Annual Report 2007

Slovak
Telekom

Content

I. Slovak Telekom Group

Milestones of 2007

January

- **New Programme:** T-Mobile Slovensko, a.s. (hereinafter also T-Mobile Slovensko) launched Easy Plus loyalty program for prepaid cards.
- **Modernisation:** Slovak Telekom, a.s. (hereinafter also Slovak Telekom) switched off the very last telegraph exchange in Slovakia after 160 years of successful operation.
- **Price Unification:** Slovak Telekom providing its services under T-Com brand, unified prices of the Hlas cez internet service (VoIP) for all customers, regardless of type of their internet connection used.
- **Improved Service:** The number of games of the Hry (Games) service offered by T-Com through the T-Station portal exceeded one hundred and new smashing games for demanding players as well as simple games for the youngest were added.

February

- **Lower Prices:** Calls from fixed line to all mobile networks dropped in price thanks to the change of Mobill packages for residential and business customers.
- **Service Availability Expanded:**
  – T-Com continued with rapid increase of DSL coverage and enhanced high-speed 4G internet service availability. Over 3.8 million inhabitants of Slovakia could have used high-speed internet access as at the end of February 2007.
  – After launching the Magio service in December 2006, T-Com expanded the availability of this break-through Triple Play service, offering 4G internet, telephony and digital television in one package. Magio has been available in six Slovak towns since mid February.
  – T-Mobile Slovensko extended its Wi-Fi spot network and launched HotSpot OpenPoint service offering internet provision for free to keepers of hotels, restaurants, cafés and other facilities.

March

- **4G Internet Milestone:** T-Com welcomed the 200,000th 4G internet customer on 5 March 2007.
- **Market Leadership:** Slovak Telekom Group (hereinafter also referred to as “Group”) announced its financial results for 2006. Despite the growing competition, the Group succeeded in keeping the leading market position and increased its market share to 51 %.
- **Competition Case Won:** The Antimonopoly Office of the Slovak Republic (AMO SR) rejected the petition of Slovanet, a.s., to issue a preliminary injunction imposing Slovak Telekom the duty to stop the provision of Magio and Magio TV services.
- **New Internet Services:**
  – T-Com brand introduced the Ready card as innovation for internet telephony. This prepaid service enables the customers to call without invoices and at highly favourable prices.
  – In cooperation with ICQ, Inc. Company, Zoznam.sk Internet portal made it possible for its users to send short text messages to T-Mobile Slovensko network for free.
  –T-Mobile Slovensko launched the smallest BlackBerry Pearl model at the first anniversary of BlackBerry service provision.
- **Support to Culture:** By supporting the literature contest Román 2006 (Novel 2006) Slovak Telekom promoted the original Slovak novel writing and publication of the 2006 Best Novel – Námestie kozmonautov by Viliam Klimáček.
- **Changes in the Management:**
  – Milan Vašina became the Chief Executive Officer of T-Mobile Slovensko.
  – Dušan Švalek became the Marketing Director of T-Mobile Slovensko.
- **Partnership:** T-Mobile Slovensko developed an associating programme of partner solutions T-Mobile Partner for companies involved in development, production or sale of mobile solutions based on technologies used by T-Mobile Slovensko.

April

- **New Revolutionary Service:** T-Mobile Slovensko launched a new service web ‘n‘ walk enabling a fully-fledged internet access in your mobile.
- **Higher Speed for 4G Internet:** All 4G internet customers were provided with the transmission speed faster by 512 kbps download while programme prices remained unaltered. Thus T-Com accelerated its DSL programmes for the third time.

- **Creativity Awarded:** Slovak Telekom and its product brand T-Com were awarded three nails in the national creativity contest Zlatý klinec (Golden Nail) 2007 for T-Com advertising and one nail for the Annual Report of Slovak Telekom. The Company has also won the award of Zlatý klient roka 2007 (2007 Golden Client) leaving other contestants well behind.
- **Shareholders Decided on Dividends:** The Ordinary General Meeting of Slovak Telekom approved the dividend payment to shareholders of SKK 2 billion in aggregate. Fond národného majetku SR (National Property Fund SR) was paid 300 million Slovak crown (SKK), the Slovak Republic represented by the Ministry of Transport, Posts and Telecommunications SR was paid 680 million SKK. Dividends paid to Deutsche Telekom AG totalled 1.02 billion SKK.

May

- **Support to Culture:** Slovak Telekom announced the second annual of the prestigious national competition for teachers, Cena Slovak Telekom (The Slovak Telekom Award).
- **Rádiokomunikácie Sale Finishing:** Companies Slovak Telekom and TRI R, executed a Master Agreement based on which TRI R became 100 % owner of TBDS, a.s. (a company established by transformation of Rádiokomunikácie branch and subsidiary Tower Slovakia, s. r. o. v likvidácii) in October 2007, after the approval position of the Antimonopoly Office of the SR
- **World-class Concert:** T-Mobile Slovensko offered a unique music experience to thousands of people in Slovakia, by staging the concert of a British pop star George Michael.
- **Product Innovations:**
  – T-Mobile Slovensko launched a new service called Medzi nami (In between of us), offering unlimited calls among family members.
  – In cooperation with Národná lotériová spoločnosť TIPOS (national lottery company), T-Mobile Slovensko introduced numerical and internet games in mobile version.
  – T-Mobile Slovensko launched a new service Full Songs, which offers downloading of full song versions to mobile phones and PC.

June

- **New Address:** Slovak Telekom changes its registered offices. New registered offices of the Company are at Karadžičova 10, 825 13 Bratislava.
- **Better 4G Internet Portfolio:** T-Com brought numerous benefits for ADSL-based high-speed internet services to celebrate their fourth year on the market. New 4G internet packages called Turbo priced from SKK 399/month excl. VAT replaced the to-date Vysokorýchlostný internet (High-speed Internet) portfolio. The new offering gave basis for 4G internet price unification for customers who have no fixed line.
- **Magio in Ten Cities:** After five months of successful sales of the Magio service, T-Com extended the availability of a high-quality digital television to ten cities. T-Com started to broadcast some television stations in the modern 16:9 format, as part of Magio.
- **Entertainment with T-Com:** The second annual of summer street festival called T-Com Fiesta was kicked off, taking place in Bratislava, Košice and Banská Bystrica in 2007. Along with that, T-Com made the first city T-Com Fiesta beach with the area exceeding 3,000 m^2 available to all Bratislava citizens and visitors.
- **Support to Film:** Slovak Telekom was the general partner to 15th annual of Artfilm Medzinárodný filmový festival (International Film Festival) which took place in Trenčín and Trenčianske Teplice.
- **Awarded Service:** The Hry (Games) section of T-Station.sk portal, which offers the latest service Games on Demand which is unique also in the Europe-wide context, i.e. paid downloading of games from the internet upon demand, was awarded the Najlepší herný produkt roka (Best Gaming Product of the Year) at the meeting of Slovak gaming community – Movie Making War.
- **Innovations for a Life More Entertaining:**
  – Slovak Telekom successfully handed the first optical FttB (Fibre to the Building) solution over to operation in the Bratislava apartment house Koloseo.
  – T-Mobile Slovensko started providing the data transmission over HSDPA, UMTS, EDGE, and GPRS networks for customers of Easy and Fix price plans.
- **Change in the Management:** Petra Berecová became Human Resources Director of T-Mobile Slovensko.
- **General Partnership:** T-Mobile Slovensko became the general partner to the Slovensko hľadá SuperStar 3 (Slovak Pop Idol 3) project.
- **Cheaper Calling from Abroad:** T-Mobile Slovensko launched the Euro roaming service.

July

- **Help to Customer Welcomed:** T-Com offered all its customers a unique servicing called SuperServis, which provides clients with installation, configuration and CPE maintenance services. The new service was valued especially by less PC-literate clients.
- **Change in the Management:** Igor Matejov assumed the position of Customer Care Director of T-Mobile Slovensko.

August

- **Decreased Roaming Prices:** T-Mobile Slovensko decreased roaming call prices with Euro roaming, Smart roaming and Easy roaming services.
- **Closer to Euro:** Companies of the Group - Slovak Telekom and T-Mobile Slovensko ratified the Etický kódex pre zavedenie eura (Code of Conduct for Euro Changeover).
- **New Service:** Zoznam expanded its service portfolio for all who like betting, in cooperation with TIPOS, a.s. Those who play lottery can now bet and play selected numerical, betting and internet games also via the Zoznam.sk internet portal.

September

- **Modern Solution for Slovakia:** Slovak Telekom/T-Com announced its huge investment in the optical access network construction. Slovak Telekom plan to invest approximately 2 billion SKK in ten largest cities of Slovakia by the end of 2008. Part of the investment will be used for construction of new nodes, based on ADSL 2+ in the current metallic network.
- **Foundation Fund Will Help:** Slovak Telekom in cooperation with Nadácia Intenda (the Foundation Intenda) established Nadačný fond Slovak Telekom (Endowment Fund of Slovak Telekom) aiming to help those who are health-, social- or otherwise disabled and improve their access to beneficial information.
- **Regulatory Disputes Ended with Victory:**
  – Slovak Telekom received the ruling of the Regional Court of Bratislava in the matter of 2004 tender for telecommunications services for Ľudová banka. The court thereby abolished two decisions of the Antimonopoly Office of the SR imposing the Company a fine totalling at SKK 80 million.
  – The Regional Court of Bratislava issued a ruling which abolished the Decision of Antimonopoly Office of the SR regarding the dominant position abuse by Slovak Telekom. Based on the court ruling the Company was released from the duty to pay the fine of SKK 885 million.
- **Convenient Service:** Info Asistent 12 111 service provided by T-Com cooperating with the internet portal www.kvety.sk started to provide an exclusive delivery service for flowers and presents.
- **Online Telephone Directory:** Telephone directory service at Zoznam.sk portal was extended by a feature to help look up for the phone numbers of mobile operators T-Mobile Slovensko and Orange Slovensko as well as of other licensed operators of fixed telephone networks.
- **No-Paper Invoice:** T-Mobile Slovensko launched a new service called Elektronická faktúra (Electronic invoice).
- **Mobbies to Entertain SuperStar:** T-Mobile Slovensko introduced an advertising campaign to the Slovensko hľadá SuperStar project built around Mobbies, a group of animated characters.

October

- **Rádiokomunikácie Definitely Sold:** Slovak Telekom transferred the shares of TBDS to the company TRI R which became the exclusive owner of these shares. Share transfer followed after the approval position of the Antimonopoly Office of the SR.
- **Television Set to Get with Magio:** T-Com offered those interested in the Magio Klasik package also an LCD TV set at a favourable price.
- **Awarded Operators:** DAS Information and Assistance Centre of Slovak Telekom was awarded a prestigious prize in the category "2007 Best European Service" for its Info Asistent 12 111 service, at international conference of companies providing directory assistance services.
- **Modernisation for the Future:** Žilina has become the first next generation town. Slovak Telekom/T-Com started to cut its customers in the city over to the Next Generation Network (NGN), thanks to which they will be able to use modern voice, data and TV services over the IP platform. None of the countries of Deutsche Telekom Group footprint has ever experienced such a cut-over.
- **Magenta Victory:** Internal Communication Team of Slovak Telekom won the Magenta Award, the main prize at the worldwide contest of communication projects run by Deutsche Telekom Group companies.

November

- **Student Education:** Companies Slovak Telekom and T-Mobile Slovensko prepared the third annual of Telekom Day conference for students of technical colleges.
- **Again among the Best:** Slovak Telekom conducted a customer satisfaction survey for its commercial brand T-Com. The achieved TRI*M index value for 2007 again ranked the Company among the absolute top telecommunications operators in Europe with excellent customer satisfaction indices scored in both residential and business customer segments.
- **New Portal:** The internet portal www.zoznam.sk saw a new addition in the form of automotive fans' magazine www.autoviny.sk.
- **Shareholder Decision:**
  – Extraordinary General Meeting of Slovak Telekom approved the payment of dividends to shareholders in the aggregate amount of SKK 2.942 billion.

– The Extraordinary General Meeting agenda included personnel changes. Siegfried Pleiner resigned from the position of the Chairman and member of the Supervisory Board of Slovak Telekom. Wolfgang Hauptmann was at the same time elected to the position of the Chairman and member of the Supervisory Board of the Slovak Telekom. Norbert Schmidt was also elected to the position of the Supervisory Board member.

- **Help for Those Who Need It:**
  – Companies Slovak Telekom and T-Mobile Slovensko again supported the Hodina deťom (An Hour for Children) philanthropic project.
  – T-Mobile Slovensko in cooperation with the Nadácia Pontis (Pontis Foundation) announced a grant programme Hľadáme ďalší zmysel – pre zamestnanie (Trying to find further meaning – for employment).
  – People and organisations seeking assistance in order to enable information access to everyone regardless of health condition, social standing, age or other disadvantage, showed great interest in the Endowment Fund of Slovak Telekom established with the Nadácia Intenda already during the first three months of the fund's existence.
  – Slovak Telekom representatives announced the results of the second annual of the Cena Slovak Telekom competition. The most creative teachers from primary, secondary and special-focus schools were awarded attractive financial rewards.
- **Best Annual Report:** Slovak Telekom won the first prize in the "Elektronická ročná správa" (Electronic Annual Report)" category of the national Annual Report competition from among 56 competing companies.

December

- **Icy Entertainment with T-Com:** Magio Ice Rink was opened to serve general public at Tyršovo nábrežie on the Petržalka bank of the Danube River. After a successful beach opening as part of the 2nd annual of T-Com Fiesta summer festival, T-Com decided to bring entertainment to Bratislava citizens and visitors also during winter time.
- **SuperStar Finals:**
  – General sponsorship of T-Mobile Slovensko to the Slovensko hľadá SuperStar project saw its highlight in the hand-over of a home recording studio by Milan Vašina, CEO during the live broadcast of the contest finals.
  – T-Mobile Slovensko completed the series of successful T-Mobile SuperNight parties. The last party included the ceremonial evening of releasing a CD by Mobbies, the advertising phenomenon of 2007 and one of the most popular advertising campaigns of T-Mobile Slovensko, a.s.

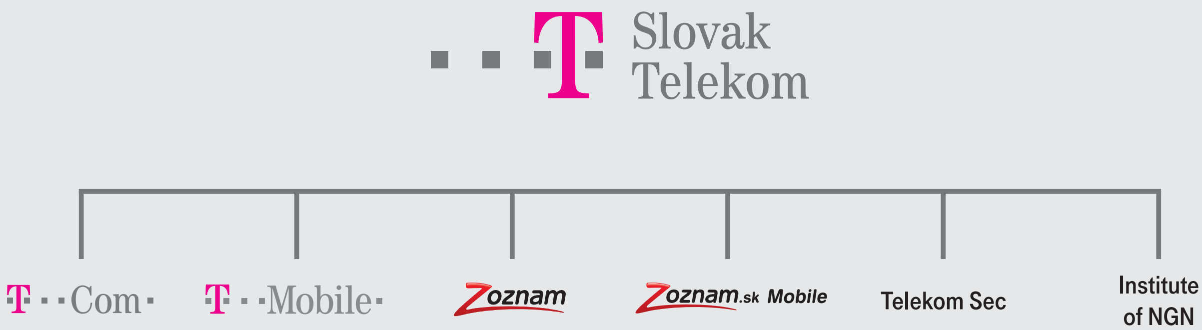
Slovak Telekom Group Companies

The Slovak Telekom Group comprises the parent company Slovak Telekom, a. s. (Slovak Telekom), and its subsidiaries T-Mobile Slovensko, a. s. (T-Mobile Slovensko), Zoznam, s. r. o. (Zoznam), Zoznam Mobile, s. r. o. (Zoznam Mobile), Telekom Sec, s. r. o. (Telekom Sec) and Tower Slovakia, s. r. o. v likvidácii (until 24 October 2007 under business name of RK Tower, s. r. o. , Tower Slovakia). Institute of NGN association is also part of the Slovak Telekom Group.

The following subsidiaries were part of the Slovak Telekom Group in the last year: TBDS, a.s. (until 5 October 2007) and the branches Slovak Telekom, a.s. Rádiokomunikácie, o. z. (until 24 October 2007), when the branch was deleted from the Commercial Register of the SR), and Slovak Telekom, a.s., Call Services, o.z. (as of 31 October 2007 the branch was dissolved by deletion from the Commercial Register of the SR and subsequently made part of the organisation structure of Slovak Telekom).

The structure of business activities of Slovak Telekom Group

The Slovak Telekom Group as the provider of comprehensive telecommunications services offers its customers fixed network services, internet connection, digital television services, data services, sale of terminal equipment and commercial call centre services under the commercial brand T-Com. The Group provides mobile communication services under the brand T-Mobile, internet content services under the brands Zoznam.sk and Zoznam Mobile.sk, security services (Telekom Sec). The Group also provided services of radio and television signal transmission (TBDS, Tower Slovakia) until October 2007. Institute of NGN is non-profit organisation to support development of NGN technology in Slovakia.



The strategy for Group's operations is to provide a broad array of modern and inter-complementary communications solutions based on state-of-the-art technologies, professional experience and specialised approach to the individual needs of the customers.

All information included in this Annual Report, which is presented in relation to the Slovak Telekom Group, relates to all companies forming the Group.

Corporate Identity

Slovak Telekom, a.s. has operated under its business name since 8 March 2006. The products and services of fixed-line network are marketed under the T-Com brand, also visually showing its affiliation to the Deutsche Telekom Group. The magenta T is one of the strongest brands in the global telecommunications market and stands for top-quality modern telecommunications services in almost 30 countries around the world.

Vision of Slovak Telekom:

To be the most reliable and customer-friendly service company integrating the communications and information worlds, and to contribute to the positive development of Slovakia and the quality of life here.

Mission of Slovak Telekom:

- To be personally responsible for each customer request, understand customer needs, deliver what we promise, and constantly improve services with the aim of being seen as the most affordable, reliable and innovative partner,
- to utilise know-how in integrating services as a benefit for customers, thus making their business and private lives easier,
- to provide state-of-the-art telecommunications infrastructure and products enabling business growth in the country and to improve the position of the Slovak Republic internationally,
- to take a share of responsibility for the economic growth of the country,
- to attract, motivate and develop capable and committed employees and reward employees' performance.

T-Mobile Slovensko, a. s. is a leading telecommunications company providing mobile voice and mobile data communications services in Slovakia. The sole owner of T-Mobile Slovensko is Slovak Telekom, a subsidiary of Deutsche Telekom AG. T-Mobile Slovensko belongs to the T-Mobile International Group, one of the major mobile communication companies worldwide.

Mission of T-Mobile Slovensko:

The mission of T-Mobile Slovensko is to become the most highly regarded service company.

Employees of the Slovak Telekom Group follow T-SPIRIT, the set of values identical for all companies forming the Deutsche Telekom Group:

- Superior value
- Passion for the customers
- Innovation
- Respect
- Integrity
- Top excellence

The Deutsche Telekom Group operates on international markets and in a multicultural environment. Shared values bind the individual subsidiaries together. The magenta T – an unmistakeable graphic sign of companies in the global group of Deutsche Telekom – is represented in the Slovak telecom market by two strong telecommunications operators – Slovak Telekom and T-Mobile Slovensko.
The magenta T symbolizes internationally compelling values, applied to both companies' operations: high quality of services provided, excellent customer care, and continual product innovation, aimed at making the life of customers better and more entertaining and enjoyable.
In their work, employees of the Deutsche Telekom Group put the customer's needs first, with all other aspects subordinated to those needs. Innovation and creativity in solutions drive the Group forward, ensuring its long-tern prospects and position in the market.

Slovak Telekom Group Profile

In 2007 the Slovak Telekom Group comprised the following companies and the association:
Slovak Telekom, a.s.
T-Mobile Slovensko, a.s.
Telekom Sec, s.r.o.
Zoznam, s.r.o.
Zoznam Mobile, s.r.o.
Tower Slovakia, s. r. o. v likvidácii (until 24 October 2007 under business name RK Tower, s. r. o.)
TBDS, a.s. (until 5 October 2007)
Institute of NGN

Branches of Slovak Telekom, a.s. :
Rádiokomunikácie, o.z. (until 24 October 2007)
Call Services, o.z. (until 31 October 2007)

The Slovak Telekom Group consists of strong market players that are leaders in their fields. The Group's goal is to provide comprehensive communications services for residential as well as business customers. In doing so, the Group achieves synergy effects with its subsidiaries in utilising technologies, cooperating closely in designing tailor-made customer solutions and in developing new products and services.

Slovak Telekom, a. s.

Slovak Telekom is a multimedia operator with many years' history and experience and international expertise, bringing innovative technology trends to Slovak telecommunications market. The Company owns and operates a telecommunications network which covers the entire territory of the Slovak Republic, providing national and international voice services and a wide portfolio of modern data services under T-Com brand. It is also the largest provider of 4G broadband internet. It offered the Triple Play Magio service, combining digital television, internet and telephony, as the first operator in Slovakia.

The Company operates one of the largest next generation networks (NGN) enabling the use of voice and data services on one common IP platform. In order to be able to provide Slovakia's citizens with new and more convenient services, the Company has made huge investments in extension of its optical infrastructure. Overall TRI*M index score of Slovak Telekom in 2007 reached 75 points, thus positioning the Company among the top of European operators.

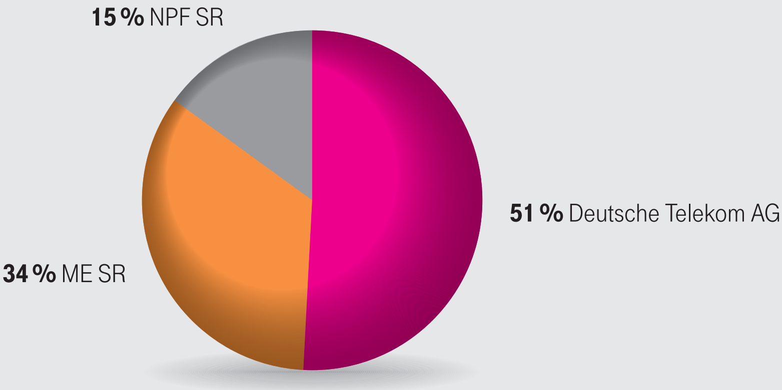
The Company is part of the multinational Deutsche Telekom Group (Frankfurt, Amtlicher Handel: DTE/NYSE: DT). Deutsche Telekom AG is the majority shareholder of Slovak Telekom with a 51 % stake. The Slovak Republic, represented by the Ministry of Economy (ME SR), is the owner of 34 % of shares and the National Property Fund of the Slovak Republic (NPF SR) holds 15 % of shares. Slovak Telekom, a. s. owns 100 % of the shares of T-Mobile Slovensko, a. s., which provides a wide portfolio of mobile communication services.

Registered Offices:
Karadžičova 10, 825 13 Bratislava
Legal Form:
joint-stock company:
Date of Incorporation:
1 April 1999

Principal Business Activities of the Company:
- transmission, broadcasting and reception of radio, television and other communication signals for statutory operators and operators holding relevant licences,
- provision of telecommunications and radio-communication services against payment (transmission, processing, creation and mediation of information) for individuals and legal entities,
- establishment, operation, construction, maintenance, and servicing of telecommunications facilities, networks, and information technologies owned by other entities under concluded contracts,
- preparation and updating of information databases for information systems in the telecommunications sector,

- publishing, distribution and sale of directories of subscribers of individual telecommunications services (on various media),
- connection of a specific part of the public telecommunications network to the international telecommunications network, concluding of international agreements in telecommunications related to the business activities of Slovak Telekom, and proposing prices and tariffs for domestic and international services, including billing and clearing thereof.

Shareholder Structure of Slovak Telekom:



T-Mobile Slovensko, a. s.

T-Mobile Slovensko is a leading telecommunications company providing mobile voice and mobile data communications services in Slovakia. The sole shareholder of T-Mobile Slovensko is Slovak Telekom, a subsidiary of Deutsche Telekom AG. As of 31 December 2007, T-Mobile Slovensko provided its services to 2.367 million customers.
T-Mobile Slovensko was the first mobile operator to introduce multimedia messaging (MMS) service, as well as the EDGE technology and BlackBerry solution in Slovakia, and to launch the commercial operation of the UMTS third generation network. T-Mobile Slovensko was the first mobile operator in the world to have launched the FLASH-OFDM mobile data technology in a country-wide operation, based on which it provides its customers with the Rýchly internet service (Fast Internet), so far the fastest mobile broadband Internet access available in Slovakia.
The Company is the sole mobile operator in the Slovak Republic providing its customers with mobile Internet access over four high-speed data transmission technologies – GPRS/EDGE, Wireless LAN (Wi-Fi), UMTS FDD/HSDPA and FLASH-OFDM.
T-Mobile Slovensko is deemed to be the leader in providing telecommunications services in the most demanding segment of business customers, both in scope and quality of services. Eight of the ten largest banking institutions in Slovakia utilise comprehensive telecommunications service solutions from T-Mobile Slovensko.
T-Mobile Slovensko is the operator with the largest number of roaming partners. Customers can use roaming services in the networks of 333 mobile operators in 195 destination and GPRS and MMS roaming with 137 GSM operators in 75 countries worldwide.

Registered Offices:
Vajnorská 100/A, 831 03 Bratislava
Legal Form:
joint-stock company
Date of Incorporation:
16 December 1996

Principal Business Activities of the Company:
- establishment and operation of public mobile telecommunications networks over the frequencies assigned under the Licence of the Telecommunications Office of the Slovak Republic,
- provision of a public mobile telephone service via mobile public telecommunications networks referred to in the previous paragraph,
- establishment and operation of a public data packet-switched network,
- provision of a public data service via public telecommunications networks,
- establishment and operation of a public mobile telecommunications network, which is designated as the third generation network and complies with the UMTS standards, over frequencies assigned under the Licence of the Telecommunications Office of the Slovak Republic,
- establishment and operation of a fixed telecommunication network for the purposes of the interconnection or connection of facilities of the third generation mobile network,
- provision of public mobile telephone service and full scope of data and multimedia services via the third generation mobile network,

- information society services,
- installation and repair of telecommunications facilities connected to the unified telecommunications network,
- advisory activities in the area of the public mobile cellular radiotelephone network,
- consultancy in the area of the public packet network for data transmission.

Shareholder Structure:
100 % of shares owned by Slovak Telekom.

Telekom Sec, s. r. o.

The company was established by a Memorandum of Association dated 22 September 2006 in the wording of Amendment 1 dated 23 October 2006.

