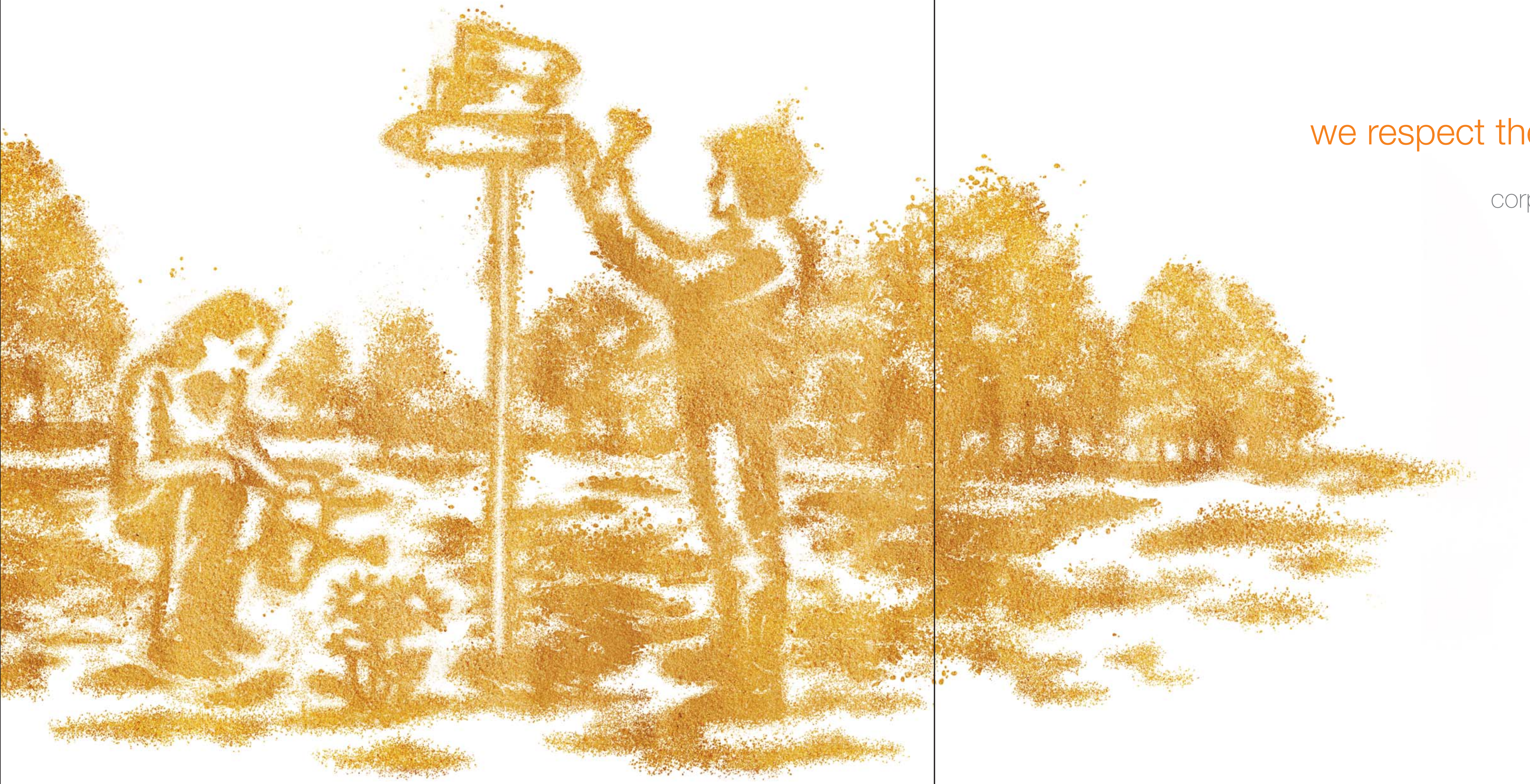
As of 31 December 2011, Orange Slovensko had 1,358 employees; out of them, there were 440 women and 918 men. From the viewpoint of completed education level, the structure of employees is equally distributed to university and secondary school educated employees. As of the year end, we were employing 12 foreign nationals, most of them employed at the Information Technologies and Networks Unit.

In 2009, we opened a new Customer Centre in Banská Bystrica. At that time, the Customer Centre provides full-scale support to the whole portfolio of customers – ranging from call centre services, billing care up to the Infocentre, with around two hundred employees. In 2011, Orange reconstructed and extended its premises in Banská Bystrica – and set up around 150 new jobs in the region which further enhanced the customer care level. New jobs were established especially in the field of personal customer care. Along with employees of the technical department, there are altogether more than 500 people working for Orange in the metropolis of the Central Slovakia.

number of employees in regions



At year’s end, Orange ceremonially opened new premises of the Customer Centre at its Banská Bystrica headquarters. Orange increased the working standard and comfort of its employees and brought 150 new jobs to the region.



we respect the world around us

corporate social responsibility

In the Slovak market, Orange has a history which, along with innovations in services and new technologies, embraces its social responsibility.

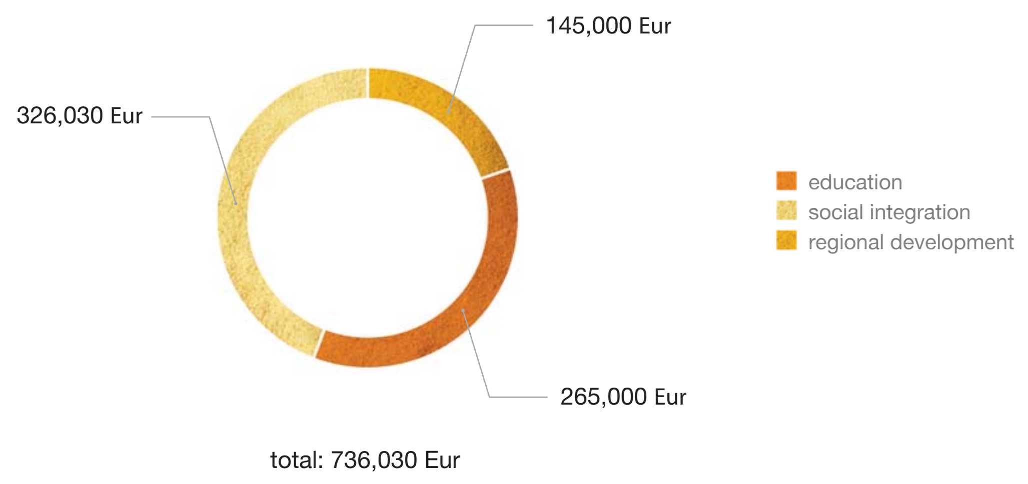
Our efforts were awarded the main prize of Via Bona Slovakia 2010 for large corporations, which we received at the beginning of the year.

