

2012 Annual Report

Telefónica Slovakia, s.r.o.

Telefónica

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Telefonica

1 | About Telefónica Group



Telefónica is one of the world's leading integrated telecommunications operators, providing communication, information, and entertainment solutions. The company is present in 25 countries in Europe and Latin America. As at the end of December 2012, Telefónica's total number of customers amounted to 316 million. Telefónica's growth strategy is focused on those markets where the company has a strong position – Spain, Europe, and Latin America.

The Group is in seventh position in the sector Telco worldwide in terms of market capitalisation, in first position as a European integrated operator, and in seventeenth position in the Eurostoxx 50 ranking, which is composed of the major companies in Europe (March 2013).

Telefónica is a fully privately owned company with more than 1.5 million direct shareholders. Its capital is traded on the continuous market on the Spanish Stock Exchange and on those of London, New York, Lima, and Buenos Aires.

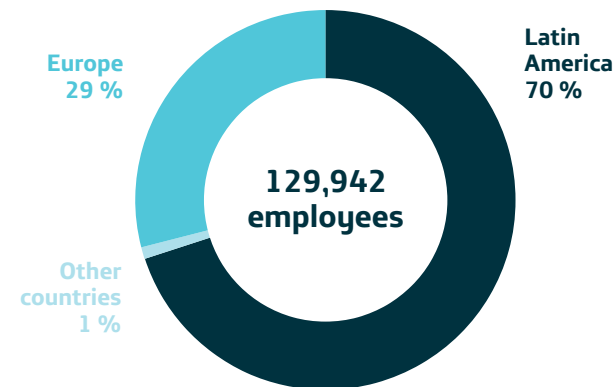
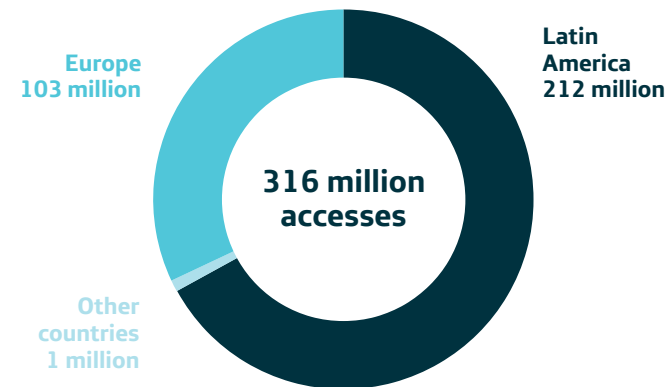
Compared to other telecommunications companies, Telefónica has very wide international profiles in a sector where more than 76% of its business is outside its home market and a reference point in the Spanish and Portuguese speaking market.

In Latin America, Telefónica provides its service to more than 212 million customers as at the end of 2012, becoming thereby the leading operator in Brazil, Argentina, Chile, and Peru and has substantial operations in Colombia, Costa Rica, Ecuador, El Salvador, Guatemala, Mexico, Nicaragua, Panama, Puerto Rico, Uruguay, and Venezuela. In Europe, on top of the Spanish operations, the Company has operating companies in the United Kingdom, Ireland, Germany, Czech Republic, and Slovakia, providing services to more than 103 million customers as at the end of 2012.

Telefónica in numbers

- 316 million accesses (103 million in Europe, 212 million in Latin America) (December 2012)
- Presence in 24 countries of the world (6 in Europe, 15 in Latin America¹, Telefónica Group is active in three other countries through its strategic alliances)
- 129,942 employees (29% in Europe, 70% in Latin America, 1% in other countries) (December 2012)
- Revenues: 62,356 million euro (2012)
- OIBDA: 21,231 million euro (2012)
- Net profit: 3,928 million euro (2012)
- The world's largest integrated telecommunications operator measured by number of accesses
- The largest integrated operator in Europe measured by market capitalisation
- The most admired telecommunications company outside the US (Fortune Global 500)

¹ including the US and Puerto Rico



Telefónica – the largest company on the telecommunications market in Latin America



Argentina	
Number of accesses	24.1 million
Position in fixed line market	1st
Position in mobile market	2nd
Brazil	
Number of accesses	91.4 million
Position in fixed line market	2nd
Position in mobile market	1st
Central America	
Number of accesses	10.0 million
Position in fixed line market	–
Position in mobile market	3rd

Note: Central America includes Guatemala, Panama, El Salvador, Nicaragua and Costa Rica. Number of customers figure also includes the narrowband accesses of Terra Brasil and Terra Colombia and broadband accesses of Terra Brasil, Telefónica de Argentina, Terra Guatemala and Terra México.

Telefónica – the largest company on the telecommunications market in Latin America

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Colombia	
Number of accesses	14.1 million
Position in fixed line market	2nd
Position in mobile market	2nd
Chile	
Number of accesses	13.1 million
Position in fixed line market	1st
Position in mobile market	1st
Ecuador	
Number of accesses	5.0 million
Position in fixed line market	–
Position in mobile market	2nd
Mexico	
Number of accesses	20.3 million
Position in fixed line market	–
Position in mobile market	2nd

Peru	
Number of accesses	20.3 million
Position in fixed line market	1st
Position in mobile market	1st
Uruguay	
Number of accesses	1.8 million
Position in fixed line market	–
Position in mobile market	2nd
Venezuela	
Number of accesses	11.7 million
Position in fixed line market	–
Position in mobile market	2nd
Total number of accesses	212 million

* December 2012 data

Telefónica – a strong player in the European market

Telefónica was founded in 1924 in Spain. Over time, the company has grown globally. The different operations of Telefónica Group in 25 countries are organised into the two geographical regions of Europe and Latin America, and the global business unit Telefónica Digital.

Integrated decentralised model of governance and management

The goal of Telefónica Group is to maximise the added value of its activities at all levels – global, regional, and local. The model of organisation puts the customer at the heart of the company's focus, sets out the role of innovation in revenue generation and in the transformation into a better-performing enterprise.



Telefónica – a strong player in the European market

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Spain	
Number of accesses	43.1 million
Position in fixed line market	1st
Position in mobile market	1st
United Kingdom	
Number of accesses	23.8 million
Position in fixed line market	–
Position in mobile market	2nd
Germany	
Number of accesses	25.4 million
Position in fixed line market	4th
Position in mobile market	4th

* December 2012 data

Ireland	
Number of accesses	1.6 million
Position in fixed line market	–
Position in mobile market	2nd
Czech Republic	
Number of accesses	7.9 million
Position in fixed line market	1st
Position in mobile market	2nd
Slovakia	
Number of accesses	1.3 million
Position in fixed line market	–
Position in mobile market	3rd
Total number of accesses	103 million

Structure of Telefónica Group

Major companies of Telefónica Group detailed by regional business units:

Telefónica España		Telefónica Latinoamérica	
Telefónica de España	100.0	Telefónica Móviles Perú	100.0
Telefónica Móviles España	100.0	Telefónica de Argentina	100.0
Telyco	100.0	Telefónica Móviles Argentina	100.0
Telefónica Telecomunic. Públicas	100.0	Telefónica Móviles Chile	100.0
T. Soluciones de Informatica y Comunicaciones de España	100.0	Telefónica Móviles México	100.0
Acens Technologies	100.0	Telefónica Móviles Guatemala	100.0
Iberbanda	100.0	Telefónica Venezolana	100.0
Tuenti	91.4	Otecel	100.0
		Telefónica Móviles Panamá	100.0
		Telefónica Móviles Uruguay	100.0
		Telefonía Celular Nicaragua	100.0
		Telefónica Costa Rica	100.0
		Telefónica Móviles El Salvador	99.2
		Telefónica del Perú	98.5
		Telefónica Chile	97.9
		Telefónica Brasil ¹	73.9

¹ Including the subsidiary Vivo that is fully owned by Telefónica Brasil

Structure of Telefónica Group

1 | About Telefónica Group

Telefónica Europe

Telefónica United Kingdom	100.0
Telefónica Germany	76.8
Telefónica Ireland	100.0
Be	100.0
T. Intern. Wholesale Serv. (TIWS)	100.0
Telefónica Czech Republic ¹	69.4
Tesco Mobile	50.0

¹ Including the subsidiary Telefónica Slovakia that is fully owned by Telefónica Czech Republic

Ďalšie majetkové účasti

Telefónica de Contenidos (Spain)	100.0 %
Telco SpA (Italy) ¹	46.2 %
DTS, Distribuidora de Televisión Digital	22.0 %
Hispasat	13.2 %
Portugal Telecom ²	2.0 %
China Unicom (Hong Kong) Limited (China)	5.0 %
BBVA	0.8 %
Amper	5.8 %

¹ Through Telco, Telefónica holds an indirect stake in Telecom Italia of approximately 10.36% in ordinary shares (with voting rights). After discounting saving shares (azioni di risparmio), which do not confer control rights, the indirect interest of Telefónica in Telecom Italia was 7.15%.

² Real interest of the Telefónica Group. With minority shareholdings disregarded, Telefónica's interest would be in the range of 10%.

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2 | Telefónica Slovakia, s.r.o.



Telefónica Slovakia is part of the international group Telefónica and, more specifically, it belongs to Telefónica Europe group. All the company activities run in the Slovak Republic are labelled O₂. Telefónica Slovakia entered the Slovak mobile market as an operator selected by Slovakia's Telecommunication Office selection jury on 25 August 2006. The company first started its commercial operation on 2 February 2007.

Telefónica Slovakia became the Operator of the Year for the fourth time in 2012 in an independent annual public inquiry. These results confirmed that both O₂ Fér (O₂ Fair), introduced in 2008, O₂ Moja Firma (O₂ My Company), launched in September 2010 and recently introduced novelty in the provider's product portfolio O₂ Paušál (O₂ Price Plan) are really what the customers need.

Fairness, simplicity, and transparency

The main principles of mobile calling have become fairness, simplicity, and transparency. Fairness has resulted in the cancellation of monthly fees paid as part of invoiced services, thanks to which the clients only pay for the services they practically make use of.

Transparency and simplicity mean the same price at any day and night hour, during business days and weekends for the phone calls made to all networks within the Slovak Republic and now also from the Slovak network to all countries of the European Union.

No fixed term contracts – O₂'s price plans and services are provided to the residential customers under contract without a fixed term. O₂ products are attractive and the provider does not need to condition advantageous calls with any fixed term contracts.

Same advantages apply to all

The same advantages apply to all users, including both top-up and invoiced customers.

The users ported a total of 503,243 telephone numbers to the O₂ network from 2008 to 31 December 2012.

From the beginning of 2012 to 31 December, the users ported as many as 117,884 SIM cards to the O₂ network – 69,726 of them from Orange and 48,158 from Slovak Telekom.

We changed the rules of mobile communication in Slovakia

By introducing O₂ Fér, as the company's offer for the residential customers, in September 2008, Telefónica Slovakia completely changed the rules of mobile communication that are applied in Slovakia. The main advantages of O₂ Fér include contract-free services, transparent price list and the same price applied to all phone calls and SMSs. Moreover, the customers can also adjust the O₂ Fér

price plan to their own needs with Extra packages consisting of free minutes, SMSs/MMs, and data at advantageous prices.

Along with the new O₂ Fér offer, Telefónica Slovakia has also established the widest range of mobile phone offers.

Telefónica has been the only operator to enable its clients to make phone calls from Slovakia to 6 countries of the European Union for the same standard rates as charged for local phone calls (Czech Republic, Ireland, Hungary, Poland, Austria, and United Kingdom). The prices of the outgoing phone calls and SMSs from Slovakia to all mobile and fixed line networks in the referred countries are equal to those charged for the phone calls and SMSs made within the local networks in Slovakia. All one has to do is subscribe to the O₂ Fér, O₂ Paušál, or O₂ Moja Firma plan.

Telefónica Slovakia has greatly contributed to the availability of the automatic phone number portability service among the three mobile operators as well as to significant reductions in the time period required for the transferring process.

In September 2010, Telefónica Slovakia introduced the new price plan for businesses and small and medium enterprises – O₂ Moja Firma. The customers of O₂ Moja Firma pay a maximum of EUR 44 for Internet and outgoing phone calls and SMSs/MMs to all networks in Slovakia and all countries of the European Union.

Telefónica Slovakia keeps extending its own 3G network. Commercial launch of products provided within its own 3G network took place in June 2011. At present, O₂ covers more than 53% of the Slovak population with its 3G network. In August 2012, the company became the first one to launch pilot commercial operation of the fastest fourth generation network (LTE) in selected towns in Western Slovakia.

Telefónica Slovakia always brings something extra to its customers. The customers have an opportunity to enjoy many great advantages that are offered by O₂ Super zóna (O₂ Super Zone). They can choose from amazing offers in travelling, gastronomy, education, entertainment, and sports or household equipment.