Registered Offices:
Kukučínova 52, 831 03 Bratislava
Legal Form:
limited liability company
Date of Incorporation:
25 Október 2006

Principal Business Activities of the Company:
- automated data processing,
- mediation of services in the area of information technologies within the scope of general authorisation (open business licence),
- information technology service – licensed software installation and configuration,
- technical and organisational arrangement of seminars, courses, conferences, and training within the scope of general authorisation (open business licence),
- software provision – sale of ready-made programmes, based on licensing,
- software systems maintenance,
- design and optimisation related to information technologies,
- installation of structured cabling and computer networks.

Ownership Structure:
Slovak Telekom is the sole owner of the company.

Zoznam, s. r. o.

Zoznam.sk portal – www.zoznam.sk, which is provided by Zoznam company, is the most visited Internet portal in Slovakia in a long-term originated in 1997. It specialises in Slovak Internet website search, also offering internet users everything the Slovak Internet can offer, all in a transparent form. Therefore Zoznam.sk today offers over 40 on-line products. The most important products of the Zoznam.sk portal include a news server Bleskovky.sk, specialised magazines (Lesk.sk, Mojdom.sk, Dromedar.sk, oPeniazoch.sk, Auto.Zoznam.sk), and the freemail service mail.zoznam.sk, community gaming portal Pauzicka.sk, internet shop Z-Obchody.sk and a catalogue of companies is also a key Zoznam.sk service, enabling small businesses to present themselves and their contact information professionally on the Internet.
Zoznam.sk introduced, in cooperation with Israeli company AOL LCC, the Slovak version of one of the most notorious Instant Messaging services to the Slovak market – Zoznam ICQ.

An independent audit by Mediaresearch company in November 2007 the visit rate of Zoznam.sk portal and its products (except Bleskovky.sk) was 1,369,936 real users. 1,151,706 real users per month use the Zoznam.sk home page at their entry gate to the world of Slovak internet. Bleskovky visit rate counted 877,191 real users during the mentioned period.

Registered Offices:
Viedenská cesta 3 – 7, 851 01 Bratislava
Legal Form:
limited liability company
Date of Incorporation:
1 January 1998

Principal Business Activities of the Company:
- provision of information and advertising services by means of computer technology,
- advertising and promotional activities,
- advisory activity within the relevant scope of business.

Ownership Structure:
Slovak Telekom is the sole owner of the company.

Zoznam Mobile, s. r. o.

The Company originated in 2002 when it started to operate mobile internet content services such as sending of logs, MMS, and ringing tones. It ranks among the elite companies providing mobile technologies and solutions. The company offers high-quality, secure and proven solutions, tailor-made according to the projects requiring easily extendible functions upon client's needs.

Registered Offices:
Viedenská cesta 3 – 7, 851 01 Bratislava
Legal Form:
limited liability company
Date of Incorporation:
30 September 2002

Principal Business Activities of the Company:
- advisory and consultancy activity in commerce, advertising, software, automation, electrical engineering and informatics,
- advertising and promotional activities,
- market research and public opinion polling,
- graphic design production,
- automated data processing,

Ownership Structure:
Slovak Telekom, a.s. is the sole owner of the company.

Tower Slovakia, s. r. o. v likvidácii
(until 24 October 2007 the business name RK Tower, s. r. o.)

Slovak Telekom founded its subsidiary Tower Slovakia, s.r.o. in 2002 as part of restructuring the branch Rádiokomunikácie, o.z. The business of Tower Slovakia was deposited in May 2007 as in-kind contribution to TBDS by reason of increasing the latter's registered capital. Shares of TBDS were transferred to a new owner in October 2007 – to TRI R company, under the Share Purchase Agreement. Activities Tower Slovakia were focused mostly on the leasing of premises at owned sites (towers, masts, buildings etc.). The company was put to liquidation as of 10 October 2007.

Registered Offices:
Cesta na Kamzík 14, 831 01 Bratislava
Legal Form:
limited liability company
Date of Incorporation:
11 March 2002

Principal Business Activities of the Company:
- installation, maintenance and repair of telecommunications facilities,
- purchasing activities related to real estate administration,
- design and optimisation related to information technologies, their development and implementation,
- automated data processing.

Ownership Structure:
Slovak Telekom is the sole owner of the company.

TBDS, a. s.

The company was established in April 2005 for the purposes of optimising the process of sale of business in the field of the radio and television signal transmission.
The Board of Directors of Slovak Telekom decided on 14 March 2007 the increase of registered capital of TBDS and to that purpose approved an in-kind contribution of Slovak Telekom the subject of which was part of its business represented by Rádiokomunikácie, o.z., and an in-kind contribution of Tower Slovakia, represented by that company. Based on the Share Purchase Agreement of 3 August 2007, Slovak Telekom transferred the shares of TBDS into TRI R as of October 2007. TRI R became the sole owner of the shares. Share transfer came after the approval position provided by Antimonopoly Office of the SR.

Registered Offices:
Cesta na Kamzík 14, 831 01 Bratislava
Legal Form:
joint-stock company
Date of Incorporation:
11 June 2005

Principal Business Activities of the Company:
- installation, maintenance and repair of telecommunications facilities,
- purchasing activities related to real estate administration,
- proposals and optimisation related to information technologies, their development and implementation,
- automated data processing.

Shareholder Structure:
Prior to the share transfer into TRI R, a.s., 100 % of shares were owned by Slovak Telekom.

Slovak Telekom, a. s., Rádiokomunikácie, o. z.

The principal business of the branch Rádiokomunikácie, o. z. was the nationwide, regional and local broadcasting of television and radio signals for state-run and commercial stations. Its activities included core and support activities. By virtue of the decision by the Board of Directors of Slovak Telekom, a.s. dated 10 October 2007 the branch Slovak Telekom a.s., Rádiokomunikácie, o.z. was dissolved as of 24 October 2007 and deleted from the Commercial Register.
Slovak Telekom started the Rádiokomunikácie sale process in June 2004. The Board of Directors of Slovak Telekom selected approved a short list of five potential buyers of Rádiokomunikácie in late April 2006. The selected bidders were granted access to the data rooms as of 2 May 2006 to carry out due diligence in Rádiokomunikácie, which finished in late May 2006. Subsequently, Slovak Telekom in cooperation with participating investors prepared the binding Transaction documentation. On its meeting of 14 March 2007, the Board of Directors of Slovak Telekom approved continuation in the negotiations with the selected bidder interested in Rádiokomunikácie purchase. Slovak Telekom executed a Framework Agreement on the Sale of TBDS with the company TRI R on 17 May 2007. The assets of Rádiokomunikácie and Tower Slovakia were transferred to the TBDS company in May 2007. Slovak Telekom finally transferred TBDS shares into TRI R as of 5 October 2007 after it obtained the approval of the Antimonopoly Office of the SR.

The core activities comprise:
- radio transmission broadcasting,
- television transmission broadcasting,
- data transmission,
- satellite broadcasting.

Slovak Telekom, a. s., Call Services, o. z.

The branch of Slovak Telekom, a.s. Call Services, o.z., was established in January 2005. It arranges comprehensive outsourcing services, i.e. lease of agent seats, offices/premises, lines, training of call centre agents, daily, weekly and monthly reporting, and call recording.

Pursuant to the decision by the Executive Management Board and the Board of Directors of Slovak Telekom regarding the change in strategy related to the operations of Call Services the authority and organisational units of the branch were transferred Operations Unit of Slovak Telekom as of 31 October 2007. The branch of Slovak Telekom, a.s., Call Services, o.z. was also deleted from the Commercial Register of the Slovak Republic as of the above day.

The core activities comprise:
- outbound services – active contacting of clients by telephone,
- inbound services – information lines, helpdesks, ordering lines, freephone lines,
- back-office services – processing and storing of applications, correspondence and surveys,
- advisory and consultancy services – selection of an appropriate client database, drafting of a telephone conversation script, determining the most appropriate time for contacting clients, selection of the necessary number of agents and their training, reporting and statistics format design.

Membership and Cooperation with Slovak Associations by Profession and Industry

Slovak Telekom is an active member of the following organisations operating in the field of information and communication technologies and business development:

- Podnikateľská aliancia Slovenska (The Business Alliance of Slovakia),
- Slovenská spoločnosť pre zahraničnú politiku (Slovak Foreign Policy Association),
- Fórum pre komunikačné technológie (Communications Technologies Forum),
- IT Asociácia Slovenska (IT Association of Slovakia),
- Slovenská asociácia pre elektronický obchod (Slovak Association of Electronic Commerce),
- Slovenská obchodná a priemyselná komora (Slovak Chamber of Commerce and Industry),
- Americká obchodná komora v Slovenskej republike (American Chamber of Commerce in the Slovak Republic),
- Slovensko-nemecká obchodná a priemyselná komora (Slovak – German Chamber of Commerce and Industry),
- Spoločnosť pre projektové riadenie (Project Management Association of Slovakia),
- Únia dopravy, pôšt a telekomunikácií SR (Union of Transport, Post Offices and Telecommunications of the Slovak Republic),
- Medzinárodný klub (International Club),
- IT Valley,
- Asociácia pre prenositeľnosť čísla (Number Portability Association),
- Klub firemných darcov (Corporate Donors Club),
- Business Leaders Forum,
- Slovenská asociácia pre káblové telekomunikácie (Slovak Association for Cable Communications),
- Slovenská asociácia finančníkov (Slovak Association of Finance Officers),
- HN klub – Ecopress,
- Fórum pre komunikačné technológie (Communications Technologies Forum),
- Slovak Association for Human Resources Management and Development.

T-Mobile Slovensko is an active member of the following Slovak organisations:

- Slovenská spoločnosť pre zahraničnú politiku (Slovak Foreign Policy Association),
- Fórum pre komunikačné technológie (Communications Technologies Forum),
- IT Asociácia Slovenska (IT Association of Slovakia),
- Americká obchodná komora v Slovenskej republike (American Chamber of Commerce in the Slovak Republic),
- Slovensko-nemecká obchodná a priemyselná komora (Slovak – German Chamber of Commerce and Industry),
- Únia dopravy, pôšt a telekomunikácií SR (Union of Transport, Post Offices and Telecommunications of the Slovak Republic),
- Asociácia pre prenositeľnosť čísla (Number Portability Association),
- Business Leaders Forum.

Involvement in International Organisations

Slovak Telekom is represented in the International Telecommunications Union (ITU), where it is a member of the standardisation, radio-communications and development sector.
Slovak Telekom is a shareholder in EURESCOM (European Institute for Research and Strategic Studies in Telecommunications) and a member of the following organisations:

- ETNO (European Telecommunications Network Operators Association),
- ETP (European Telecommunications Platform),
- ETIS (E- and Telecommunications Information Services),
- ETSI (European Telecommunications Standards Institute).

T-Mobile Slovensko is represented in the following international organizations:

- GSM Association Europe,
- FreeMove Alliance (through T-Mobile International),
- The European Telecommunications Standards Institute (ETSI) (through T-Mobile International).

Letter to Shareholders

Miroslav Majoroš,
Chairman of the Board of Directors and President/CEO

Dear Shareholders,

I am most honoured to present to you the 2007 Annual Report which reflects significant success achieved by Slovak Telekom, a.s., as well as by all companies within the Slovak Telekom Group, which is the largest Group operating in the Slovak telecommunications market.

Consolidated revenues earned by Slovak Telekom Group in 2007 reached almost SKK 31.5 billion, which, compared to 2006, represents a 3.1 % increase. The Slovak Telekom Group managed to retain its leading position in the market, while its share of the Unconsolidated Revenues in the entire telecommunications market volume in the last year reached 49 %.

The Slovak Telekom Group owes its increase in revenues mainly to the constant growth of year-on-year revenues generated by T-Mobile Slovensko, where the figures show a 7.8 % increase. On the other hand, the drop in fixed line revenues compared to 2006 was only marginal and was caused mainly by the dynamic growth of broadband Internet services volume, as well as by the growth of other data and wholesale services.

Effective and successful business operations of Slovak Telekom Group companies were reflected in the value of Profit before tax, depreciation and amortisation of SKK 16.3 billion, while the Group earned Net Income of SKK 6.1 billion.

In 2007, a third mobile operator entered the Slovak telecommunications market, and Triple Play-based services were launched and distributed, comprising digital TV, broadband Internet access and voice services. It is beyond doubt that Magio by T-Com took the lead in this platform of services within the Slovak Republic and since the very beginning of its launch onto the market, it has been very successfully competing with other services because of its wide range of advanced technical properties. By the end of the year, Magio was available to approximately 370,000 households in 118 municipalities, with a customer base of about 13,000 registered connections.

Services provided by Slovak Telekom and T-Mobile Slovensko contributed most significantly to the enormous growth of the broadband Internet market. By the end of 2007, more than 262,000 DSL connections provided by Slovak Telekom operating under the T-Com brand were registered, and almost 250 thousand high-speed 4G Internet connections were registered. T-Mobile Slovensko has extended its mobile broadband Internet network, which now covers 70% of the Slovak population, and with more than 60,000 subscribers, the Company has retained its leading position in the mobile broadband Internet segment.

Both companies made massive investments to meet increasing customer demands in the broadband Internet market. Slovak Telekom announced its plan to invest more than SKK 2 billion over the next two years in a new optical communication infrastructure, operated on the basis of the FTTx technologies.

In 2007, the fixed-line voice services market has stabilised. Fixed lines have become a universal tool to make telephone calls to all networks, and the use of fixed-line services also achieved significant progress in respect of calls made to Slovak mobile networks. Under the T-Com brand, the Company introduced new service packages to both residential and business customers, who favoured these attractive solutions either because of the cost-efficient calls made to mobile networks or because of the number of free calls.

In the context of its technical innovations in the area of fixed line voice services, T-Com enabled its customers to send text messages and e-mails from selected telephone machines. Text messages may be sent to the Slovak Telekom network, as well as to mobile networks operated by T-Mobile Slovensko and Orange Slovensko.

In the last year, business customers started to perceive T-Com as a comprehensive supplier providing not only telecommunication services, but also IT services, because the ongoing data and voice services convergence enabled the company to provide, for example, IP Office solutions for business people and small companies, or MPLS VPN Services and Business City Net for medium-sized and large enterprises.

In the last year, the T-Com brand name was used as a synonym for a modern provider of information and communication services, which successfully met the international communication needs of global companies established in the Slovak Republic. Slovak Telekom, under its T-Com brand, acted as a system integrator, which, in co-operation with its business partners, is able to accommodate even the most challenging individual demands of its customers.

Slovak Telekom had a very successful year also in the area of wholesale services. Despite the constant drop in prices and because of the extension of co-operation with twelve new partners, the company managed to maintain its year-on-year revenue volume. All new interconnections with voice networks were made solely via the NGN-based (Next Generation Network) technologies, and even all existing international business partners have been moved to the NGN technological platform. Slovak Telekom has thus become the first operator within the region, as well as within the Deutsche Telekom Group, to use solely the NGN technology for the international network interconnections.

The ongoing efforts aimed at the continuous improvement of customer services were rounded off by the TRI*M Index Value, which is internationally recognized criterion of customer satisfaction with a company's services. In both customer segments (residential as well as business), the Company scored very highly, significantly surpassing the European average of customer satisfaction with services provided by fixed line operators. Moreover, the Company scored 77 points in the household segment, a score that can be compared to the average level of customer satisfaction with voice services provided by mobile operators. Slovak Telekom and its T-Com brand belong to top-rank European operators, judged by the satisfaction criteria of customers using services provided by fixed line operators.

The quality of our services provided to business clients was also confirmed by the successful re-certification audit of the quality management system. The certificate awarded to the company is proof positive of compliance with the criteria set out in ISO Standards 9001:2000 in the area of data services provision, Desktop Services and LAN Services, including HelpDesk for business clients.

As a part of its strategy, Slovak Telekom has been increasing its operational and process efficiency. In 2007 the Company continued its transformation, with a view of becoming the next generation operator. The Company also introduced a new transformation programme named eJet, which is linked to the previous transformation programme used in 2004 – 2006. Programme eJet has been implemented in eight areas covering more or less the whole of society.

In the past year, as a consequence of the transformation, which supports the orientation of the company on its key business areas, the Company successfully completed the restructuring and sale of its branch Rádiokomunikácie. This branch was transformed into a joint-stock company and subsequently sold to another corporation that, within the scope of its business, focuses on the provision of services in broadcasting of television and radio signals. Slovak Telekom will use the revenues generated from the sale of the former branch to invest in modern optical communication infrastructure.

Along with constant improvement of customer care quality and the use of new sales channels, the company included the branch Call Services in its line organizational structure. Through this branch, and through a newly established section for the customer relations management, the company intends to move towards higher customer care quality, and at the same time possesses a tool facilitating highly effective sales of its services, organized by specially trained staff who address customers over the telephone.

Overall mobile market revenues in 2007 reached almost SKK 43 billion. With regard to the increased competition because of the presence of the third mobile operator in the market, the company's subsidiary T-Mobile Slovensko did very well in the past year, and alongside year-on-year growth at a rate of 7,8 %, it increased its market share up to 40 %.

The strategic aim of T-Mobile Slovensko to become the most recognised company operating in the mobile services market and customer care, was enhanced by the introduction of effective customer retention and loyalty programmes. The level of customer care has become one of key areas in which the Company aspires to be different from its competitors. In the area of customer processes, throughout 2007, T- Mobile Slovensko very successfully implemented the concept "Just Tell Us Once", which is in fact prompt first contact resolution of customer complaints and requests in various areas.

In 2007, T-Mobile Slovensko focused on the effective management of the existing customer portfolio, based on the increase of the average revenues per customer. The Company managed to move part of its pre-paid card customers into the post-paid segment, so that at the end of 2007, post-paid customers represented 50 % of the entire customer base.

An important pillar in the Slovak Telekom Group's strategy is to achieve intra-group synergy between the fixed and mobile communication services, with a view to enhance the quality of customer services and generate higher value for shareholders. In the past year, the company successfully continued with the integration of T-Com and T-Mobile sales networks in the course of the joint T-strategy, and with the co-ordination of sales activities in the business customer segment. After putting more than 200 joint sales points into commercial operation, the Group will, by the spring of 2008, have established the largest retail network offering comprehensive information and communication services portfolio to its customers within Slovakia.

The year 2007 also marked a number of product innovations in Slovak Telekom subsidiaries Zoznam and Zoznam Mobile, at the same time witnessing the expansion of the services portfolio by e-commerce activities, such as online lottery or internet sales Z-Obchody.sk.

The most visited Slovak Internet portal www.zoznam.sk at present offers more than 40 online products. Based on the outcome of an independent survey, more than a million real Slovak Internet users use the home page Zoznam.sk monthly as a gateway to the Slovak Internet world. Zoznam.sk secured a strong position within the Slovak Internet market thanks to the localization of the popular Instant Messaging Service Zoznam ICQ. In December 2007, the Zoznam ICQ service extended to 600,000 unique users, and at its peak, is used by 300,000 Internet users per day. At the end of 2007, Zoznam.sk portal launched an upgrade of the best-known Instant Messaging service in the world - Zoznam ICQ 6.0.

Despite escalating competition in the telecommunications market, in 2007 Slovak Telekom Group's business activities were in full accord with applicable national and European legislation, and companies within the Group implemented their business plans in full compliance with the Code of Conduct which applies to all Deutsche Telekom Group companies. In this last year, Slovak Telekom and T-Mobile Slovensko also signed the Code of Conduct for the introduction of EUR, whereby they as the first companies in the telecommunications sector voluntarily agreed to implement the new single currency without unreasonable variations and adjustments of product and service prices.

In the past year, Slovak Telekom, T-Mobile Slovensko and Zoznam applied corporate social responsibility principles in their business activities, as reflected in their direct engagement in selected philanthropic, sponsorship and volunteering activities.

Success achieved in 2007 mainly reflects the efforts and the reliability of the employees of all companies in the Slovak Telekom Group, a very effective response to an ever-increasingly competitive environment, innovations in the services portfolio, and constant development of customer care.

In the context of the development of the telecommunications market, our companies will face new challenges in the future as well. Meeting the demands and requirements of our customers will be a necessary step towards enhancing the position and growth of the largest telecommunications group in the Slovak market.

In 2008, the Slovak Telekom Group is fully qualified to provide modern, reliable and attractive telecommunication, as well as information and communication services that will facilitate its customers' business success, and at the same time contribute to the improvement of the quality of their personal lives.

Miroslav Majoroš
Chairman of the Board of Directors and President/CEO

Executive Management Board of Slovak Telekom

Ing. Miroslav Majoroš
President/CEO

Born in 1959. Obtained university education at the Faculty of Electronics and Informatics at the Slovak University of Technology in Bratislava and during his professional career supplemented his education through management education programmes at the Harvard Business School and Stanford Graduate School of Business.
After completing his studies in 1983 he worked at the Slovak television broadcasting company, where he held several positions, in 1993 being appointed to head the company. As of 1994 he worked as sales director of IBM Slovakia for industry sectors, over the years 1998 – 2000 he was the general manager of IBM Slovakia and from 2000 to 2002 was the general manager of IBM Czech Republic and Slovakia.
He has been company President/CEO and a Member of the Board of Directors of Slovak Telekom since 2003. In 2005 he was elected Chairman of the Board of Directors. Concurrently he is a member of the Board of Directors of the subsidiary T-Mobile Slovensko. Miroslav Majoroš is a member of the board of directors and a delegate of the Association of Delegates of Slovak Chamber of Commerce and Industry, a member of the presidium of the National Republic Union of Employers, a member of the Policy Board of the Business Alliance of Slovakia, and a co-chairman of the working group for regional policy and development in the National Convention on the EU in the Slovak Foreign Policy Association.
He is a member of the Parliamentary Commission for Transport, Posts, Telecommunications and Informatisation and of the Parliamentary Committee for Economy Policy, Privatisation and Business. He is a member of the board of trustees of the IT Association of Slovakia and a senator in the European Economic Senate (Europäischer Wirtschaft Senat, EWS).

Szabolcs Gáborjáni-Szabó, CFA
Senior Executive Vice-President for Finance / CFO

Szabolcs Gáborjáni-Szabó was born in 1970. He studied Mathematics and Computing science at the Eötvös Loránd University in Budapest and at the same time Economics at the Faculty of Management at the University of Economic Sciences in Budapest. In 2000 he gained degree CFA (Chartered Financial Analyst) at the CFA Institute (previously known as the AIMR – American Institute for Management and Research). His professional career began at the Hungarian Commercial and Credit Bank – K&H Bank, in the Special Project Financing Department. In 1995 – 1996 he worked at the Budapest Derivatives Exchange and from 1996 worked in the financial field in the company Magyar Telekom (previously called Matáv) and its subsidiaries, holding, among others, the position of deputy manager of the controlling division (from 1999 to 2001) and manager of the Group Treasury Branch (from 2001 until moving to Slovak Telekom). He is a member of the Board of Directors of Slovak Telekom, a member of the Board of Directors of T-Mobile Slovensko.

Dipl. Ing. Rüdiger J. Schulz
Senior Executive Vice-President for Sales and Operating Activities/COO

Born in 1959. He studied Electrical engineering at the University of Hamburg. He also focused on telecommunications, and later added business management study at the university in Koblenz. His professional career began with service in the German navy as chief engineer responsible for logistics, technical operations and ship-fitting.
R. J. Schulz joined the Deutsche Telekom Group in 1992. In the beginning he was responsible for technology platforms, and gradually assumed responsibility in marketing and sales activities. In 1996 he assumed the position of senior executive vice-president of Deutsche Telekom's Business Customer Branch Office in Hannover, and from 1999 he was also responsible for residential customers. During 2002 – 2006 he was senior executive vice-president for marketing and sales to business customers of T-Com throughout north-west Germany. In 2005 and 2006 he acted as executive vice-president for T-Systems Business Services corporate clients in north-east Germany. He joined Slovak Telekom on 22 November 2006, taking over the position of Senior Executive Vice-President for Sales and Operating Activities, (COO) and is a member of the Executive Management Board. Rüdiger J. Schulz is a member of the board of directors of Slovak – German Chamber of Commerce and Industry.

PhDr. Anna Hudáková
Executive Vice-President for Human Resources/CHRO

She was born in 1959 in Košice, Slovakia. At the Pavel Jozef Šafárik University in Prešov, Slovakia, she specialised in the adult education and training, and supplemented her qualification through further education at home and abroad, for example, in the field of human resource management, managerial skills, finance and accounting for managers operating in the non-finance sector. Her career began in 1983 at the Slovak Academy of Sciences in Košice, later working as a historian in the East Slovakia Museum in Košice. From 1992 she worked as business manager at Coca Cola Amatil Slovakia, where in 1995 she became the manager for human resources. In May 1998 she became the human resources manager for Slovakia and the Czech Republic in the company Slovak International Tabak, a. s./Reemtsma Hamburg, were she was a member of the management.
Since January 2001 she has worked at Slovak Telekom where she holds the position of Executive Vice-President for Human Resources / CHRO. She is at the same time president of the Slovak Association for Human Resources Management and Development.

Ing. Pavol Kukura, PhD.
Executive Vice-President for Strategy and Regulation Affairs/CSRO

Born in 1960, he graduated in 1983 from the Electro-Technical Faculty of the Slovak University of Technology. Until 1993 he worked at the Department of Telecommunications of the Faculty of Electronics and Informatics of the Slovak University of Technology. He gained his PhD in the field of digital telecommunications networks in 1993.
Over the years 1994 – 1996 he was the technical manager of AT&T in Slovakia, moving in 1996 to become the technical and later business manager of Lucent Technologies Slovakia until 2000. He has worked in the position of Executive Vice-President for Strategy and Regulatory Affairs at Slovak Telekom since October 2003.
In 2006 he was also the Chairman of the General Meeting of European Telecommunications Network Operators' Association. At present, he is a member of the board of directors of Slovak Association of Electronic Commerce (SAEC) and a member of the presidium of IT Association of Slovakia (ITAS).

Ing. Milan Vašina*
Chief Executive Officer of T-Mobile Slovensko

He has worked with T-Mobile Slovensko since July 2002. Before assuming the position of CEO as of 1 March 2007, he served as company's Marketing Director. He came to the company from Radiomobil (today T-Mobile) Czech Republic, where he had worked in marketing since 1997. Before that position he had been with Benckiser and RJ Reynolds for four years. He is a member of the Executive Management Board of Slovak Telekom.

* Until 28 February 2007 the position of CEO had been held by Ing. Robert Chvátal.