We have always put something more to everything that we were doing and what was expected from us – from the viewpoint of customers, business partners, the society and the community. Today, we are not only the biggest mobile operator but also the leader that inspires to responsibility. Our efforts were awarded the main prize of Via Bona Slovakia 2010 for large corporations, which we received at the beginning of the year. We are proud of the success, which is largely due to the cooperation with our employees and partners from the third sector and that keeps us enriched and inspired.

helping others matters to us

Also in 2011, we were standing on the side of people with good ideas and good hearts. Thanks to the Nadácia Orange (Orange Foundation), which has been, in the long-term, the most trustworthy and most transparent foundation in Slovakia, we helped to improve everyday lives of many people and our environment. Altogether, we implemented 10 grant programmes, in which we supported 690 projects and granted Eur 736,030. Last year, we also continued in developing cooperation with our long-term partners from among non-governmental organisations. We also donated 115 thousand Euros to support various target groups. For example, we regularly cooperate with partners in the field of foster care, support to gifted children from disadvantaged environments as well as care for autistic children. Along to the grant programmes and partner cooperation, we distributed altogether more than Eur 280,000 on support to socially disadvantaged and disabled people, development of non-governmental organisations and their activities and we also helped individuals and groups in various ways. In 17 mobile financial collections with our partners, we collected, in 2011, more than 600 thousand Euros an more than 66 thousand Euros by means of the DMS system, i.e. donation messages system.

funds distributed in Orange Foundation grant programmes



Last year, we distributed, altogether, more than Eur 1.1 million; out of that more than two-thirds in grant programmes. This is how we helped in the field of education, social integration and regional development.

we reward people’s effort to change the world

It is important to know the work of organisations that help others to live happier and nicer lives. The Nadácia Orange belongs to the best known and most trustworthy corporate foundations and, every year, it supports hundreds of projects and activities with the goal to improve things. It distributed more than 1.1 million euros for that single purpose only. Anyway, its mission is not limited to it. It also focuses on non-governmental organisations in Slovakia.

Thanks to the unique Nadácia Orange Award, it awards work of people from non-governmental organizations who help others see the world more positively.

Last year, for the third time, we granted awards to non-governmental organisations that have a significant contribution to the third sector. We awarded of the 2010 Nadácia Orange Award to those of them that best respond to current needs of the society and approach the issues from a timeless, brave and innovative viewpoint. As non-governmental organisations and their work are not, in our opinion, sufficiently rewarded, this is the way how we want to express our gratitude ad support. The Nadácia Orange Awards, awarded in three basic categories for the previous year, were granted in spring 2011, together with a financial reward, to: Daphne – Inštitút aplikovanej ekológie in the education category, OZ TATRY in the regional development category. In the social integration category, the award was granted to OZ Bol raz jeden človek. In total, we supported the third sector with the amount of Eur 30,000 serving for further development of the organisations and their activities.

we make life more pleasant

For the tenth time in a row, we finished the year 2011 with one of our most popular events – Darujte Vianoce (Give Christmas). It enables willing donors to make better Christmas for people around them. During the anniversary year of this program, the wiling "Christmas donors" sent the highest number of requests for Christmas support for someone in their surrounding in history – almost 600. Thus, many families as well as individuals had the chance to experience unforgettable Christmas. There are dozens of people who show their willingness to help and unselfishness in the Gove Christmas initiative every year. However, this charity event has not only its beneficiaries but also awards those who give – people with the heart in the right place. An award bearing the same name, Srdce na správnom mieste (Heart in the Right Place), is the culminating point of the Give Christmas project. The professional jury awards it to applicants that showed, in their projects, extraordinary human effort, devotion, unselfishness and sensitive approach. These are the qualities that have been presented also by Ms. Anna Smitková from Trstená, who got involved in the initiative for the fifth time already and thus became the laureate of the 2011 Heart in the Right Place Award.

our responsibility to customers

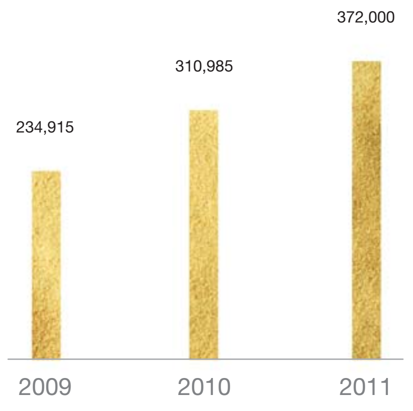
Education in the safe use of technologies is an area in which Orange has been involved for a long period. Since 2006, we have provided our customers with information through the educational project Deti a moderné komunikačné technológie (Children and modern communication technologies). Last year, we also continued our involvement in the direct education project about the safe use of the Internet and modern means of communication. This was attended by more than 20 thousand primary school and secondary school students who took part in expert workshops about the traps and hazards of using the Internet and mobile phones. With the help of eight trained psychologists, we have been spreading awareness for the third year in the form of discussions directly at schools with students of primary schools and eight-year secondary schools as well as with their teachers and, last but not least, with their parents who have become increasingly interested in this topic.

we save energy for the environment

Together with our customers and business partners, we make efforts to contribute to sustainability of the environment around us. The biggest challenges for us, as telecommunications operator, are saving electricity and paper, electronic administration, reduction of CO_2 emissions, as well as ecological electric waste disposal. Those are the target areas of our "green" activities. Among the most important activities implemented last year were repeated adaptations of technological rooms and ventilations in order to reduce consumption of energy. Those improvements will result in a planned saving of around 4.6 GWh of electrical energy per year and more than 1,000 tons of CO_2. Equally, the replacement of technologies at base stations is another action that will, after accomplishing the project in 2013, save more than 2,600 tons of CO_2 per year.

Electronic administration of our activities is, in our opinion, an efficient way to reduce the use of paper and thus to be more responsible to the environment as well as to streamline administration activities. Therefore, we added another electronic form bringing new benefits to corporate processes last year; we were also successful in activating electronic bills with a 19% year-on-year increase and almost 327,000 e-billed customers at the end of 2011.

number of e-billed customers



Our responsible approach to the environment also motivates our customers to ecological behaviour and the number of clients with electronic bills keeps growing each year.

As we are the biggest mobile operator in Slovakia, every sold mobile phone increases our commitment to the environment. Since 2005 our customers have had the opportunity to return their old useless mobile phones that we then dispose of in an ecological way. We regularly support collection of old mobile phones, either functioning or defunct ones, through various activities and contests for the public, as well as for our business partners, selected schools and employees. Altogether, we collected 11,962 mobile phones in 2011, which is approximately double the figure from 2010.

For more information about the activities of Orange in the field of corporate social responsibility, see the 2011 Social Responsibility Report.

our performance assures us that we are on the right track

financial report 2011

Orange Slovensko, a.s.

Independent auditor's report and separate financial statements
(prepared in accordance with International
Financial Reporting Standards as adopted by the EU)

Year ended 31 December 2011

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

independent Auditor's Report

Deloitte.

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851 01 Bratislava
Slovak Republic

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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.:

We have audited the accompanying financial statements of Orange Slovensko, a.s. (the "Company"), which comprise the statement of financial position as at 31 December 2011, 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 information.