In April 2012, Telefónica Slovakia introduced its new O₂ Paušál (O₂ Price Plan) with mobile phone with a no fixed term contract and the same price of outgoing calls to all Slovak and European networks. This price plan of Telefónica Slovakia is the first truly unlimited price plan for phone calls and SMSs in the Slovak market. Moreover, the subscribers to any version of O₂ Paušál (Blue, Silver, Gold, and Platinum) have the option to send an unlimited number of SMSs to all networks in Slovakia at no extra charge.

Partner solutions

Telefónica Slovakia, s.r.o. decided for co-operation in partner solutions to provide mobile services.

SWAN, a. s.

Telefónica Slovakia, s.r.o. and SWAN, a.s. have agreed to cooperate in the provision of partner solutions. Under a pilot project SWAN offers mobile electronic communications service O₂ Partner Špeciál (O₂ Partner Special) targeted at business clients; Telefónica Slovakia is the provider of the service. This mobile service is available in SWAN under the O₂ brand.

SWAN MOBILE is a partner product of SWAN, a.s. and Telefónica Slovakia, s.r.o. available in the sales network of SWAN, a.s.

CLIP and CLIR service, Internet access, international phone calls, call blocking and information on missed calls are all available with SWAN MOBILE SIM cards.

Telefónica Slovakia s.r.o. is the provider of the service

Tesco Mobile is a partner product of Tesco Stores SR a. s. and Telefónica Slovakia, s.r.o., which is available in the retail chain of Tesco Stores SR a. s.

Tesco Mobile service, which was launched in Slovakia in December 2009, follows the successful presence in the British Isles. Its services are available in the markets of the United Kingdom of Great Britain and Northern Ireland and Ireland. Telefónica Slovakia, s.r.o. is the provider of the service in Slovakia.



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3 | Corporate governance and Supervisory Board





Ramiro Lafarga Brollo

Chief Executive Officer of Telefónica Slovakia

Ramiro was appointed Chief Executive Officer of Telefónica Slovakia in November 2011. Before his arrival to Slovakia, he occupied the position of Sales Director in Telefónica Chile where he was in charge of over 5,800 employees. In the past, he held the position of Vice-president for Sales in Telefónica Brasil and also worked for Movistar Chile.



Martin Klímek

Chief Financial Officer of Telefónica Slovakia

Martin has been holding the position of Chief Financial Officer of Telefónica Slovakia since May 2012. Before that, he worked as Director for Planning and Controlling for Telefónica CZ. Martin joined Telefónica CZ (back then it was called Eurotel Praha) in 2002. Before that, he worked for PricewaterhouseCoopers based in Prague.



Radek Štěrbá

Chief Sales and Customer Care Officer of Telefónica Slovakia

Before joining Telefónica O₂ Slovakia, Radek worked as Vice-president Residential Sales at T-Mobile in the Czech Republic. He has experience with the implementation of corporate strategies for sales, introduction of new unconventional products and with leading a sales team.



Jonathan Earle

Chief Marketing Officer of Telefónica Slovakia

Jonathan has been working for Telefónica O₂ Slovakia since January 2012. In the past, he worked for Goldfish credit card, Orange and Barclays Bank. From May 2007 until joining Telefónica Slovakia he worked for Telefónica UK in the United Kingdom; the last position he held there was Head of Consumer Marketing.



Ján Žďárský

Director of Telefónica Slovakia Network Department

Ján has been living and working in Slovakia since April 2011, first at the position of Senior Manager of Network Operations and, since January 2013, as the Director of the Network Department. He has been working in the field of mobile network operation since 1996, when he joined Eurotel Praha. In 2003, he was a team leader of several technical teams involved in projects in Colombia, USA, Sweden, and Brazil. In 2008, he returned to the Czech Republic where he worked as Senior Project Manager for Telefónica.



Ľuboš Gajdoš

Chief Information Officer of Telefónica Slovakia

Ľuboš got professionally involved with IT after his studies while working in the state administration and in the mobile telecommunications business; from 2001, he held the position of Senior Manager & Consultant at Logica. After joining Telefónica Slovakia in 2006 in the position of Director of Information System Development, he coordinated several projects starting with the initial phase of pre-paid and monthly post-paid service launch. In October 2008, he was in charge of the entire IS section of our company.

Corporate governance

3 | Corporate governance and Supervisory Board



René Parák

Communication Director at Telefónica Slovakia

His early career is connected with the positions in TV Markíza and KPMG Slovensko, a.s., where he was in charge of marketing and communication. He joined Telefónica Slovakia in 2007. At first he was responsible for external communication and PR and, in March 2011, he was appointed Communication Director, a position connected with responsibility for comprehensive corporate communication (external and internal communication, social media).



Marek Bališ

HR Executive Director at Telefónica Slovakia

Before joining Telefónica Slovakia he worked at the position of HR Director for Eastern Europe (Slovakia, Czech Republic, Hungary, and Poland) at Office Depot. He also worked at managerial positions and in a role of HR consultant, for example as an HR Business Consultant for IBM Ireland, Dublin and later as an HR Consultant for Accenture, also in Ireland. At our company, he is responsible for the entire HR Department.



Dávid Durbák

Legal Affairs Director at Telefónica Slovakia

Dávid joined our company in April 2007. In April 2011, he was appointed Legal Affairs Director responsible for comprehensive legal support of the company. His professional career started in Slovak Telekom, a.s. at the Regulatory Affairs Department where he was in charge of legal support in proceedings with state authorities; he mainly represented the company in several proceedings with the Antimonopoly Office of SR.



Peter Gažík

Legal Affairs Director at Telefónica Slovakia

Peter joined our company in October 2011 and is responsible for relations with partner and government authorities and with the regulator. Until 2006, he worked as a consultant with Candole Partners, a company providing strategic consultancy in the region of Central and South-Eastern Europe. He primarily focused on government affairs and coordinated several successful projects for supranational clients.



Tomáš Masár

Strategy and Business Development Director at Telefónica Slovakia

Tomáš has worked in the telecommunications sector since 2006, first for Eurotel ČR and later for Telefónica O₂ ČR, where he was involved in the business development project and the project of establishing the third mobile operator in Slovakia. Since 2008, he has been in charge, at Telefónica Slovensko, of the product marketing department, roaming and interconnect relations. Since July 2012, he has been responsible for the strategic development and search for new business opportunities. In the past he worked for Citibank in London and Geneva and for ČSOB in Prague.

Members of the Supervisory Board



David Melcon

David Melcon is a senior finance professional with over 15 years of senior management experience in the telecommunications industry. In addition, he has extensive experience in financial planning and performance management, M&A; transactions, investment appraisal and financial operations in Latin America, Spain, the United Kingdom and the rest of Europe. He joined Telefonica in 2001. Since 2007, David has held the position of Finance and Control Director at Telefónica Europe. He is a member of the Board of Directors of Telfin Investments Ireland and was a member of the Supervisory Board of Hansenet.



Martin Bek

Martin Bek worked for the French companies ABC International, DRT International, and later at Guérard Viala Prague. From 1996, he worked at ČESKÝ TELECOM (the legal predecessor of Telefónica Czech Republic) as Director for Tax and Accounting, and later as the Executive Director for Planning and Controlling. In April 2004, he was appointed a statutory representative of Eurotel and, since September 2004, he has been Eurotel's Chief Operating Officer. Now, he holds the position Chief HR and Support Services Officer at Telefónica Czech Republic.



František Schneider

František Schneider worked in the past for Vikomt CZ and Dell Computer. František joined Telefónica Czech Republic, a.s. in April 2008 when he became Executive Director of Corporate Sales and currently he is the Director of the Business Division.

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4 | Letter from the CEO





Ramiro Lafarga Brollo

Chief Executive Officer of Telefónica Slovakia

Dear shareholder, customers, employees, and partners,

Telefónica has walked a long, sometimes difficult, but particularly successful journey in the Slovak mobile market. In February 2012, we celebrated the fifth anniversary of our presence as the third player in the Slovak market. After last year, I am pleased to confirm that our company has again managed to achieve its set goals not only in terms of growth but also in the introduction of new, innovative and at the same time fair services for our customers.

In these tough times, the number of our customers keeps growing and the financial indicators prove our success as well. For several years in a row we have been reporting continuous growth in all key operating and financial figures. Nevertheless, the growing number of our customers, whose satisfaction is the highest among all mobile operators in the Slovak market, represents the most important victory of our company. It is not just short-

term satisfaction, just the opposite. Telefónica has been achieving first place in customer satisfaction statistics ever since the launch of its activities in the market. We appreciate the feedback provided by a strong community of our active customers, accounting today for almost 1.4 million active clients.

Last year was the year of unlimited calls in the Slovak mobile market. Our company set the trend again and its O₂ Paušál targeted primarily at residential customers stirred the waters of the mobile business. The price plan was introduced in 2012 and its principle again reflects the values that are important to us. O₂ Paušál at four price levels is similar to all our plans available to residential customers free of any contract. Even the basic variant of the price plan provides its subscribers with unlimited outgoing SMSs to all Slovak networks, bonus for mobile phone depending on the amount of monthly fee and uniform minute tariff applied to calls to all networks after exceeding the pre-paid limit. The same standard rates as charged for local calls are applied to phone calls to all countries of the European Union. Thanks to the new O₂ Paušál the share of post-paid customers in the total customer base rose by 1.4 percentage points to 48.7%.

As at 31 December, Telefónica had more than 1.354 million customers, up by 16.3% compared to the previous year. Of these customers, 659,000 have subscribed to the post-paid services. People's mind-set related to the use of mobile services, which we sought to change from the very beginning, reflected this year in a higher number of ported telephone numbers. Since

the introduction of the telephone number portability service (in November 2008) until 31 December 2012, customers ported over 503,000 SIM cards to our network. Almost 118,000 customers ported their numbers to us in 2012 alone.

The company's revenue reached €193.1 million last year, up by 22.2% y/y. The average monthly revenue per user (ARPU) of pre-paid services was €8.1 and monthly revenue per post-paid user was €16 last year. Moreover, we achieved positive operating income before depreciation and amortisation (OIBDA), which reported a 58% y/y increase.

In 2012, we continued to offer our successful products O₂ Fér designed for residential customers and O₂ Moja Firma for businesses and small and medium-sized enterprises.

Throughout the previous year, we were working on extending our own 3G network, which was covering more than half of the Slovak population by the end of the last year. At the beginning of August, the company became the first operator to launch pilot commercial operation of the fastest LTE mobile Internet in selected towns in Western Slovakia, thanks to which we reconfirmed our role as a technology innovator.

The proportion of our customers using smartphones went up by 9.1 percentage points to 27.2% in the period from January to the end of December 2012. We have supported the replacement of older devices with new service

titled "Nový za starý" (New One for Old), which offers the customers the opportunity to sell their used mobile phones. The customers are invited to bring their used mobile phones to our shops, for which they receive a bonus that can be used with the purchase of a new device of their choice.

During the year, we managed to make the offer of our products more attractive and we also made the use of mobile services more advantageous. We introduced biometric signatures and special O₂ Guru advisors who make an impression of the work done in a professional way. We want to maintain this trend to the full satisfaction of all those who have come into contact with Telefónica.

When I came to Slovakia I was excited to find a team of people here with open minds. I am very glad that I can repeat these words even after spending a longer time with my Slovak colleagues. I am also pleased that our company is one of the top five employers in Slovakia according to the outcomes of the 2012 Best Employers in Slovakia study carried out by Aon Hewitt. Therefore, I would like to use this opportunity to thank our customers who place trust in us as well as our employees for their hard work, without whom Telefónica would not have a chance to be what it is now – a fair, transparent, and flexible company that is setting trends in the mobile market.

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5 | Calendar of key events in 2012



January

O₂ released a detailed plan of extending the coverage of the Slovak territory with fast 3G Internet. The company planned to cover an additional 156 towns and villages in the second and third quarter to make 3G Internet services available to 50% of the Slovak population in autumn.

For the third time in a row we became the winners of the independent "TECHBOX Operator of the Year" survey, the goal of which is to identify the best operator in Slovakia. The company gained 61% of all votes.

February

On 1 February, O₂ introduced another innovation designed for businesses and enterprises. O₂ Moja Firma (O₂ My Company) plan with set price cap allows unlimited outgoing phone calls to all networks in the European Union countries.

We celebrated the fifth year of our presence in the market. We gave our customers free SMS usage in the O₂ network throughout the day.

O₂ became the first operator in Slovakia to start using biometric signatures in its shops. O₂ expects this measure to increase the security of documents and speed of service, and save our forests by eliminating the need for printed documents.

We published the 2011 financial results. O₂'s revenues rose by 40% to 158 million euro and our customer base grew by 32.2% to over 1.164 million clients.

April

We increased the speed of data transmission in our 3G network. Moreover, we made the renewal of packages after spending the pre-paid volume cheaper.

O₂ introduced a contract-free price plan with unlimited SMSs to all networks and a bonus for the purchase of mobile phone. The new O₂ Paušál also includes advantageous calls to all Slovak networks and 6 favourite European countries.