Board of Directors of Slovak Telekom

Ing. Miroslav Majoroš
Chairman

Ing. Jaroslav Volf
Vice-Chairman

Horst A. Hermann
Member

Dr. Ralph Rentschler
Member

Szabolcs Gáborjáni-Szabó, CFA
Member

Ing. Ivan Doletina
Member

Ing. Vladimír Zeman
Member

Supervisory Board of Slovak Telekom

Wolfgang Hauptmann	**Chairman and Member as of 29 November 2007**
Pavol Dlhoš	**Vice-Chairman**
Anton Štefko	**Member**
Ing. Jiřina Perényiová	**Member**
Dr. Albert Matheis	**Member**
Ing. Pavel Kyman	**Member**
Ing. Ľudovít Hintoš	**Member**
Ing. Jozef Opát	**Member**
Norbert Schmidt	**Member as of 29 November 2007**
Siegfried Pleiner	**Chairman and Member until 29 November 2007**
Regine Büttner	**Member until 13 September 2007**

Corporate Governance

As a shareholder, or business partner of its subsidiaries, Slovak Telekom exercises its rights by participating at annual general meetings, and exercises the competence of the general meetings in companies where it is the sole shareholder. Slovak Telekom appoints representatives to the statutory bodies of companies (the board of directors and executives) and their supervisory boards, where these bodies then submit reports to it.

The Company practises a responsible and transparent model of governance and regularly publishes on its website current and relevant reports on its activities. It also issues information on a quarterly basis on its economic results, publishing its annual report and a corporate social responsibility report every year.

Slovak Telekom pays particular attention to the internal control and audit environment. The Company's management considers the system of the internal control and audit environment to be an important task and Slovak Telekom as a subsidiary of Deutsche Telekom, AG, listed on the New York stock exchange, is involved in the S-OX 404 project within the Deutsche Telekom Group. The main focus of management of Slovak Telekom in this regard is on the control of internal processes and standards. The results of internal testing of the control and audit environment (system) are the subject of a control performed by the company's internal and external audit, which will concurrently serve as the basis for the statement of the management of Deutsche Telekom AG on the internal control and audit environment within the Deutsche Telekom Group. This statement was issued for the first time as of 31 December 2006.

Slovak Telekom is a holding company, and the principles of corporate governance applied to all its component parts, i.e. to the parent company Slovak Telekom and its subsidiaries, in 2007 being: T-Mobile Slovensko, Tower Slovakia, Telekom Sec, Zoznam, Zoznam Mobile, TBDS, and the branches Rádiokomunikácie, o.z. and Call Services, o.z. All subsidiaries acted as separate legal entities.

Organisational structure of Slovak Telekom

An inherent component of the system of governance in 2007 was the company's organisational structure, which determined its basic arrangement, in the classification:

- the company's bodies,
- executive management,
- branches,

with the aim of efficiently performing the company's line of business.

Company Bodies

The General Meeting is the supreme body of the Company. The General Meeting competences are defined by the Company's Articles of Association.

The Board of Directors is the statutory body of the Company, authorised to act on behalf of the Company in all matters and represents the Company vis-à-vis third parties. The Board of Directors governs the activity of the Company and decides on all Company matters, unless these are reserved by legal regulations or the articles of association for the competence of other Company bodies, or unless delegated by the Board of Directors to other bodies. The Board of Directors appoints the Company's Executive Management Board and delegates the necessary powers. It approves the Rules of Procedure for the Executive Management Board.

The Supervisory Board is the supreme controlling body of the Company. It oversees the performance of the Board of Directors' competences and the execution of the Company's business operations. Members of the Supervisory Board met four times over the course of 2007, in March, June, September and December.

The Executive Management Board of Slovak Telekom is responsible for the day-to-day running of the Company in accordance with the decisions of the Board of Directors. The Board of Directors may entrust the Executive Management Board with any activity for which it is responsible, providing the Company's Articles of Association or Slovak legislation do not prohibit this. The Executive Management Board comprises the top-level managers of the Company and a representative of T-Mobile Slovensko, a.s. nominated by its Board of Directors. Members of the Executive Management Board are responsible to the Board of Directors for their activity.

A branch is an organisational unit of the business, incorporated as a branch in the Companies Register. Through its entry in the Companies Register a branch does not become a legal entity, but simply part of a business.
Slovak Telekom operated two branches in 2007: Rádiokomunikácie, o.z. and Call Services, o.z. Both branches were dissolved by virtue of a decision of the Board of Directors and deleted from the Companies Register at the end of 2007.

Organisational structure of T-Mobile Slovensko

The organisational structure of the Company is a part of the management system that determines the basic structure as follows:
- corporate bodies and,
- executive management,

with the objective of efficiently running the Company's operations.

Corporate bodies

General Meeting is the supreme controlling body of the Company. The scope of powers of the general Meeting is defined by the Articles of Association.

The Board of Directors is the statutory body of the company. It is authorised to act on behalf of the company in all matters and represents the company in dealing with third parties. The Board of Directors manages the company's activities and adopts decisions on all matters of the company unless these fall under exclusive jurisdiction of other corporate bodies or capacity of company employees by law or pursuant to the Articles of Association or are delegated to other corporate bodies by the Board of Directors.

Supervisory Board is the supreme controlling body of the company. It oversees the activities of the Board of Directors and the company's business activities. The Supervisory Board members had in 2007 four meetings: in March, July, October and December.

The Executive Management of T-Mobile Slovensko is responsible for operations of the company and consists of 9 executive officers with the CEO nominated by the Board of Directors. The CEO is responsible for management of the Company and overseeing of its everyday operations as well as for meeting the annual business plan of the Company (budget), execution of its policies and for control of other managers and employees of the Company. With respect to his/her duties, the CEO reports to the Board of Directors. The Board of Directors also nominates the CFO who reports to the CEO and in cooperation with other managers engages in development of business plans, strategies and policies of the Company. The remaining executive officers´ capacity, responsibilities and powers are set by the Board of Directors.

Code of Conduct

For several years, employees of the Slovak Telekom Group have followed the Employee Code of Conduct (Ethics) in their work, which shapes the corporate culture. It is based on corporate values, which every employee is obliged to follow and live by.

Companies of the Slovak Telekom Group, together with the parent company Deutsche Telekom AG, create new corporate culture and a system of corporate values – T-SPIRIT. The Code of Conduct is thus considered a key document laying down the behaviour rules for employees both internally between one another, and externally towards external partners.

The underlying principles for decision-making for both managers and employees are moral, ethics, legal standards and corporate values. Superior value and correct approach to customer needs and wishes is priority for employees. The goal of the Code of Conduct is strengthening the image of the Slovak Telekom Group as a trustworthy partner.

The Code of Conduct utilises an efficient controlling tool – the Ethics line. The Ethics line is available to all employees and external partners, to present their comments (via telephone, mail or e-mail) on adherence to Slovak Telekom Group business principles and employee behaviour and so help the Group move forward in accomplishing its vision and mission.

Accepting the Code of Conduct is how employees express their loyalty towards the firm, and through the behaviour in line with corporate values they strengthen their personal and corporate social responsibility.

Quality Policy

Slovak Telekom

Year 2007 was a significant milestone for the Company in terms of quality management system established under requirements of the EN ISO 9001:2000 standard. The validity of certificate granted to the Company back in 2004 expired and the Executive Management Board adopted a decision to continue with the building up of the quality system, supporting this direction by the approval of a new Quality Policy. The Quality Policy directly follows up on T-SPIRIT corporate values (which are adhered to at work by employees of all companies of the Deutsche Telekom Group) and establishes a framework for quality goal setting.

During 2007, the system was upgraded by implementing changes which resulted from customer requirements and from internal needs of the company. Slovak Telekom successfully underwent the re-certification audit in September 2007. Based on audit results, the Company obtained a TÜV CERT certificate for “Development and provision of data services, desktop services and LAN services including helpdesk for business segment clients in business sector and in the state and public administration“.

The certification extended to the new products and customer segments increase the competitive advantage of Slovak Telekom on the market and allows the Company to provide services wherever the customer expects high quality and reliability of offered solutions.
Slovak Telekom cooperates with colleagues from companies of the Deutsche Telekom Group: T-Com Germany, T-Hrvatski Telekom, Magyar Telekom; they benchmark the area of quality and process performance using key performance indicators.


CERTIFICATE
Management system as per
EN ISO 9001 : 2000
Slovak Telekom, a.s.


ANNEX


ANNEX

T-Mobile Slovensko
Long-term vision of becoming “the most highly recognised service company” has been getting materialised in T-Mobile Slovensko. Customer satisfaction is and further will be the number one priority of T-Mobile Slovensko.

One of the principal activities aimed at quality improvement is the application of the Six Sigma methodology. The first three projects directly impacting on the service quality took place in 2007. The implementation has been intensively supported throughout the entire T-Mobile International division. Companies of the mentioned division share the same visions for service provision; therefore they can also share solutions providing synergic effect of the initiative.

The customer is the basic measure of service quality level. T-Mobile Slovensko has several tools serving to collect customer’s feedback. Results of the measurements provide the basis for continuous service improvement. Every employee is obliged to think of customer’s satisfaction first and search for innovative solutions. Of course, this approach often brings cost saving effect, too.

T-Mobile Slovensko does not forget about the “quality of life” of its employees. Employee satisfaction is regarded as key factor in providing quality services.
The company pays high attention to all human resources aspects. Employee safety and education/training are provided for on a systematic basis. Company’s goal is to have satisfied employees with the knowledge and authority/powers enabling them to resolve internal or external customer’s requirement at the first contact.

Sustainable Development and the Environment

Slovak Telekom is a signatory of a strategic document: the Sustainability Charter, approved by the European Telecommunications Network Operators Association in 2004. By signing this document the Company linked up with the effort of the most progressive companies in Europe to give equal attention to the economic, social and ecological aspects of doing business. Charter conclusions, sustainable development model principles, and the new Environmental Policy of Slovak Telekom and Deutsche Telekom AG are elaborated in the Sustainable Development Strategy of Slovak Telekom.

The strategy voluntarily embeds the commitments of Slovak Telekom beyond the duties imposed by Slovak law. It contributes significantly to improving protection of the environment, business morals, the quality of life of citizens and employees and thereby also to the perception of Slovak Telekom as a highly responsible company.

Slovak Telekom applies experience from its active participation in ETNO’s sustainable development working group, and cooperation in the Deutsche Telekom Group working group on sustainable development, in specific measures to enhance care for the environment. It actively influences mind-sets and actions of employees, advocating that even minor actions can have a large environmental impact.

In 2007 the Company achieved good results in reducing the production of pollutants causing climate change, also through introducing five passenger cars using natural gas (CNG cars), which helped reduce the amount of CO_2 emissions from any such car by 30 %, i.e. by approx. 629 kg in 8 months. The Company continued with removing old environmental burdens, in particular those threatening the water quality. Good results were achieved in economical utilisation of energy supplies, in reducing the amount of wastes and improved valorisation of wastes, as well as in handling electronic waste and valorisation of packaging.

T-Mobile Slovensko keeps on acting in the field of sustainable development and environment protection. These aspects are reflected in the Company activity and in continual application of relevant tools and instruments; both in the Company operations as well as towards the employees in their daily work.
The Company pursued the initiative of collecting mobile telephones with expired useful life or phones which are not operable anymore also during the last year. To that extent, customers may use the collection site in the shop on Vajnorská street in Bratislava. T-Mobile Slovensko cooperates with an authorised company in charge of collection, transportation, final valorisation and ecology scrapping of electro wastes.
In addition to the above, T-Mobile Slovensko launched the service called Elektronická faktúra (Electronic invoice), offering the customers a more efficient access to their invoices. This innovation comes in line with the long-term objective of T-Mobile Slovensko to contribute to environment protection. It helps the Company to save tonnes of paper, reduce its demands on the raw and other material required. With the launch of this new service, T-Mobile Slovensko and its customers contribute to decrease the consumption of natural resources, generate energy savings and reduce the amount of waste.

II. Shaping development in the telecommunications market

Increasing competition, higher quality services

Legislation Conditions

Act No. 610/2003 on electronic communications as amended was subject to significant modifications in 2006. Modifications were driven by concerns raised by the European Commission regarding Slovakia's ability to fully adopt the European regulatory framework, as well as corrections resulting from the practical law application as of 1 January 2004. The EC-requested amendments, reflecting consumer rights protection, provision of identification and localisation data, and number portability, increased the regulatory burden on companies providing electronic communication networks and services. Pursuant to legislative amendments, i.e. Act No. 117/2006 effective as of 1 April 2006, the Telecommunications Office of the Slovak Republic (TO SR) issued the numbering plan as a generally binding legal regulation on 1 February 2007.
At the end of 2006, the Ministry of Transport, Posts and Telecommunications of the Slovak Republic submitted additional draft amendment to the Electronic Communications Act for public discussion, the subject of which was the implementation of directives on the storing of data created or processed in relation to the provision of public electronic communication networks. Adoption of the above directive is a direct consequence of measures taken by the EU to combat terrorism and organised crime. The amendment was passed in the National Council of the SR on 11 December 2007 and published in the Collection of Laws just before year's end. The published wording exceeds the requirements under Directive 2006/24/EC; it also contains regulatory arrangements strengthening the powers of the TO SR and partially reflects the requirements of security forces presented in the cross-functional commenting procedure. The operators shall continue to provide assistance to state authorities free of charge.
The first draft amendments to directives forming the currently applicable New Regulatory Framework have been produced under the revision process which started after more than four years of its application and were published in November 2007. The drafts make it clear that the envisaged transition from the specific sector regulation of electronic communications towards general rules of the competition law will not become reality while the regulatory framework, now subject to revision, is in effect. To the contrary, a tendency towards strengthened regulation is noticeable; it is expected that a new regulatory authority will emerge on the European level – a European Communications Market Authority, composed of NRA representatives. The regulation will thus be transferred from national to European level.

Market Regulation

Over the past year, competition within the Slovak telecommunications market has grown. Part of the growth is a direct result of regulatory obligations imposed on Slovak Telekom.
Following the TO SR decision from August 2005, Slovak Telekom released its Reference Interconnection Offer (RIO). Since then, 13 alternative operators had interconnected their company networks to that of Slovak Telekom towards the end of 2007. Following an initial interest in interconnection by regional alternative operators, the local operators started to focus their activities on providing voice over the internet. At the same time, the market has seen a gradual and expected trend toward consolidations heading towards mergers of the national alternative operators.
Throughout 2007, Slovak Telekom adjusted the cost of these interconnections in order to fulfil regulatory obligation of cost-oriented pricing, and submitted interconnection price calculations based on LRAIC top-down methodology. Slovak Telekom adjusted these interconnection prices several times according to decisions by the TO SR. Although Slovak Telekom released its Reference Unbundling Offer (RUO) in August 2005, which allows competitors to access its local loops, not a single local loop was unbundled by 2007 year-end. Current negotiations with alternative operators imply that unbundling might be expected in 2008.In May 2007 Slovak Telekom, a.s. made public its Reference offer for Wholesale broadband Access, in line with the Decision of the TO SR regarding significant market influence on the wholesale broadband market. However, by the end of 2007 none of the alternative operators have asked Slovak Telekom to start negotiations regarding the use of wholesale broadband access.

In April 2006, Slovak Telekom was designated universal service provider. Full universal services obligations were imposed on the Company. Details regarding the universal service provision are governed or are to be provided for in the execution decrees of the TO SR and the Ministry of Transport, Posts and Telecommunications of the SR. Given that some execution decrees are not available, and some of them do not reflect the actual needs and conditions of the universal service, a discussion on universal service scope with the relevant state authorities started in 2007 will continue in 2008.

In 2007 Slovak Telekom executed bilateral contracts laying down number portability conditions between contractual entities with all companies that actually provided telecommunications services and which are also interconnected with Slovak Telekom based on RIO terms and conditions. Slovak Telekom and contractual entities were thus able to successfully arrange for number portability in fixed networks, in spite of lack of agreement at the level of the Number Portability Association, and furthermore recorded the first numbers ported from the network of Slovak Telekom.
The Slovak Telecommunications Office is obliged, under the Act on Electronic communications, to designate relevant markets in electronic communications based on the recommendation list of the European Commission and subsequently inspect, if effective competition is occurring in them.
In 2007, the TO SR started the second round of analyses of certain relevant markets (market of wholesale access to unbundled local loop, wholesale market of call origination, retail market of connection to public telephone network for residential as well as business customers...).
Major telecom operators based in EU countries have voiced their discontent and rejection of the imposed regulation in their respective countries. Moreover, the European Commission's aspirations to achieve more profound harmonisation of regulation on a Europe-wide level are growing stronger; this is related to preparations for transition to a regulatory framework review. Deeper harmonisation, however, brings a great risk of imposing identical regulatory obligations on markets with different levels of competition. Operators are striving to arrange that former state-owned telecommunications monopolies are given the freedom to set market prices throughout Europe, to ensure that any large investments in IP network modernisation will yield reasonable profit. Otherwise, operators may be unwilling to invest in infrastructure. Deregulation in other countries, such as the United States and Asia, shows that such approach leads to increased competition, reduced prices, more extensive services and highly increased productivity. Certain positive tendencies are also reported within the European regulatory framework, such as exclusion of certain markets from regulation in the proposed and revised Recommendation regarding relevant markets, subject to ex ante regulation, which was adopted at the end of 2007. Compared to the previous wording, there is a substantial reduction in the number of markets where obligations by national regulatory authorities may be imposed.

Increased pressure by the Antimonopoly Office of the SR in the field of voice services was noticed in 2007. In this context, the Office issued a decision on 21 December 2007 on dominant position abuse by Slovak Telekom on retail relevant markets of public telephone service and internet access, and imposed ST a fine of SKK 525,800,000. Slovak Telekom has appealed the decision and thus the decision is not yet valid.

Telecommunications Market in Slovakia

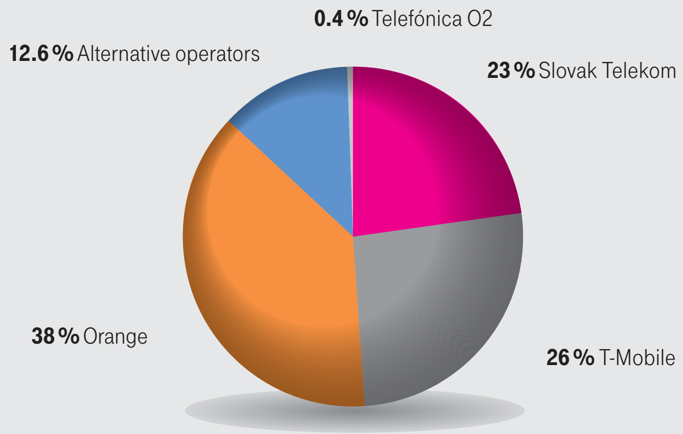
The dynamic growth of the Slovak telecommunications market continued through 2007. On the one hand Slovak telecom operators again benefited from increased demand, primarily for internet, data and mobile services. On the other, increased competition brought customers not only price reduction but also an expanded portfolio of products and services. Among the main events in 2007 were the market entry of Telefónica O2, a new mobile operator, and investments made by major market players in construction optical infrastructure in order to provide interactive digital television and broadband internet.

The total estimated revenue of the Slovak telecom market in 2007 amounts to SKK 66.7 billion, with year-on-year increase of almost 7 %. The main growth drivers were the mobile communication and broadband internet access segments. With its 49 % share in non-consolidated revenues, the Slovak Telekom Group again maintained its leading market position.

Telecommunications Market Revenue Split
In billions of SKK

	2005	2006	2007
Slovak Telekom	16.0	15.8	15.5
T-Mobile Slovensko	14.6	15.9	17.2
Orange Slovensko	21.4	24.0	25.1
Telefónica O2	–	–	0.5
Alternative operators	6.3	6.5	8.4
Telecommunications market total	**58.3**	**62.2**	**66.7**

Market Shares of Operators in 2007



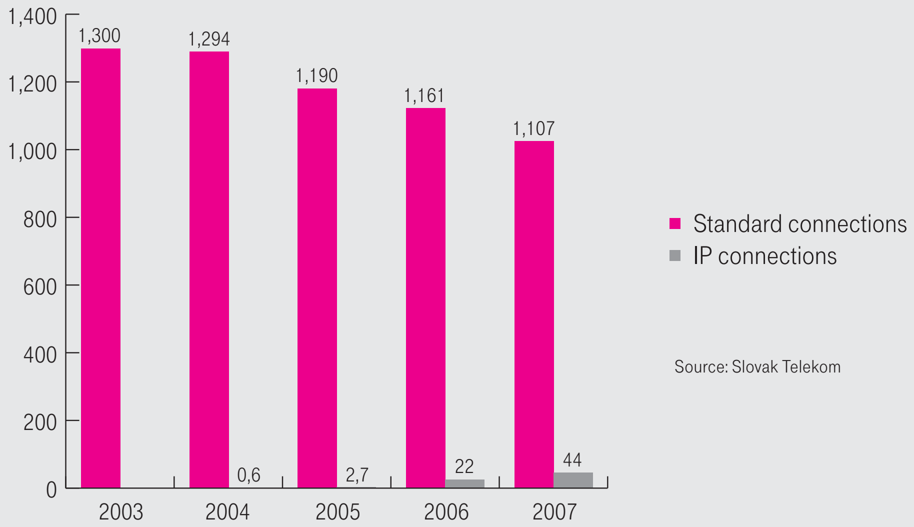
Source: Slovak Telekom, T-Mobile, Statistical Office of the Slovak Republic, Orange.
2007 market share and revenue data of Telefónica O2 are estimated.

Fixed Voice Market

Following several years marked by a distinctive drop in the number of fixed network customers because of substituting mobile voice services for fixed line services, since 2006 the market situation has grown more stable, with penetration of fixed lines used for voice services as a percentage of overall population seeing a moderate decline from 24% at year-end 2006 down to approx. 23% as of year-end 2007. The reasons were primarily ever more attractive fixed voice telephony prices, a shift towards unlimited (flat-rate) plans, and increased internet telephony offerings. At the end of 2007, Slovak Telekom, the largest operator on the fixed voice market providing its services under the T-Com brand, registered a total of 1.1 million voice accesses (including voice over the internet). The drop in fixed voice customers was predominantly visible in the segment of traditional packet-switched voice service, whereas internet telephony (abbreviated VoIP, i.e. Voice over Internet) showed growth driven by a rising demand for broadband internet connection and comprehensive Triple Play-based packages (combining internet access, telephony and digital television). Demand for voice services as part of comprehensive services based on virtual private IP (Internet Protocol) networks in the business segment was also on the rise.

Trend in standard voice accesses and IP voice accesses

Number of accesses in thousands



Source: Slovak Telekom

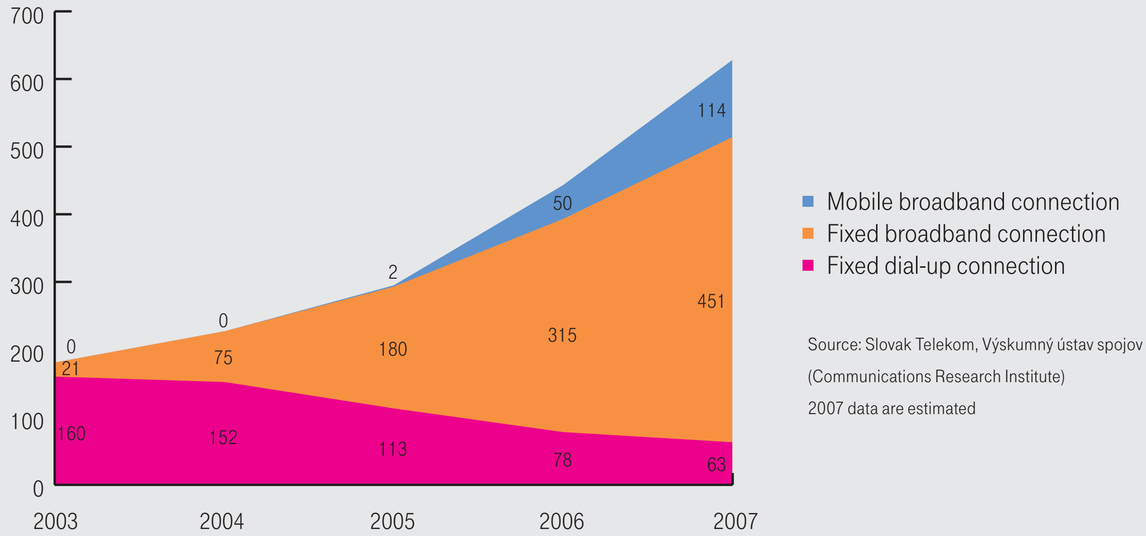
Internet Access Market

In 2007 Slovak Telekom/T-Com saw dynamic market growth in broadband internet services. Estimates indicate that the total number of broadband accesses (including mobile connections) surpassed 550 thousand by the year's end. Slovak Telekom estimates thus have broadband penetration of households increasing to 26 % in 2007. The number of broadband customers (including fixed wireless access technologies – FWA, WiMAX) surged by approximately 43 % compared to 2006. DSL technology has kept its lead in the broadband business, with over 46 % share.

Mobile broadband (Flash OFDM and HSPA technologies), achieved the most dynamic development, reporting year-on-year customer count growth of 130 % compared to 2006 year-end. The main growth factor for mobile connection was increased customer demand for mobility, along with the improving technical parameters in mobile technology, which now enable data transmission speed comparable to fixed broadband.

An opposite trend was visible in the narrow-band access segment (i.e. dial-up internet access, GPRS and EDGE), where due to migration to broadband products the number of customers dropped by some 27,9 % in 2007. This trend will continue in upcoming years, in line with the ever-increasing availability of broadband connection.

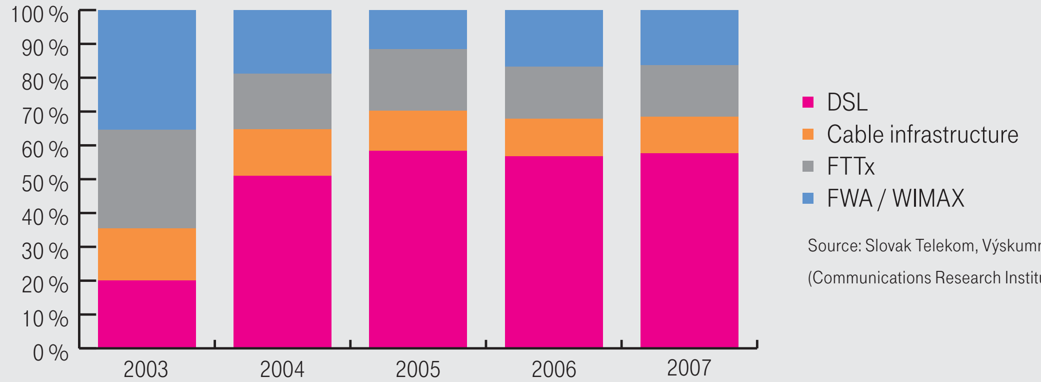
Trend in internet connections in Slovakia
in thousands of customers



Source: Slovak Telekom, Výskumný ústav spojov (Communications Research Institute)
2007 data are estimated

DSL is the prevailing fixed broadband technology compared to other technologies, especially to fibre optics-based connection and FWA/WIMAX technologies. The total number of DSL accesses went up to 262,000 by the end of 2007.