Statutory Body's Responsibility for the Financial Statements

The Company's statutory body is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as the statutory body determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 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 Company'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 Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the statutory body, 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

In our opinion, the financial statements present fairly, in all material respects, the financial position of Orange Slovensko, a.s. as of 31 December 2011, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Bratislava, 22 March 2012

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

Ing. Zuzana Letková, FCCA
Responsible Auditor
Licence SKAu No. 865

separate statement of financial position at 31 december 2011

In thousands of Eur	Note	31 December 2011	31 December 2010
Assets			
Non-current assets			
Property, plant and equipment	4	370 270	382 380
Intangible assets	5	120 396	78 098
Investments in unconsolidated subsidiaries	6	106	106
Non-current receivables		87	1 611
Other non-current assets		199	252
		491 058	**462 447**
Current assets			
Inventories	8	14 462	15 425
Trade and other receivables	9	69 098	60 977
Other assets		6 048	3 648
Current income tax receivable		–	13 354
Current financial assets	10	–	1 758
Cash and cash equivalents	11	5 067	9 153
		94 675	**104 315**
Total assets		**585 733**	**566 762**

Equity and Liabilities			
Equity	12		
Share capital		39 222	39 222
Reserves		15 260	15 260
Retained earnings		117 374	130 172
Profit for the year		167 208	186 202
		339 064	**370 856**
Non-current Liabilities			
Provisions	13	35 845	39 505
Deferred tax liabilities	7	5 647	8 680
		41 492	**48 185**
Current liabilities			
Current financial liabilities	10	38 918	–
Trade payables and other liabilities	14	137 230	120 417
Current income tax payable		376	–
Provisions	13	2 456	1
Deferred income	15	26 197	27 303
		205 177	**147 721**
Total Equity and Liabilities		**585 733**	**566 762**

separate statement of comprehensive income for the year ended 31 december 2011

In thousands of Eur	Note	2011	2010
Revenues	16	**728 566**	**764 135**
External purchases	17	(342 336)	(333 514)
Other operating expenses, net	18	(13 681)	(32 299)
Wages and contributions	19	(56 559)	(54 016)
Amortisation and depreciation expenses		(107 648)	(111 529)
Operating profit		**208 342**	**232 777**
Interest income and related revenue		478	159
Interest expenses		(47)	(13)
Other finance (expenses) / income		(430)	(49)
Profit before tax		**208 343**	**232 874**
Income tax	20	(41 135)	(46 672)
Profit for the year		**167 208**	**186 202**
Other comprehensive income		–	–
Total comprehensive income for the year		**167 208**	**186 202**
Total comprehensive income attributable to:			
Owners of the Company		167 208	186 202

separate statement of changes in equity for the year ended 31 december 2010

In thousands of Eur	Note	Share capital	Reserves	Retained earnings	Total
Balance as at 1 January 2010		39 222	15 260	329 172	383 654
Dividends paid		–	–	(199 000)	(199 000)
Total comprehensive income for the year		–	–	186 202	186 202
Balance as at 31 December 2010		39 222	15 260	316 374	370 856
Dividends paid	12	–	–	(199 000)	(199 000)
Total comprehensive income for the year		–	–	167 208	167 208
Balance as at 31 December 2011		39 222	15 260	284 582	339 064

separate statement of cash flow for the year ended 31 december 2011

In thousands of Eur	Note	2011	2010
Profit for the year		**167 208**	**186 202**
Taxes		41 135	46 672
Interest income		(478)	(159)
Interest expenses		47	13
Depreciation and amortisation of tangible and intangible assets		107 648	111 529
Other		(6 668)	11 047
Profit from operating activities before changes in working capital		308 892	355 304
(Increase) in trade and other receivables (including accruals/deferrals of assets)		(10 101)	(1 642)
Decrease/(Increase) in inventory		963	(950)
Increase/(Decrease) in trade liabilities (including accruals/deferrals of liabilities)		8 719	(10 730)
Cash generated from operations		308 473	341 982
Interest received		478	159
Interest paid		(47)	(13)
Income tax paid		(30 396)	(47 615)
Cash flows from operating activities		**278 508**	**294 513**
INVESTING ACTIVITY			
Purchase of property, plant and equipment		(124 817)	(70 583)
Proceeds from sale of non-current assets		543	595
Decrease /(Increase) in other non-current assets		1 762	(1 751)
Net cash outflow from investing activities		**(122 512)**	**(71 739)**
FINANCING ACTIVITY			
Increase/(Decrease) in current financial assets / liabilities	10	38 918	(20 420)
Decrease in short-term bank loans		–	–
Dividends paid	12	(199 000)	(199 000)
Net cash outflow from financing activities		**(160 082)**	**(219 420)**
Net increase /(decrease) in cash and cash equivalents		**(4 086)**	**3 354**
Cash and cash equivalents at the beginning of year		**9 153**	**5 799**
Cash and cash equivalents at the end of year	11	**5 067**	**9 153**

notes to the separate financial statements for the year ended 31 december 2011

1. general information

Orange Slovensko, a.s. (hereinafter also the “Company”) is a joint stock company established on 29 July 1996 and incorporated on 3 September 1996 with its registered office at 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., which had been the major shareholder since November 2005, when it acquired all the shares held by minority shareholders and became the 100% shareholder of Orange Slovensko, a.s. The Company’s principal activity is the establishment and operation of public mobile telecommunication networks at assigned frequencies as well as the operation of fibre-optic cable networks.

approval of the 2010 Financial Statements

On 28 April 2011 the General Meeting approved the Company’s 2010 financial statements (Notary Deed No. N 75/2011, Nz 15265/2011, NCR1s 15643/2011).

members of the Company's Bodies

Body	Function	Name
Board of Directors	Chairman	Brigitte Bourgoin
	Deputy Chairman	Ladislav Rehák
	Member and Chief Executive Officer	Pavol Lančarič
	Member (since 6 October 2010)	Pierre Hamon
	Member	Dominique Garnier
	Member and ITN Director/CEO deputy	Ivan Golian
	Member and Chief Financial Officer	Corentin Maigné
Supervisory Board	Chairman	Bertand du Boucher
	Member	Vincent Brunet
	Member	Ján Kodaj
	Member	Ivan Marták
	Member	Dana Prekopová
	Member (since 28 April 2011)	Jerome Berger
Executives	Chief Executive Officer	Pavol Lančarič
	Chief Financial Officer	Corentin Maigné
	Communication and Brand Director	Andrea Cocherová
	ITN Director/CEO deputy	Ivan Golian
	Human Resources Director	Andrea Kopná
	Customer Services Director	Vladislav Kupka
	Strategy and Regulatory Affairs Director	Ivan Marták
	Commercial Director	Zuzana Nemečková

employees

	31 December 2011	31 December 2010
Number of employees	1 358	1 320
Of which: managers	131	126

2. adoption of new and revised standards

In the current year, International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB have not issued any new or revised standards or interpretations that could be relevant to the Company's operations for accounting periods beginning on 1 January 2011.

a) standards and interpretations adopted by EU effective in 2011 but not relevant to the company's operation

The following standards, amendments, and interpretations adopted by the EU are mandatory for accounting periods beginning on or after 1 January, 2011 but are not relevant to the Company's operation:

- Amendments to IAS 24 "Related Party Disclosures" – Simplifying the disclosure requirements for government-related entities and clarifying the definition of a related party, adopted by the EU on 19 July 2010 (effective for annual periods beginning on or after 1 January 2011)

- Amendments to IAS 32 "Financial Instruments: Presentation" – Accounting for rights issues, adopted by the EU on 23 December 2009 (effective for annual periods beginning on or after 1 February 2010)