O₂ started offering new packages of unlimited phone calls and SMSs or MMSs in O₂'s network to the subscribers to the O₂ Fér plan.

The third year of the grant programme O₂ Think Big supported projects of young people with a total amount of €75,000. Nearly 400 projects from all over Slovakia competed for the grant. Support was provided mainly to the cultural and sports projects, and projects aimed at helping socially disadvantaged individuals and environment protection.

May

O₂ developed the first own strategy game on Facebook "Zasadni Na Šéfovú Stoličku" (Take Your Boss's Chair) for its fans, customers, and all those who are interested in trying out the role of a telecom operator. More than 24,000 players participated in the game.

June

General partnership with Grape Festival 2012. More than free 6,000 MMSs were sent from the Grape Festival held in August and O₂ charging stations charged almost 2,500 mobile phones during the festival.

O₂ introduced the popular service EU Pas (EU Passport) – roaming calls at rates applied to national calls – for the residential subscribers to O₂ Paušál and O₂ Fér plans.

O₂ started offering all its customers a new service which makes the purchase of a new phone more convenient. Customers are invited to bring their used mobile phones to O₂'s shops. O₂ buys the phones from its customers in exchange for a bonus for the purchase of a new smartphone.

All O₂ customers who have not subscribed to any Internet package yet are offered an even more attractive daily Internet service. Without any activation they may use data throughout the day for a maximum price of €0.50. Internet Na Deň (Internet for Day) service is advantageous, since the customers only pay for contract-free Internet connection when they really use it.

July

O₂ reduced the price cap applied to O₂ Moja Firma price plan. This means that the customers pay a maximum of €44 for outgoing calls to all networks in Slovakia and the EU, SMSs, and the Internet.

August

O₂ became the first and only operator in Slovakia to launch the pilot commercial operation of the fastest fourth generation mobile Internet (LTE – Long Term Evolution) in selected towns. Together with the launch of the network, O₂ also introduced a new offer for its customers.

O₂ introduced a new roaming product of daily Internet in the European Union. With EU Internet package, O₂'s customers have available 25 MB of data a day at the price of only €2. The price is charged to the customers only when they really use the data. EU Internet introduces the first single pan-European roaming data tariff, which is 10 times lower than the price regulated by the European Union.

September

O₂ introduced new service Internet 2v1 (Internet 2in1), which provides customers with two data extra packages for two devices for the price of one. Subscribers to the service receive 2,000 MB data volume for laptop and Internet do Mobilu Extra (Internet for Mobile Extra) package with an additional 1,000 MB of data charge-free for 12 months.

Telefónica Slovakia became one of the top five employers in Slovakia in 2012. This is the conclusion of the Best Employers in Slovakia study that was carried out by Aon Hewitt. Telefónica Slovakia took fourth place on the chart of 42 registered companies.

October

The employees of Telefónica Slovakia left their offices again in 2012 to get personally engaged in the projects supported by the grant programme O₂ Think Big. On Volunteering Day they reconstructed, repaired and cleaned the public space in Nitra and Zvolen, for example.

O₂ presented its Christmas special offer with a wide range of innovations and extended options for O₂ Paušál, O₂ Fér and O₂ Moja Firma plans. O₂'s portfolio thus includes unlimited outgoing calls to all networks also with the O₂ Fér price plan, an option for O₂ Paušál subscribers to choose between data and mobile phones, and new benefits available with O₂ Moja Firma plan.

November

O₂ confirmed its interest in general partnership with the Grape Festival for next year. O₂ customers had a unique chance to purchase discounted tickets for the event in Superzóna (Super Zone) even one day before the official presale.

December

We introduced another great pre-Christmas online game for all Internet enthusiasts. More than one thousand gifts were hidden in the streets of the Slovak cities and towns using the Street View technology. Players were looking for the gifts in the streets on Google maps using the panoramic pictures. 76,000 users played the game.

Telefónica Slovakia launched its Wayra accelerator, with the main aim to support innovative technological projects and help them succeed in the market. Wayra project managed by Telefónica Digital was introduced to Slovakia following its great success in South America and Europe.

O₂'s partnership with the fundraising programme Srdce Pre Deti (Heart for Children) motivated many people who responded to the operator's unusual call. People brought thousands of old phones to O₂'s shops. O₂ not only recycled the phones in an ecological way, but also contributed the amount of 1 euro for each received phone. In a few weeks, the operator collected 10,905 phones and contributed the amount of 10,905 euro to support disabled and socially disadvantaged children.

Telefónica

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6 | O₂'s portfolio



Contract-free O₂ Paušál

Contract-free O₂ Paušál

New O₂ Paušál with a package of pre-paid minutes, unlimited text messages and a bonus for the purchase of a mobile phone is another transparent price plan, which belongs to O₂'s portfolio. The price plan takes into consideration outcomes of the extensive surveys of customer needs. Subscribers can choose between four types of packages containing free minutes for a fixed monthly fee or an option to receive a mobile phone from O₂'s offer.

Upon the subscription to any O₂ Paušál and the purchase of a mobile phone, the customers receive a bonus for a mobile phone and unlimited SMSs to all Slovak and EU networks. The bonus for a mobile phone is granted in the form of a discount on the monthly fee for a selected type of O₂ Paušál during a period of 18 months.

Blue, Silver, and Gold O₂ Paušál

Subscribing to any of the packages, customers receive 100, 150, or 300 free minutes to all networks in Slovakia and the EU countries. After exceeding the pre-paid volume, the outgoing phone calls to the Slovak and EU networks are charged with a uniform price of €0.10/minute. All packages already include unlimited SMSs to all networks in Slovakia and the EU countries. Subscribers are further entitled to a bonus in the amount of €72, €126, or €198; the bonus is paid in the form of a discount on a mobile phone every 18 months. If the customers decide not to use the bonus for a mobile phone, they receive a data package. Subscribers are free to change their selected O₂ Paušál; they are allowed to upgrade or downgrade their plans with no penalty or a charge for plan adjustment.

Platinum O₂ Paušál

Subscribers to Platinum O₂ Paušál are entitled to unlimited phone calls and unlimited SMSs to all networks in Slovakia and the EU countries. Moreover, the subscribers may use a bonus with any mobile phone from O₂'s offer; the bonus in the amount of €288 is paid in the form of a discount every 18 months. Platinum O₂ Paušál also includes a 1,000 MB data package.

Contract-free O₂ Fér, O₂ Moja Firma

6 | O₂ 's portfolio

Contract-free O₂ Fér

This plan of O₂'s that is designed for residential customers is based on a "contract-free" principle. Customers are thus offered an option to activate and deactivate various service packages at better prices, and tailor the O₂ Fér offer to fit their needs at any time and with no additional charges depending on what they use and how long they want to use it.

O₂ Fér is a permanent item in O₂'s portfolio. This means that this offer remains simple, fair, and advantageous regardless of whether it is Christmas or some other season of the year.

- A single price of €0.13/minute applies to phone calls to all Slovak networks anytime during the day (an option to activate packages, which reduce the price to €0.07/minute, or a package of unlimited phone calls to all Slovak and EU networks for €30);
- A single price of €0.06 applies to the outgoing text messages to all Slovak networks anytime during the day;
- Free phone calls in O₂'s network after the third minute (after the first minute from 2013);
- The same prices apply to all post-paid and pre-paid customers

Extra packages

Subscribers to O₂ Fér may purchase Extra packages of free minutes, SMSs, MMSs, and data at advantageous prices. By purchasing Extra packages customers draw up their own special offer that fits their current needs. Extra packages are provided on a monthly basis and subscribers are free to activate or deactivate them at no additional charge.

O₂ Moja Firma

The price plan for small and medium-sized enterprises and businesses, O₂ Moja Firma, provides the business clientele with a price cap of 44 euro and the automatic optimisation of price per minute of an outgoing phone call to all Slovak and EU networks. This means that customers pay a maximum of €44 for phone calls to all networks in Slovakia and the EU countries. The rule stating that customers pay only for the actually used services in the months, when they make fewer phone calls, has remained preserved.

In addition, the O₂ Moja Firma plan provides the subscribers with quality care starting with a single SIM card, quality services, and a number of other benefits, such as a free choice of phone number.

The more the customers call, the less they pay per minute of a phone call; this is the principle which applies to the O₂ Moja Firma plan. Moreover, the businesses are protected with the price cap, thanks to which they know that they never pay more than €44 a month for unlimited calls to the Slovak and European networks. Subscribers are invited to activate additional data or SMS packages as needed.

Telefonica

7 | People are important

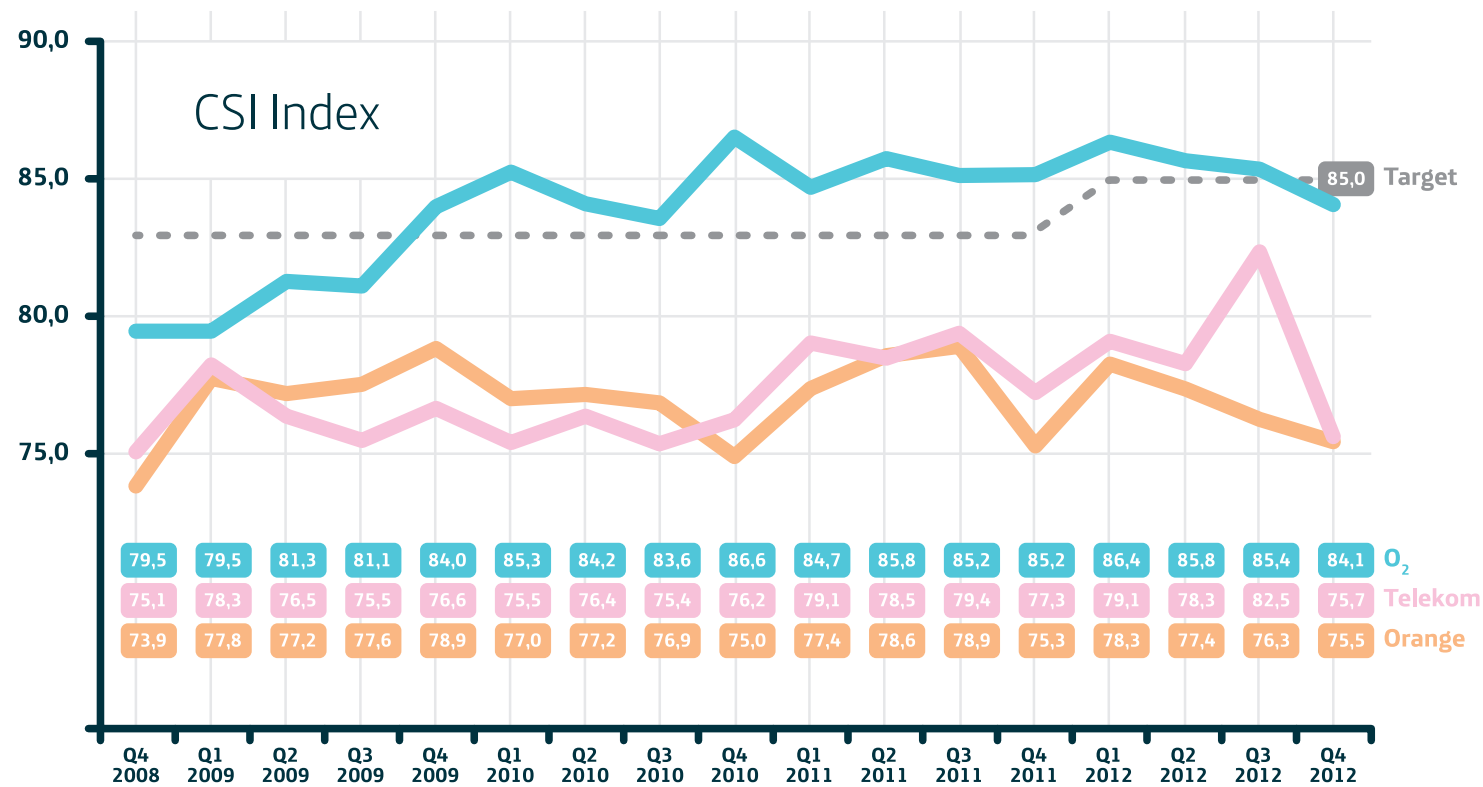


Comparison of the numbers of active customers in 2012 and 2011

2012	1Q	2Q	3Q	4Q
Customers	1 216 896	1 250 294	1 292 334	1 354 210
Post-paid	538 844	574 687	611 374	659 301
Pre-paid	678 052	675 607	680 960	694 909
Increase	52 758	33 398	42 040	61 876
Post-paid	40 803	35 843	36 687	47 927
Pre-paid	11 955	-2 445	5 353	13 949

2011	1Q	2Q	3Q	4Q
Customers	947 661	1 002 621	1 078 992	1 164 138
Post-paid	380 292	410 502	444 891	498 041
Pre-paid	567 369	592 119	634 101	666 097
Increase	67 258	54 960	76 371	85 146
Post-paid	45 828	30 210	34 389	53 150
Pre-paid	21 430	24 750	41 982	31 996

Customer satisfaction



The number of employees of Telefónica Slovakia was 415 as at the end of the monitored period. In September 2012, Telefónica Slovakia became one of the top five employers in Slovakia of 2012. This is the conclusion of the Best Employers in a Slovakia study that was carried out by Aon Hewitt. Telefónica Slovakia took fourth place on the chart of 42 registered companies.