Fixed Broadband Technology Shares as of 2007 YE
in %



Source: Slovak Telekom, Výskumný ústav spojov (Communications Research Institute)

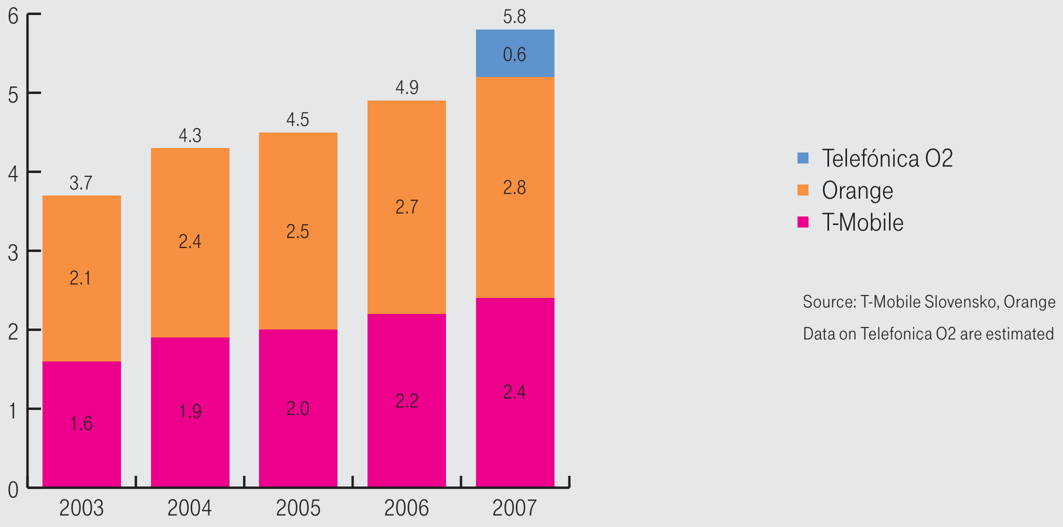
Fixed Network Content Services

Year 2007 was a break-through year for digital content and entertainment markets. T-Com as the market leader in fixed network services, launched Magio, a service combining digital television, broadband internet access and voice service. Video on Demand through a video library is part of the Magio service. At the end of 2007, the service was available to some 370 thousand households in 118 towns and villages, with active customers totalling approximately 13 thousand households. In relation to Magio, T-Com last year expanded its access technology portfolio by fibre optics-based infrastructure access, deployed for the first time in the Bratislava apartment centre Koloseo.

Mobile Communications Market

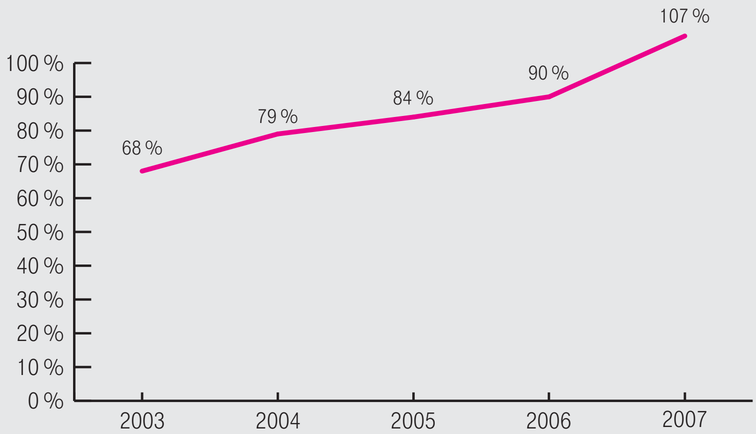
The estimated figures for active mobile customers reached approximately 5.8 million at year-end 2007, representing a 107 % share of total population (mobile service penetration). This considerable growth compared to 2006 figures (4.9 million), was reported due to the entry to the Slovak market of the third mobile operator – Telefónica O2 – and a growing customer tendency to have several SIM cards. T-Mobile Slovensko, a.s. had approximately 2.4 million active customers as of year-end 2007, a 40 % share of the total mobile market in customer count. Again in 2007, mobile operators focused on the ongoing prepaid customer migration to the postpaid programme segment; in the case of T-Mobile Slovensko, a .s. the latter amounted to almost 50 % by the end of 2007.

Trend in Mobile Service Customers
in mil.



Source: T-Mobile Slovensko, Orange
Data on Telefonica O2 are estimated

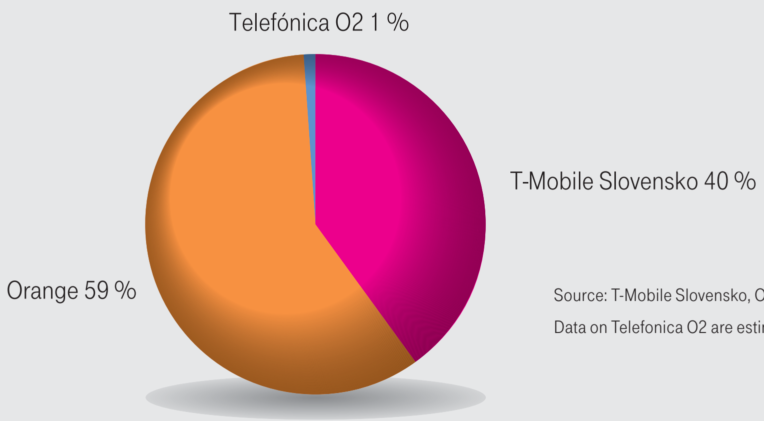
Trend in Mobile Services Penetration
in %



Source: T-Mobile Slovensko, Orange
(in line with methodology of France Telecom).
Data on Telefonica O2 are estimated

Total mobile market revenue volume reached SKK 43 billion in 2007, showing about 7 % growth against the previous year. The main growth driver in the mobile market was the increasing overall number of voice customers, customer migration to the postpaid segment, and growing revenues from mobile data and mobile content business. Total 2007 revenues for T-Mobile Slovensko, a.s. came to SKK 17.2 billion, accounting for a market share of 40 % and 7,8 % year-on-year growth.

2007 Mobile Market Revenue Partition
in %



Source: T-Mobile Slovensko, Orange
Data on Telefonica O2 are estimated

Slovak Telekom Group Strategy for 2008

The strategy of the Slovak Telekom Group flexibly reacts to changes related to the market and its competitors. Its basic pillars are focus on revenue growth, enhancement of operational efficiency, achieving synergies at the Group level, and management of change into a fully customer-oriented company with effective processes.

Fixed Network Services

Group strategy for fixed networks focuses predominantly on establishing a turnaround for growth – for a change from the long-term negative trend of decreasing revenues to sustainable growth. This inevitably necessitates portfolio restructuring and shifting core business from the declining fixed voice service segments to the dramatically developing segments of internet services, interactive IP TV, and internet content. The Group's long-term goal is not only to retain its leading position in broadband internet but also to become the largest provider of paid TV services and online content in Slovakia.

A further main strategic pillar of Slovak Telekom in the fixed network area is continuous enhancement of operational and process effectiveness. In this context, the Group is intensively implementing a programme to transform it into a future generation operator, focused on all areas of operation and affecting every employee of Slovak Telekom. The goal is to build a customer-oriented company focused on quality and comprehensive value-added services for its customers, as well as on continuous improvement of performance and efficiency.

The new transformation programme "eJet", which commenced at the beginning of 2007, is carrying on the programmes from the previous "eNGine programme" period of 2004 to 2006. The acronym "eJet" is the abbreviation of the words "Joint Effort for Tomorrow", symbolising speed, technological progress, innovation, high-quality services, and team effort.

Currently, the transformation programme is operating in eight areas (including optimisation of customer processes, enhancement of infrastructure performance, investment processes, human resources, supporting processes, and services portfolio), covering nearly the entire Group. The transformation's philosophy is both outward oriented, i.e. aimed at the customer (period of bringing a product to market, value-added services, quality, servicing, and development of new products and services), and inward oriented toward the Company itself (internal efficiency, simplification of processes, introduction of new systems and improvements).

Mobile Network Services

The strategy of the mobile division of the Group – T-Mobile Slovensko – is based on the long-term vision of becoming the most recognised company in the market for services and customer care. The main strategy pillars are founded on building customer retention and loyalty, efficient management of the existing customer base, and a strong orientation on growth in the segment of mobile data services of broadband internet.

Considering the growing saturation of the Slovak mobile market, the centre of Company activities has gradually shifted from acquiring new customers to retaining existing customers and strengthening their loyalty. The level of customer care is becoming one of the main areas in which the Company hopes to differ from its competitors. During 2007, T-Mobile Slovensko successfully implemented the concept "Just Tell Us Once" in customer processes, based on prompt and efficient resolution of customer requirements at the first attempt in a number of areas, including service changes, invoice information, complaints, and repairs of telephones. Further important innovations in 2007 were the segmentation of customer care management based on revenues brought to the Company, and continued implementation of the change programme in information systems and business processes related to customer care. The Company expects these activities will both yield increased loyalty from the existing base in coming years and support acquisition of valued customers from competitors.

Another main strategy pillar of T-Mobile Slovensko is effective management of the existing customer base, the fundamental objective of which is increasing average revenue per user (ARPU) via migration of customers from the prepaid cards segment to flat-rate services, migration to higher calling programmes, and sales of new services sales, such as mobile broadband connection, mobile internet "Web'n'Walk", e-mail, and mobile content services. The Company's ambition is to expand the offering of comprehensive voice and data service packages in the near future, and to bring out more plans customised to the identified needs of individual customer segments.

Strengthening the Position in Mobile Broadband Connection

The dynamic growth of the mobile broadband internet segment is one of the key strategic priorities of T-Mobile Slovensko. In 2007 the Company continued expanding the infrastructure of Flash OFDM technology, with the availability of Fast Internet service reaching over 70 % of the population. With nearly 60 thousand customers at the end of 2007, the Company retained its leading position in the mobile broadband connection segment. The goal of T-Mobile Slovensko is to strengthen its leading position in the coming years, through increasing effectiveness of sales to existing customers base, improving service quality and coverage in frequented locations, and expanding the offering of terminal equipment.

Synergies of the Group

An important pillar in the Slovak Telekom Group's strategy is concentration on synergy between the fixed and mobile divisions and on generation of higher value for shareholders. In 2007 this synergy was successfully implemented, especially in the area of continuing integration of the T-Com and T-Mobile sales networks under the common brand "T", and co-ordination of shared sales activities within the corporate client segment. Another space for Group synergy, on which the Slovak Telekom Group will be more closely focused in the next years, is in development of joint privilege product packages to combine fixed and mobile network services. The Group's common endeavour is to bring its customers comprehensive info-communication solutions and serve them via the integrated sales network and customer care.

III. Report of the Company's Management

Products and Services of Slovak Telekom Group: Connecting People and Companies

The Slovak Telekom Group as the provider of comprehensive telecommunications services offers its customers fixed network services, internet connection, internet content, digital television services, data services, sale of terminal equipment and commercial call centre services under the commercial brand T-Com. The Group provides mobile communication services under the brand T-Mobile and internet content services under the brands Zoznam.sk and Zoznam Mobile.sk.

In year 2007 in Slovak Telekom Group there was further development and expansion of broadband internet services in both fixed and mobile networks as well as mobile voice services, under the common slogan Connecting People and Companies.

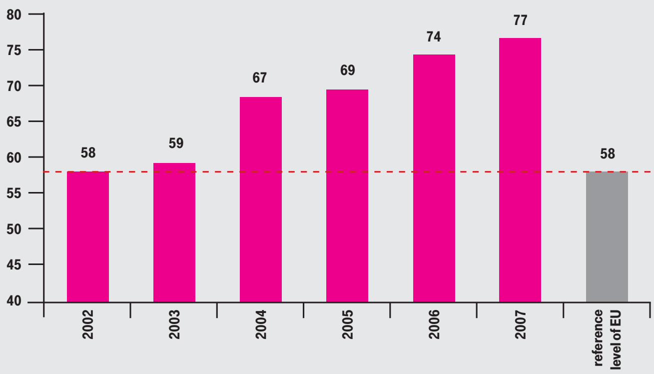
In winter 2006/2007 T-Com launched the Triple Play-based breakthrough service Magio. The service, a unique combination of digital TV, broadband internet and IP telephony, clearly demonstrated the Group's 2007 strategy in Slovakia –not only to be the largest broadband internet service provider, but also to gain a strong position in paid TV.
The previous year was also important for the Company regarding technological development, which is considered to be substantial for the future of the telecommunications business worldwide. Future trends lie in optics-based infrastructure, bringing unprecedented transmission speeds and high reliability to homes, and enabling utilisation of the full potential of Triple Play services. In September 2007 the Company announced an investment totaling over SKK 2 billion directed to building optical access networks and improving the coverage of the existing metallic network striving to bring up to date IP services to Slovak households.
In mobile services in 2007, T-Mobile Slovensko focused on covering ever-increasing demand for the service Rýchly internet (Fast Internet). Data volumes transmitted over broadband services exceeded 2006 levels tenfold.
Both companies responded to the vast demand for broadband internet and digital TV services with massive investments.

Customer Experience: Satisfaction is the Top Priority
The most important indicator reflecting quality of work of all employees engaged in providing services is the customer's perspective. Customer satisfaction is expressed in TRI*M index numbers, a weighted outcome composed of several assessment questions focused on customer attitudes and associations regarding the Company, and is used by companies worldwide in various industries. Last year, the independent agency TNS AISA measured customer satisfaction for T-Com in a one-off survey, and the Company yet again achieved outstanding results.
Over the past years the Company has seen a growing TRI*M index. In 2007 the Company yet again ranked among leading European telecom voice services, for both residential and business clientele.

Besides the overall TRI*M index, which last year reached an outstanding 75 points, the survey also provides detailed results of satisfaction for various product attributes. In the household segment, the results were even higher at 77 points, achieving the average levels of customer satisfaction with mobile operators' voice services. The 2007 index of T-Com business customers also robustly exceeded the European average of fixed voice service operators.

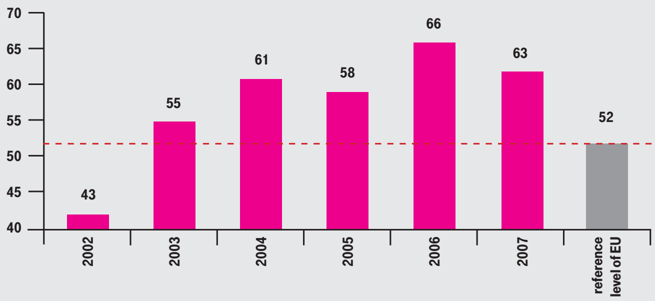
TRI*M index trend of T-Com compared to the average of European voice operators:

Trend in customer satisfaction with voice services, household segment



Source: TNS AISA

Trend in customer satisfaction with voice services, business segment



Source: TNS AISA

Life with T - Com: Fixed Network Services for Households

Voice services: reasonable calls to all networks

As of 31 December 2007, T-Com operated 1,236,852 fixed lines (inclusive of ISDN b-channels and public payphones). The Company continued to put emphasis on providing a flexible portfolio of voice services that meet customers' communication requirements. The fixed line is becoming a universal tool for calling all networks, and its use is also increasing for calls to Slovak mobile networks. T-Com customer demand for calling plans with free minutes to mobile networks also continued in the past year. The number of customers with the Doma Uni calling plan increased by the end of the year to 174,045 customers, an increase of 62,522 customers year on year. On 1 February 2007, T-Com launched Mobil packages for residential as well as corporate customers. This group of add-on products introduced cheaper calls to all mobile networks, thus becoming an attractive alternative to services available in the Slovak market. This innovation came with a change in the existing calling plan portfolio – some products were offered with a reduced price for calling minutes to mobile networks, while subscribers of other selected calling plans got more minutes and a better price at the same cost. T-Com changed the price of calls to mobile networks in the mobile package, giving customers with almost any calling plan who called mobile numbers a price starting at SKK 4.80 per minute.
Optional calling plans, which at the end of 2007 represented 86 % of all plans for residential customers, also interested customers. In these, the customer can select a solution matching his/her needs specifically or according to the benefit offered. At the same time, the number of customers interested in calling plans with unlimited free minutes also grew. At the end of the year, a total of 54 % of customers could make unlimited calls in off-peak and over weekends after using up their free minutes (Doma Maxi, Doma Uni, Doma Pohoda calling plans) or any time of the day (Doma Extra calling plan).

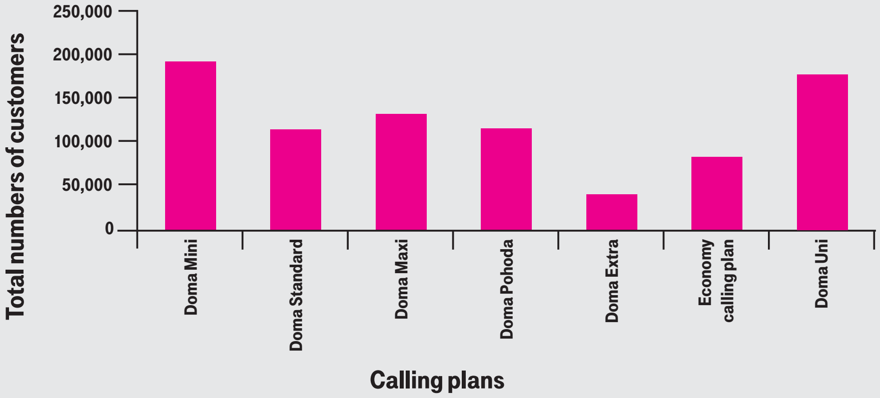
For calls made to international destinations with T-Com, customers have since 2006 had a choice of calling three countries' fixed networks for only SKK 1.90 per minute, and mobile networks abroad for only SKK 4.90 per minute. In 2007 Cyprus and Croatia (fixed and mobile network) and the Netherlands, Hungary and Poland (mobile network) were added to the list of countries. The full set of destinations for which the discount can be activated consists of 28 selected countries including the USA, Canada and Australia, enabling customers to choose preferred international destinations.

For new as well as existing fixed line customers, T-Com brought out several promotional offerings throughout the year. In its spring 2007 campaign it offered its customers a call credit of SKK 5,000 for calls to all networks (including mobile).
In the summer T-Com surprised its customers with a very attractive benefit, with a campaign offering an 8.3 Megapixel digital camera, FUJIFILM FinePix A800, with the fixed line subscription. The benefit scored an immense success. The second optional benefit offered was a 'zero' monthly fee for a two month period, with T-Com offering customers the possibility of not paying their fixed line monthly fee over the summer holiday period.

In 2006, T-Com introduced a new feature to its public payphone network, enabling EURO currency payment, by which the Company started its EURO changeover preparations. Predominantly in centres of both larger and smaller cities, the Company replaced payphones in order to enable acceptance of EURO coins along with SKK for calls placed. In 2007, innovations in this field also continued, with selected payphones enhanced with SMS text message and email features. Users can send text messages both to the fixed network of Slovak Telekom, a.s. and to the mobile networks of T-Mobile Slovensko, a.s. and Orange Slovensko, a.s. The price for sending an SMS to Slovak networks is SKK 3, and the price of a message sent to a foreign mobile operator network is SKK 5. The maximum length of an SMS is 160 characters. Sending an email functions similarly as sending an SMS. The price charged for sending an email is SKK 3. The maximum length of an email is 160 characters – the same as with the SMS message. T-Com thus brought new life to a traditional public service.

The variety of new and attractive products resulted in a low fixed line churn rate compared to that of other dominant operators in the CEE region.

Demand for calling plans in 2007 – residential customers



Source: T-Com

Calling over the internet, without Contracts or Invoices

As a part of the service Hlas cez internet (Voice over Internet), T-Com in 2007 introduced the Ready card, an alternative prepaid calling service with no contracts or invoices.

The Ready card is an electronic 'purse', by which a customer can pay for calls as well as other services – films, music or dial-up internet connectivity. The product also brings the convenience of internet-based transactions to register for services – a customer can add services and increase credit by him/herself over the internet, using internet banking (TatraPay, Sporopay) or a credit card. All transactions are conducted online, without contacting a call centre, sending signed contracts via mail or going to a point of sale.

The Ready card is also the first service in the T-Com portfolio directly addressing customers living outside the Slovak Republic. One could say that this innovation has put T-Com in Slovakia at the level of 'global internet telephony providers' offering their services worldwide.

Additionally, the Company contributed to promoting internet telephony among internet beginners: with its Christmas campaign, any web surfer could try calling over the internet free of charge using a dedicated website, to both fixed lines and mobiles all over the world. Thousands of web visitors made use of this offer.

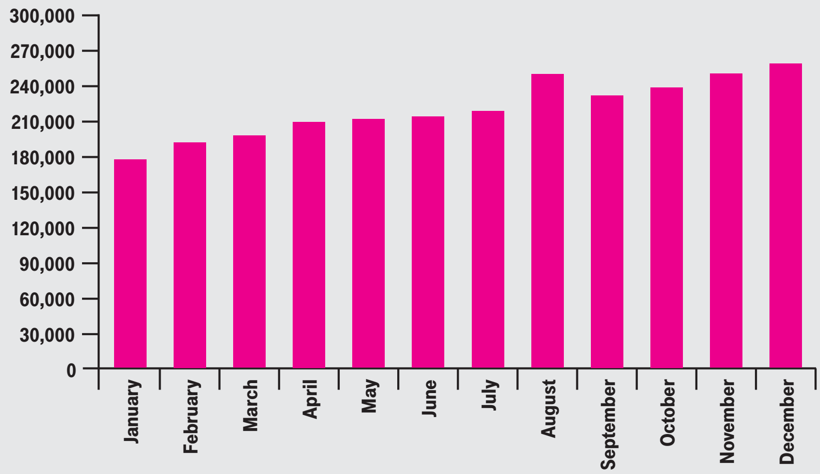
T-Com offers its customers the Voice over Internet service in two variants. The standard calling plan Hovorím cez internet Uni (Talking-Over-Internet Uni) offers 60 free minutes to all networks of 130 countries worldwide and free calls to the Slovak fixed network off-peak. The calling plan called Hovorím cez internet Total (Talking-Over-Internet Total) offers free calls to the Slovak fixed network 24 hours a day, free unlimited calls between VoIP service users, and up to 1,000 free minutes to fixed networks abroad. Thanks to those innovations, 2007 was a breakthrough year for T-Com internet-based calls.

Data Services: Simpler to Order, Use and Change

The requirements on the internet of data service users anywhere worldwide, including Slovakia, keep growing. T-Com has supported the general trend since DSL technology came to Slovakia, by reducing the connectivity price while increasing the speed. Low price, quality of connection and geographical availability of DSL has made it possible for over 100,000 new residential users to access high-speed 4G internet last year. Whereas in 2004, when the Company started offering customers DSL-based services, the number of users did not exceed 40,000, by the end of 2007 the number of subscribers was approaching 250,000. The improving quality of the metallic infrastructure, connectivity, availability of 4G internet in more than 900 villages and towns, and favourable prices all can be seen as supporting this ever-increasing demand from Slovak households for 4G internet from T-Com. In addition to reliable information searches, high-speed DSL internet makes it very convenient to use the ever-more popular interactive websites and sharing of music or video over the internet, or legal downloads of content using portals like www.t-station.sk.

As number of locations with coverage increases, the overall number of DSL access points also grows. By the end of 2007, the technology was available in 900 towns and villages, with T-Com 4G internet services available to more than 3.8 million people in Slovakia. The number of DSL access points exceeded the level of 262, 000 as of 31 December 2007 and it is anticipated that the number of access points will go over 300,000 in 2008.

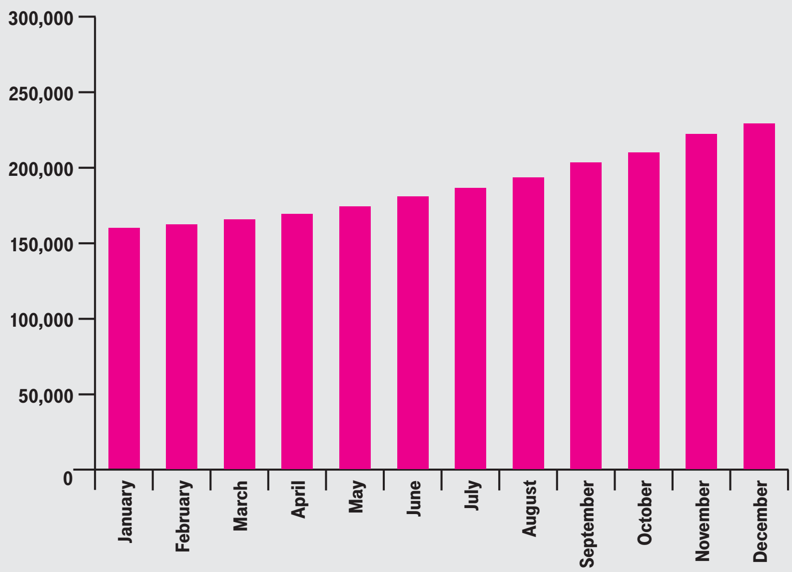
Total number of DSL accesses



Source: T-Com

Today, users naturally associate T-Com with both access and specific products. The vast majority of customers today do not opt solely for DSL technology; they also buy one of the 4G internet packages launched by the Company in June 2007. The number of DSL-based high-speed internet users reached the level of 250,000 in early 2008.

Total number of 4G Internet users



Source: T-Com

As in 2005 and 2006, over the past year the Company increased DSL programme speeds generally while maintaining the same price. For example, the DSL Flat 256 Basic programme with original speed of 256/64 kbps changed in March to Flat Home with a speed of 1536/256 kbps, resulting in a sixfold increase of download rate. The highly popular programme DSL Flat 512 in its two variants (Basic and Standard) was modified to programmes with speed of 2048/256 kbps, with customers benefiting from fourfold increase of data download speed. In the case of the Biznis Dynamik 30 000 programme, the download rate increased from 2560 to 3072 kbps.