- Amendments to various standards and interpretations "Improvements to IFRSs (2010)" resulting from the annual improvement project of IFRS published on 6 May 2010 (IFRS 1, IFRS 3, IFRS 7, IAS 1, IAS 27, IAS 34, IFRIC 13) primarily with a view to removing inconsistencies and clarifying wording, adopted by the EU on 18 February 2011 (amendments are to be applied for annual periods beginning on or after 1 July 2010 or 1 January 2011 depending on standard/interpretation)

- Amendments to IFRIC 14 "IAS 19 - The Limit on a defined benefit Asset, Minimum Funding Requirements and their Interaction" – Prepayments of a Minimum Funding Requirement, adopted by the EU on 19 July 2010 (effective for annual periods beginning on or after 1 January 2011)

- IFRIC 19 "Extinguishing Financial Liabilities with Equity Instruments", adopted by the EU on 23 July 2010 (effective for annual periods beginning on or after 1 July 2010)

b) standards, interpretations and amendments to the existing standards and interpretations in issue but not yet effective

At the date of authorisation of these financial statements, the following standards, revisions and interpretations adopted by the EU had been issued but were not yet effective:

- IFRS 7 "Financial Instruments: Disclosures" – Transfers of Financial Assets – amendments effective for the annual period beginning on or after 1 July 2011.

The Company has decided not to adopt this standard, revision and interpretation in advance of its effective date. The Company anticipates that the adoption of this standard will have no material impact on the financial statements of the Company in the period of initial application.

c) standards, interpretations and amendments issued by IASB but not yet adopted by the EU

At present, IFRS as adopted by the EU do not significantly differ from the regulations adopted by the International Accounting Standards Board (IASB), except for the following standards, amendments to the existing standards and interpretations, which were not endorsed for use at the date of publication of financial statements:

- IFRS 9 "Financial Instruments" (2009 version and 2010 version) – effective on or after 1 January 2015, earlier application allowed and Amendments to IFRS 9 "Financial Instruments" and IFRS 7 "Financial Instruments: Disclosures" – Mandatory Effective Date and Transition Disclosures

- IFRS 10 "Consolidated Financial Statements" – (effective on or after 1 January 2013)

- IFRS 11 "Joint Arrangements" (effective on or after 1 January 2013)

- IFRS 12 "Disclosures of Involvement with Other Entities" (effective on or after 1 January 2013)

- IFRS 13 "Fair Value Measurement" (effective on or after 1 January 2013)

- IAS 27 (revised in 2011) "Separate Financial Statements" (effective for annual periods beginning on or after 1 January 2013)

- IAS 28 (revised in 2011) "Investments in Associates and Joint Ventures" (effective for annual periods beginning on or after 1 January 2013)

- Amendments to IFRS 1 "First-time Adoption of IFRS" – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters (effective for annual periods beginning on or after 1 July 2011)

- Amendments to IFRS 7 "Financial Instruments: Disclosures" – Offsetting Financial Assets and Financial Liabilities (effective for annual periods beginning on or after 1 January 2013)

- Amendments to IFRS 9 "Financial Instruments" and IFRS 7 "Financial Instruments: Disclosures" – Mandatory Effective Date and Transition Disclosures

- Amendments to IAS 1 "Presentation of financial statements" – Presentation of Items of Other Comprehensive Income (effective for annual periods beginning on or after 1 July 2012)

- Amendments to IAS 12 "Income Taxes" – Deferred Tax: Recovery of Underlying Assets (effective for annual periods beginning on or after 1 January 2012)

- Amendments to IAS 19 "Employee Benefits" – Improvements to the Accounting for Post-employment Benefits (effective for annual periods beginning on or after 1 January 2013)

- Amendments to IAS 32 "Financial instruments: presentation" – Offsetting Financial Assets and Financial Liabilities (effective for annual periods beginning on or after 1 January 2014)

The Company anticipates that adopting these standards and amendments to the existing standards and interpretations will have no material impact on the Company's financial statements in the period of initial application.

At the same time, hedge accounting regarding the portfolio of financial assets and liabilities, the principles of which have not been adopted by the EU, is still unregulated. Based on the Company's estimates, applying hedge accounting for the portfolio of financial assets or liabilities pursuant to IAS 39: "Financial Instruments: Recognition and Measurement" would not significantly impact the financial statements, if applied at the reporting date.

3. significant accounting policies

a) statement of compliance

The separate financial statements have been prepared in accordance with IFRS as adopted by the EU and on the going concern assumption. IFRS as adopted by the EU do not currently differ from IFRS as issued by the IASB, except for certain standards and interpretations that 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 2011 to 31 December 2011 in accordance with IFRS as adopted by the EU. The Company elected to use the exemption from consolidation in accordance with the 7th Directive of the 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. These financial statements are intended for general use and information; they are not intended for the purpose of any specific user or for the consideration of any specific transaction. Accordingly, users should not rely exclusively on these financial statements when making decisions.

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

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

c) basis of preparation

The financial statements are presented in Euros, rounded to the nearest thousand. They are prepared on the historical cost basis (certain financial instruments were revalued to fair value) and on the going concern assumption. The principal accounting policies are included in the paragraphs below.

d) foreign currency

Foreign Currency Transactions

Transactions denominated in foreign currencies are translated into Euros using the exchange rate of the day prior to the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate valid on the balance sheet date. The exchange rate differences upon 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 into Euros at the foreign exchange rates valid on the dates on which 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. In September 2007, however, the Company launched a fixed telecommunications (fibre-optic cable) network. As at 31 December 2011, 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 was acquired plus the costs 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 for the depreciation of each component over its expected useful life and allows the proper accounting of asset disposal and withdrawal.

leased assets

Leases according to the 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 are stated in an amount equal to the lower of its fair value and the present value of the minimum lease payments at the inception of the lease, less accumulated depreciation (see below) and impairment losses. Currently, no asset is classified as a leased asset.

subsequent expenditure

The Company recognises in the carrying amount of an item of property, plant and equipment the additional costs or cost of replacing part of such 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 recognised 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 starts when the assets are ready for their intended use. The estimated useful lives for the current and comparative periods are as follows:

	2011	2010
Radio Access Network	5 to 20 years	5 to 20 years
Transmission	5 to 30 years	5 to 30 years
Switching	5 to 10 years	5 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 & Infrastructure	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 France Telecom Group, which results in changes to the useful lives of certain assets. These changes are recorded as changes in the accounting estimates on a prospective basis.

At the Company level, the revision of an individual asset's useful life is performed when indicators of an earlier end of life exist.

g) intangible assets

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

subsequent expenditures

Subsequent expenditures on capitalised intangible assets are capitalised only when they increase the future economic benefits embodied in the specific assets to which they relate. All other expenditures are expensed as incurred.

amortisation

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

	2011	2010
Software	3 – 10 years	3 – 10 years
Licenses	10 – 16 years	10 – 16 years

The useful lives of certain categories of intangible assets are reassessed annually by 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.

At the Company level, the revision of an individual asset's useful life is performed when indicators of an earlier end of life 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 such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised 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 the 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 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 the net realisable value. The net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs necessary for completing the sale and selling expenses.