Telefónica Slovakia became the best employer in the telecommunications sector. To include a company among the top employers, it has to achieve excellent results in five categories: engagement rate, credible management, high performance culture, employer's attractiveness, and sustainability. The key aspect for determining the ranking of companies is engagement. According to the study the employees of Telefónica Slovakia show a high degree of engagement and job satisfaction.



Telefónica

Telefonica

8 | Corporate responsibility



O₂ Think Big programme

In 2010, Telefónica Slovakia supported with Telefónica Fundación successfully launched an international programme of Telefónica Europe called O₂ Think Big. The programme aims to support the social and personal development of young people. Given the consistency of the focus on social issues and the Europe-wide implementation across the entire Telefónica Group in Europe, O₂ Think Big represents a unique and unparalleled European project.

During the three years of existence of the grant programme O₂ Think Big, which is implemented in co-operation with Ekopolis Foundation and Nadácia Pre Deti Slovenska (Foundation for Children of Slovakia), young people have already received €121,000 in order to support their 98 projects.

Almost 400 projects from all over Slovakia competed for the grant in 2012. The jury selected 54 of the best projects, which will receive a grant from €500 to €2,000. Support was provided mainly to the cultural and sports projects, and projects aimed at helping socially disadvantaged individuals and environment protection.

More information about the programme and supported projects is available at www.o2thinkbig.sk.

Think Big School project

In 2012, Telefonica Slovakia started the Think Big School project, which is currently underway in 6 European countries. The project is design to target young people (between 14 and 16 years of age) with an emphasis placed on digital literacy, entrepreneurial skills and support to entrepreneurial thinking.

The project aims to build self-confidence and develop entrepreneurial spirit among young people, and motivate them to come up with new ideas and projects. The employees of Telefónica Slovakia, acting as consultants in various workshops, help the young people to acquire these skills. Another objective of the project is to motivate the employees by providing them with an opportunity to share and develop their knowledge and skills.

The project is implemented in partnership with Junior Achievement.

Wayra

Wayra is a programme managed by Telefónica Digital, the main objective of which is to promote innovations and discover new talents in digital and information technologies (ICT) in Europe and Latin America. This global accelerator helps the talented individuals to further develop their ideas and projects. It provides them with the necessary technology, background, professional consultants, inspiring working environment and funds needed to accelerate their growth.

For the first time ever, Wayra announced a global call for candidates from around the world. The call was published at the event "Wayra Global DemoDay 2012" in Miami (USA), where 17 start-up companies from 11 countries presented their projects to the key representatives of the international investor community.

Slovakia got involved in the call in December 2012 through a Prague-based academy that serves as a centre for talents in the digital industry from all of Central and Eastern Europe.

Srdce pre deti

In 2012, Telefónica Slovakia became a general partner of this fundraising project, the goal of which is to support the charity programme Srdce Pre Deti (Heart for Children) backed by Nový Čas daily. For every phone collected under the recycling programme Nový Za Starý O₂ promised to donate 1 euro to the programme. The employees of Telefónica O₂ Slovakia also contributed to this project by bringing dozens of mobile phones in a single day. In a few weeks Telefónica Slovakia collected 10,905 phones and contributed the amount of 10,905 euro to support disabled and socially disadvantaged children.

Volunteering

Telefónica Volunteering Day

Every year the employees of Telefónica Slovakia participate in various volunteering events. Another of Telefónica's international day of volunteering activities, which is uniform in all countries where Telefónica has its operations, was held in October 2012. 97 employees of the company participated in the project. Activities took place in two Slovak towns, Zvolen and Nitra, and employees were free to register.

International Volunteering Project Proniño

In 2012, the volunteering activities of the company exceeded again the borders of the Slovak Republic. Telefónica Slovakia joined the international volunteering programme Proniño implemented by Telefónica Group in the countries of Latin America. Necessary help was provided in Ecuador, Brazil, Guatemala, Argentina, and Colombia. The task of volunteers was to prepare a meaningful programme for children, who end up on the street or had to go to work after finishing school. Our employees used their vacation to participate in the project.

Global Entrepreneurship Project

Telefónica Slovakia became a partner in the Global Entrepreneurship Project (GEP), an activity organised by the European Roundtable of Industrialists (ERT), Junior Achievement – Young Enterprise Europe and European Schoolnet with the aim to promote among young people better understanding and globalisation, entrepreneurship and the skills necessary for success in the global economy.

The employees of Telefónica participated in the project as consultants by organising seminars (on the causes and impacts of globalisation) at secondary schools and as consultants and jury members at the event Global Entrepreneurial Challenge. 100 students from all over Slovakia, who were involved in the project, participated in the workshop.

1.6 Commercial sponsorship

Festival Grape

In 2012, Telefónica Slovakia became again a general partner of the Grape Festival, thanks to which it was able to bring a lot of great music and experiences to its customers and fans.

Attractive services and a varied programme were prepared for all the visitors – free Wi-Fi at the festival site, mobile guide application, competitions, mobile charging stations, great O₂ Svet (O₂ World) relaxation zone, and free MMSs in the O₂ Slovakia network for the festival visitors.

As a result, the users sent more than 6,000 MMSs and the visitors charged almost 2,500 mobile phones in the O₂ charging stations.

Telefonica

9 | 2012 Financial Statements




ERNST & YOUNG

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Independent Auditor's Report

To the Owner of Telefónica Slovakia, s.r.o.:

We have audited the accompanying financial statements of Telefónica Slovakia, s.r.o. ("the Company"), which comprise the balance sheet as at 31 December 2012, the income statement for the year then ended and the notes, which includes a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and presentation of financial statements that give a true and fair view in accordance with the Act on Accounting No 431/2002 Coll., as amended by later legislation ("the Act on Accounting"), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance 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 entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 December 2012, and of its financial performance for the year then ended in accordance with the Act on Accounting.

15 January 2013
 Bratislava, Slovak Republic

Ernst & Young Slovakia, spol. s r.o.
 SKAU Licence No. 257

Ing. Peter Uram-Hrišo
 UDVA License No. 996

Balance Sheet ÚČ PODO 1-01

BALANCE SHEET

at 31. 12. 2012 (in whole euros)

Tax identification number (DIČ)	Financial statements	Financial statements	For period
2020216748	<input checked="" type="checkbox"/> - ordinary	<input checked="" type="checkbox"/> - prepared	Month Year
Identification number (IČO)	<input type="checkbox"/> - extraordinary	<input type="checkbox"/> - approved	01 2012
35848863			12 2012
SK NACE	(check <input checked="" type="checkbox"/>)		Preceding period
61 20 0			Month Year
			01 2011
			12 2011

Legal name (designation) of the accounting entity

Telefónica Slovakia, s.r.o.

Registered office of the accounting entity, street and number

Einsteinoва 24

Zip code **Municipality**

85101 Bratislava

Telephone number **Fax number**

02 / 62020111 02 / 67273309

E-mail

Prepared on: 15.1.2013	Signature of the person responsible for bookkeeping: 	Signature of the person responsible for the preparation of the financial statements: 	Signature of the accounting entity's statutory body or a sole trader who is the accounting entity:
Approved on:			

Balance Sheet

9 | 2012 Financial Statements

2012/12/31		Balance Sheet UČ POD 10				
Designation a	ASSETS b	Line No. c	Current accounting period			Preceding accounting period
			1	2	3	
			Gross-amount	Correction-part	Net	Net
	Total assets line 002 + line 030 + line 041	001	272 655 306	81 199 084	191 456 222	155 953 683
A.	Non-current assets line 003 + line 011 + line 021	002	173 291 430	70 425 841	102 865 588	104 351 203
A.I.	Non-current intangible assets - total (lines 004 to 010)	003	41 721 262	23 549 033	18 172 179	19 267 994
A.I.1.	Capitalized development costs (012) - /072, 091A/	004	0	0	0	0
2.	Software (013) - /073, 091A/	005	14 129 542	12 547 088	1 582 454	3 389 883
3.	Valuable rights (014) - /074, 091A/	006	23 175 427	11 001 995	12 173 431	14 215 358
4.	Goodwill (015) - /075, 091A/	007	0	0	0	0
5.	Other non-current intangible assets (019, 01X) - /079, 07X, 091A/	008	0	0	0	0
6.	Acquisition of non-current intangible assets (041) - 093	009	4 416 293	0	4 416 293	1 662 753
7.	Advance payments made for non-current intangible assets (051) - 095A	010	0	0	0	0
A.II.	Property, plant and equipment - total (lines 012 to 020)	011	131 567 668	46 876 758	84 690 910	85 080 709
A.II.1.	Land (031) - 092A	012	0	0	0	0
2.	Structures (021) - /081, 092A/	013	41 093 678	8 975 719	32 117 958	32 604 047
3.	Individual movable assets and sets of movable assets (022) - /082, 092A/	014	80 544 341	36 985 332	43 559 010	43 947 928
4.	Perennial crops (025) - /085, 092A/	015	0	0	0	0
5.	Livestock (026) - /086, 092A/	016	0	0	0	0
6.	Other property, plant and equipment (029, 02X, 032) - /089, 08X, 092A/	017	458 024	235 707	222 317	266 155
7.	Acquisition of property, plant and equipment (042) - 094	018	9 471 625	680 000	8 791 625	8 262 579
8.	Advance payments made for property, plant and equipment (052) - 095A	019	0	0	0	0
9.	Value adjustment to acquired assets (071) - /0971 +/- 098	020	0	0	0	0
A.III.	Non-current financial assets - total (lines 022 to 029)	021	2 500	0	2 500	2 500
A.III.1.	Shares and ownership interests in a subsidiary (061) - 096A	022	0	0	0	0
2.	Shares and ownership interests with significant influence over enterprises (062) - 096A	023	2 500	0	2 500	2 500
3.	Other long-term shares and ownership interests (063, 065) - 096A	024	0	0	0	0
4.	Intercompany loans (066A) - 096A	025	0	0	0	0

2012/12/31		Balance Sheet UČ POD 10				
Designation a	ASSETS b	Line No. c	Current accounting period			Preceding accounting period
			1	2	3	
			Gross-amount	Correction-part	Net	Net
5.	Other non-current financial assets (067A, 069, 06XA) - 096A	026	0	0	0	0
6.	Loans with maturity up to one year (066A, 067A, 06XA) - 096A	027	0	0	0	0
7.	Acquisition of non-current financial assets (043) - 096A	028	0	0	0	0
8.	Advance payments made for non-current financial assets (053) - 095A	029	0	0	0	0
B.	Current assets line 031 + line 038 + line 046 + line 055	030	98 659 102	10 773 243	87 885 859	50 908 941
B.I.	Inventory - total (lines 032 to 037)	031	1 841 202	49 532	1 791 670	1 469 514
B.I.1.	Raw material (112, 119, 11X) - /191, 19X/	032	577 434	0	577 434	906 759
2.	Work in progress and semi-finished products (121, 122, 12X) - /192, 193, 19X/	033	0	0	0	0
3.	Finished goods (123) - 194	034	0	0	0	0
4.	Animals (124) - 195	035	0	0	0	0
5.	Merchandise (132, 133, 13X, 139) - /196, 19X/	036	1 263 768	49 532	1 214 236	562 755
6.	Advance payments made to inventory (314A) - 391A	037	0	0	0	0
B.II.	Non-current receivables - total (lines 039 to 045)	038	26 878 624	0	26 878 624	28 923 691
B.II.1.	Trade receivables (311A, 312A, 313A, 314A, 315A, 31XA) - 391A	039	99 822	0	99 822	100 691
2.	Net value of contract (316A)	040	0	0	0	0
3.	Receivables from a subsidiary and a parent (351A) - 391A	041	0	0	0	0
4.	Other intercompany receivables (351A) - 391A	042	0	0	0	0
5.	Receivables from participants, members, and association (354A, 355A, 358A, 35XA) - 391A	043	0	0	0	0
6.	Other receivables (335A, 33XA, 371A, 373A, 374A, 375A, 376A, 378A) - 391A	044	0	0	0	0
7.	Deferred tax asset (481A)	045	26 778 802	0	26 778 802	28 823 000
B.III.	Current receivables - total (lines 047 to 054)	046	69 224 782	10 723 711	58 501 071	20 139 680
B.III.1.	Trade receivables (311A, 312A, 313A, 314A, 315A, 31XA) - 391A	047	41 158 177	10 723 711	30 434 466	19 653 220
2.	Net value of contract (316A)	048	0	0	0	0
3.	Receivables from a subsidiary and a parent (351A) - 391A	049	27 000 000	0	27 000 000	8 964
4.	Other intercompany receivables (351A) - 391A	050	0	0	0	0
5.	Receivables from participants, members, and association (354A, 355A, 358A, 35XA, 398A) - 391A	051	0	0	0	0
6.	Social security (336) - 391A	052	0	0	0	0
7.	Tax assets and subsidies (341, 342, 343, 345, 346, 347) - 391A	053	0	0	0	2 313
8.	Other receivables (335A, 33XA, 371A, 373A, 374A, 375A, 376A, 378A) - 391A	054	1 066 606	0	1 066 606	475 183