In order to promote fast internet, T-Com ran a specific campaign from 1 March to 30 April. Existing fixed line customers without high-speed internet could order test operation of 4G internet at sales points or over the T-Com customer help line. Customers in the trial operation were provided with the Internet Maxi Klasik programme with transmission rates of 1024/256 kbps. The internet service was made available to them over 15 days free of charge.

A few weeks later, T-Com decided to streamline and simplify its high-speed internet service portfolio. So as of 1 June 2007 the Company started offering the Turbo 1, Turbo 2, Turbo 3 and Turbo 4 products, under the common brand of 4G internet. These programmes successfully replaced the former portfolio, with the Company laying highest priority on programmes with unlimited data transfers free of time limitations. Older technologies such as dialup and ISDN are naturally dropping into the background.

4G Internet product data upload and download rate

	Download in kbps	Upload in kbps
Turbo 1/Plus	1,536	256
Turbo 2/Plus	1,536	256
Turbo 3/Plus	3,072	256
Turbo 4/Plus	12,288	512

The Turbo product portfolio has leveled out prices of T-Com internet connectivity, regardless of whether the customer has a T-Com fixed line or not. In year 2007 there was also gradual growth in the number of customers ordering flat-type programmes, i.e. any programme except for Turbo 1. In relation to deployment of ADSL 2 + technology in 2007, enabling standard rates of around 12 Mbps over metallic infrastructure, the high-speed internet product family was extended by Turbo 4. This programme is designed for users transferring large data volumes. What is more, the bandwidth offered under the package is also equivalent to bandwidth necessary for Magio.
The increasing demand for higher transmission rates documents the ever-growing requirements of internet users concerning interactive applications when surfing.

Successful campaigns increased interest in high-speed internet demand throughout the year. In the first days of 2007 T-Com extended two attractive promotions, namely the possibility to get a personal computer with LCD monitor for just SKK 1 with a subscription period. Owing to this success, T-Com continued with a similar approach in the 4G internet summer campaign in August and September. From the beginning of June, customers could benefit from equal prices of 4G internet programmes regardless of whether they already had a fixed line or not. T-Com reduced the 24 month subscription for Turbo programmes to 18 months. The chance to get a PC for SKK 1 when ordering any product was made available until year's end, too.

Year 2007 culminated with a winter campaign offering both new and existing subscription high-speed 4G internet customers either a video and MP3 player with 1 GB capacity and radio or GPS receiver with colour touch-sensitive screen and detailed maps of European cities. This campaign helped make the year 2007 successful beyond expectations, from the perspective of trust in T-Com's internet services.

The Company remains mindful of its existing narrow band/dialup customers as well. The priority is for their gradual migration to higher speed services supported by DSL technology. The number of dialup customers continues decreasing year-on-year; at the end of 2007, their number stood at less than 40,000; some five years ago it exceeded 90,000.

The First and Richest Triple Play in Slovakia from T-Com

At 2006 year-end, T-Com brought Magio to the market, a breakthrough Triple Play service, which grew dynamically in 2007. Magio combines all advantages of a full-fledged Triple Play, with digital television's many functions being the major contribution. It also offers the Magio Komunikátor product, which makes possible internet calling at attractive prices, as well as unrestricted broadband internet.

The public's considerable interest in T-Com's Magio Service, with greater coverage than that of competitors, has been seen ever since its launch, no doubt in part thanks to Magio's modern and practical functions. The possibility of stopping and rewinding the picture, of recording dozens of hours of broadcasting, and of a complete on-line channel list are very popular. The service is available for the customers in two alternatives, namely Magio Start and Magio Klasik. They offer different numbers of channels and options to choose TV packages according to personal preferences. Both plans involve high-speed internet connection of 1.5 Mbit/s.
The video library section, with its constant offer of new movies of diverse genres for children and adults, is a strong point of T-Com's Magio. The video library section now offers more than 300 domestic and international movies. Further, the video library section has already expanded, with Magio's virtual stage already presenting the famous animated Czech bedtime stories, with others to be added in time. In the future T-Com intends to further expand television content, which means that customers will have more movies in the video library section along with more TV channels. T-Com is working on augmenting its TV assortment; it offered Magio customers 50 TV channels at the end of 2007.

In April 2007 T-Com presented Comfort Service, a comprehensive Triple Play solution with the internet speed of 30 Mbps. In June 2006 the Company satisfied customers interested in ordering the Magio service but without a fixed line installed. T-Com wants to make the time spent by its customers at home more pleasant, to bring home amusement and to care for customers completely. So it became along with this service it became the brand-first operator in Slovakia to offer Sony LCD television sets, and at attractive prices. Further, T-Com enriched it Magio offering in both content and format. In June, T-Com presented certain TV channels in 16:9 format; and in August, it became the first operator to offer HD-quality films in its video library section. Since T-Com naturally wants to offer its customers state-of-the-art technologies, other movies are being processed for HD picture quality. In mid-November, the T-Com brand added seven high-definition films to its video library section. Customers with televisions that support such a function will be able to compare the difference in quality of experience, as HD quality brings high definition, true imaging of reality, an ideal picture, vivid colours and sharpness, along with higher audio quality.
From the beginning of November, T-Com has also been offering the possibility to have Magio in two television sets concurrently, which delighted customers. Under the unrivaled Christmas campaign Všetko za korunu (All for one SKK), T-Com offered installation, a Magio Box and six-month rate for one SKK. In the same period, T-Com also brought out an offer of Magio self-installation package.

In 2007, the Company focused on massive extension of coverage, investment and optical FTTx network building, service quality enhancement and fault rate reduction through platform stabilisation, and addition of new Magio functions, including the extension of the TV offering by adding HBO Comedy. Magio installation was available for 360 thousand households in Slovakia at year-end, while the number of active customers using the service last year passed 13 thousand.

Content Services at T-Station
The Company was one of the first internet providers to establish a community portal, T-Station, to test user interest in content and community services. The portal, is divided into several sections: Magazine, Films, Music, Playground, and Games, and also offers SMS gate, Fast mail, and portal points with which they can pay for services, rate articles etc.
The portal also co-operates with the Magio service, which gets some of its films to offer. This cooperation will be even deeper in the coming year and crucial for the future of the portal as a marketing tool.

Business Connected through T-Com: Fixed Line Products and Services for Small Enterprises and Major Customer Solutions

Voice Services: Universal Use of Free Minutes

One-person businesses and small enterprises are an important segment on the traditional voice service market, and therefore T-Com has been pushing to provide optimum solutions that reflect the communication needs of such customers. In voice services last year, the Company continued its active policy of customer migration to optional calling plans, particularly to calling plans enabling universal use of free minutes that include mobile networks and programmes with unrestricted cost-free fixed network calls . The voice service portfolios were enriched with such calls at the year-end 2006. The Company's aim was to actively offer, to both new and existing customers, calling plans that best suit their communication needs. At year-end 2007, the share of optional calling plans of traditional fixed line and ISDN line had increased to 73 % in the segment. The fact that business customers started reacting to advantageous special offers more sensitively, mainly thanks to the attractiveness of the benefits offered, can be considered a success.

Business customers started perceiving T-Com last year as a comprehensive supplier: not only of telecommunications services, but of services and products from other fields. Companies focus mainly on their own key activities, and therefore in proposing solutions and managing their communication needs tend to seek a strong and credible partner. This is associated with an increased demand for convergence solutions offered by a single supplier. Business customer care above all entailed care for key accounts and major accounts last year. This group mainly includes large-scaled service and production companies, and the public and financial sectors.

In the traditional voice operations area, Biznis Partner calling plans are among the most popular programmes. They are intended for small and medium enterprises with branch offices in several locations and traditional analogue lines as well as ISDN accesses. Legal entities and individual entrepreneurs can choose from an extended offer of calling plans for both traditional and ISDN lines. Traditional telephone line customers can choose from four new calling plans: Biznis Uni 50, Biznis Uni 150, Biznis Mesto and Biznis Slovensko. Under the Biznis Uni 50 and Biznis Uni 150 calling plans, T-Com offers free minutes to fixed and mobile networks within the Slovak Republic, within international bands 0 and 1 in the fixed networks, and for the calls made through the Hlas cez Internet Service. Under the Biznis Mesto calling plan, customers get unrestricted local calls to the fixed network; and under the Biznis Slovensko calling plan, customers get unrestricted local and national calls within the fixed network in the Slovak Republic.
From October 2006, the customers with ISDN lines could activate Biznis ISDN Uni calling plans in two versions. These programmes offer free minutes usable by customers not only for calls made to the fixed and mobile networks in the Slovak Republic, but also to fixed networks in international bands 0 and 1 and for calls made under the Hlas cez Internet Service.

The intelligent network services, mainly represented by toll-free number 0800 and shared-cost number 0850, have been enjoying increasing popularity. Taking into account the increasing number of callers, the habitually high quality and the possibility of easy management through a web portal, they are an ideal tool for ensuring communication with customers and additional increase of revenues and satisfaction. The Company has been continuously analysing the changing needs of the customers, which enables it to dynamically adapt the products to current customer requirements.

More Ways to Utilise: Comprehensive Solutions for Business Customers too

In April 2006, T-Com started providing the business customers a unique integrated solution called IP Office. The service is an ideal solution for both beginning and existing small enterprises. IP Office offers a practical combination of voice services and high-speed DSL internet connection, the possibility of faxing, and the function of a modern private branch exchange, thus covering all a customer's communication needs. Within the scope of the service, customers can make unrestricted calls to all fixed networks in Slovakia, VoIP networks, and the fixed networks of the bands 0 and 1 abroad. Under a summer 2007 campaign, T-Com prepared special offers for new IP Office service customers, allowing them an IP Office programme discount of up to 20 % and service installation for SKK 1.

T-Com offers IP Office in four variants, allowing one-person businesses, small and medium enterprises to choose according to what they need to use. IP Office Start is available, intended for a single user. It gives the customer an interesting combination of unrestricted calls, unlimited internet and a modern private branch exchange or fax service at an attractive price. The others are intended for a higher number of users: IP Office Light for two, IP Office Optimal for four, and IP Office Intensive for eight users. A great advantage of IP Office is the chance to build a programme profile according to individual preferences, as with the data programme type: the company may opt for a prepaid data package or an unrestricted flat-rate connection at an advantageous price.

Data Services: Integrated Communication Suite

In 2007, T-Com continued enhancing service quality for large accounts, but also for small and medium enterprises. Higher-level plans of 4G internet products like Turbo 3 or Turbo 4 can also satisfy the communication requirements of the companies with few employees or just one.
A quality management system certification audit was carried out from 17 to 21 September 2007. The outcome was positive, and the Company won a certificate confirming that it adheres to ISO standard 9001:2000 points in development and provision of data services, Desktop services and LAN services including Help desk for business segment customers in the areas of business and state and public administration.
In satisfying the communication requirements of major customers, T-Com has long proven capable of providing comprehensive solutions in the areas of data transmission, voice communication, and internet access. In data services, the progressive MPLS VPN and Business CityNet services have been the main asset, increasingly replacing the traditional data services of leased telecommunication lines or Frame Relay.

The MPLS VPN (a private virtual MPLS-based network) service is a communication solution built on advanced technology with MPLS (Multi Protocol Label Switching) functionality. It will satisfy all customers' demands for quality, speed and security of transmitted data .

Business CityNET is a comprehensive business communication solution in both voice and data services. It makes it possible to connect corporate LAN networks to VPN networks via high-speed ethernet access according to the individual communication requirements. By means of supplementary services, Business CityNET enables customers to create in-house networks with internet access, use Virtual VoiceNet voice services, or communicate with branch offices connected to the IP/MPLS network.
Customers appreciate the reliability and high quality of the Business Internet Service, intended to give internet access to the most demanding business customers. Combined with supplementary services of the electronic mail, webhousing or webhosting, it is a reliable solution for customer needs.

T-Com successfully answers the international needs of a number of multinational companies. In 2007, there occurred another significant shift from the role of a traditional telecommunications operator towards a modern infocommunication company. This is evidenced by multiple thriving business opportunities where the Company acted as a system integrator, co-operating with its partners to cover customers' comprehensive info-communication needs according to the their individual requirements.

T-Com's intent in the future is to remain a reliable partner, bringing the customer the solution right 'to the table'. It hopes to unburden its customers of communication infrastructure cares, thus enabling them to focus on their core activities. Last but not least, such a solution will save time and financial means, and increase operation reliability. Examples of this include PC network administration outsourcing, data centre services, application administration, and the like.

Wholesale Services: Connecting the Region

T-Com has experienced a fruitful year in the area of wholesale services as well. Despite a continuous price decrease, on a year-to-year basis it managed to maintain wholesale service revenue volume , mainly by means of extended co-operation with international partners and through introducing new wholesale products.

The Company has expanded its co-operation by another twelve international partners, primarily in voice network interconnection. All new international interconnections were executed exclusively through NGN (Next Generation Network) technology. Additionally, all existing international partners were also shifted to the NGN basis, making Slovak Telekom the first operator in the region and within the Deutsche Telekom group to use the state-of-the-art NGN technology for international network interconnection exclusively.

NGN-based voice connection has also enabled the development of so-called hubbing, i.e. transiting international VoIP (Voice over Internet Protocol) operation. The connection of new operators and use of flexible operation routing to NGN has resulted in year-on-year increase of revenues from hubbing by 7 %. Hubbing was a main source of co-operation with international operators. Revenues from the service represented 29 % of total revenues from wholesale services last year.

Considerable success was also achieved in developing international business activities in Ukraine. The sale of international leased lines and IP transit was rounded out in 2007 by the sale of broadband lines – backbone solutions for international operators. The sales volume of international data services associated with the activities performed in Ukraine increased threefold last year compared to 2006.

In the wholesale data product area T–Com in 2007 pursued product portfolio extension. The ISP Connect product has brought a wholesale sales model of internet access via metropolitan ethernet. T-Com customers praised the model, doubling revenues from internet access to wholesale customers. The new product Carrier Back-up provided wholesale partners with a backup solution for their backbone networks, based either on ISDN or ADSL depending on partner demands. It supplements the Carrier Backbone product, rendering it possible, under the wholesale conditions, to interconnect the telecommunications operator's individual points. Year-on-year revenues increased, thanks in part to the new product, by 35 %.

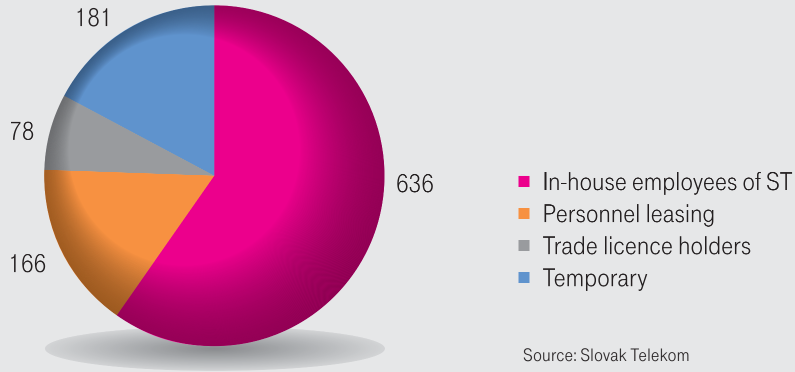
Expansion of international business activities and of the product portfolio in 2007 provided a stable basis for further development of co-operation with wholesale partners. The IP-technology-based solutions now in preparation will continue to help develop new models and attend to customers in other fields of co-operation.

Commercial Call Centre Services

The portfolio of services offered by the Call Centres Subunit (called Call Services, o.z. before 31 October) remained unchanged in 2007. Its principal activity is to provide customer care services for T-Com customers. Commercial activities of the Call Centres Subunit focus primarily on inbound outsourcing services (infolines, helpdesks, ordering lines, and 'green' lines), outbound outsourcing services (active telemarketing) and back office services (processing and archiving of requests, correspondence and surveys). Last year such services were offered and provided in several major languages to domestic and foreign clients, in particular from the banking, insurance, telecommunications, energy and automotive industries.
In January 2007 an outsourcing project of inbound calls was launched in Žilina for the parent company Deutsche Telekom. It expanded to Košice in May, with a total capacity of 50 agent positions.
November 2007 was a month of restructuring, and as of 1 November 2007, the Call Services, o.z. branch was integrated to the newly established Subunit for Call Centres within the Company's Business and Operating Activities Unit.
The 2007 achievements of the Subunit for Call Centres indisputably include an almost 62% year-on-year increase of the number of calls to Info Assistant 12 111 services, provided by the DAS (Directory & Assistant Services) Department, as well as introduction of new services for air tickets or accommodation reservations. At the 'International Directory Assistance Conference & Awards 2007' conference, the Info Assistant service received the Best European Service Award of 2007. It showed the best results in all fields of its activity, including service quality, performance management, financial indicators, human resources management, utilisation of technologies and access to innovations.

Along with improving the quality of its customer care services, the commercial call centre also managed to substantially increase sales of T-Com products. Its share of high-speed internet (VRI, VRI+) products in 2007 came to 37 % of total sales, the share in total Magio service sales reached 55 % and the share calling plan sales made up 70 % of the residential customers segment.

Various forms of employment in the commercial call centre



Source: Slovak Telekom

Radio and Television Signal Transmission Services

Last year Rádiokomunikácie, o.z. provided radio and television broadcasting, and distribution of modulation and data business capacity via relay routes and satellite digital radio and television broadcasting (DVB-S). In 2007 the DVB-S offer was expanded to include paid television channels. Rádiokomunikácie has the best chance to successfully build and operate nationwide DVB-T format digital television in Slovakia, thanks to its dominant position in the market, know-how, existing network of towers and technical buildings, employee expertise, and experience with operating DVB-S format satellite digital broadcasting.

Mobile communication products and services

Consumer Segment Voice Services: Connecting Family Members

T-Mobile Slovensko has been pursuing several voice services customer groupings. Throughout the year, it introduced special programmes offering unlimited calls within the network and free minute packages to all networks. In March there was the Nekonečné hovory (Endless Calls) programme, and before Christmas the programme Celý deň aj večer (All Day and Evening). In both cases, T-Mobile created programmes customised to customers' needs, proving that they offer interesting flat-rate benefits all year long.

In the latter half of the year the Company prepared numerous promotions, bringing customers more minutes to all Slovak networks in the basic programme package. This string of promotions demonstrated T-Mobile's broad and universal portfolio, including something for those wanting to call their favourite numbers in all networks and at any time.

T-Mobile continued generating new family segment items, with plentiful promotional offerings for parents and their children. An example of this category was the special programme Fix, which parents could give their children, with a SKK 200 monthly credit for two years. This frequently made available activation of the Fix 0 Sk programme, beneficial for the least demanding users and ideal as a first monthly program for children or teenagers.
In addition to Fix promotions, T-Mobile launch the Medzi nami (Just Between Us) service, allowing unlimited calls between family members. Other groups of acquaintances besides families activated the Medzi nami service.
The summer promotion Paušál pre blízkeho (Friend Flat-rate) witnessed great success. Any customer activating one of the programmes received a special coupon, which he or she could give to a friend or acquaintance. The coupon recipient could activate a flat rate at a 50 % discount for a period of two whole years.
Customers were keen on products in this category, verifying this portfolio's apt composition and offering.

T-Mobile undertook further voice service changes in the roaming sphere. In June, it introduced the new Euro roaming programme, with markedly lower prices on calls abroad. Prices were also cut on SMS messages in the Smart roaming and Easy roaming programmes. Total reduction on calls through these changes reached 60 %.

Further, T-Mobile kept up its focus on the prepaid card segment. Early in the year it launched the customer loyalty programme Easy Plus, at first offering SMS messages for SKK 1, and later including calls within the T-Mobile network for SKK 1 per minute. Besides Easy Plus, customers could take advantage of a summer promotion, where they could call for free after the 3rd minute or get a double credit.

Consumer Segment Data Services under the Sign of Fast Internet

In April 2007 T-Mobile launched the web'n'walk service, also available to other customers of the T-Mobile International group. This gives users full-scale internet connection on their mobiles, and can be used comfortably on their PC as well. So they can check email at all times, surf the internet or use instant messaging services as part of their monthly data package. As part of the promotional activity, T-Mobile regularly offers about 20 handsets with support from this service. Those interested also find a specialised type of internet browser for fast and easy webpage reading. Additionally, customers get a discount on a promotional telephone if they decide to use web'n'walk services.

Rýchly internet (Fast Internet) dominated the data services area. T-Mobile reinforced its coverage to the level of 70 % of Slovakia's population, and significantly improved indoor coverage all over the country. The service is now accessible in all towns of over 7,000 residents and their vicinities.
The number of base stations has doubled compared to last year, and new locations have been added to the coverage map, including such tourist centres as the High Tatras, Donovaly, Tále and Oščadnica-Veľká Rača. Beyond that, a considerable software supplement was added to the network, enhancing capacity and efficiency by several times. User demands are continually increasing, resulting in several times as much data as last year. The volume is surpassing even that of data operations of many western European countries' mobile networks. Rýchly internet users are among the most intensive users of mobile internet all over the world.

Rýchly internet is the unrivalled leader in broadband internet accessibility, thanks to transfer rates of 5.3 Mbps for download and 1.8 Mbps for upload. Customers can choose from three data programs depending on the size of packets and data demands. Through the year there was a series of promotional offerings for potential users, boasting 6 to 9 month periods of free usage, half-off payments and hardware bonuses (data cards and modems for SKK 1). Rýchly internet held its leading position among Slovakia's mobile broadband products.

T-Mobile Slovensko also offers customers in the Bratislava area UMTS and HSDPA based mobile broadband connection. It gives customers in Slovakia download rates of up to 3.6 Mbps. This technology is especially interesting to tourists and other foreign users, familiar with their own operators' UMTS/HSDPA programmes, who want to surf in Slovakia with the same ease. Customers also have other 3G network services available – like videotelephones, allowing them to communicate using not only voice but also pictures. Those interested in full-scale email access can use the BlackBerry Internet E-Mail service, through which they receive emails from up to 10 different addresses (connected through such protocols as POP3 or IMAP4) right to BlackBerry equipment. Various mobile telephones are available too (particularly from the smartphone and communicator categories), enabling installation of BlackBerry Client and easier work with email, even on a telephone of their favourite brand.

Unique Mobile Content with Mobík

In spring, T-Mobile Slovensko introduced the new Full Songs service, enabling downloading, unlimited recording and legally copying of full versions of music. Through one order and for one price, customers can download a whole song directly to their mobiles and their computers at the same time. The choices include many well-known songs of domestic and international performers, and new content is constantly coming into the database, so the offering constantly expands.

T-Mobile continues to see increasing interest in the internet content services it has collected in its t-zones portal. This has given customers a way of downloading the newest ringtones, wallpaper, and videos. The ringback tone service is also gaining popularity. T-Mobile has supported this with many promotional offerings – like a post-Christmas promotion when customers could get the ringback I Feel Good free of charge.

Java games, too, are another ever-strengthening internet content item. The T-Mobile selection includes a great number of mobile versions of the best-known game series, such as Age of Empires, Call of Duty, Juiced, MotoGP, Need For Speed, Project Gotham Racing, Rayman, The Sims, and Zoo Tycoon, as well as games based on movie hits like Ghost Rider, Meet the Robinsons and Harry Potter and the Order of the Phoenix. Throughout the year, customers who downloaded had chances to win state of the art games consoles from Nintendo and Microsoft.

The pairing Movies and Music attracted particular attention. Fans got access to the soundtracks of the year's major film projects, including Harry Potter and the Order of the Phoenix, the Simpsons, Shrek the Third, Ratatouille, Pirates of the Caribbean: At World's End and Meet the Robinsons.

Also in the area of music, T-Mobile focused internet content heavily on the project Slovensko hľadá SuperStar 3, supporting it with a wide array of wallpaper and reproductions of SuperStar finalists, as well as ringtones, ringback tones and full songs sung by finalists at the competition's broadcasts. Adding to this internet content were the eye-catching and beloved animated characters, the Mobíks, offered early on as wallpaper and realtones. These creatures helped T-Mobile prove the originality of its internet content and the top quality of its in-house productions.

Business Segment Services: All You Need for Your Mobile Office

T-Mobile addresses the business segment's exacting demands by introducing numerous benefits and constantly expanding its offering, in an effort to bring customers easy and reliable communication for their work.
The main product for business voice services was the monthly programme Podnikateľ (Entrepreneur), which T-Mobile supported with multiple promotions. One of these gave businesspeople the choice of purchasing a new telephone every year instead of every two years. T-Mobile realised that those who are in business use their mobile telephones very intensively. Another favourite campaign was a promotion of 4 days of free calling – allowing businesspeople to call within the T-Mobile network most of the week free of charge.

In mid-year, T-Mobile introduced a promotion that took into account the seasonality of business activity, making possible personalised settings for monthly programme usage and better cost control. This allowed customers to choose four months in the year, during which T-Mobile invoiced lower service fees.
Small and medium-sized companies can take advantage of T-Mobile Slovensko's convenient service Firemné balíky (Company Packages), which make communication costs more understandable and efficient. Firemné balíky also give business customers the option of sharing a common calling programme among multiple employees, while using advantageous calling fees to all networks in Slovakia and the Czech Republic.

Customers who frequently travel abroad can use the T-Mobile Smart roaming service. This allows free incoming calls in European T-Mobile group networks included in the monthly flat rate. It also provides significantly reduced calling prices within all the operator networks in Europe and other parts of the world. The programme features identical prices for SMS and MMS messages in all the European networks of the T-Mobile group. Those who often travel on business to the Czech Republic can also make use of one low calling price whether calling from Slovakia to the Czech Republic, from the Czech Republic to Slovakia, and within the Czech Republic.

The offering of promotional telephones for business customers was constantly expanded throughout the year. Customers in this segment could also buy all their favourite telephones, including the Nokia N95, Nokia E90 Communicator and the MDA Compact III.

T-Mobile continued its support of BlackBerry services in 2007, increasing the number of mobile handsets that enabled use of these services. Further, during the year it brought promotions to introduce three original BlackBerrys – the compact BlackBerry Pearl (BlackBerry 8100), the extension of the successful flagship model BlackBerry 8800, and in its pre-Christmas offering the new BlackBerry Curve (BlackBerry 8300).