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

k) trade receivables

Trade receivables are recognised initially at fair value (original invoice amount), less provisions for any impairment of the receivables. A provision for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the 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 2011, the Company does not hold any financial assets (2010: 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 capitalisation.

p) provisions
A provision is recognised 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 a provision for Universal Services, a provision for asset retirement, a provision for retirement benefit cost and a provision for lease exit (see Note 13).

q) trade and other payables
Trade and other payables are stated at cost.

r) revenues
The Company provides mobile and fibre-optic communication services to individuals and commercial and non-commercial organisations. 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, including laptops and tablet computers.

The Company recognises mobile usage and roaming service revenues based upon the 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 recognised 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 recognises revenue from the sale of handsets upon delivery to the customer. The corresponding cost of sales is charged to expenses when the sales are recognised, which results in a net loss on the sale of the handset. Activation fees charged to the customer are recognised as revenue when the activation is made and the related cost is expensed. Current service fees are recorded as revenue from service when performed.

Other service revenues are recognised 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 recognised when the products are delivered and accepted; as such, sales transactions are separate and distinct from the sale of wireless services to customers.

The Company provides to its customers one form of customer loyalty programs. In 2011, a new offer was released: the Company started to provide reduction on SIM-locked mobile phone prices without further commitment based on a previous history of billed services during the period without a time-frame contract. Due to missing reliable historical statistical data for 2011, the Company did not assess the effect of income that should be deferred in connection with this loyalty program and did not account for any deferral as of 31 December 2011.

s) expenses

operating lease payments

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

t) taxation

Income tax expenses for the year comprise 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 realisation or settlement of the carrying amount of assets and liabilities, using the tax rates enacted or substantially enacted at the balance sheet date. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefits will be realised.

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 21). The Company accounts for the rights to the parent company's (France Telecom's) equity instruments granted by the parent company to the employees of the Company, as equity-settled transactions in accordance with IFRS 2, and recognises a payroll-related expense and corresponding increase in equity as a contribution from the parent company. 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 recognised 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 prior periods. The obligation is calculated using actuarial methods and discounted to its present value using a 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 Construction	Total
Cost							
At 1 January 2010	4 572	1 025 800	8 069	33 682	5 736	30 995	1 108 854
Additions	–	–	–	–	5 019	52 623	57 642
Disposals	(984)	(24 798)	(2 615)	(4 426)	–	–	(32 823)
Transfer	534	49 265	2 869	1 358	–	(54 026)	–
At 31 December 2010	4 122	1 050 267	8 323	30 614	10 755	29 592	1 133 673
At 1 January 2011	4 122	1 050 267	8 323	30 614	10 755	29 592	1 133 673
Additions	–	–	–	–	6 356	72 938	79 294
Disposals	–	(87 128)	(2 079)	(2 364)	–	–	(91 571)
Transfer	1 922	65 305	1 071	2 741	–	(71 039)	–
At 31 December 2011	6 044	1 028 444	7 315	30 991	17 111	31 491	1 121 396
Accumulated depreciation							
At 1 January 2010	2 344	658 112	4 127	20 634	923	–	686 140
Charge for the year	1 139	90 356	1 526	4 064	406	–	97 491
Disposals	(960)	(25 673)	(2 122)	(3 583)	–	–	(32 338)
At 31 December 2010	2 523	722 795	3 531	21 115	1 329	–	751 293
At 1 January 2011	2 523	722 795	3 531	21 115	1 329	–	751 293
Charge for the year	606	84 002	1 419	4 130	989	–	91 146
Disposals	–	(87 048)	(1 901)	(2 364)	–	–	(91 313)
At 31 December 2011	3 129	719 749	3 049	22 881	2 318	–	751 126
Carrying amount							
At 1 January 2010	2 228	367 688	3 942	13 048	4 813	30 995	422 714
At 31 December 2010	1 599	327 472	4 792	9 499	9 426	29 592	382 380
At 1 January 2011	1 599	327 472	4 792	9 499	9 426	29 592	382 380
At 31 December 2011	2 915	308 695	4 266	8 110	14 793	31 491	370 270

*) Asset Retirement Obligation (ARO)

At 31 December 2011, none of the properties were pledged to secure bank loans.

In 2011, transfers from assets under construction to property, plant and equipment mainly comprised investments to upgrade the existing network, particularly the increase in 2G/3G Mobile RAN (Radio Access Network) equipment & releases, buildings and improvements, IP routers equipment & releases, mobile RAN infrastructure, and IT infrastructure.

During 2011, the Company reassessed the useful lives for some of the equipment and accelerated depreciation on them. The total impact of the accelerated depreciation of these items in 2011 depreciation expense is Eur 12.9 million (2010: Eur 9.9 million) and relates mainly to replacing an obsolete Core network technology and 2G RAN Swap to Multimode.

The change in ARO is described in note 13.

5. intangible assets

In thousands of Eur	Software	GSM Licenses	UMTS License	Other Intangible Assets	Under Construction	Total
Cost						
At 1 January 2010	105 237	22 764	49 834	1 806	11 821	191 462
Additions	–	–	–	–	18 006	18 006
Disposals	(4 203)	–	–	–	(365)	(4 568)
Transfer	8 203	–	–	–	(8 203)	–
At 31 December 2010	109 237	22 764	49 834	1 806	21 259	204 900
At 1 January 2011	109 237	22 764	49 834	1 806	21 259	204 900
Additions	–	–	–	–	58 800	58 800
Disposals	(40 339)	–	–	–	–	(40 339)
Transfer	32 310	40 686	1 837	–	(74 833)	–
At 31 December 2011	101 208	63 450	51 671	1 806	5 226	223 361
Accumulated amortisation						
At 1 January 2010	85 346	19 884	11 441	109	–	116 780
Charge for the year	9 494	1 762	3 051	137	–	14 444
Disposals	(4 422)	–	–	–	–	(4 422)
At 31 December 2010	90 418	21 646	14 492	246	–	126 802
At 1 January 2011	90 418	21 646	14 492	246	–	126 802
Charge for the year	10 840	2 474	3 051	137	–	16 502
Disposals	(40 339)	–	–	–	–	(40 339)
At 31 December 2011	60 919	24 120	17 543	383	–	102 965
Carrying amount						
At 1 January 2010	19 891	2 880	38 393	1 697	11 821	74 682
At 31 December 2010	18 819	1 118	35 342	1 560	21 259	78 098
At 1 January 2011	18 819	1 118	35 342	1 560	21 259	78 098
At 31 December 2011	40 289	39 330	34 128	1 423	5 226	120 396

In 2011, the main addition was the prolonging of 2G/3G licences; additions to software mainly comprise the purchase of a customer domain, a billing system and a business intelligence domain.

During 2011, the previous billing system was disposed and a new billing system was put in use and started to depreciate in the accounting system.

6. investment in subsidiaries

Investments in subsidiaries at a cost of Eur 100 thousand represent an investment in the wholly-owned subsidiary Orange CorpSec, spol. s r.o. The subsidiary was registered in the Commercial Register on 1 February 2005. The table below summarises the subsidiary's financial information:

In thousands of Eur	Assets	Liabilities	Equity	Revenues	Profit/loss for the Period
At 31 December 2011	777	179	598	1 080	82
At 31 December 2010	750	234	516	1 080	67

In 2010 the Company recognised an investment in Nadácia Orange (hereinafter also the "Foundation") at a cost of Eur 6 thousand, which is considered immaterial for the purpose of these financial statements.