D/C:		2020216746	Balance Sheet Úč POD 1 01			
Designation a	ASSETS b	Line No. c	Current accounting period			Preceding accounting period
			1	2	3	5
			Gross part 1	Correction-part 2	Net	Net
B.IV.	Financial accounts - total (lines 056 to 060)	055	714 494	0	714 494	376 056
B.IV.1.	Cash on hand (211, 213, 213X)	056	36 130	0	36 130	44 471
2.	Bank accounts (221A, 22X +/- 261)	057	678 364	0	678 364	331 585
3.	Bank accounts with notice period exceeding one year (22XA)	058	0	0	0	0
4.	Current financial assets (251, 253, 256, 257, 25X) (-/291, 29X)	059	0	0	0	0
5.	Acquisition of current financial assets (259, 314A) - 291	060	0	0	0	0
C.	Accruals/deferals - total (lines 062 to 065)	061	704 775	0	704 775	693 540
C.1.	Prepaid expenses - long-term (381A, 382A)	062	0	0	0	0
2.	Prepaid expenses - short-term (381A, 382A)	063	704 381	0	704 381	693 540
3.	Accrued income - long-term (385A)	064	0	0	0	0
4.	Accrued income - short-term (385A)	065	394	0	394	0

D/C:		2020216746	Balance Sheet Úč POD 1 01			
Designation a	LIABILITIES AND EQUITY b	Line No. c	Current accounting period		Preceding accounting period	
			4	5	6	7
	Total equity and liabilities line 067 + line 088 + line 121	066	191 456 222		155 953 683	
A.	Equity line 068 + line 073 + line 080 + line 084 + line 087	067	139 702 857		105 221 704	
A.I.	Share capital - total (lines 069 to 072)	068	240 000 000		240 000 000	
A.I.1.	Share capital (411 or +/- 491)	069	240 000 000		240 000 000	
2.	Own shares and own ownership interests (1/-/237)	070	0		0	
3.	Change in share capital +/- 419	071	0		0	
4.	Receivables related to unpaid share capital (1/-/353)	072	0		0	
A.II.	Capital funds - total (lines 074 to 079)	073	332		332	
A.II.1.	Share premium (412)	074	0		0	
2.	Other capital funds (413)	075	0		0	
3.	Legal reserve fund (Non-distributable fund) from capital contributions (417, 418)	076	332		332	
4.	Differences from revaluation of assets and liabilities (+/- 414)	077	0		0	
5.	Investment revaluation reserves (+/- 415)	078	0		0	
6.	Differences from revaluation in the event of a merger, amalgamation into a separate accounting entity or demerger (+/- 416)	079	0		0	
A.III.	Funds created from profit - total (lines 081 to 083)	080	2 017 934		0	
A.III.1.	Legal reserve fund (421)	081	2 017 934		0	
2.	Non-distributable fund (422)	082	0		0	
3.	Statutory funds and other funds (423, 427, 42X)	083	0		0	
A.IV.	Net profit/loss of previous years line 085 and line 086	084	- 136 796 562		- 175 137 303	
A.IV.1.	Retained earnings from previous years (428)	085	310 571		310 571	
2.	Accumulated losses from previous years (-/-/429)	086	- 137 107 133		- 175 447 874	
A.V.	Net profit/loss for the accounting period after tax (+/-) line 001 - (line 068 + line 073 + line 080 + line 084 + line 088 + line 121)	087	34 481 154		40 358 675	
B.	Liabilities line 89 + line 94 + line 106 + line 117 + line 118	088	46 217 662		44 681 327	
B.I.	Provisions - total (lines 090 to 093)	089	22 815 615		21 551 299	
B.I.1.	Legal provisions - long-term (451A)	090	0		0	
2.	Legal provisions - short-term (323A, 451A)	091	0		258 636	
3.	Other long-term provisions (459A, 45XA)	092	82 792		121 546	
4.	Other short-term provisions (323A, 32X, 459A, 45XA)	093	22 732 823		21 171 117	
B.II.	Non-current liabilities - total (lines 095 to 105)	094	157 977		139 040	
B.II.1.	Non-current trade liabilities (321A, 479A)	095	0		0	
2.	Net value of contract (316A)	096	0		0	
3.	Unbilled long-term supplies (476A)	097	0		0	

Balance Sheet, Income statement

9 | 2012 Financial Statements

DČ: 2020216748		Balance Sheet Úč POD 1-01		
Designation a	LIABILITIES AND EQUITY b	Line No. c	Current accounting period 4	Preceding accounting period 5
4.	Non-current liabilities to a subsidiary and a parent (471A)	098	0	0
5.	Other non-current intercompany liabilities (471A)	099	0	0
6.	Long-term advance payments received (475A)	100	36 404	36 404
7.	Long-term bills of exchange to be paid (478A)	101	0	0
8.	Bonds issued (473A/-/255A)	102	0	0
9.	Liabilities related to social fund (472)	103	121 573	102 636
10.	Other non-current liabilities (474A, 479A, 47XA, 372A, 373A, 377A)	104	0	0
11.	Deferred tax liability (481A)	105	0	0
B.III.	Current liabilities - total (lines 107 to 116)	106	23 244 069	22 928 001
B.III.1.	Trade liabilities (321, 322, 324, 325, 32X, 475A, 478A, 479A, 47XA)	107	18 923 705	18 198 261
2.	Net value of contract (316A)	108	0	0
3.	Unbilled supplies (326, 476A)	109	504 447	371 851
4.	Liabilities to a subsidiary and a parent (361A, 471A)	110	0	750 000
5.	Other intercompany liabilities (361A, 36XA, 471A, 47XA)	111	0	0
6.	Liabilities to partners and association (364, 365, 366, 367, 368, 398A, 478A, 479A)	112	0	0
7.	Liabilities to employees (331, 333, 33X, 479A)	113	1 140 909	564 672
8.	Liabilities related to social security (336, 479A)	114	408 093	302 670
9.	Tax liabilities and subsidies (341, 342, 343, 345, 346, 347, 34X)	115	1 532 754	2 684 798
10.	Other liabilities (372A, 373A, 377A, 379A, 474A, 479A, 47X)	116	734 162	55 749
B.IV.	Short-term financial assistance (241, 249, 24X, 473A/-/255A)	117	0	0
B.V.	Bank loans - line 119 and line 120	118	0	62 986
B.V.1.	Long-term bank loans (461A, 46XA)	119	0	0
2.	Current bank loans (221A, 231, 232, 23X, 461A, 46XA)	120	0	62 986
C.	Accruals/deferrals - total (lines 122 to 125)	121	5 535 703	6 050 653
C.1.	Accrued expenses - long-term (383A)	122	0	0
2.	Accrued expenses - short-term (383A)	123	1 163	1 389
3.	Deferred income - long-term (384A)	124	0	0
4.	Deferred income - short-term (384A)	125	5 534 540	6 049 264

INCOME STATEMENT

at 31. 12. 2012 (in whole euros)

Tax identification number (DČ)
2020216748

Identification number (ICO)
35848863

SK NACE
61.20.0

Financial statements
☒ - ordinary
☐ - extraordinary

Financial statements
☒ - prepared
☐ - approved

For period
Month Year
from 01 2012 to 12 2012

Preceding period
Month Year
from 01 2011 to 12 2011

Legal name (designation) of the accounting entity
Telefónica Slovakia, s.r.o.

Registered office of the accounting entity, street and number
Einsteinova 24

Zip code
85101

Municipality
Bratislava

Telephone number
02 / 62020111

Fax number
02 / 67273309

e-mail
[empty field]

Prepared on:
15.1.2013

Signature of the person responsible for bookkeeping:
[Signature]

Signature of the person responsible for the preparation of the financial statements:
[Signature]

Signature of the accounting entity's statutory body or a sole trader who is the accounting entity:
[Signature]

Approved on:
[empty field]

Income statement

D.C.: 2020216748		Income Statement UČ POD 2-01		
Designation	Text	Line No.	Actual data	
			Current accounting period	Preceding accounting period
a	b	c	1	2
I.	Revenue from the sale of merchandise (604, 607)	01	5 175 439	2 700 464
A.	Cost of merchandise sold (504, 536A, 537)	02	5 151 473	2 485 728
+	Trade margin line 01 - line 02	03	23 966	214 736
II.	Production line 05 + line 06 + line 07	04	185 413 905	153 121 163
II.1.	Revenue from the sale of own products and services (601, 602, 606)	05	184 886 134	152 594 855
2.	Changes in internal inventory (+/- account group 61)	06	0	0
3.	Own work capitalized (account group 62)	07	527 771	526 308
B.	Production line 09 + line 10	08	113 707 918	110 845 557
B.1.	Consumed raw materials, energy consumption, and consumption of other non-inventory supplies (501, 502, 503, 505A)	09	5 660 835	5 279 970
2.	Services (account group 51)	10	108 047 083	105 565 587
+	Added value line 03 + line 04 - line 08	11	71 729 953	42 490 342
C.	Personnel expenses total (lines 13 to 16)	12	14 315 077	14 072 667
C.1.	Wages and salaries (521, 522)	13	11 130 140	10 933 010
2.	Remuneration of board members of company or cooperative (523)	14	0	0
3.	Social security expenses (524, 525, 526)	15	2 804 999	2 749 639
4.	Social expenses (527, 528)	16	379 938	390 018
D.	Taxes and fees (account group 53)	17	2 614 959	842 926
E.	Amortization and value adjustments to non-current intangible assets and depreciation and value adjustments to property, plant and equipment (531, 533)	18	17 684 091	16 722 649
III.	Revenue from the sale of non-current assets and raw materials (641, 642)	19	125 498	524 601
F.	Carrying value of non-current assets sold and raw materials sold (541, 542)	20	68 065	316 087
G.	Creation and reversal of value adjustments to receivables (+/- 547)	21	978 565	-350 340

D.C.: 2020216748		Income Statement UČ POD 2-01		
Designation	Text	Line No.	Actual data	
			Current accounting period	Preceding accounting period
a	b	c	1	2
IV.	Other operating income (644, 645, 646, 648, 651, 657)	22	2 152 955	1 518 785
H.	Other operating expenses (543, 544, 545, 546, 548, 549, 551, 557)	23	1 683 341	1 246 717
V.	Transfer of operating income (-) (697)	24	0	0
I.	Transfer of operating expenses (-) (597)	25	0	0
*	Profit/loss from operations line 11 - line 12 - line 17 - line 18 + line 19 - line 20 - line 21 + line 22 - line 23 + (- line 24) - (-line 25)	26	36 664 307	11 683 022
VI.	Revenue from the sale of securities and shares (661)	27	0	0
J.	Securities and shares sold (561)	28	0	0
VII.	Income from non-current financial assets line 30 + line 31 + line 32	29	0	0
VII.1	Income from securities and ownership interests in a subsidiary and in a company where significant influence is held (665A)	30	0	0
2.	Income from other long-term securities and shares (665A)	31	0	0
3.	Income from other non-current financial assets (665A)	32	0	0
VIII.	Income from current financial assets (666)	33	0	0
K.	Expenses related to current financial assets (566)	34	0	0
IX.	Gains on revaluation of securities and income from derivative transactions (664, 667)	35	0	0
L.	Loss on revaluation of securities and expenses related to derivative transactions (564, 567)	36	0	0
M.	Creation and reversal of value adjustments to financial assets +/- 565	37	0	0
X.	Interest income (662)	38	23 596	1 989
N.	Interest expense (562)	39	1 827	80 950
XI.	Exchange rate gains (663)	40	166 556	86 744
O.	Exchange rate losses (563)	41	268 990	100 048

Income statement, Notes

9 | 2012 Financial Statements

DČ:	2020216748	Income Statement ÚČ POD 2.0		
Designation	Text	Line No.	Actual data	
			Current accounting period	Preceding accounting period
a	b	c	1	2
XII.	Other income from financial activities (666)	42	4 441	2 899
P.	Other expenses related to financial activities (568, 569)	43	59 017	57 982
XIII.	Transfer of financial income (-) (698)	44	0	0
R.	Transfer of financial expenses (-) (598)	45	0	0
*	Profit/loss from financial activities line 27 - line 28 + line 29 + line 33 - line 34 + line 35 - line 36 - line 37 + line 38 line 39 + line 40 - line 41 + line 42 - line 43 + (-line 44) - (-line 45)	46	-135 240	-147 347
**	Profit/loss from ordinary activities before tax line 26 + line 46	47	36 529 067	11 535 675
S.	Income tax on ordinary activities line 49 + line 50	48	2 047 913	-28 823 000
S.1.	- current (591, 595)	49	3 715	0
2.	- deferred (+/- 592)	50	2 044 198	-28 823 000
**	Profit/loss from ordinary activities after tax line 47 - line 48	51	34 481 154	40 358 675
XIV.	Extraordinary income (account group 68)	52	0	0
T.	Extraordinary expenses (account group 58)	53	0	0
*	Profit/loss from extraordinary activities before tax line 52 - line 53	54	0	0
U.	Income tax on extraordinary activities line 56 + line 57	55	0	0
U.1.	- current (593)	56	0	0
2.	- deferred (+/- 594)	57	0	0
*	Profit/loss from extraordinary activities after tax line 54 - line 55	58	0	0
***	Profit/loss for the accounting period before tax (+/-) (line 47 + line 54)	59	36 529 067	11 535 675
V.	Transfer of net profit/net loss shares to partners (+/- 596)	60	0	0
***	Profit/loss for the accounting period after tax (+/-) (line 51 + line 58 - line 60)	61	34 481 154	40 358 675

Notes ÚČ POD 3 - 04

NOTES

to the Financial Statements
prepared as at 31 December 2012

in ☐ - eurocents ☒ - in full EUR *)

Month Year Month Year

For period from 01 2012 to 12 2012

Directly preceding period from 01 2011 to 12 2011

Date of incorporation of entity

Financial statements *) Financial statements *)

12 12 2002

☒ - ordinary
☐ - extraordinary
☐ - interim
☒ - prepared
☐ - approved

IČO

DIČ

SK NACE code

35848863 2020216748 61.20.0

Business name of entity

Telefónica Slovakia, s.r.o.