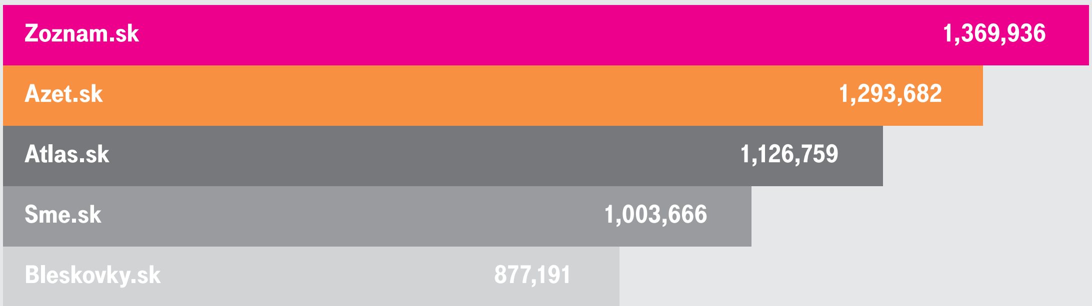
Internet Content Services via Zoznam.sk – Over a Million

After acquiring Zoznam, s.r.o. and Zoznam Mobile, s.r.o. in 2005, the Slovak Telekom Group more intensively focused on developing other internet services. On the Zoznam.sk portal, users can access such services as internet search, webpage catalogue or e-mail accounts. The significant products of the Zoznam.sk portal include the Bleskovky.sk news server and other specialised magazines, like Lesk.sk, Mojdom.sk, Dromedar.sk, oPeniazoch.sk, Autoviny.sk, Futbal.sk, mail.zoznam.sk freemail service, and the Z-Obchody.sk internet shop. Another important part of the Zoznam.sk service portfolio is the Catalogue of companies, giving even small companies the chance to present themselves and their contact information on the internet in a professional way.

Last year the server network saw the addition of portals like Pauzicka.sk, a community leisure time portal, and the new motor sport magazine Autoviny.sk. Zoznam, s.r.o., in cooperation with the lottery company TIPOS, národná lotériová spoločnosť, a.s., extended its offering to the betting public, giving players the alternative to bet and play numerical, betting and internet games via the Zoznam.sk internet portal.

According to an independent audit by Mediaresearch, the number of visitors to the Zoznam.sk portal and its products (excluding Bleskovky.sk) was 1,369,936 real users (RU) in November 2007. 1,151,706 RUs per month use the title website of Zoznam.sk as their entry gate to the world of the Slovak internet. The number of visitors of Bleskovky.sk in the same period was 877,191 RUs. In the context of the total number of Slovak internet visitors, it is evident that more than half of Slovakia's inhabitants used Zoznam.sk and its products at least once a month.

Ranking of Slovak internet servers by visitors in November 2007



Zoznam.sk maintained its strong position in the Slovak internet in part through localisation of the popular Instant Messaging service Zoznam ICQ. Thanks to its user friendly interface, ICQ has become another channel for providing advertising. It enables sending of short text messages, making calls, sending files, paying Java games, and interconnection with other products – for example viewing current news from the Bleskovky.sk news server.
In December 2007 the Zoznam ICQ service recorded 600 thousand real users. In peak times it is used by 300 thousand internet users daily. At the end of 2007 the Zoznam.sk portal introduced its modernised version of the world's best-known Instant Messaging service - Zoznam ICQ 6.0.

In cooperation with the Swedish company Picsearch, Zoznam.sk introduced, in 2007, a picture search service. Unlike competing Slovak portals, it can search internet pictures not only locally but also worldwide. At the same time Zoznam.sk extended its standard search with further content from the wide portfolio of Zoznam.sk products. When searching celebrities, users can view additional results of the search from the Bleskovky magazine. When searching words related to homes, users can get an overview of the latest articles on the topic from the MojDom magazine. A similar method is used for searching key words from motor sport (Autoviny magazine), weather or current cinema schedules. Besides expanding search services, attention was also paid to integrating them. Users can, directly from the main page, use the modernised search box to search for information in the Slovak and worldwide internet, in maps throughout Slovakia, in telephone directories, bus and train schedules, in the Bleskovky.sk portal, and translating dictionaries.

For the third year **Zoznam Mobile** has exclusively provided T-Mobile Slovensko, a.s. with services of internet content, enabling customers to download to their mobile phones songs, photos or wallpaper pictures of their favourite performers from the Superstar series, even in .mp3 format.

Slovak Telekom Group: … Expanding Use of Info-communications Services…

In 2008 Slovak Telekom Group will continue adding new technologies, services and products to its portfolio. It is the Group's endeavor to promptly respond to global telecommunications tendencies and further focus on increased customer satisfaction, which will bring the value added services and numerous innovations that will move the Slovak market forward. Innovations will occur in all segments of services of the Slovak Telekom Group.

In fixed network voice services, a greater influence of IP basis voice services is to be expected. While existing voice programmes are popular enough, and customers have already realized the universal advantages of making calls from the fixed line in any direction, voice over the internet services will see a larger boom in the years to come. T-Com will increasingly focus on offering voice over the internet, especially to business customers with larger or more specific needs, for example using the IP Office package.

Fixed network Triple Play services will continue to expand thanks to a faster ADSL 2+ technology. After a successful launch, utilisation of the platform's large potential will gradually grow. Thanks to that, users will be able to view emails or internet pages on their TVs. They will be able to make calls to other users with the help of interesting emoticons or other types of communication. Digital television will also see more interactivity – through betting or voting. Downloading applications at home from an external environment over the internet or via a mobile phone will be an interesting extension of the offering. Triple Play will bring even more channels, an enriched film library and a large volume of interesting content.

The principal goal in T-Com's fixed line business is to improve households' access to Triple Play (Magio) services. At the end of year 2007, the service was available to almost 370 thousand households, with coverage provided mainly through the ADSL 2+ network. The project's priority in the first half of 2008 will be, in particular, an increase in coverage with FTTx technologies, to around 150 thousand households in the ten largest cities in Slovakia.

More than 200 joint T-Com and T-Mobile sales points will start commercial operation under the new name 'T' at the end of 2008. In 2007 there were almost 40 joint sales points in test operation. They constitute a strong competitive advantage compared to other operators, and also bring greater comfort to customers. In this way, the Group will bring its customers Slovakia's biggest retail shopping network offering a comprehensive ICT portfolio.

Information technologies: System Support for Effective Business and New Service Launch

Slovak Telekom

The primary duty of information technologies (IT) as a support function in the organisational model of Slovak Telekom, a.s. is providing support to the Company's product and business strategy. The key IT elements in the process of system support for effective business in 2007 were development support of products, services, and projects based on broadband and IP technologies, internal effectiveness, synergies and of course operational stability and security.

IT's approach to supporting all the business functions of Slovak Telekom derives from the Company's overall customer orientation – the decisive factor is to adapt services, products and communication to customer needs. Slovak Telekom is applying this approach in the environment of a progressive NGN (Next Generation Network) at a time of strong demand for IT support to telecommunication services based on FTTH or FTTB technologies (i.e. "fibre-to the-home" or "fibre-to-the-building"). In this sense, Slovak Telekom is focusing on supporting installation and expansion of broadband access networks and on customer service installation support. The key emphasis is on simplifying and condensing production processes and services, from months down to weeks.

Key IT Projects in 2007

Making the customer the top priority has made it essential to improve many services in the IT division for both internal and external customers.

Project e-Channel delivered a uniform customer internet portal, primarily to facilitate business activities as well as customer support and retention activities. One of the project's goals for 2007 and 2008 is to achieve by the end of 2008 an electronic bill usage rate of some 10 % of the 4G Internet and Magio product customer base.

Implementation of the customer portal aims at supporting customer care activities as well as business activities over a period of 3 to 5 years. The whole development plan anticipates a modular form ("as we grow"), with gradual implementation of new functionalities in e-commerce, account management and customer support. The Company has already used this implementation method for the first stage of the project in 2007, when IT specialists focused on implementing account management modules such as customer profile, billing and their overview.

IP Office is a comprehensive state-of-the-art IP platform-based product offering a practical combination of voice services, high-speed DSL Internet connection, fax service and modern PBX features. The service is an ideal solution for one-person businesses and small and medium firms. The goal of the IP Office 2 project was to create conditions to facilitate the maximum possible sale of the product, i.e. to modify information systems in order to enable migration of customers from existing voice products to IP Office programmes. One important condition was to enable customers to transfer their telephone numbers to IP Office without service interruptions. Based on business process analysis, it was necessary to propose optimum migration scenarios to IP Office products and then to implement them within the existing information systems.

In 2007, Slovak Telekom successfully completed implementation of the Data Warehouse (DWH) project. The main goal of implementation of the corporate DWH solution was to introduce data collection procedures and to reinforce capabilities to analyse data and generate business information necessary for proper and timely decision-making. The project provided business units from Business Intelligence (customer behaviour analysis) with a solution that supports decision-making in real time, helping the Company increase its competitiveness and address the market in a targeted and focused manner. Information obtained leads to understanding customer needs and better focusing products and product campaigns, improved CDR (call detail records) processing management, improved billing and accounting management, enhanced cooperation between sales channels and identification of potential new revenue streams, optimised price calculation, savings owing to improved receivables administration, increased control over payment of commissions, reduced risk, shortened new products' time-to-market, and shortened business cycles and response time. In the end, the solution will bring Slovak Telekom greater revenues and effectiveness. Another anticipated step is centralisation and unification of reporting, with the DWH system fully replacing the existing reporting database. Upon centralisation of all source data and migration of all reporting processes, DWH will become a "one-truth" provider, supplying all necessary management information, reports and analyses.

Brief Data Warehouse system overview:

- Over 250 million CDRs transferred to DWH monthly,
- DWH data inputs from 17 source systems,
- Up to 90 % of all data processed on a daily basis,
- At the end of year 2007, DWH stores 6.5 TB of data; anticipated target status is 10 TB,
- Information from DWH is used directly by almost 500 business users.

In operational efficiency, project Upgrade of the billing system Geneva was implemented in close cooperation between the IT Division and the Billing subunit. It included a new version of the billing system, implemented under the commercial name Infinys Rating & Billing. The goal of the project was to reduce charges for support and maintenance of the billing system by the manufacturer due to terminating support for the preceding version. The cost increase was almost 100 % over the original fee. The first billing cycle using the new version, marking successful completion of the project, came in October 2007.

T-Com pays close attention to increase the operational efficiency and synergies between two programmes: Local IT Synergy Program (LISP) and Regional IT Synergy Program (RISP). These programmes are undertaking the consolidation of Data centres within the Slovak Telekom Group. In the first phase, the project gave an overall overview of data centre sites, services provided, and financial and operational indicators. The main goal is to optimise, in a pragmatic way, the number of sites, define and meet requirements concerning services for internal and external customers, reduce total cost, and create further development opportunities.

The key to IT success is stable infrastructure. In this respect, T-Com developed a new strategy for data storage built around advanced technologies. The Company perceives optimisation opportunities in reviews of the critical nature of its solutions and in implementing virtualisation. Year 2007 also saw enhanced performance and stability of data storage facilities.

The area of operational stability and security is considered a necessity in IT.
By implementing an internal control system for processes of IT operation, IT development, IT security, IT backup systems and outsourcing, the IT Division complied with SOX 404 requirements (a system of audited internal controls according to internatio-nally defined Sarbanes–Oxley Act principles). The compliance and efficiency of the controls was confirmed by both internal and external audits.

In line with its effectiveness and synergies goal, the IT Division of Slovak Telekom also focused on outsourcing and infrastructure. In 2007, the division for the first time provided IT services to external customers, contributing a total of SKK 12 million directly to the revenues of Slovak Telekom, a.s.

T-Com successfully answers the international needs of a number of multinational companies. In 2007, there occurred another significant shift from the role of a traditional telecommunications operator towards a modern infocommunication company. This is evidenced by multiple thriving business opportunities where the Company acted as a system integrator, co-operating with its partners to cover customers' comprehensive info-communication needs according to their individual requirements. The Company realised and administered customer LAN networks, and provided outsourced information systems care (PC, peripherals...). IT specialists prepared a variety of network security projects, arranged for licensed sales (for accounting, project management and the like) and put customer applications into operation. Based on analysed customer needs, they delivered and administered a range of terminal equipment, network elements and systems in their local infrastructures. Over the past year, T-Com also provided a number of corporate customers with business continuity services in state of the art data centres.

IT Prospects

From the perspective of information technologies, 2007 was demanding but also successful. IT's shift into the support tool role for implementing IP strategy and analysing customer behaviour is both right and inevitable. Key tasks for the upcoming period include enhancing the effectiveness of IT support to distribution of Magio and other broadband internet products, completion and fine-tuning of operational support systems for the IP-based product line, and IT environment optimisation for the customer database Siebel and technical administration system Cramer. An IT specialist team at Slovak Telekom, a.s. in cooperation with the Division Production and Services is preparing improvements in the activation platform architecture for online services.

T-Com's intent in the future is to remain a reliable partner, bringing the customer the solution right "to the table". It hopes to unburden its customers of communication infrastructure cares, thus enabling them to focus on their core activities. Last but not least, such a solution will save time and financial means, and increase operation reliability. Examples of this include outsourcing of PC network administration, security, data centre services, application administration, IT operations, and the like.

The telecommunications product market is changing rapidly. One consequence of this is a real risk of losing high-qualification people. Slovak Telekom will address this risk with managed HR policies and stimulating and motivating work. The Company will reduce information those technology elements linked to obsolete products and replace them with more advanced and simpler elements. Reducing product and service complexity will result in simplifying the IT environment and processes. It stands to reason that within a few years the market situation will change, and consumers will opt mainly for flat service packages that will satisfy all their needs. Other services, used only rarely, will be offered by advanced telecommunication companies (including Slovak Telekom) via internet-based e-commerce, from the phase of ordering, through continuous quality control of services and invoicing to payment.

T-Mobile Slovensko

Information technologies at T-Mobile Slovensko are perceived not only as a service provider but also as a business unit directly engaged in fulfilling business objectives. The Information Technologies Division participates in both development and implementation of the Company's overall business strategy. This fact is visible in the organisational structure, where the Chief Information Officer is a member of the Company's top management team and CIO performance goals are substantially derived from the Company's economic indicators.

IT strategy in 2007

T-Mobile Slovensko defines strategy for information technologies on two levels. The first level concers the long-term perspective and is defined by such general IT standards as principles pertaining to standardising development, minimising technological diversification and the like. The second level is highly dynamic and reflects the Company's current business-related needs. From this perspective 2007 was a breakthrough year, as the Company managed to implement elements of business process management (BPM). This approach enables flexible changes in IT-supported internal business processes according to changing customer requirements. The modelling of these processes is based on Service Oriented Architecture (SOA) principles. T-Mobile Slovensko will continue with this strategy in 2008.

Deployment of information technologies is key for launching new services. Many innovations require either adjusting existing systems and implementing necessary features or developing brand new systems. At the same time, it is necessary to continuously enhance effectiveness of existing projects and systems for the gradually growing customer base and to guarantee flexibility for future product changes and extensions.

Key IT projects in 2007

In the past year, IT provided support to various activities aimed at new products and services for customers. At the same time the ambition of T-Mobile Slovensko. to become the most highly recognised service company was strongly apparent in 2007.

In line with the mission "to become the most highly recognised service company", T-Mobile Slovensko continues segmenting to get closer to the customer. This relates to both internal and external activities, and respects the rule that customer's offerings reflect his or her classification in a certain segment so as to provide the most suitable services and customised solutions. This year, the approach moved significantly forward, for example through implementation of a segmented approach to customer Call Centre queries. The customer can now receive highly specific advice as he or she is forwarded to a specialist dealing with similar issues of other clients who thus can serve the customer faster and more effectively.

Customer base segmentation was also reflected in the T-Mobile Club loyalty programme. T-Mobile Slovensko values its loyal customers, and uses segmenting to offer them maximum benefits as a reward for their lasting loyalty.

In 2007, several IT projects related to service launches were implemented in 2007, necessitating substantial intervention in systems along with intensive IT efforts. One of the most outstanding services related to IT was the launch of the electronic invoice. The service required extending the web portal and its "My T-Mobile" section. The electronic invoice supports all common data formats, uses a secure electronic signature, and enables definition of rules for repeated or one-off distribution.

The web site also saw the expansion of business customer support features. The portal now enables administration of all company telephones by a single user from a single location. The new portal also comprises easy-to-use traffic statistics of individual telephone numbers.

In the first half of the year, T-Mobile Slovensko introduced the service Medzi nami (Just Between Us), which required IT modifications enabling customers to use more advantageous calls within a defined group of telephone numbers.

New IT activities were also necessary for sales of Rýchly internet (Fast Internet) bundled with a PC or notebook. To make the product' more attractive, the IT solution gave customers access to all the benefits, including the option of purchasing hardware through instalments or a free 7-day test period.

Last but not least, T-Mobile Slovensko deployed a special hardware solution to both its own and its brand shops. The newly designed equipment increases customer convenience when replacing a telephone – it enables copying of data (telephone directories, pictures, and music) from one handset to another.

The increasing number of customers and growing traffic requires extended or new systems settings. In order to increase customer satisfaction and boost service usage, T-Mobile Slovensko is also adding new features to its products. Over the past year, technical implementation of the spending control feature was effected, enabling the customers to define thresholds for their monthly traffic volume (in SKK); upon exceeding the level, customers receive an SMS.

The Company also enhanced the service Minúty (Minutes) by providing information on minutes used (or data transferred for internet packages) in real time as of when the query is made to check usage within the given price plan.

Cooperation with Slovak Telekom

Last year cooperation with Slovak Telekom was enhanced in the area of products and services, and therefore it was necessary to implement a feature supporting sale of selected T-Com brand products in systems operated by T-Mobile Slovensko In early 2007, functionality was implemented to enable sale of DSL-based products from T-Com in the sales network of T-Mobile Slovensko. This step also laid the groundwork for facilitating a common perception of the customer. An example of this cooperation in the customer's interest is giving benefits to customers that use both companies' services.

IT direction for 2008

In 2008, IT will continue to implement the strategy defined, supporting and enhancing the effectiveness of existing services while also contributing to new product launches. Regarding existing products, the unique hardware solution will be deployed more extensively to the Company's own and brand shops, enabling data archiving and central backup in addition to copying customer data.
Another important project in 2008 will be expanding mobile number portability to include the third operator.

It Pays To Be a Slovak Telekom Group employee

There is no greater challenge for any management of companies and human resources management teams than to create corporate culture and conditions that attract qualified, capable employees, motivating and stimulating them to top-quality performance. The companies of the Slovak Telekom Group are among those that strive most to achieve corporate and individual excellence, through professional business and market-oriented human resources management. In all their activities human resources teams support their internal clients, serving as their reliable business partner to offer effective high quality services.

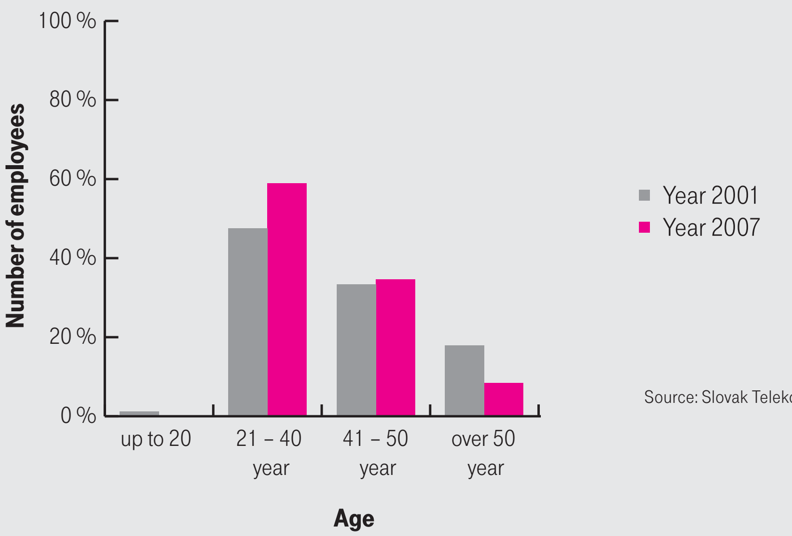
Companies of the Slovak Telekom Group apply a full array of tools to shape corporate culture, from employee recruitment and selection, through remuneration, motivation, development and training, to key employee retention projects, career development planning and the like. Owing to strong market competition, however, the Group must also continually take into account expenses linked to human resources, i.e. optimal headcount and increased effectiveness. With the efficiency in mind, for several years now, the Slovak Telekom Group has consistently pursued the strategic goal of employing high quality people, who also receive better pay.

At the end of 2007, the number of Slovak Telekom Group employees totalled 5,265.
Slovak Telekom had 3,758 employees. with approximately 60 % men and 40 % women. Over the same period the headcount of T- Mobile Slovensko was 1,450, with some 50.3 % male and 49.7 % female personnel; and the companies Zoznam and Zoznam Mobile employed 55 and Institute of NGN had two employees.

At the year-end 2007, the average age of a Slovak Telekom employee was just below 39, and the average age of a T-Mobile Slovensko employee was 32. More than 42 % of Slovak Telekom employees are university graduates; over 50 % of the personnel completed secondary school with school leaving exam. Almost half of T-Mobile Slovensko personnel are university graduates. One quarter of Slovak Telekom employees have worked in the Company for less than 5 years. At T-Mobile Slovensko a total of 62.7 % employees have worked with the Company for less than 5 years, 22.3 % have been with the Company from 5 to 10 years, and 15 % for over 10 years.

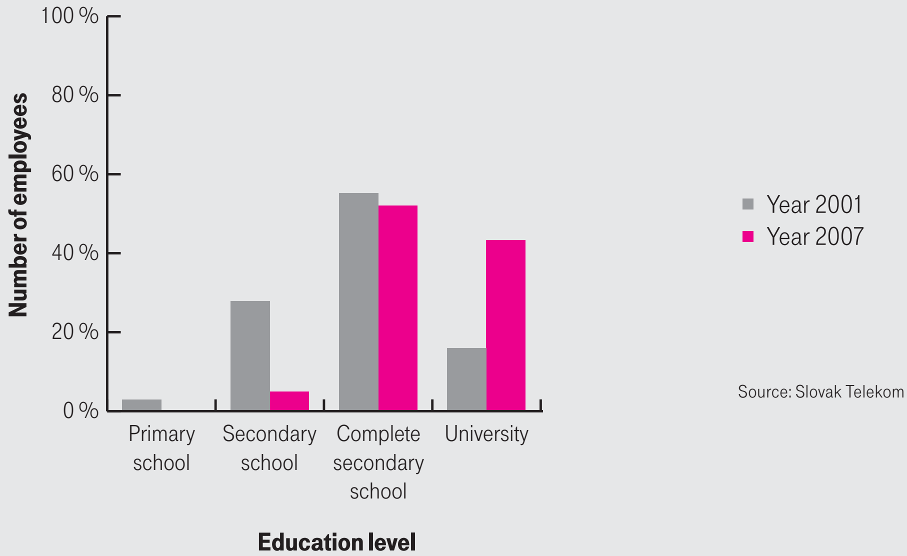
The pace of restructuring at Slovak Telekom, a.s. affecting headcount slowed in 2007 compared to the turbulent preceding years. This development was also reflected in the number of incoming and outgoing employees. During 2007, the Company hired 789 new people from outside, and 546 employees left the Company. In the final months of the preceding year, operator and assistance services with all their employees were reincorporated into Company structure, and the Call Services, o.z. branch was cancelled. In the course of 2007, the Rádiokomunikácie branch was sold, thus decreasing the headcount by another 327 employees.

Slovak Telekom employee age profile



Source: Slovak Telekom

Slovak Telekom employee education profile



Regarding T-Mobile Slovensko competition on the labour market increased significantly in 2007, and the Company focused on retaining existing employees and attracting appropriate candidates to new positions.
Proactive implementation of multiple changes in employee remuneration and development schemes reduced employee turnover at T-Mobile Slovensko decreased year-on-year, and the Company successfully retained its key employees, even despite a new market entrant.
The Company saw a shortage of candidates on the market for high profile positions, specifically in technical specialists and project-oriented professionals. Despite the complicated market situation, the Company successfully staffed key positions and implemented projects, helping to fulfil corporate objectives.

Employee Development and Remuneration

Slovak Telekom
In 2007 Slovak Telekom audited its internal remuneration system and policy. In the first third of the year employee performance assessment was conducted on all Company's employees, the outcomes of which were reflected in annual pay adjustments. Over the next four months, the Human Resources Unit focused on reviewing all job positions, a necessity given the extensive organisational changes implemented over preceding years. Owing to IT and telecommunications market dynamics, Slovak Telekom opted to implement a new remuneration policy. Reorganisation of job positions made it possible to develop a new more effective remuneration system, to be implemented gradually in the course of 2008.

As for employee development, in 2007 the Company paid particular attention to business-oriented training activities as well as development of managerial skills. In the latter field, the continuation of the managerial development programme "STEP up" proved highly successful. Competence models were developed for heads of departments, and for the first time the PPR (Performance Potential Review) was conducted at managerial level on 74 heads of departments and 23 directors. Training activities entitled Seven Habits of Highly Effective People were also among the essential activities that facilitated development of a customer-oriented corporate culture. Executive Management Board members, as well as 23 directors from all company units in two groupings, attended this training.
In 2007, employees very frequently made use of development via e-learning courses. Besides 45 existing and continuously used e-learning courses, the EDUCA portal further offered ten new applications. Since its introduction, e-learning courses have been successfully completed by 21,431 employees taken. In 2007, e-learning courses were used in 13,527 cases.

There were 6,620 attendees of other training activities. The average number of training days per employee was 3.09.
The average training cost per employee was SKK 9,640.

T-Mobile Slovensko
Remuneration in the sector of information technology and telecommunications has long been among the highest of all sectors of the Slovak Republic. Employees of T-Mobile Slovensko are remunerated based on individual performance, with pay adjustments also reflecting trends in the information technology and telecommunications sector. Besides the base pay, all employees are entitled to a special bonus, subject to fulfilment of annual corporate and individual objectives, and for activities exceeding the scope of regular operation, also to extraordinary and project-related bonuses. Based on employee

feedback and market research, the Company has been gradually improving and expanding its benefit offering for employees; this field is also one of the goals set for 2008.

As in other areas, T-Mobile Slovensko scored excellent results in training and development. In 2007, a total of over two thousand Company employees attended training activities. The average number of training days per attendee was 2.3. The average cost of training per attendee amounted to over SKK 14 thousand. Training was targeted mainly at developing direct contact employees as well as managers' leadership skills. Customer Care Division managers and supervisors attended a training programme comprising a set of training sessions and workshops focused on developing managerial skills. Some 40 managers will continue in this activity in 2008 in the form of a series of follow-up workshops.