7. deferred tax assets and liabilities

Movement in the deferred tax account is as follows:

In thousands of Eur	31 December 2011	31 December 2010
At beginning of period – net deferred tax liability	8 680	16 075
Income statement	(3 033)	(7 395)
At end of period – net deferred tax liability	5 647	8 680

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

In thousands of Eur	31 December 2011			31 December 2010		
	Assets	Liabilities	Net	Assets	Liabilities	Net
Property, plant and equipment	–	14 707	(14 707)	–	18 764	(18 764)
Inventories	508	–	508	184	–	184
Receivables	3 155	–	3 155	3 121	–	3 121
Other (primary provision for Universal Service, see Note 13)	5 397	–	5 397	6 779	–	6 779
Net deferred tax	9 060	14 707	(5 647)	10 084	18 764	(8 680)

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 2011	31 December 2010
Raw materials and consumables	940	1 130
Merchandise	16 195	15 617
Provision for slow moving merchandise	(2 673)	(1 322)
	14 462	15 425

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

At 31 December 2011, no inventories were pledged to secure bank loans.

9. trade and other receivables

In thousands of Eur	31 December 2011	31 December 2010
Accounts receivable	112 701	103 329
Allowance for doubtful debts and receivables	(43 603)	(42 352)
	69 098	60 977

The increase in accounts receivable is caused mainly by changes in post-paid billing cycles after the implementation of a new billing system in February 2011. The increase relates mainly to non-due receivables.

At 31 December 2011, no trade receivables were pledged to secure bank loans. The trade receivables are decreased by the allowance for receivables expected to be irrecoverable.

Allowances for doubtful debts are currently determined according to two methods:

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

In thousands of Eur	31 December 2011	31 December 2010
Total receivable	69 098	60 977
Of which: non due	64 984	52 191
past due not impaired	4 114	8 786
Less than 180 days	4 114	8 554
Between 180 days and 360 days	–	232
More than 360 days	–	–

movements in the allowance for doubtful debts

In thousands of Eur	31 December 2011	31 December 2010
Balance at beginning of the year	42 352	38 967
Net charge against bad debt provision	1 251	3 385
Balance at the end of the year	43 603	42 352

aging of impaired trade and other receivables

In thousands of Eur	31 December 2011	31 December 2010
Total impaired	43 603	42 352
Of which:		
Less than 180 days	2 912	3 570
Between 180 days and 360 days	3 681	4 419
More than 360 days	37 010	34 363

10. current financial assets / liabilities

The balance of Eur 38 918 thousand (2010: Eur 1 758 thousand receivable) represents the liability on the cash-pooling account within France Telecom Group. On 15 March 2006, the Company signed a Centralised Treasury Management Agreement with France Telecom S.A (FT). This agreement centralises and organises the cash management by FT of the Company's available funds. FT opened an account in Euros with Bank Mendes Gans, which is part of the ING Group (BMG), dedicated to Orange Slovensko. In 2008, by FT's 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 2010) or overdraft (balance as at 31 December 2011) of the Company with FT.

Cash balances are not subject to any foreign exchange risk as they are denominated in the local currency. The balances bear an interest rate calculated as EONIA (EONIA: Euro Overnight Index Average). Interest is accounted for on a monthly basis and capitalised on the Company's current account. In the event of an overdraft, the interest is paid on a monthly basis and is calculated as EONIA plus the fixed rate of interest. The interest rate was 1.529% as at 31 December 2011 (0.817% as at 31 December 2010).

11. cash and cash equivalents

In thousands of Eur	31 December 2011	31 December 2010
Cash on hand and cash equivalents	223	688
Bank balances and deposits	4 844	8 465
Cash and cash equivalents in the balance sheet	5 067	9 153

Eur 80 thousand is pledged to the customs office and Eur 33 thousand is pledged to Tatra banka as a security deposit.

The Company's cash balance includes deposits held in interest bearing accounts with maturity less than three months, current accounts and cash on hand.

12. equity

share capital

At 31 December 2011 the authorised share capital comprised 1 181 755 ordinary shares (2010: 1 181 755), with a nominal value of Eur 33.19 each, 1 ordinary share (2010: 1) with a nominal value of Eur 13.78, and 1 ordinary share (2010: 1) with a nominal value of Eur 0.66.

reserves

Reserves of Eur 15 260 thousand (2010: Eur 15 260 thousand) relate to the Legal Reserve Fund, which is not available for distribution and should be used to cover future losses arising from business activities, if any.

dividends

As at the preparation date of these financial statements the management proposed to Board of Directors a dividend payment of Eur 100 million related to 2011 profit.

In April 2011, the shareholders approved a dividend payment of Eur 199 million related to 2010 profits at their annual general meeting. An amount of Eur 100 million was paid in June 2011 and Eur 99 million was paid in November 2011.

13. provisions

In thousands of Eur	Provision for Asset Retirement	Provision for Universal Services	Other	Total
Balance at 31 December 2010	11 173	27 116	1 217	39 506
Provisions made during the year	6 776	5 830	1 587	14 193
Provisions used during the year	–	–	(3)	(3)
Provisions reversed during the year	–	(15 390)	(5)	(15 395)
Balance at 31 December 2011	17 949	17 556	2 796	38 301

In thousands of Eur	Other	Total
Non-current	35 845	39 505
Current	2 456	1
	38 301	39 506

During 2011, based on an FT Group decision, the methodology for asset retirement obligations was adjusted. An additional provision of Eur 6 776 thousand to the 31 December 2010 balance of Eur 11 173 thousand was recorded, out of which Eur 4 843 thousand relates to the change in calculation methodology and Eur 1 850 thousand to the change of the discount rate used. In 2010, the provision was discounted by the discount rate of 3.75%; in 2011 a 3% rate was used as a risk-free rate for 15-year financial instruments (till 2010 – 130 years). The Company shows the amount of Eur 14 793 thousand in the asset side of the balance sheet (Note 4).

An additional provision for the Universal Services of Eur 5 830 thousand was recorded in 2011 (2010: Eur 5 830 thousand), and released Eur 15 390 thousand relating to years 2006 – 2008 (2010: release 0Eur). The total balance of the provision recognised at 31 December 2011 amounts to Eur 17 556 thousand. Under the currently-valid Telecommunications Act, the Company is required to contribute towards the costs associated with the provision of so-called “Universal Service” mandated by the Act and currently provided by Slovak Telecom. (see more in Note 27). During 2011, the Telecom Office issued Decisions, by which they decided upon re-examination of the application of Slovak Telekom, on the payment of net cost for providing Universal Service for the years 2005 – 2008. The Telecom Office decided that the provision of Universal Service between 2005 and 2008 did not constitute for Slovak Telekom a disproportionate burden, and should therefore not receive compensation for the losses presented. Due to these facts, a provision in the amount of Eur 4 173 thousand (related to the period of 2006) and Eur 11 217 thousand (related to periods 2007 and 2008) has been released.

Other provisions represents a provision for retirement benefit costs, a provision for a lease exit and provisions for VAT penalty payments.