Registered seat of entity

Street: Einsteinova Number: 24
Postal code: 85101 Municipality name: Bratislava

Phone number

Fax number

02 / 62020111 02 / 67273309

Prepared on: 15 January 2013	Signature of person responsible for maintaining the accounting: 	Signature of person responsible for preparation of the financial statements: 	Signature of member of statutory body of the entity or physical person who is the entity:
Approved on:			

*) mark with a cross (X)

Telefónica Slovakia, s.r.o.
Notes to the Financial Statements prepared as at 31 December 2012

1. DESCRIPTION OF THE COMPANY

Telefónica Slovakia s.r.o. ("the Company") is a limited liability company, established as CZECH TELECOM Slovakia s.r.o. on 18 November 2002 and incorporated on 12 December 2002 with the Commercial Register of the District Court Bratislava, Section Ltd., Insert No. 27882/B. The Company was renamed to Telefónica O2 Slovakia, s.r.o. according to a resolution of the sole shareholder of 24 September 2007.

Its registered office is Einsteinova 24, Slovak Republic and its registration number is 35848863.

The following significant changes were made to the Commercial Register entry in 2011: Based on a resolution of the sole shareholder dated 25 March 2011, the Company was renamed from Telefónica O2 Slovakia, s.r.o. to Telefónica Slovakia, s.r.o.

Its main activities are as follows:

1. *establishing and operating of GSM and UMTS public electronic communication mobile phone network on assigned frequencies,*
2. *provision of public mobile phone, public data and multimedia services via public mobile phone network.*

Information on the number of employees:

Item	Current accounting period	Immediately preceding accounting period
Average number of employees	407	400
Number of employees as at the balance sheet date, of whom:	416	398
Managers	10	7

Information on the structure of shareholders as at the balance sheet date and on the structure of shareholders up to its change during the accounting period:

Shareholder	Share in registered capital		Share in voting rights %	Other share in remaining items of equity and RC %
	In absolute terms	%		
Telefónica Czech Republic, a.s.	240,000,000	100	100	100
Total	240,000,000	100	100	100

The Company is a part of Telefónica Group. The parent company is Telefónica Czech Republic, a.s., Za Brumlovkou 266/2, 140 22 Praha 4 – Michle, Česká republika and the ultimate parent company is Telefónica, S.A. Gran Vía 28, 28013 Madrid, Kingdom of Spain (registration number: A28015865). Consolidated financial statements for the whole Group are prepared by Telefónica, S.A. These consolidated financial statements are available at the registered office of ultimate parent company.

The Company does not have unlimited liability in any company.

Members of the statutory bodies as at 31 December 2012 were as follows:

Statutory representatives

Ramiro Lafarga Brollo
 Mgr. Martin Klímek (from 2 May 2012)
 Radek Štěrbá MBA

Procurator holder

Mgr. Dávid Durbák (from 6 November 2012)

Supervisory Board

Martin Bek (from 30 November 2012)
 František Schneider (from 30 November 2012)
 David Melcon (from 30 November 2012)

2. BASIS FOR PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements were prepared in accordance with Act No. 431/2002 Coll. on Accounting as amended, on a going-concern basis and are presented as ordinary financial statements for the period from 1 January 2012 to 31 December 2012.

The financial statements for the year ended 31 December 2011 were approved by the Company's General Meeting on 17 April 2012.

The financial statements were prepared on a going-concern basis in accordance with Accounting Act of Slovak republic as amended.

The accounting policies and methods of the Company are based on an accrual basis. That means all expenses and revenues related to the accounting period are recognised, regardless the date of payment.

Financial information in financial statements are presented in EUR, unless stated otherwise.

Accounting methods and general accounting principles were applied in consistence with preceding accounting period.

3. ACCOUNTING POLICIES AND METHODS

The accounting policies and methods applied by the Company in preparing the 2012 and 2011 financial statements were as follows:

a) Non-Current Intangible assets

Acquired, non-current intangible assets are stated at their acquisition cost, consisting of the purchase price and costs directly attributable to acquisition.

Internally generated, non-current intangible assets are stated at their own costs, which include direct material and labour costs and production overheads.

Depreciation

Non-current intangible assets are depreciated over their estimated useful life. The estimated useful life, depreciation method and depreciation rate for individual groups of non-current intangible assets are as follows:

	Estimated useful life	Annual depreciation rate	Depreciation method
Development costs	-	-	-
Software	1 to 5	20 to 100	straight line
Valuable rights	5 to 19	5 to 20	straight line
Goodwill	-	-	-
Other non-current intangible assets	-	-	-

In the event of a temporary diminution in the value in use of a non-current intangible asset, an impairment provision equal to the difference between their value in use and net book value is recognised.

b) Non-Current Tangible Assets

Acquired non-current tangible fixed assets are stated at their acquisition cost, which consists of purchase price, freight, customs duty and other costs directly attributable to acquisition.

Internally generated non-current tangible assets are stated at own costs, which include direct material and labour costs and production overheads.

The costs of technical improvements to non-current tangible assets are capitalized. Repairs and maintenance costs are expensed as incurred.

Depreciation

Non-current tangible assets are depreciated over their estimated useful life. The estimated useful life, depreciation method and depreciation rate for individual groups of non-current tangible assets are as follows:

	Estimated useful life	Annual depreciation rate	Depreciation method
Buildings	10 to 20	5 to 10	straight line
Machines, tools and equipment	2 to 20	5 to 50	straight line
Vehicles	-	-	-
Furniture and fixtures	2 to 10	10 to 50	straight line

Other non-current tangible assets	2 to 10	10 to 50	straight line
-----------------------------------	---------	----------	---------------

In the event of a temporary diminution in the value in use of a non-current intangible asset, an impairment provision equal to the difference between their value in use and net book value is recognised.

c) Financial Assets

Current financial assets consist of stamps and vouchers, cash in hand and in bank, while the risk of change in their value is low.

Non-current financial assets mainly consist of ownership interests.

Ownership interests are stated at their acquisition cost including all costs directly attributable to acquisition. Acquisition cost is reduced by any decrease in the value of shareholdings.

d) Inventory

Inventory is stated at acquisition cost. The cost includes the purchase price and related costs (freight, customs duty, commission, etc.). Any discounts and rebates received decrease the cost of inventory.

Internally generated inventory is stated at own costs. Own costs include direct material and labour costs and production overheads. Production overheads are included in accordance with the level of completion of inventory. Administration costs, distribution costs and interest payable are not included in own costs.

Decrease in inventory is stated using weighted average valuation method.

A provision is recognised in the event of a temporary diminution in the value of inventory.

e) Receivables

Receivables are stated at their nominal value. Receivables ceded and receivables acquired through a contribution to registered capital are stated at acquisition cost. The carrying amount of doubtful receivables is reduced to their realizable value through provisions.

f) Deferred Expenses and Accrued Revenues

Deferred expenses and accrued revenues are stated at their nominal amount and recognised on an accrual basis.

g) Liabilities

Long-term and short-term liabilities are stated at their nominal value. Liabilities are initially stated at acquisition cost at the date of their acquisition.

If the fair value of liabilities is different from the carrying value, liabilities are stated in an adjusted fair value.

Long-term and short-term loans are stated at their nominal value. The portion of a long-term loan that is due within one year from the balance sheet date is stated as a short-term loan.

h) Provisions

Provisions are liabilities of uncertain timing or amount and are created for known business risks or losses. They are stated at the expected amount of the liability.

Telefónica Slovakia, s.r.o.**Notes to the Financial Statements prepared as at 31 December 2012**

Creation of provisions is charged to the relevant expense or asset account. Use of the provision is charged to a credit side of the relevant liability account, while the relevant provision account is debited. Reversal of excessive provision or its part is accounted as a reversing accounting entry to creation.

i) Deferred Revenues and Accrued Expenses

Deferred revenues and accrued expenses are stated at their nominal value and recognised on an accrual basis.

j) Equity

Equity consists of share capital, profit/loss to be approved and retained earnings.

The Company's share capital is stated in the amount recorded in the Commercial Register with the District Court. Any increase or decrease in the share capital pursuant to a decision made by the General Meeting, which was not entered in the Commercial Register at the reporting date, is recognised as a change in share capital.

The Company creates a reserve fund in the amount determined by the Memorandum of Association.

The Company creates a reserve fund representing 5% of its share capital at the date of its establishment. Every year 5% of net profit recognised in ordinary financial statements is added to the reserve fund until it reaches 10% of the value of share capital.

k) Foreign Currency Transactions

Before 31 December 2008, foreign currency transactions were translated into SKK using the reference foreign exchange rate pertaining on the date of the transaction, as determined and published by National Bank of Slovakia.

After 1 January 2009 (introduction of euro in the Slovak Republic), foreign currency transactions are translated into EUR using the reference foreign exchange rate pertaining on the date preceding the transaction, as determined and published by the European Central bank or the National Bank of Slovakia.

Monetary assets and liabilities denominated in foreign currency are translated using the foreign exchange rate ruling at the balance sheet date. The foreign exchange gains and losses are recognised in the profit and loss account.

Purchases and sales of foreign currency are translated into EUR using the foreign exchange rate pertaining when these amounts were purchased or sold.

l) Revenues

Sales revenues from own goods and services are stated net of VAT, discounts and deductions (rebates, bonuses, credit notes, etc.). Sales revenues are recognised at the date of delivery of goods or provision of services.

Service revenues are recognized in an accounting period in which they were rendered, taking into account the percentage of completion. The percentage of completion is determined as the amount of services rendered divided by the amount of services contracted.

The main activity of the Company is sale of telecommunication services, which is recognised as sale revenue from own goods and services.

Telefónica Slovakia, s.r.o.**Notes to the Financial Statements prepared as at 31 December 2012****m) Leases**

Assets acquired under operating lease are expensed over the term of the lease.

n) Income Tax

Income tax expense is computed, using the valid tax rate, from accounting profit adjusted for permanent or temporary tax non-deductible expenses, non-taxable income and amortisation of tax loss.

Deferred taxes (deferred tax asset and deferred tax liability) relate to:

- Temporary differences between the carrying amount of assets and the carrying amount of liabilities shown on the balance sheet and their tax base,
- Tax losses available for carry-forwards, which can be offset against taxable profits in future periods,
- Unused tax credits and other tax claims available for carry-forwards, which can be offset against taxable profits in future periods.

The Company always recognizes a deferred tax liability; a deferred tax asset is recognised only if it is realizable. Deferred tax is computed using the tax rate, which is probable to be valid in the event of its realization.