In the course of the year, managers participated in an ongoing training activity titled Leadership session, for exchange of managerial experience between internal leaders and leaders from the external environment working in the CEE market. More than 140 managers and employees preparing to take their first management position made use of the opportunity to obtain feedback concerning their strengths and areas for development, using a variety of development tools (external Development centre, Start-Stop-Continue, e-questionnaire Direct Feedback to Direct Supervisor, and 360° feedback). At the same time, human resources specialists worked on developing the employee training activity offering as part of a training project to be implemented in 2008 and co-financed by the European Social Fund.

Career Opportunities

Slovak Telekom
Following its successful pilot project in 2006, the career opportunities project continued at Slovak Telekom, a.s. in 2007 and is prepared for full rollout in 2008 across the entire Company. In this project, human resources specialists focused on support to employees and managers throughout the career management process, offering a helping hand in the form of information and tools at any phase. Each employee can view his/her career card based on job description, and can also model his/her own career path. To enable employees to use all opportunities and obtain proper information concerning the possibilities available in the Company, all job descriptions are to be updated in 2008.

Also in 2007, a two-year programme entitled Key players was launched at Slovak Telekom aimed at increasing the retention rate of strategic employees. The main goals of the programme are to provide these employees room and support for self-fulfilment and personal growth, to create conditions for open communication and cooperation, to reinforce motivation to achieve extraordinary performance and to strengthen Company loyalty and identity. In the first year of the programme a meeting of key players was organised, focused on gaining and sharing information and know-how as well as intensifying communication between key players and Company management. In 2008 the programme will offer joint development meetings and an intranet-based discussion, intended to build closer contacts between programme attendees.

T-Mobile Slovensko
In 2007, T-Mobile Slovensko extended the Company's career paths, primarily focusing on developing employees in the expert career path. In this context, the new development tool of mentoring was launched to facilitate transfer and retention of specific know-how and develop succession alternatives.

In 2007, a new project career path was created, which among other things set up a development framework for project employee groups. The Talent Club, a development initiative, continued last year, with more than fifty high potential employees preparing either for their first managerial position or a higher one. Since the Talent Club's launch (in autumn 2005), 84 employees successfully completed the programme and 33 were promoted to more senior positions.

In 2007, forty new managers took part in the development programme New Manager, providing information about Company expectations and developing managerial skills.

Employee Surveys

Every second year, employees of Slovak Telekom and T-Mobile Slovensko take part in an extensive Employee Survey of the Deutsche Telekom Group. In 2007 both companies implemented a company-wide action plan based on findings from the preceding Employee Survey.

The Human Resources Unit at Slovak Telekom regularly asks managers for feedback on its work quality. The HR STEP survey identifies managers' perceptions concerning the products and services of the unit as a business partner.

As part of the Deutsche Telekom Group, T-Mobile Slovensko regularly participates in the spirit@telekom survey. The goal of the survey is to monitor regularly development in key areas, focusing on corporate culture, employee satisfaction and loyalty to the Company. Of the countries participating in 2007, T-Mobile Slovensko achieved the best results on most questions. The most valued outcome was the first place score on the question of how employees feel at T-Mobile; T-Mobile Slovensko achieved an average score of 80 %.

At the end of 2007, T-Mobile Slovensko conducted for the first time a survey of satisfaction with the Human Resources Division entitled the HR Customer Satisfaction Survey. The survey measured satisfaction of selected internal customers (employees of T-Mobile Slovensko, a.s.) regarding services and products provided by the HR Division. The overall satisfaction index was 72 %, making the results of Human Resources of T-Mobile Slovensko, a.s. the best of all T-Mobile Group countries.

Changes in Performance Management and Corporate Culture

With respect to performance management as practised throughout the Deutsche Telekom Group, T-Mobile Slovensko focused on unifying evaluation methodology for senior management, striving to create a uniform platform for international development and international succession. Simultaneously, the internal development programme for senior and top managers of T-Mobile Slovensko was supplemented with direct experience selling products and services. The practical first line experience of management makes possible a more comprehensive view when designing and directing both corporate strategy and individual functional strategies. As part of the Company's service orientation initiative, the existing employee performance management and remuneration was extended to include competency assessment. Last but not least, measurable criteria have been firmly set with respect to external customer processes – service level management.

Once corporate culture was communicated to internal employees at T-Mobile Slovensko further attention in 2007 was devoted to introducing corporate culture to brand shops, too. As far as additional internal activities are concerned, various training programmes and the Service Hero contest continued putting strong focus on reinforcing corporate culture.

Cooperation with Universities

In 2007, Slovak Telekom continued intensive cooperation with students and teachers at different levels. Among the successes was the Company's presence in the student event National Career Days 2007, with Slovak Telekom receiving four awards from the students – first place in the categories Best Booth at National Career Days, Best Company at National Career Days, Best Communication with Students and second place in the category Best Job Offer.
Programmes that the Company has, by tradition, prepared for students include:

- Diplomovka at ST (University thesis),
- Global Internship program,
- Events, lectures and onsite visits,
- Job opportunities for students and graduates,
- Virtual student club.

Slovak Telekom continued to develop its tradition of intense cooperation with universities in 2007. The Company's training centre organised several onsite visits for 2nd and 4th year students at the Slovak University of Technology (Slovak abbr.: STU). A total of 115 2nd year STU students attended a presentation in specialised classrooms and demonstration of technologies and services. Approximately 170 4th year students at STU attended a presentation of the new advanced T-Com brand product Magio and of VoIP-based solutions.

In 2007 T-Mobile Slovensko organised several onsite visits for associate professors and professors from technical schools and for dozens of students from the STU Telecommunications Department. They got acquainted with the activities of the technical divisions' personnel, visiting the supervision centre and a base station.

T-Mobile Slovensko representatives from the Information Technologies Division and Technical Division attended prominent job fairs organised by student organisations at universities and elsewhere.

In November 2007, Slovak Telekom and T-Mobile Slovensko prepared its third annual Telekom Day conference for technical university students. The event welcomed over 100 students and teachers from telecommunications- and IT-oriented universities all over the country. Participants at this interactive conference had the chance to learn about the latest technological trends, and collaborated with experts from both companies on real life case studies. The main topics were some new possibilities of Triple Play access networks as well as of the Flash-OFDM broadband mobile internet networks of T-Mobile Slovensko. The mobile operator contributed presentations by professionals on “Mobile communications trends”, “Flarion” and “BlackBerry”, and also challenged students’ capabilities in model situations.

Directions in the Human Resources in 2008

The employee structure of Slovak Telekom Group companies is under significant pressure to change, both qualitatively and quantitatively. The dynamic competitive and technological environment will in 2008 mean a decrease in personnel required by Slovak Telekom, especially in the area of so-called traditional voice telephony, along with an increased need for specialised experts in the field of data, internet and network applications. The Company will also implement a new, more efficient remuneration system, facilitating performance growth, in 2008.
Year 2008 will see a more thorough exploration of synergies and cooperation within the Slovak Telekom Group. This development will bring values and corporate culture into closer proximity, which will enable intensive cooperation to reinforce perception of the Group as a customer oriented service organisation.

In the coming year, T-Mobile Slovensko will continue to focus strongly on achieving corporate objectives financially and qualitatively, and on developing a corporate culture oriented on services and improved processes directed at both external and internal customers. T-Mobile Slovensko, a.s. continues to regard as important the high satisfaction and loyalty of its employees, their secure development, and close cooperation with the entire Deutsche Telekom Group in the establishment of human resources processes.

Communication opens the door for our new products

As the telecommunications group with the biggest market share, Slovak Telekom has long considered systematic, honest and open corporate communication, both externally and internally, to be a priority. These principles are reflected also in the communications strategy of the Slovak Telekom Group implemented in its companies by their marketing and corporate communications functions. Doing so they observe provisions in the Code of Conduct of the Deutsche Telekom Group employees as well as the internationally recognised Sarbanes-Oxley Act.

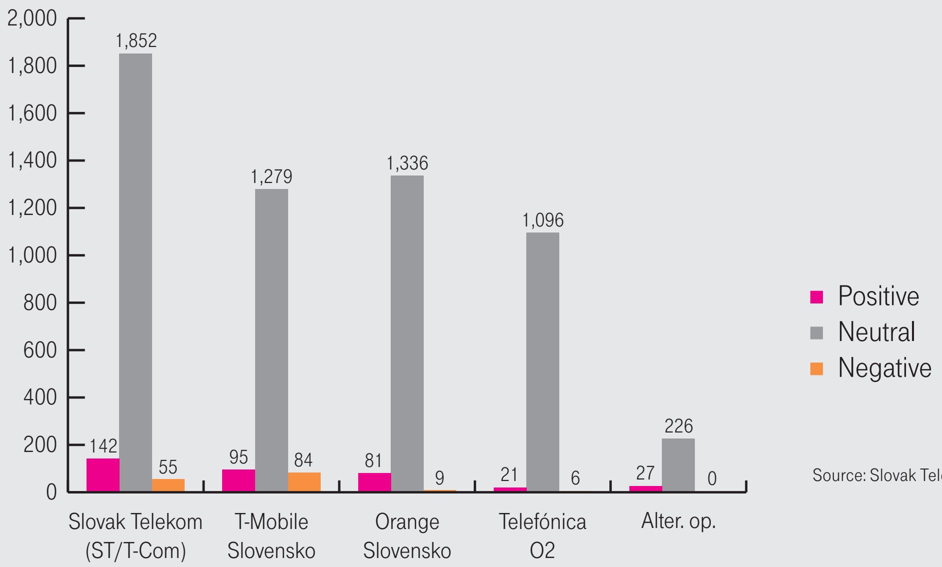
Slovak Telekom Group

In 2007, the communication strategy of the Slovak Telekom Group focused on support of high priority corporate objectives i.e. mainly support to sale of products and service, customer centricity, providing objective information about various activities and developments in companies forming the Group together with brand reputation building. Both leading brands of the Group, T-Com and T-Mobile, strengthened their market positions. Unaided awareness of the T-Com brand reached 74 % and prompted awareness 97 % (source: Advertising Tracking Study, GfK, 2007), making the T-Com brand one of Slovakia's best-known brand.

T-Mobile exceeded the preceding year's maximum levels of brand awareness in Slovakia (the GfK survey indicates unaided awareness of 93.1 %, and prompted awareness as high as 99.2%) The figures clearly confirm that today, T-Mobile is among the brands with the highest awareness in Slovakia.

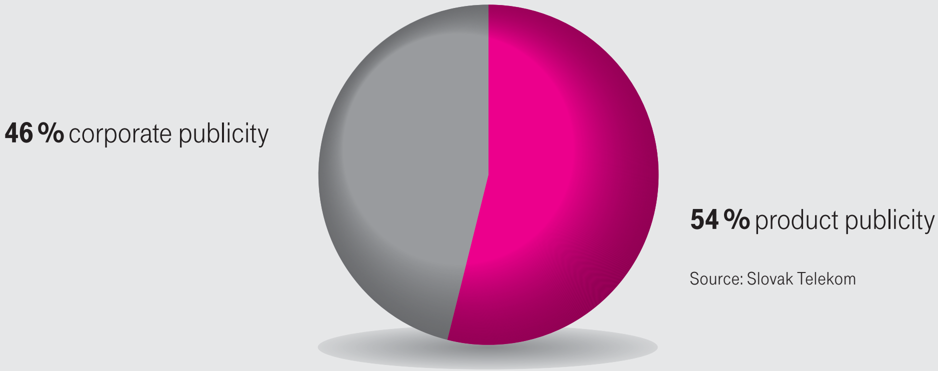
The prominent market position of the Slovak Telekom Group was also in 2007 accompanied by natural attention of the media. A detailed analysis confirmed increasing communication frequency trend; from the 3,507 media outputs monitored (i.e. articles by journalists based on information provided by communications teams of the Group companies) 97 % were analysed as objective publicity. Topics related predominantly to internet and data services (new 4G Internet portfolio, 4G Internet speed increase, ADSL 2+, Rýchly internet), voice services (calls from the fixed line to foreign destinations, Eurotariff from T-Mobile Slovensko, etc.) and Triple Play based services. On the whole, the product publicity totalled 54 % of the Group communications clearly meeting one of the principal communication goals set for 2007.
The share of corporate publicity, covering topics such as regulation and legislation as well as corporate responsibility, fell down compared to the overall publicity to 46%.

Media coverage of Slovak telecommunications operators in 2007

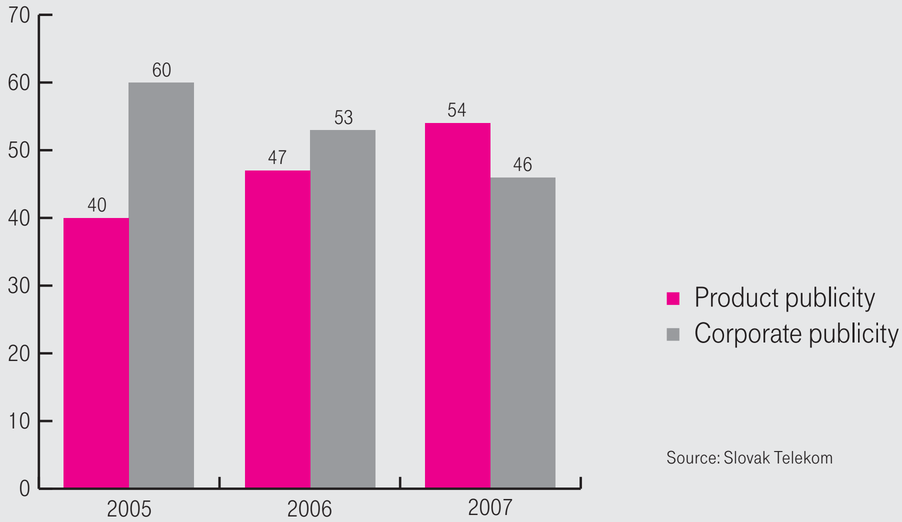


Source: Slovak Telekom

Product and corporate publicity of Slovak Telekom Group



Product vs. corporate publicity trend



Slovak Telekom

The corporate communication function at Slovak Telekom in 2007 embraced a wide array of activities executed by departments for external communication and internal communication as well as by the CSR team.

External communication focused on the launch of the new service Triple Play Magio supplementing the marketing communication mix with a broad array of public relations tools. The team's attention was also dedicated to the strategic decision concerning investments into optical network and the project of Žilina customer migration to a cutting edge NGN network. Standard communication tools were employed on the so-called segmentation basis in order to make the information flow to journalists more effective, reflecting both their field of specialisation and level of familiarity with various market and product segments. The change of focus and approach to developing press releases and information materials created new opportunities for closer cooperation with life-style media communicating ICT innovations to the public in a convenient way. This group of media also contributed to broadening awareness among the general public about projects focusing on leisure activities, charity and sponsorship incl. T-Com Fiesta, T-Com Fiesta beach, Magio skating rink or restoration of the Tatra Mountains afflicted by the storm. In the area of social responsibility, a new media mix was used in communication to the public with respect to the ST Award project, and external and ATL marketing communication were combined to communicate the new Endowment Fund of Slovak Telekom project.

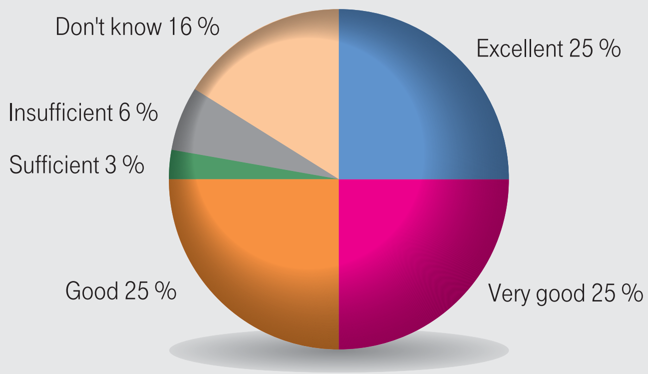
Publicity in the field of regulation and legislation concerned predominantly the new Electronic Communications Act amendment, which brought forward significant discrepancies in positions of the operators and the legislator submitting the amendment. Also thanks to the interest of the media, the enacted legislation incorporated majority of comments raised by the operators. The rulings of the District Court in Bratislava in two regulatory disputes with the Antimonopoly Office of the Slovak Republic were a positive impulse in the company communication in the second half of 2007 (the ruling on the 2004 tender for provision of telecommunications services for Ľudová banka imposing a penalty of SKK 80 million and the ruling pertaining to the abuse of the dominant position of Slovak Telekom – under the court ruling, also the SKK 885 million penalty liability was annulled)

In line with the goal to position Slovak Telekom/T-Com as a multimedia operator, the Company in 2007 prepared for the first time its Annual Report for the year 2006 in an electronic version only. The innovation brought to Slovak Telekom victory in the strong competition of 56 businesses in the category "Electronic Annual Report" in a national annual report contest.

Feedback from journalists forms the basis for future development and also a platform for further improvements. Along with regular discussions at informal meetings throughout the year also in 2007 a media audit – an opinion survey among media representatives concerning Slovak Telekom – was conducted.

The analysis concludes that the most frequent characteristics that respondents link with Slovak Telekom's market position are: dominant status, high quality services, broad service offering and traditional telephone service. To the question "How do you perceive ST's relationship with the public and customers", 78 % respondents replied positively (6 % excellent, 28 % very good, 44 % good). The openness of Company representatives' communication was positively evaluated by 81 % of the journalists that took part in the audit (22 % excellent, 37 % very good, 22 % good). Also positively evaluated was promptness of response to journalists' queries and availability of Company representatives for communication with media. Slovak Telekom's communication compared to the competition's was assessed by media representatives as excellent (13 %), very good (19 %), and good (31 %). The survey question "What do you value most in Slovak Telekom's communication with the media" received the following responses: problem-free access to information, prompt responses to media enquiries, informal meetings, willingness to respond even "outside conventional business hours" and the product testing opportunities. 21 of the 32 responding journalists concluded that Slovak Telekom services had improved lately, while none of them complained that services had not improved.
With respect to external communication department activities, most respondents considered external communication activities in 2007 to be very good (37%) or even excellent (22%).

Evaluation of perception of Slovak Telekom representatives by journalists



Source: VYV Public Relations

The audit provided certain recommendations for the external communications department for 2008: to set up a workshop for lifestyle journalists on Company products and technologies, to differentiate press releases by target groups, to optimise the number of press releases sent and to enhance their quality, and to identify specialised spokespersons in individual areas.

Slovak Telekom/T-Com in the Media

Topic: MAGIO
Digital entertainment to change our habits
(12 January 2007, Hospodárske noviny)
Slovak Telekom's chief, Miroslav Majoroš, in an interview for HN:

- What is the Magio market potential?
  It consists of several hundreds of thousands of households with cable TV, plus some ten per cent of households which, according to surveys, will purchase the service in the near future.
- Are you not considering offering Magio services besides the Triple Play set-up as a standalone digital TV product with a view to seniors' needs?
  Not at the moment. For us it is important to offer the product on a Triple Play basis, comprising digital TV service, internet connection and IP telephony. I do not, however, rule out such an option for the future.
- Will your offering also include HDTV channels?
  Certainly yes, the technology makes it possible. We are waiting for their arrival.

Topic: Endowment Fund of Slovak Telekom
A Slovak Telekom fund project to help intergenerational discussion
(6 September 2007, www.sme.sk, SITA)

- Improving access to information and helping the physically, socially or otherwise handicapped is the mission of a new Endowment Fund founded by Slovak Telekom in cooperation with the Intenda Foundation.
  "The principal goal will be to help individuals and groups access information which will improve their lives," said Júlia Steinerová from Slovak Telekom at today's press conference. The Intenda Foundation will select and monitor projects receiving support. Grants will be provided to organisations as well as to individual applicants. The first grant round for organisations is titled Information – a Bridge between Generations.

Topic: Optical network construction
Optics to be offered by T-Com, too
(7 September 2007, www.sme.sk)

- Extending optical networks to households is not to end in Slovakia with investments of Orange. On the very first day of the commercial launch of that operator's service Doma, based on fibre-optics network brought right to the client's home, a similar intent was announced by Slovak Telekom, offering services for households under the T-Com brand.
  The largest fixed line operator wants to invest by year-end SKK 1 bn in a network covering close to 200 thousand households. Orange, currently covering some 110 thousand potential clients, wants to achieve a similar presence by then. In the following year, Slovak Telekom anticipates investing approximately SKK 1 bn more into optics. Orange has not yet revealed its next year's plans but the Company's investment will probably be around the same level.

Internal communication in 2007 built on successes in previous years and positioned itself as a completely stable and credible platform for shaping corporate culture in line with corporate values. The contents and technical level of communication channels and media reflected Slovak Telekom's leading position in the ICT field. Besides existing tools such as Company intranet and newsletter, which were already available in previous years, 2007 was a year of expanding interactivity and focus on open and two-way communication between Company employees and management. Analytical and investigative genre elements, focusing on identifying and solving problems related primarily to the Company's customer orientation, enriched internal communication content.
An average of 67 % of employees daily visited the Company's intranet, the main tool of internal communication. In the course of the year, employees found topics there dedicated to the Company's customer orientation, ongoing transformation (entitled eJet), information about key milestones and successes of both teams and the whole Company, practical advice on employee life, and much more.
Employee discussion fora were very popular, in the course of the year collecting over 1,000 postings and reactions, almost half of them posted in the Customer Voice forum dedicated to company-wide sharing about specific customer issues. Again in 2007, all problems reported were successfully resolved.
Regular mapping of employee opinions, needs and expectations was conducted via year-long intranet surveys, questionnaires and research, focusing on a variety of areas in employee life.
In June 2007 the intranet was expanded with a new feature, enabling employees to voice an opinion openly on any issue: the ST Blog. Slovak Telekom thus joined the few businesses in Slovakia to support this new modern form of intra-company discussion.
On average, twice a month employees can watch intranet TV, covering key events in the Company's life in pictures and sound. The Aplauz series of portrait documentaries introduced colleagues with outstanding work performance, lifestyle or personal qualities. Short films produced internally and shown at various internal events gave an impulse to vivid and fruitful discussions between employees and managers.
The corporate monthly journal became a useful medium for enforcing gradual changes in employee attitudes and opinions towards higher efficiency and more customer-focused orientation in 2007. It featured several extensive analytical materials, a broad array of managerial and employee opinions concerning topical questions and issues, and offered quality professional as well as recreational reading for company employees and their family members.

Adhering to high standards in internal communication was further confirmed in the September 2007 findings of audit activities by Internal Communications Department as part of the Audit ISO 9002.
Extraordinary appreciation of internal communication quality at Slovak Telekom came in the form of an October victory in the 1st annual worldwide contest of communications projects within the Deutsche Telekom Group, the Magenta Award.

Slovak Telekom also regularly shares information on its key activities in internal media of the parent company Deutsche Telekom. News from Slovak Telekom is published on the closed user group communication portal GCN (Global Communication Network), in the international company journal You and Me Magazine, and on the international intranet portal Intranet Telekom. A portal accessible to all employees serves as an information platform for all business and organisational units in the Deutsche Telekom Group. Intranet Telekom regularly presents corporate news, product and technological innovations, market developments, and corporate social responsibility activities of the Company. The Communications Subunit at Slovak Telekom provides for regular flow of information to the parent company. In 2007, Slovak Telekom featured 23 published articles in internal media of the Deutsche Telekom Group, covering key events of the year from financial results through product information to sponsorship activities.

T-Life – a Bridge for the Slovak Telekom Group

The intranet portal T-Life is a joint communication platform for Slovak Telekom Group employees. Its information connects employees of Slovak Telekom/T-Com, T-Mobile Slovensko, Zoznam and Zoznam Mobile. The simple and convenient site contains information about key events in the life of individual companies, new products, services, technologies and marketing campaigns, sponsorship, philanthropic and volunteering activities, and leisure time information.

This joint intranet portal of the Slovak Telekom Group is a part of a progressive communication synergy between Slovak Telekom and T-Mobile Slovensko. Employees learn about life, corporate culture, news and the successes of their colleagues from other companies in the Group. Despite the fact that coordinating of communication activities has not been a formalised task, the external environment as well as employees of both companies find it a natural thing.

Following the successful rebranding project, the key task of **marketing communication** in 2007 was to continue developing the T-Com brand and supporting sale of the key products and services – high-speed 4G Internet and Magio digital TV.

Despite increasing competition in all sectors of the telecommunications market, the T-Com brand in 2007 held its position as the best-known provider of comprehensive telecommunications services and best-known internet provider in Slovakia (source: GfK, Advertising Tracking Study, February 2007, May 2007, August 2007).
The T-Com brand also scored a remarkable success in communication of the innovative service Magio, the best-known service in the category of providing television broadcasting in Slovakia. Moreover, the entire product category "digital TV" (regardless of specific service) is most frequently associated by consumers with the T-Com brand (source: GfK, Advertising Tracking Study, September 2007)

Qualitatively, the T-Com brand is perceived as proven and reliable. It is used on the one hand by caring people who like helping others and are family-oriented, and on the other hand by people who are goal-driven, reliable and consistent.
The T-Com brand helps people do their jobs better and to manage as many things as possible at maximum speed, but is also strongly associated with opportunities to share news with acquaintances and friends. People associate feelings of concentration, accountability and usefulness with the T-Com brand (source: TNS AISA, Needscope, December 2007).
In 2007, the T-Com brand continued in its highly successful strategy of communicating using communication packages. Within a single period (usually 2-3 months) the T-Com brand communicates several products and services under a single creative idea. Thus, individual parts of a communication package are interconnected, and campaigns support awareness of one other. On the other hand, individual package elements are sufficiently differentiated and each has its own distinctive storyline linked to the particular product and its benefits, thus avoiding potential confusion of consumers. Such approach enables achievement of communication results comparable to the competition's, but with significantly lower media expenditures.
An important element in marketing communication is so-called relevant marketing. T-Com brand communication is strictly linked to products and their benefits. By this means, T-Com is continuously showing and reinforcing to the consumer the benefits connected with T-Com brand products and services.

Marketing communication of the T-Com brand in 2007 also received various awards and certificates. The T-Com brand was awarded two silver nails, one bronze nail and four shortlists at the national creativity contest Zlatý klinec (Golden Nail).
At the same time the T-Com brand received the award Zlatý klient roka (Golden Client of the Year), presented by the monthly Strategie on behalf of the Zlatý klinec contest organiser. The award is based on Top Creativity chart points, received by brands at advertising festivals in Slovakia and abroad over the year.
T-Com brand succeded in the national contest of marketing communication efficiency EFFIE Slovakia 2007 prove that the creative can also be effective. The T-Com brand received a Golden Effie for interactive rebranding the T-Com brand, and 3 Bronze Effies for product campaigns. The Golden Effie is especially valuable, as from 2000 to 2006 it was not awarded in Slovakia at all.