14. trade payables and other liabilities

In thousands of Eur	31 December 2011	31 December 2010
Trade payables	53 416	39 921
Accrued liabilities	64 242	61 900
Tax liabilities (VAT)	5 956	6 186
Liabilities to employees	12 004	11 858
Other current liabilities	1 612	552
Total	137 230	120 417

Account payables are classified as current liabilities if the payment is due within one year or less. Trade payables are non-interest bearing and the average credit period on purchases is one month. The increase in trade payables relates mainly to higher Interconnect, roaming and IT costs related to Q4 2011 and an increase in accrued liabilities relates to the purchase of non-current assets related to the network.

Payables within and after maturity

31 December 2011

In thousands of Eur	within maturity period	within 360 days overdue	more than 360 days overdue	Total
Trade payables	52 400	960	56	53 416
Accrued liabilities	64 242			64 242
Tax liabilities (VAT)	5 956			5 956
Liabilities to employees	12 004			12 004
Other current liabilities	1 612			1 612
Total	136 214	960	56	137 230

31 December 2010

In thousands of Eur	within maturity period	within 360 days overdue	more than 360 days overdue	Total
Trade payables	38 835	1 081	5	39 921
Accrued liabilities	61 900			61 900
Tax liabilities (VAT)	6 186			6 186
Liabilities to employees	11 858			11 858
Other current liabilities	552			552
Total	119 331	1 081	5	120 417

15. deferred income

In thousands of Eur	31 December 2011	31 December 2010
Prepaid phone cards (Prima cards)	5 769	5 601
Post paid customers	19 914	21 546
Other	514	156
Total	26 197	27 303

16. revenues

In thousands of Eur	2011	2010
Revenues from services	708 187	741 553
Sale of equipment	20 379	22 582
Total Revenues	728 566	764 135

17. external purchases

In thousands of Eur	2011	2010
Purchased goods and services	194 013	186 000
Service fees and interoperator costs	110 573	109 942
Costs associated with non-current assets	14 667	14 253
Other	23 083	23 319
Total external purchases	342 336	333 514

18. other operating expenses, net

In thousands of Eur	2011	2010
Brand royalty and management fees	18 745	19 007
Bad debt provision	3 950	5 696
FX differences net	(34)	343
Other operating expenses	14 716	14 449
Other operating income	(23 696)	(7 196)
Total other operating expenses, net	13 681	32 299

Included in Other operating income in 2011 is release of part of a Universal Services provision in the amount of Eur 15 390 thousand, related to periods 2006 – 2008 and in Other operating expenses in 2011 is the creation of a provision for Universal Services in the amount of Eur 5 830 thousand (2010: Eur 5 830 thousand) (for more details see Notes 13 and 27).

19. wages and contributions

In thousands of Eur	2011	2010
Wages and salaries	32 855	31 315
Bonuses and untaken holiday payroll provision	9 029	8 875
Social contribution	11 540	10 932
Other	3 135	2 894
Total wages and contributions	56 559	54 016

20. income tax

Reconciliation of the effective tax rate is shown in the table below:

In thousands of Eur	2011	2010
Income tax payable from operating activities	44 169	54 066
Deferred income tax from operating activities	(3 034)	(7 394)
Total income tax	41 135	46 672

In thousands of Eur	2011	2010
Profit before tax	208 342	232 874
Income tax at the rate of 19%	39 585	44 246
Income tax in respect of prior year	240	1 058
Impact of adjusting items: permanent differences and other differences	1 310	1 368
Total income tax	41 135	46 672

21. share-based compensation

Under share-based compensation, the Company reports:

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 for the Company's performance. The estimated fair value of shares subscribed by employees amounted to Eur 326 thousand as at 31 December 2011 (2010: Eur 326 thousand).

free share plan

In July 2011, France Telecom Group adopted a Free Share Allocation plan with the underlying shares of France Telecom SA. This plan will allow every eligible Group employee to receive free France Telecom shares, or cash payment equivalents to the value of the France Telecom shares in certain countries. In a Cash Payment equivalent Plan, employees did not receive FT shares but a cash payment equivalent to the value of France Telecom shares. The plan will be subject to achieving a collective performance condition: the total operating cash flow, accumulated over three years from 2011 to 2013, has to reach certain amount. The value of the Cash Payment equivalent Plan amounted to Eur 179 thousand as at 31 December 2011 (2010: Eur 0 thousand). The program will end in July 2015.

22. financial instruments

risk management policies

The Company's activities expose it to a variety of financial risks, including mainly credit risk. The Company's overall risk management program focuses on the unpredictability of financial markets and the economic environment and seeks to minimise 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 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 department reviews the capital structure regularly. Based on the review and the General Meeting's approval, the Company balances 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 2011 and 2010 were as follows:

In thousands of Eur	31 December 2011	31 December 2010
Cash and cash equivalents	(5 067)	(9 153)
Financial (assets)/liabilities	38 918	(1 758)
Net debt	33 851	(10 911)
Equity	339 064	370 856
Net debt to equity	10%	0%

main categories of financial instruments

In thousands of Eur	31 December 2011	31 December 2010
Financial assets		
Cash and cash equivalents	5 067	9 153
Current financial assets	–	1 758
Trade and other receivables	69 098	60 977
Financial liabilities		
Current financial liabilities	38 918	–
Trade payables and other liabilities	137 230	120 417

financial risk management

The Company's activities expose it to financial risks 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 below:

foreign exchange risk

The Company's exposure is to changes in USD, which represents a minor risk in respect of the US dollar's position to the total amount of liabilities/assets, and therefore no sensitivity analysis was performed. The previous Company's exposure to changes in the Eur Exchange rate was ended with effect from 1 January 2009 when Eur became the official currency of the Slovak Republic. The Company ensures that its net exposure is maintained at an acceptable level by buying or selling US dollars and other foreign currencies at spot rates when it is necessary to address short-term imbalances.

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

In thousands of Eur	Liabilities		Assets	
	2011	2010	2011	2010
Currency USD	513	2 222	89	78

interest rate risk

The Group's Treasury department exercises the policy of cash pooling of the Company's available funds to maximise economic returns and to manage the cash optimisation and centralisation under the best financial conditions for most of the affiliated companies (see Note 10). Such instruments are not exposed to the risk of interest rate fluctuation. Owing to the character of the financial liabilities/assets, the Company does not assume any risk relating to interest rate movements.

credit risk

The concentration of credit risk with respect to trade receivables is limited due to the large number of customers served by the Company.

In addition, should a customer fail to pay any due payment for services, the Company 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. The Company'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 Company's reputation. Management monitors risks with rolling 12-month forecasts of the Company's liquidity reserve (comprising loan facility and cash and cash equivalents) on the basis of expected cash flows.

The Group's Treasury department exercises the policy of cash pooling the Company's available funds to maximise economic returns and to manage the cash optimisation and centralisation 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 without accrued liabilities in which the maturity is unknown. 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 the principal and interest cash flows if applicable.

2011

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	–	57 673	17 659	992		–
Financial guarantee contracts	–	–	–	–	33	80
Variable interest rate instruments	1.529%	38 918	–	–	–	–
Total		96 591	17 659	992	33	80

2010

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	–	39 410	19 107	992		–
Financial guarantee contracts	–	–	–	–	3	365
Variable interest rate instruments	–	–	–	–	–	–
Total		39 410	19 107	992	3	365

The following tables detail the Company's expected maturity for its non-derivative financial assets. The tables have been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets. The inclusion of information on non-derivative financial assets is necessary in order to understand the Company's liquidity risk management as the liquidity is managed on a net asset and liability basis.