Notes

Telefónica Slovakia, s.r.o.
Notes to the Financial Statements prepared as at 31 December 2012

4. NON-CURRENT ASSETS

a) Non-current intangible assets

Information on non-current intangible assets ("NIA"):

Non-current intangible assets	Current accounting period							Total
	Capitalized R & D costs	Software	Valuable rights	Goodwill	Other NIA	NIA under construction	Advance payments for NIA	
Acquisition cost								
Opening balance	0	13,395,894	21,878,194	0	0	1,662,753	0	36,936,841
Additions	0	404,080	890,609	0	0	3,771,156	0	4,865,845
Disposals	0	42,494	38,942	0	0	0	0	81,425
Transfers	0	372,052	645,565	0	0	(1,017,616)	0	0
Closing balance	0	14,129,542	23,175,427	0	0	4,416,293	0	41,721,262
Accumulated depreciation								
Opening balance	0	10,006,010	7,662,836	0	0	0	0	17,668,846
Additions	0	2,583,561	3,378,101	0	0	0	0	5,961,662
Disposals	0	42,494	38,942	0	0	0	0	81,425
Closing balance	0	12,547,068	11,001,995	0	0	0	0	23,549,063
Provisions								
Opening balance	0	0	0	0	0	0	0	0
Additions	0	0	0	0	0	0	0	0
Disposals	0	0	0	0	0	0	0	0
Closing balance	0	0	0	0	0	0	0	0
Net book value								
Opening balance	0	3,389,883	14,215,358	0	0	1,662,753	0	19,267,995
Closing balance	0	1,582,455	12,173,431	0	0	4,416,293	0	18,172,179

Telefónica Slovakia, s.r.o.
Notes to the Financial Statements prepared as at 31 December 2012

Non-current intangible assets	Immediately preceding accounting period							Total
	Capitalized R & D costs	Software	Valuable rights	Goodwill	Other NIA	NIA under construction	Advance payments for NIA	
Acquisition cost								
Opening balance	0	11,715,346	18,700,852	0	0	2,399,552	0	32,815,750
Additions	0	862,560	1,981,106	0	0	1,278,295	0	4,121,961
Disposals	0	870	0	0	0	0	0	870
Transfers	0	818,658	1,196,236	0	0	(2,015,094)	0	0
Closing balance	0	13,395,894	21,878,194	0	0	1,662,753	0	36,936,841
Accumulated depreciation								
Opening balance	0	7,145,906	4,653,117	0	0	0	0	11,799,023
Additions	0	2,860,974	3,009,719	0	0	0	0	5,870,693
Disposals	0	870	0	0	0	0	0	870
Closing balance	0	10,006,010	7,662,836	0	0	0	0	17,668,846
Provisions								
Opening balance	0	0	0	0	0	0	0	0
Additions	0	0	0	0	0	0	0	0
Disposals	0	0	0	0	0	0	0	0
Closing balance	0	0	0	0	0	0	0	0
Net book value								
Opening balance	0	4,569,440	14,047,735	0	0	2,399,552	0	21,016,727
Closing balance	0	3,389,883	14,215,358	0	0	1,662,753	0	19,267,995

Telefónica Slovakia, s.r.o.
Notes to the Financial Statements prepared as at 31 December 2012

Non-current intangible assets	Value for current accounting period
Pledged non-current intangible assets	0
Non-current intangible assets that are not at the accounting entity's full disposal	0

Telefónica Slovakia, s.r.o.
Notes to the Financial Statements prepared as at 31 December 2012

b) Non-current tangible assets

Information on non-current tangible assets ("NTA"):

Non-current tangible assets	Current accounting period								Total
	Land	Buildings	Plant and equipment	Perennial crops	Live-stock and draught animals	Other NTA	NTA under construction	Advance payments for NTA	
Acquisition cost									
Opening balance	0	39,383,562	72,276,336	0	0	451,809	8,742,579	0	120,854,286
Additions	0	412,114	7,412,986	0	0	10,592	3,509,564	0	11,345,256
Disposals	0	187,056	438,516	0	0	6,302	0	0	631,874
Transfers	0	1,485,058	1,293,535	0	0	1,926	(2,780,518)	0	0
Closing balance	0	41,093,678	80,544,341	0	0	458,024	9,471,625	0	131,567,668
Accumulated depreciation									
Opening balance	0	6,779,516	28,328,408	0	0	185,653	0	0	35,293,576
Additions	0	2,383,261	9,083,455	0	0	56,714	0	0	11,522,430
Disposals	0	187,056	426,530	0	0	5,680	0	0	619,247
Closing balance	0	8,975,721	36,985,332	0	0	235,706	0	0	46,196,759
Provisions									
Opening balance	0	0	0	0	0	0	480,000	0	480,000
Additions	0	0	0	0	0	0	200,000	0	200,000
Disposals	0	0	0	0	0	0	0	0	0
Closing balance	0	0	0	0	0	0	680,000	0	680,000
Net book value									
Opening balance	0	32,604,046	43,947,928	0	0	266,156	8,262,579	0	85,080,710
Closing balance	0	32,117,957	43,559,010	0	0	222,318	8,791,625	0	84,690,910

Telefónica Slovakia, s.r.o.

Notes to the Financial Statements prepared as at 31 December 2012

Non-current tangible assets	Value for current accounting period
Pledged non-current tangible assets	0
Non-current tangible assets that are not at the accounting entity's full disposal	0

In 2012, an impairment charge to non-current tangible assets under construction of EUR 200,000 was recognised due to technical obsolescence.

Property insurance

Non-current tangible assets are insured for the risk of theft and damage caused by natural disaster. The indemnity limit is EUR 120,854 thousand (2011: EUR 145,023 thousand).

Telefónica Slovakia, s.r.o.

Notes to the Financial Statements prepared as at 31 December 2012

c) Non-current financial assets

Information on non-current financial assets ("NFA"):

Non-current financial assets	Current accounting period								
	Investment in subsidiaries	Investment in associates	Other non-current investments	Loans to entities in consolidated group	Other NFA	Loans with maturity up to one year	NFA under acquisition	Advance payments for NFA	Total
Acquisition cost									
Opening balance	0	2,500	0	0	0	0	0	0	2,500
Additions	0	0	0	0	0	0	0	0	0
Disposals	0	0	0	0	0	0	0	0	0
Transfers	0	0	0	0	0	0	0	0	0
Closing balance	0	2,500	0	0	0	0	0	0	2,500
Accumulated depreciation									
Opening balance	0	0	0	0	0	0	0	0	0
Additions	0	0	0	0	0	0	0	0	0
Disposals	0	0	0	0	0	0	0	0	0
Closing balance	0	0	0	0	0	0	0	0	0
Net book value									
Opening balance	0	2,500	0	0	0	0	0	0	2,500
Closing balance	0	2,500	0	0	0	0	0	0	2,500

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Non-current financial assets	Immediately preceding accounting period								
	Investment in subsidiaries	Investment in associates	Other non-current investments	Loans to entities in consolidated group	Other NFA	Loans with maturity up to one year	NFA under acquisition	Advance payments for NFA	Total
Acquisition cost									
Opening balance	0	2,500	0	0	0	0	0	0	2,500
Additions	0	0	0	0	0	0	0	0	0
Disposals	0	0	0	0	0	0	0	0	0
Transfers	0	0	0	0	0	0	0	0	0
Closing balance	0	2,500	0	0	0	0	0	0	2,500
Accumulated depreciation									
Opening balance	0	0	0	0	0	0	0	0	0
Additions	0	0	0	0	0	0	0	0	0
Disposals	0	0	0	0	0	0	0	0	0
Closing balance	0	0	0	0	0	0	0	0	0
Net book value									
Opening balance	0	2,500	0	0	0	0	0	0	2,500
Closing balance	0	2,500	0	0	0	0	0	0	2,500

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Non-current financial assets	Value for current accounting period
Pledged non-current financial assets	0
Non-current financial assets that are not at the accounting entity's full disposal	0

Information on the breakdown of non-current financial assets:

Business name and registered seat of the company in which the entity has allocated NFA	Current accounting period				
	Share of the entity in RC %	Share of the entity in voting rights %	Value of the entity's equity in which the entity has allocated NFA	The entity's profit / loss in which the entity has allocated NFA	Carrying amount of NFA
Associates					
Tesco Mobile Slovakia, s.r.o.	50	50	45,261	18,560	2,500
Total non-current financial assets	x	x	45,261	18,560	2,500

5. INVENTORY

Surplus, obsolete and slow-moving inventory is written down to its estimated net realizable value through provisions.

Information on provisions for inventory:

Inventory	Current accounting period				
	Opening balance of provisions	Creation of provisions	Release of provisions due to cease of justification	Release of provisions due to disposal of asset from accounting books	Closing balance of provisions
Merchandise	49,532	0	0	0	49,532
Total inventory	49,532	0	0	0	49,532

Inventory	Value for current accounting period
Inventory with established lien	0
Inventory that are not at the accounting entity's full disposal	0

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6. RECEIVABLES

Information on provisions for receivables:

Receivables	Current accounting period				
	Opening balance of provisions	Creation of provisions	Release of provisions due to cease of justification	Release of provisions due to disposal of asset from accounting books	Closing balance of provisions
Trade receivables	16,066,038	1,195,622	217,057	6,320,892	10,723,711
Total receivables	16,066,038	1,195,622	217,057	6,320,892	10,723,711

In 2012, the Company sold receivables at the nominal value of EUR 6,464,686 overdue for more than three years. 100% or 93% provision was previously made for these receivables.

Receivables from related parties: EUR 35,221,924 (2011: EUR 398,562).

Information on ageing structure of receivables:

Item	Due	Overdue	Total receivables
Long-term receivables			
Trade receivables	99,822	0	99,822
Total long-term receivables	99,822	0	99,822
Short-term receivables			
Trade receivables	14,765,432	26,392,745	41,158,177
Receivables from subsidiary and parent company	27,000,000	0	27,000,000
Social security receivables	0	0	0
Other receivables	489,445	577,161	1,066,606
Total short-term receivables	42,254,877	26,969,906	69,224,782

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Receivables by remaining maturity	Current accounting period	Immediately preceding accounting period
Receivables overdue	26,969,906	18,761,395
Receivables with remaining maturity of less than 1 year	42,254,877	17,444,323
Total short-term receivables	69,224,782	36,205,718
Receivables with remaining maturity from 1 to 5 years	99,822	100,691
Total long-term receivables	99,822	100,691

Receivables at the carrying value of EUR 2,113,486 are secured by a combination of insurance, bank guarantee and blank promissory notes (2011: EUR 2,591,407).

7. FINANCIAL ASSETS

Information on current financial assets:

Item	Current accounting period	Immediately preceding accounting period
Cash in hand, stamps and vouchers	36,130	44,471
Current bank accounts	678,364	331,585
Total	714,494	376,056

As at 31 December 2012 the Company has an overdraft facility in Citibank Europe plc., foreign bank subsidiary, with limit of EUR 1,659,696 and in Československá obchodná banka, a.s., with limit of EUR 1,650,000.

As at 31 December 2012, total overdraft was (in accordance with the limits of overdraft facilities) EUR 0 (2011: EUR (62,986)).

Information on pledged current financial assets or on current financial assets that are not at the entity's full disposal:

Item	Value for current accounting period
Pledged current financial assets	0
Current financial assets that are not at full disposal	0

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8. ACCRUALS AND PREPAYMENTS

Information on significant items of accruals and prepayments:

Item	Current accounting period	Immediately preceding accounting period
Deferred expenses – short-term, of which:	704,381	693,540
Outsourcing	83,192	68,354
Prepaid rent	553,805	590,501
Other prepayments	67,384	34,685
Accrued income – short-term:	394	0

9. EQUITY

The share capital of the Company is fully subscribed and paid with a nominal value of EUR 240,000,000.

Information on distribution of accounting profit or on settlement of accounting loss:

Item	Immediately preceding accounting period
Accounting profit	40,358,675
Distribution of accounting profit	Current accounting period
Settlement of losses from previous periods	38,340,741
Contribution to legal reserve fund	2,017,934
Total	40,358,675

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Information on changes in equity:

Equity item	Current accounting period				
	Opening balance	Additions	Disposals	Transfers	Closing balance
Share capital	240,000,000	0	0	0	240,000,000
Other capital funds	332	0	0	0	332
Legal reserve fund	0	0	0	2,017,934	2,017,934
Retained earnings from previous years	310,571	0	0	0	310,571
Accumulated loss from previous years	(175,447,874)	0	0	38,340,741	(137,107,133)
Profit or loss for current accounting period	40,358,675	34,481,154	0	(40,358,675)	34,481,154
Total equity	105,221,704	34,481,154	0	0	139,702,857

Accounting profit for the year ended 31 December 2011 of EUR 40,358,675 was partially distributed to accumulated losses from previous years and the Company has begun to create a Legal Reserve Fund.

The resolution on a distribution of the accounting profit of EUR 34,381,154 for the year ended 31 December 2012 will be made by the sole shareholder.