2011

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	–	68 408	690	–		–
Cash and cash equivalents	0,367%	5 067	–	–	–	–
Variable interest rate instruments		–	–	–	–	–
Total		73 475	690	–	–	–

2010

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	–	60 207	770	–		–
Cas and cash equivalents	0,503%	9 153	–	–	–	–
Variable interest rate instruments	0,817%	1 758	–	–	–	–
Total		71 118	770	–	–	–

23. related party transactions

The immediate parent company and the ultimate controlling party 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), respectively. Transactions with related parties have been conducted under standard business conditions. Receivables, liabilities, purchases and sales with related parties are summarised in the following tables:

In thousands of Eur	31 December 2011	31 December 2010
Trade accounts receivable - current		
France Telecom SA	2 244	1 395
France Telecom SA - cash pool account	–	1 758
Equant	1 729	1 565
PTK Centertel	75	100
Polish Telecom	284	151
Orange CorpSec	25	23
Other	70	102
	4 427	5 094

In thousands of Eur	31 December 2011	31 December 2010
Liabilities - current and unbilled supplies		
France Telecom SA	8 026	8 508
France Telecom SA - cash pool account	38 918	–
Orange Brand Services	5 449	2 693
Orange CorpSec	90	90
Orange France SA	70	15
Orange Communications, Switzerland	89	–
Other	157	88
	52 799	11 394

In thousands of Eur	2011	2010
Purchases		
France Telecom SA	11 266	10 367
Orange Brand Services	11 233	11 538
Orange CorpSec	1 074	1 080
Orange Romania	555	369
Orange France SA	217	408
Orange Communications, Switzerland	379	286
Polish Telecom	450	312
PTK Centertel	339	265
Other	632	154
	26 145	24 779

In thousands of Eur	2011	2010
Sales		
France Telecom SA	10 056	9 696
Equant	5 654	5 028
PTK Centertel	450	604
Orange France SA	167	215
Orange Romania	222	180
Polish Telecom	1 235	495
Orange CorpSec	138	134
Orange Communications, Switzerland	43	125
Other	109	231
	18 074	16 708

The following related party transactions are applicable for 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; and
- Shared products – mobile and other telecom services with other group companies.

24. information on income and emoluments of members of the statutory bodies, supervisory bodies, and other bodies of the accounting entity

The income and emoluments of the Company's members of the statutory body, supervisory body and other bodies are summarised in the following table:

In thousands of Eur	2011	2010
Statutory body	48	48
Supervisory body	88	88
Total	136	136

25. operating leasing

leases as lessee

The Company is committed under operating leases to terms ranging from 1 to 15 years, which relate 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 2011	31 December 2010
Less than one year	5 359	5 733
Between one and five years	7 636	3 166
After five years	6 340	691
	19 335	9 590

The increase in operating leases is caused by the Pre-lease agreement for the future premises of Orange Slovensko, a.s.

Total expenses for rent represent Eur 13 million (2010: Eur 13 million) and primarily represent office, retail space, technological premises and land and rooftops for base stations and other equipment.

The Company maintains evidence of assets under lease contracts.

26. 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 a material adverse effect on its financial position, the result of the operations, or cash flows.

commitments

The Company has CAPEX commitments in the total amount of Eur 21 044 thousand, of which Eur 3 886 thousand relate to an intangible investment (prolongation of UMTS licenses from 2022 to 2026) and Eur 13 976 thousand relate to investments in 2G/3G network assets, and the remaining commitments relate to investments in other long-life assets. The Company also has commitments related to the purchase of handsets in the total amount of Eur 9 512 thousand (2010: Eur 26 822 thousand)

legal commitments

The Company gave guarantees to third parties in amount of Eur 113 thousand (2010: Eur 368 thousand)

loan commitments

On 8 December 2006 the Company signed a Revolving Credit Facility Agreement with three Slovak banks. The revolving credit facility is in the aggregate amount of up to Eur 199 164 thousand and the final maturity date was five years after the date of the agreement. As of 8 December 2011, the agreement expired (2010: Eur 0).

27. critical accounting estimates, judgements and key sources of estimate uncertainty

The preparation of the financial statements in conformity with IFRS as adopted by the EU requires management to make judgments, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses. The estimates and the 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 judgments about the 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 recognised 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 the next financial year are discussed below:

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

estimated asset retirement obligation
The Company recorded an asset retirement obligation for the retirement and decommissioning of base stations. Orange Slovensko, a.s. places base stations on land, rooftops and other premises under various types of rental contract. In estimating the fair value of the asset 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.

lease exit costs
The Company recorded a leased exit obligation for the restructuring cost related to returning the actual leased premises to the state and conditions in which they were at the time of takeover. The Company plans to move to new building premises in 2012; the estimated costs for returning the old premises to the initial standards are based on the official tables of standardised constructing costs.

provision for universal service costs
Under the currently-valid Telecommunications Act, the Company is required to contribute towards the costs associated with the provision of so-called "Universal Service" mandated by the Act and currently provided by Slovak Telekom. Slovak Telekom (the incumbent operator) is claiming the total net Universal Service costs arising since January 2005 from all telecom operators. The Telecommunications Office of the Slovak Republic reserves the right to review the calculation methodology that the incumbent operator would deploy to identify the relevant net cost components as well as the telecommunication operators' market share. The timing and amount of the claim to contribute towards the net costs of the Universal Service that the incumbent operator is entitled to request from the Company are largely dependent upon the results of the Telecommunications Office's resolution. During 2011, the Telecom Office issued Decisions, by which the decided upon re-examination of the application of Slovak Telekom for payment of the net cost of providing Universal Service for the years 2005 – 2008. The Telecom Office decided that the provision of Universal Service between 2005 – 2008 did not constitute for Slovak Telekom a disproportionate burden, and that they should therefore not receive compensation for their losses. Moreover, Slovak law includes for the regulator the ability to verify the amounts claimed independently.

The final amount in respect of the Universal Service costs to the incumbent operator is uncertain. The Company's management, however, believes that the provision for the Universal Services created as at 31 December 2011 represents the best estimate of the obligation in relation to reimbursing the cost of Universal Service to Slovak Telecom.

financial crisis and economic recession

The Company's management is monitoring the impact of the financial crisis and the economic recession on the Company's business activities. Management believes that the financial crisis and recession has had no significant impact on the Company's business activities owing to the nature of the Company's activities, the large number of customers comprising its customer base, and the limited level of risk associated with using external sources of financing.

28. 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 2011 up to the preparation date of these financial statements.

During February 2012, the Slovak regulator of the telecom market (the Telecommunications Office of the Slovak Republic) issued a new regulation affecting Universal Service on Slovak market. The regulation is valid as of 1 March 2012 and sets up the rules for the claiming of compensation for Universal Service. The Company has analysed the new legislation and management believes there are no changes required in the value of the Universal Service provision recognised by the Company as of 31 December 2011.

29. approval of financial statements

The financial statements were approved by the Board of Directors and authorised for issue on 22 March 2012.

Pavol Lančarič
Chief Executive Officer

Corentin Maigné
Chief Financial Officer

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