Equity item	Immediately preceding accounting period				
	Opening balance	Additions	Disposals	Transfers	Closing balance
Share capital	240,000,000	0	0	0	240,000,000
Other capital funds	332	0	0	0	332
Retained earnings from previous years	310,571	0	0	0	310,571
Accumulated loss from previous years	(160,854,976)	0	0	(14,592,898)	(175,447,874)
Profit or loss for current accounting period	(14,592,898)	40,358,675	0	14,592,898	40,358,675
Total equity	64,863,029	40,358,675	0	0	105,221,704

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10. PROVISIONS

Information on provisions:

Item	Current accounting period				
	Opening balance	Creation	Use	Release	Closing balance
Long-term provisions:	121,546	76,837	115,591	0	82,792
Short-term provisions, of which:	21,429,753	22,065,136	19,983,886	778,180	22,732,823
Provision for unused vacation and bonuses including social security.	1,217,713	227,284	1,217,713	0	227,284
Unbilled supplies	20,212,040	21,837,852	18,766,173	778,180	22,505,539

Provisions for unbilled supplies include mainly telecommunication services and acquisition of non-current assets. Recognition of provisions for unbilled supplies does not have any impact on net profit. Provisions are expected to be used within 2013.

Item	Immediately preceding accounting period				
	Opening balance	Creation	Use	Release	Closing balance
Long-term provisions, of which:	161,148	18,513	58,115	0	121,546
Short-term provisions, of which:	22,746,062	21,208,168	18,878,674	3,645,803	21,429,753
Provision for unused vacation and bonuses including social security.	1,673,230	1,217,713	1,637,545	35,684	1,217,713
Unbilled supplies	21,072,832	19,990,455	17,241,129	3,610,119	20,212,040

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11. LIABILITIES

Information on liabilities:

Item	Current accounting period	Immediately preceding accounting period
Liabilities overdue	3,638,212	1,325,980
Liabilities due within 1 year	19,605,857	21,602,021
Total current liabilities	23,244,069	22,928,001
Liabilities due in 1 to 5 years	157,977	139,040
Liabilities due in more than 5 years	0	0
Total non-current liabilities	157,977	139,040

In 2012, the Company repaid a loan received from the group company of EUR 750,000 due on 31 December 2012 (2011: EUR 750,000)

Liabilities to related parties are EUR 3,539,180 (2011: EUR 5,045,406).

Information on liabilities from social fund:

Item	Current accounting period	Immediately preceding accounting period
Opening balance of social fund	102,636	84,871
Creation of social fund against expenses	63,671	55,280
Creation of social fund from profit	0	0
Other creation of social fund	0	0
Total creation of social fund	63,671	55,280
Use of social fund	44,734	37,516
Closing balance of social fund	121,573	102,636

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12. BANK LOANS AND BORROWINGS

Information on bank loans, interest-bearing borrowings and short-term financial borrowings:

In 2012, the Company repaid the financial borrowing from its parent company Telefónica Czech Republic, a.s. of EUR 750,000 and the short-term overdraft from Citibank Europe plc. foreign bank subsidiary, of EUR 62,986.

13. DEFERRED INCOME TAX

The Company may carry forward tax losses incurred in 2006-2010 to subsequent years in accordance with the Income Tax Act. As at 31 December 2012 the tax loss of EUR 67,289,878 from years 2006-2010, which was not utilized in 2011 and 2012, will be carried forward to the subsequent years.

Information on deferred tax asset or deferred tax liability:

Item	Current accounting period	Immediately preceding accounting period
Temporary differences between carrying amount of assets and their tax base, of which:	46,122,230	34,393,269
deductible	46,122,230	34,393,269
taxable	0	0
Temporary differences between carrying amount of liabilities and their tax base, of which:	3,017,466	3,255,429
deductible	3,017,466	3,255,429
taxable	0	0
Tax losses carried forward	67,289,878	118,385,997
Unused tax credits	0	0
Income tax rate (in %)	23	19
Deferred tax asset	26,778,802	29,646,592
Deferred tax asset recognised	26,778,802	28,823,000
Recognised as increase / (decrease) of expenses	2,044,198	(28,823,000)
Recognised in equity	0	0

The Company recognised a deferred tax asset of EUR 26,778,802 arising from tax losses carried forward from the previous accounting periods, which may be utilised in the subsequent years and due to temporary differences between a tax and carrying value of assets and liabilities.

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14. ACCRUALS AND DEFERRED INCOME

Information on significant items of accrued expenses and deferred income:

Item	Current accounting period	Immediately preceding accounting period
Accrued expenses – short-term	1,163	1,389
Deferred income – short-term, of which:	5,534,540	6,049,264
Prepaid credit of customers	5,534,540	6,049,264

15. LEASES (ACCOUNTING ENTITY IS THE LESSEE)

The Company has property leased from third parties for the purpose of placement, installation and operation of telecommunications equipment. Lease agreements are generally concluded for 1 – 10 years with a possibility of termination in specified circumstances.

The Company has property leased from third parties for the purpose of operating business activities. Lease agreements are generally concluded for 3 - 10 years with a possibility of extension.

16. REVENUES AND EXPENSES

Revenues

Information on revenues:

Territory	Telecommunications services		Sale of merchandise	
	Current accounting period	Immediately preceding accounting period	Current accounting period	Immediately preceding accounting period
Slovak Republic	184,886,134	152,594,855	5,175,439	2,700,464
Total	184,886,134	152,594,855	5,175,439	2,700,464

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Capitalization

Information on capitalized costs, operating income, financial income and extraordinary income:

Item	Current accounting period	Immediately preceding accounting period
Significant items of capitalized costs, of which:	527,771	526,308
Capitalization of non-current tangible assets	194,995	354,940
Capitalization of non-current intangible assets	332,776	171,368
Other significant items of operating income, of which:	2,152,955	1,518,785
Contractual fines, penalties and interest for late payment	796,360	641,951
Income from the sale of receivables	275,433	170,019
Other	1,081,162	706,814
Financial income, of which:	194,592	91,633
Exchange rate gains, of which:	166,556	86,744
Exchange rate gains as at balance sheet date	7,227	10,714
Extraordinary income	0	0

Information on net turnover:

Item	Current accounting period	Immediately preceding accounting period
Revenues from services rendered	184,886,134	152,594,855
Revenues from sale of merchandise	5,175,439	2,700,464
Total net turnover	190,061,573	155,295,319

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Expenses

Information on expenses:

Item	Current accounting period	Immediately preceding accounting period
Cost of services provided, of which:	108,047,083	105,565,587
Costs related to auditor, audit company, of which:	73,000	89,230
Costs related to the audit of financial statements	73,000	89,230
Other significant items of costs of services provided, of which:	107,974,083	105,476,357
Rent	9,451,292	8,969,774
Repairs of non-current assets	1,674,082	1,789,244
Telecommunication services	55,811,369	52,523,030
Outsourcing of services within the Group and from external suppliers	6,914,180	14,488,685
Marketing costs	13,096,009	12,086,216
Sales commissions	13,857,144	10,410,308
Other	7,170,008	5,209,101
Other significant items of operating expenses, of which:	1,683,341	1,246,717
Gifts	106,650	112,865
Other fines and penalties	2,587	156,361
Insurance	157,769	114,100
Group services	1,001,647	600,000
Write-off of receivables	156,991	70,002
Damages	41,625	62,598
Other	206,237	130,790
Financial expenses, of which:	329,833	238,980
Exchange rate losses, of which:	268,990	100,048
Exchange rate losses as at balance sheet date	24,197	10,714
Other significant items of financial expenses, of which:	60,843	138,932
Interest expense	1,827	80,950
Other financial expenses	59,017	57,982
Extraordinary expenses	0	0

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Income taxes

Information on income tax:

Item	Current accounting period	Immediately preceding accounting period
Total deferred tax asset recognised as income or expense arising from change in income tax rate	4,657,183	0
Total deferred tax liability recognised as income or expense arising from change in income tax rate	0	0
Total deferred tax asset in respect of tax loss carry-forward, unused tax credits and other tax claims, as well as temporary differences from previous accounting periods in respect of which a deferred tax asset was not recognised in the previous accounting periods	996,980	28,823,000
Total deferred tax liability arising from part of a deferred tax asset not recognised in the current accounting period, which was recognised in previous accounting periods	0	0
Total tax losses carried forward, unused tax deductions and other tax claims and deductible temporary differences in respect of which a deferred tax asset was not recognised	0	4,334,695
Total deferred income tax relating to items recognised directly to equity accounts without being recognised in expense or income accounts	0	0

Information on income tax:

Item	Current accounting period			Immediately preceding accounting period		
	Tax base	Tax	Tax in %	Tax base	Tax	Tax in %
Profit before tax, of which:	36,529,067	x	100	11,535,674	x	100
Theoretical tax	x	6,940,523	19	x	2,191,778	19
Tax non-deductible expenses	15,925,231	3,025,794	-	12,735,335	2,419,714	-
Non-taxed income	(3,426,785)	(651,089)	-	(10,046,274)	(1,908,792)	-
Tax losses carried forward	(49,007,960)	(9,311,512)	-	(14,224,735)	(2,702,700)	-
Total	19,553	3,715	0	0	0	0
Current income tax	x	3,715	0	x	0	0
Deferred income tax	x	2,044,198	6	x	(28,823,000)	(249,86)
Total income tax	x	2,047,913	6	x	(28,823,000)	(249,86)

Current income tax of EUR 3 715 represents a withholding tax on interest on bank accounts.

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Information on income and benefits of statutory, supervisory and other bodies

Members of statutory bodies of the Company do not have any financial or non-financial compensation relating to their position.

17. RELATED PARTY INFORMATION

Information on economic relations between the accounting entity and related parties:

Related party	Transaction type (code)	Transaction value	
		Current accounting period	Immediately preceding accounting period
O2 Holdings Limited	01	1,365,708	600,000
O2 Holdings Limited	02	0	31,078
Telefonica UK Limited	01	148,181	458,806
Telefonica UK Limited	02	170,253	0
Tesco Mobile Slovakia, s.r.o.	01	2,333,753	1,214,615
Tesco Mobile Slovakia, s.r.o.	02	338,225	1,133,577
Telefónica Global Roaming GmbH	01	300,000	(437,800)
TELEFÓNICA, S.A	01	170,922	0
O2 GERMANY GMBH & CO	01	575,639	0
O2 GERMANY GMBH & CO	02	104,101	0

Parent company	Transaction type (code)	Transaction value	
		Current accounting period	Immediately preceding accounting period
Telefónica Czech Republic, a.s.	01	12,085,129	17,366,257
Telefónica Czech Republic, a.s.	02	3,209,916	3,228,073
Telefónica Czech Republic, a.s.	08	27,000,000	750,000

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18. OTHER ASSETS AND LIABILITIES

According to the fact that many areas of Slovak tax law have not been sufficiently tested in practice yet, there is an uncertainty as to how the tax authorities will apply them. This uncertainty cannot be reliably quantified and will disappear only if there are available legal precedents or official interpretations of relevant authorities.

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19. CASH FLOW STATEMENT

The cash flow statement was prepared using the indirect method.

Sign	Text	Accounting period	
		Current	Immediately preceding
A	b		
P/L	Profit from operations	36,529,067	11,535,675
A.1.	Non-cash transactions	18,159,778	17,203,719
A.1.1.	Depreciation of non-current tangible and amortization of non-current intangible assets	17,484,092	16,242,649
A.1.5.	Change in provisions	1,178,565	129,660
A.1.6.	Change in accruals and deferrals	(526,186)	838,616
A.1.8.	Interest expense	1,827	80,950
A.1.12.	Profit / loss from the sale of non-current assets, except for assets that are considered as cash equivalents	21,480	(158,159)
A.1.13.	Other non-cash items	0	70,003
A.2.	Change in working capital	(10,957,395)	(6,640,051)
A.2.1.	Change in receivables from operating activities	(12,339,087)	(2,785,136)
A.2.2.	Change in liabilities from operating activities	1,705,675	(3,528,583)
A.2.3.	Change in inventory	(322,156)	(326,332)
A.4.	Interest paid, excluding that arising from financial activities	(1,827)	(80,950)
A.	Net cash flow from operating activities	7,202,383	22,018,393
B.1.	Acquisition of non-current intangible assets	(5,599,622)	(2,649,750)
B.2.	Acquisition of non-current tangible assets	(10,007,576)	(9,286,829)
B.5.	Income from the sale of non-current tangible assets	27,172	365,397
B.7.	Long-term loans provided by the Company to another company that is part of a consolidated group	(27,000,000)	0
B.	Net cash flow from investing activities	(42,580,026)	(11,571,182)
C.2.	Cash flow arising from long-term and short-term liabilities from financing activities	(812,986)	(10,392,437)
C.2.6.	Repayment of borrowings	(812,986)	(10,455,423)
C.2.8.	Income from other long-term and short-term liabilities from financing activities	0	62,986
C.	Net cash flow from financing activities	(812,986)	(10,392,437)
D.	Net increase in cash	338,438	54,774
E.	Opening balance of cash and cash equivalents	376,056	321,282
F.	Closing balance of cash and cash equivalents	714,494	376,056
G.	Exchange rate differences relating to cash and cash equivalents as at 31 December 2012	0	0
H.	Cash and cash equivalent as at 31 December 2012	714,494	376,056

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20. SUBSEQUENT EVENTS

No events occurred subsequent to 31 December 2012 that might have a significant effect on the fair presentation of the matters disclosed in these financial statements.

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