The summer T-Com Fiestas were key activities in communicating the T-Com brand. In its second year it expanded from Bratislava to Banská Bystrica and Košice. The T-Com Fiesta in Bratislava in 2007 included the T-Com Fiesta Beach, which became immensely popular among the capital city's population and managed, in a very innovative manner, to bring consumers a new experience with the T-Com brand and its services. This is because visitors were invited to try services like Magio digital TV, 4G Internet or Hlas cez internet (Voice over Internet) directly on the beach and absolutely free of charge.
At the end of 2007, the summer T-Com Fiesta was followed by another innovative and unique communication project – the Magio skating rink. The visitor rate at the rink exceeded all expectations, and it became one of Bratislava's key winter attractions.

Marketing communication success is measured primarily by consumer response in the form of sales of products and services. In this respect too, the T-Com brand succeeded in attracting consumers, mainly visible in with success in sales of 4G Internet and Magio.

T-Mobile Slovensko

T-Mobile Slovensko continued strengthening its market position, and undertook several related activities in the area of corporate communication.

External communication in the past year focused on intensive communication with the media, developing its own communications messages, and responding to hundreds of enquiries of media, public and professional institutions. External communication engaged in several global and European surveys and participated in various types of telecommunications research. Special attention was devoted to sponsorship of several cultural events, which external communication supplemented with its own support activities.

The primary mission of external communications is related to strong service and product support. In this respect, external communication contributes to Company's efforts to become the most highly recognised service company, which is why it is necessary to support all market launches in the product portfolio with multiple communication tools. Although media in 2007 also focused on selected corporate and regulatory topics, product communication volume remains very high.

Media presence also included positioning the management team in the media. In 2007, several dozen interviews, profiles, surveys and responses were featured, in which top managers directly represent the Company, providing the reader with their perspectives on the entire Company, the relevant division, or positions on current telecommunication market trends. In terms of Company representatives' visibility, year 2007 was one of the most successful ever.

Much attention in the past year was also devoted to media relation activities. T-Mobile prepared various forms of events for the media, ranging from press conferences (on financial results of the Company, and the mobile internet web'n'walk service launch) through smaller events (business breakfasts on the occasion of the market launch of the BlackBerry Pearl, and on the topic of roaming) to informal meetings with individual media representatives. At the end of January 2007, T-Mobile Slovensko and Slovak Telekom organised a visit of Slovak journalists to Deutsche Telekom's traditional event IPK (Internationales Presse Kolloquium) in Berlin, where Slovak media representatives could join in receiving information about the Group and its current trends directly from top executives.

A separate episode in external communication activities occurred through a series of events entitled T-Mobile SuperNight. This event was added to the Company's sponsoring of the Slovensko hľadá SuperStar competition. As part of the project, T-Mobile sponsored eight parties in Slovakia's biggest club, providing visitors with a unique opportunity to meet their favourite contestants live, to spend a few hours together with them, to take pictures with them, and compete for face-to-face backstage meetings. With the SuperNight concept, T-Mobile embodied its goal of being "simply closer" to all fans and its customers and offer them an interesting new form of entertainment. At the same time, SuperNight established a link between the direct activity of T-Mobile and SuperStar, strengthening the T-Mobile brand; the media featured direct references and articles featuring T-Mobile in relation to the sponsored show.

T-Mobile Slovensko in the Media

Topic: New CEO Milan Vašina
Milan Vašina: The third operator did not significantly affect T-Mobile plans
(16 March 2007, Mobilmania.sk)

- Do you have any personal goals you would like to implement in your new position at T-Mobile?
  My personal goal is to meet the expectations of our shareholders. The market is gradually becoming more and more competitive but the company is in good shape – in particular with respect to the employees. We need to do one thing – to clearly communicate to the team what we want to do and when we want to do it in order to be "ready to act". This would be my ambition – to deliver that we want with sufficient flexibility and with the team we have in place.
- T-Mobile motto is "service oriented company". What specifically are you doing to implement this vision and what are your plans?
  This is our long-term strategy – customer care is our priority. We started with the loyalty club. We continued by ensuring the customer has the best possible access to us – and so for example our customer line is available for free for 24 hours a day. We also have special clubs (Premium Gold Club, Professional Club) and we are moving on with customer segmentation with respect to our service approach towards them. Service packages for individual segments will also continue the future, and this year we will introduce further strategic steps.
- Is the Slovak customer's sensitivity to service quality high?
  I think it is high in terms of the entire Eastern Europe region. Just to take coverage, this is perfect on the Slovak market. Similarly to the Czech market. Abroad, a customer does not have such high expectations and does not get such high quality. Slovak customer expectations are high. It's a demanding customer. Definitely.

Topic: Launch of web'n'walk
T-Mobile Web'n'Walk – internet in your pocket
(17 April 2007, SME)

- Are you bored when travelling? Do you have the constant feeling you ought to check your email? New products are coming to market to tempt you. With the new service web'n'walk, mobile phones get the convenience of full Internet connectivity.
  Almost every telephone equipped with Java supports the web browser Opera Mini, which can make its way through even complex websites full of graphics. Its advantage is that it can compress transmitted data to a minimum and display comprehensive websites with non-standard navigation of burdensome graphics. T-Mobile offers a 10 and 20 MB monthly flat rate, so you can count on displaying several thousands of pages per month without paying for data over the limit.

Topic: Slovak Pop Idol promotional campaign
Mobíks – so far the biggest SuperStar stars
(20 October 2007, 3G Centrum)

- People say that no one knows where they came from and what they want, since they never answer such questions.
  Although they have been with us for several years, we kept overlooking them. All that is to change with the 3rd series of SuperStar (Slovak name for Pop Idol), since the Mobíks wish to get famous through the contest.

> “The names, characteristics and stories of the Mobíks were developed by a T-Mobile creative team, which included our advertising agency and animators,“ explains Lucia Babaríková, T-Mobile brand manager. She revealed that the idea was created several months before the 3rd SuperStar series started, which provided the Mobíks enough time to prepare for their first show.

Internal communication at T-Mobile Slovensko also pursued the goal “to become the most highly regarded service company” in 2007. This company-wide mission comes through in internal communication activities, helping shape and develop corporate culture in the same spirit.

The principal tools of internal communication are electronic media and the employee newsletter Echo. Echo is very popular with employees, as documented by its achieving results among the best in an international survey focusing on company newsletters and organised by the company T-Mobile International. Internal communication also received awards in Slovakia. In the Corporate Medium of the Year, T-Mobile yet again ranked top for Echo and also came in first in the category Audiovisual media for an educational film teaching sign language, for sales staff serving customers with hearing disabilities.

Internal communication is active in various areas. One of the principal fields is introducing key initiatives of the Company, its goals and results to company employees. The goal is to support knowledge of the direction of Company development among employees using multiple communication tools. In this way, employees can more easily understand their role in the Company, as well as deliverables and results of their colleagues with respect to quarterly and year-end results. The CEO regularly addresses employees in articles in the employee newsletter and on the intranet. Support in this area also includes a series of manager events, and a semi-annual roadshow for all employees, at which division directors present results and vision for the upcoming period. Quality and satisfaction with the event is subsequently assessed by employees themselves – feedback provided implied that Roadshow 2007 was the best ever.

In order to help employees to know better the services and products launched, internal communication organised several accompanying campaigns. This of course featured information provided via the internal newsletter and electronic media among other marketing tools directly inside the company. Moreover, employees can also get to know products and try them out in the showroom located in the Company building. Employees and internal communication were especially interested in the project campaign of the sponsored Slovak SuperStar 3. This project resonated through the Company for over three months.
Strong communication support was also provided to the security department for the autumn educational campaign “Security starts with you”.

Internal communication held many employee events in 2007. Besides the traditional roadshows and manager meetings, employees enjoyed another summer T-Mobile Day, regularly dedicated to a joint gathering of employee families with children and offering several sport activities and contests for the young ones. Employees also engaged in sports T-Mobile Football Cup and T-Mobile Squash Cup events. One of the most popular activities of the year was once again the Christmas party, where winners of the Service Hero 2007 survey were announced.

In 2007, the **marketing communication** of T-Mobile continued to build a strong brand and emphasise its key attributes, by means of simple and emotional communication campaigns. Despite the new mobile operator’s entry and competitors’ activities, T-Mobile exceeded threshold levels of brand awareness in Slovakia compared to the previous year and achieved very high values (from GfK research: unaided awareness 93.1 %, aided awareness as high as 99.2 %).

Another of T-Mobile’s outstanding communication success came with the summer Euro roaming service campaign – the TV spot ad “Cica” (“Kitty”). GfK survey results rank the campaign among the five best campaigns in the telecommunications sector in 2007. T-Mobile achieved above-average values on this communication in the course of both summer months with the target group of 20 to 40 year-olds (unaided awareness 41.5 %, promoted awareness 88.7 %, T-Mobile brand recognition 87.2 % and satisfaction 89.3 %) and also in communicating the main benefit to the entire population.

Besides the highly successful summer Euro roaming campaign, T-Mobile in 2007 launched several other successful product campaigns.
Early in 2007 T-Mobile introduced its loyalty programme Easy Plus, with more advantageous calls and SMS within the T-Mobile network under the headline “Esemeskuj bezhlavo, teraz to máš zadarmo” (Go Crazy with Texting – Now it’s Free).
In spring T-Mobile introduced an additional credit with the price plan Fix, helping customers afford more throughout the year, in line with the headline and creative presentation of the offering (the TV spot “Basketball”).

In this period T-Mobile significantly changed its mobile internet service portfolio, launching a revolutionary innovation making the mobile internet easier and more understandable and effective for customers. With the new web’n‘walk service, T-Mobile customers can view internet pages on their mobile phone displays about as conveniently as on their PCs. T-Mobile introduced the new web'n'walk product in an international campaign featuring omnipresent mouse pointer arrows. In Slovakia as elsewhere, the campaign achieved very good communication results.

The summer period was among most successful in recent years. Apart from a highly successful roaming campaign, marketing communication prepared an attractive campaign promoting Paušál pre blízkeho (Flat Rate for Someone Dear to You). The campaign was expressed by carrying those who are dearest to you in arms, and was followed by the successful summer promotion "Slovensko, na ruky!" (Slovakia, Get into Arms) in cooperation with Fun radio. The Easy promotion promoting free calling after the 3rd minute (the TV spot "Nafukovačka" / inflatable) also achieved a very good business communication in the summer period.

Speed and mobility for a good price were the main benefits of the Rýchly internet (Fast Internet) campaign with the telling name "Rozhýbte sa" (Get Moving). An attractive summer promotion in over 40 cities across the country supported this campaign. At swimming pools and town centres, customers had the chance to try out our unique services and Rýchly internet, and then order a specific service.

The year's end was typically generous. T-Mobile's superb Christmas offering introduced several attractive offers for the price plans Viac, Relax, and Fix, as well as Rýchly internet. The Christmas offering was supplemented with the Million lottery. Each customer who activated or prolonged one of the selected price plans received a scratch-off ticket entitling him/her to take part in a competition for 10 x SKK 1 million or win one of 100,000 instant prizes.

In 2007, T-Mobile Slovensko became the general sponsor of the competition Slovensko hľadá SuperStar 3 (Slovak Pop Idol 3). T-Mobile yet again showed great commitment, creating an outstanding integrated marketing communication project – building the campaign of several months around ATL, BTL, and PR channels and striking promotion activities. Mobíks – ten animated characters who were linked to the entire contest – maintained sponsor references. Like the contestants, the characters as "promising talents" went through the full contest programme, from casting through the recording studio and grand arrivals to final evenings and decision moments. Mobíks had their own internet page with thematic materials, games and profiles, and attracted the interest of the most-viewed Slovak media, which wrote about them as the advertising phenomenon of the season. This communication concept exceeded original expectations and saw great success among all age categories in Slovakia.

Music remains the principal pillar of the Company's sponsorship strategy. In addition to supporting the Slovensko hľadá SuperStar 3 contest, T-Mobile brought two British pop stars to Slovakia. In spring, T-Mobile was the general sponsor of a George Michael concert at Inter stadium in Bratislava. Not only could customers get tickets to the concert, but the nine luckiest also got the chance to meet the singer in person. The concert hall featured a special T-Mobile zone for users of the new web'n'walk service right under the stage.
In autumn T-Mobile delighted electronic music fans, introducing cofounder of Depeche Mode Andy Fletcher in a DJ role to a Slovak audience. The night of Friday 23 November 2007 in Bratislava had a special flavour - Andy Fletcher presented a special set combining famous hits of Depeche Mode and mixing other famous electronic music songs. T-Mobile has actively supported electronic music for several years, and organised a series of electronic beat events.

T-Mobile continues to engage in sports sponsorship. As the Official Sponsor of the Slovak Football Association and the Slovak national team it prepared the original project "Hor sa do Prahy s T-Mobilom!" (Let's go to Prague with T-Mobile!) for football fans. In autumn 2007, the Euro 2008 qualification reached its final rounds, peaking in the Czech Republic vs. Slovakia match on 17 November in Prague.

These examples clearly indicate that 2007 was successful for T-Mobile communication. The brand and its key attributes were strengthened by successful creative campaigns, sponsorship activities and very attractive offers for customers.

Zoznam

Zoznam.sk has long been the internet portal with the highest visitor rate in Slovakia, and is now the best-known internet brand in the country as well (source: Gfk Slovakia).
In May 2007, its marketing communication focused on supporting the new home page of Zoznam, which besides changing layout and functionality also introduced unlimited capacity for e-mail accounts.

The community-based portal Pauzicka.sk, which was the new item of the year in 2007, offers a broad portfolio of free online games in nine categories, including multiplayer games. The summer campaign promoting the gaming portal on the occasion of premiering film The Simpsons – a Simpson quiz based on the TV game show Millionaire – doubled the visitor rate.

In October 2007, the new motoring magazine Autoviny.sk came into the internet magazine market. Cooperation with the publishing house Motor Presse Slovakia, which publishes the motoring monthly Auto Motor a Šport, ensures high quality content. The launch was supported with a first in Slovak online surveys named Autovinka roka (new car of the year), in which users voted for 2007's best car model. The winner received the title Autovinka roka, and ten respondents won valuable prizes, including a new car.

The commercial launch of the new internet retailer Z-Obchody.sk, part of Zoznam.sk, was timed for the pre-Christmas period, as the advertising campaign showed. The campaign reflected the dull Christmas present stereotype and so was called "Ponožky a Slipy" (stockings and underwear). The campaign finished first in the business monthly Stratégie's rankings in the categories TV spot and Out of home, and third among radio spots.

The portal's high visitor rate is the basic prerequisite for big media partnerships. Every year Zoznam.sk is a media partner to summer music festivals, theatre performances, film premieres and such other cultural events as fairs and exhibitions. Among other events, in 2007 the portal was the media partner to Letné Shakespearovské slávnosti (Summer Shakespeare Festival), Kultúrne leto (Culture Summer), concerts of international music stars including Jay Z, 50 Cent, Vanessa Mae, Chemical Brothers, Joe Cocker, megahit film premieres such as The Simpsons, Ratatouille, and Elizabeth I, and the world's most frequently staged musical Mamma Mia.

The most interesting partner projects were supported with user contests, in which users were invited to show off their talent, knowledge or skills. This type of advertising is not seen as aggressive, and indeed generates content that attracts or entertains users, thus increasing the portal's visitor rate.

Communication in a Strong Competitive Environment into the Future

From the perspective of telecommunications market development, 2008 will be a great challenge for the existing market players. Development of new, primarily optics-based technologies will stimulate ever-fiercer competition. The communication strategy of the Slovak Telekom Group will continue to position T-Com, T-Mobile and Zoznam.sk to be perceived unambiguously as a synonym for modern, attractive and high quality services, both for work and for entertainment.

Corporate Social Responsibility of Slovak Telekom Group

The Slovak Telekom Group is one of the major companies in Slovakia, which enables it effectively influence the standard of living in our country. The Company strives to use this exceptional position to actively support worthy philanthropic projects that result in the widest possible benefit to both individuals the society at large. Group strategy is primarily to assist in areas neglected in the past. Attention is thus concentrated on the areas of knowledge economy and support to new artistic forms, approaches, and cultural values.

Social responsibility is an enduring part of the corporate values of the Slovak Telekom Group. The Group's corporate responsibility strategy is based on the principles of corporate social responsibility of the parent company, Deutsche Telekom AG.

Slovak Telekom

In 2007 as in the previous year, Slovak Telekom focused its public benefit activities mainly on the following four areas:

- corporate philanthropy, with the aim of enhancing the quality of life of socially disadvantaged or otherwise dependant citizens,
- support of citizens' digital literacy,
- support of unique cultural and sport projects,
- corporate volunteering, with the aim of supporting activities of select communities.

Corporate Philanthropy
The Donors' Forum prepares and publishes a ranking of TOP Corporate Philanthropists, which provides overview of the most generous corporate donors in the Slovak Republic. The ranking criterion is the amount of money from a company's budget donated for public benefit via financial gifts, non-financial gifts, services, time, and the like. The amount of money does not include those donations used to support public benefit projects through sponsorships and assigning the allowable 2 % income tax. In 2007 as in earlier years, Slovak Telekom was among the companies recognised. The Company ranked fourth in overall amount in category public benefit activities. In the category of non-financial gifts, Slovak Telekom ranked third.

Endowment Fund of Slovak Telekom Established with the Purpose of Helping
Slovak Telekom, in co-operation with the Intenda Foundation, established the Endowment Fund of Slovak Telekom in September 2007, with the aim of assisting those who are disabled physically, socially or otherwise. The Endowment Fund of Slovak Telekom is a new philanthropic concept of Slovak Telekom's for the assistance of individuals and organisations in improving their quality of life of people through securing them access to information and info-communication technologies. The Intenda Foundation is the administrator of the Fund, and arranges for selection and monitoring of the projects supported. The first grant round open to applications by organisations, from 6 September till 10 October 2007, was dedicated to support of projects to strength inter-generation dialogue by the use of multimedia technologies. This concept of developing dialogue among people of various generations resonated with many organisations from all of Slovakia's regions. Of the 89 projects submitted, the professional assessment committee selected 21. Apart from the grant rounds, which were themed and exclusively dedicated to organisations, the Endowment Fund of Slovak Telekom directly supports purchase of info-communication aids for physically disadvantaged children and young people and their caretakers. In 2007, the fund supported 17 physically disadvantaged children and young people from various parts of Slovakia, who got the

chance to communicate actively with friends, educate themselves, and work, thanks to this elimination of barriers. A second grant round, entitled IN-FORMATION, was announced at the end of 2007 and aimed at projects supporting integration of physically disadvantaged children and young people into society. Support of individual persons continued on a bi-monthly schedule.

Co-operation with National and International Charities

Slovak Telekom has been supporting an initiative of the Society of Friends of Children's Homes – Úsmev ako dar (Smile as a Gift) for several years. In 2007, the Company supported the 25th annual beneficial concert, the longest-running in Slovakia, which attracts attention to the problems of children living without parents.

Co-operation with the Nadácia pre deti Slovenska (Foundation for Children of Slovakia) in implementing the project Hodina deťom (Hour for Children) also has a long tradition. Slovak Telekom provides its telephone line for financial donations, 18 222, free of charge. As an expansion of the co-operation with Nadácia pre deti Slovenska in previous years, the donation can be organised during the whole year.

Slovak Telekom became a project partner of the Fond na vzdelávanie mladých rómskych umelcov (Young Roma Artist Education Fund) last year, and also contributed to a project of Operačné stredisko záchrannej zdravotnej služby (the Slovak emergency medical service) entitled Spevnime spolu záchrannú sieť (Let's Strengthen the Emergency Network Together).

The Company was the general sponsor of Clown Day, organised by the Dr. Klaun Foundation. For five years, this Foundation had financed theatre performances for children who must spend part of their childhood separated from their parents – at social services homes, at special boarding schools for disadvantaged children, at hospitals, and at other specialised children's care facilities.

Slovak Telekom provided the toll free info line 0800 103 104 for the European Information Centre last year, aimed at providing information to the public on EU issues. In 2008, the info line will concentrate on information related to the transition to the Euro.

Support of Internetisation of Slovakia

Slovak Telekom has been supporting the informatisation and internetisation of the society since 2002, when in co-operation with the government of the Slovak Republic it initiated the eSlovakia programme. Since then several projects have implemented, significantly contributing to Slovakia's transition to a modern country of info-communication. The largest project was PCs for Schools, bringing computer classrooms with Internet accesses to elementary and secondary schools in Slovakia. This Slovak Telekom project set the stage for various additional projects, the first of them including eTablo, eČasopis, and Pupil Record Book determined for students of elementary and secondary schools. Their goal was to motivate students to actively use the Internet and to create interesting Internet content.

In 2007 Slovak Telekom continued its activities in support of digital literacy in the Slovak educational system, but this time it focused on teachers. In May 2007, the Company announced its second annual of Slovak Telekom Award (abbreviation: ST Award). The goal of the competition was to inspire teachers to use modern info-communication technologies in teaching their subjects, and to support mutual exchange of professional and methodological experience from their use in practice. The competition was organised under the auspices of the Ministry of Education of the SR. Over seven months, 166 teachers reported their efforts, competing in the categories of Elementary, Secondary, and Special Education. Based on the assessment of a ten-member committee, the most creative educators obtained valuable financial awards. The competition's unique character is exemplified by its archive, or to be precise its Virtual Library, which came about by making 352 participant projects available. This both inspires state of the art teaching methods and supports quality Internet content to all educators.

The second group on which Slovak Telekom concentrated for internetisation support was women on maternity leave. The Company provided 41 mothers' centres with internet access for two year free of charge, and helped organise internet training courses.

Investment in Culture and Sport

Slovak Telekom has long supported exceptional events in the area of dramatic and film art. In 2007, the Company was a general sponsor of the 15th annual International Film Festival Artfilm, organised at the end of June in Trenčín and in Trenčianske Teplice.

Apart from supporting world cinema, Slovak Telekom has supported original Slovak film production for several years. As a general sponsor, the Company contributed to the production of the original Slovak film “Polčas rozpadu (Half-Life)” by Viliam Klimáček.

The Company’s brand name has for years been associated with the Aréna Theatre, of which Slovak Telekom is the main sponsor. In 2007, the Company was the general sponsor of two premieres. On the occasion of Gejza Dusík’s centenary, the Aréna Theatre presented the operetta Under an Alien Flag, last performed more than sixty years ago. The God of Carnage, by French playwright Yasmina Reza, is one of her titles most often performed, and her dramatic pieces are more popular than most. Critics acclaimed the Zürich premiere of The God of Carnage in December 2006 as the play of the year. Soon the piece was included in the repertory of prestigious German theatres, of the Vienna Burgtheater in Vienna, and of the Aréna Theatre.

Having long supported Slovak hockey’s Premier League, Slovak Telekom and its brand T-Com became general sponsor of the Slovak Olympic Committee and the Slovak Olympic Team. Through its general sponsorship of the Slovak Olympic Committee, the Company aims to support the best possible representation of the country’s sports, and shows its trust in the success of the Slovak delegation to the Games of the XXIX Olympiad in Peking in 2008. Yet the Company does not confine itself to supporting of the most popular of sports, last year as an example supporting the school hockey ball league and sponsoring the Slovak Deaflympic Committee for the 16th Winter Deaflympic Games in Salt Lake City.

Corporate Volunteering

Besides backing nationwide philanthropic activities, Slovak Telekom employees develop their own projects. Volunteering requires much more personal commitment, enthusiasm, energy, and often self-sacrifice on the part of Company employees than any other form of support. The Company’s first philanthropic project consisted of volunteer weekends in the High Tatras after the 2004 calamity. Several early enthusiasts were joined by others, and now we have organised volunteer weekends together with the subsidiary T-Mobile Slovensko.

For two years now, Slovak Telekom has been co-operating with the crisis centre Slniečko, the first crisis and therapy centre in Slovakia for abused mothers with children. Among other activities, Company employees helped landscape around the centre and organise various International Childrens’ Day and Santa Claus activities for children.

In 2007, Slovak Telekom established co-operation with the civil society Proti prúdu (Against the Current), organising a football tournament between Slovak Telekom employees and a team of homeless people entitled Saturday without Differences. This was a daylong event with several activities, with the Slovak Telekom team engaged in preparing the FC Nota Bene team for the World Championship of Homeless People.

T-Mobile Slovensko

Socially, economically, and environmentally, T-Mobile Slovensko finds ways of applying its slogan "jednoducho bližšie" ("Simply Closer"). Philanthropy and sponsoring are part of its business, and the Company engages in these areas through various events and by supporting many organisations, activities and projects in Slovakia. This takes many forms – financial contributions, provision of products and services, and corporate volunteering.

Corporate Philanthropy

T-Mobile Slovensko has co-operated with the Association of the Hearing Impaired of Slovakia for six years now. T-Mobile's portfolio comprises several services – SMS, MMS and data services – which make communication among hearing-impaired people easier. T-Mobile Slovensko strives to make this as simple as possible and improve its services to this target group. For this reason there are now nearly 50 sales staff capable of basic sign language basics in 20 shops today, with most of them having also passed an intermediate course to significantly enhance their capability of communicating. This third year of sign language training took place in May 2007, with brand shop staff taking part for the first time. The basic course by professional trainers provided staff both knowledge of sign language and the sign alphabet and information on specific issues of this target group, on preferred types of mobile phones, and on services used. Practical experience has confirmed that the hearing impaired have welcomed this service. T-Mobile Slovensko therefore also offered staff an intermediate version of the course, where they could enhance their knowledge not only of sign language but also of the preferences of this group of customers, and study how to help them as much as possible and know which aspects to concentrate on. T-Mobile Slovensko remains the only telecommunications company able to serve a hearing impaired customer without pen and paper or the assistance of an interpreter.

Co-operation with the Association of the Hearing Impaired of Slovakia was enriched by a sign language course for the public, which took place in November in Ždiar. Several dozen people learned the basics of sign language for a significantly decreased price during an entire week, in a way similar to sales staff. In co-operation with the Association, T-Mobile also engaged in other activities – financial support to the Miss Deaf contest and to the translation into sign language of fairy tales and educational films for children and to their publication. T-Mobile Slovensko also significantly contributed to the construction of five mobile interpreting centres equipped with web cameras, which enable mutual communication of hearing-impaired citizens from Bratislava, Nitra, Žilina, and Banská Bystrica Regions via the Fast Internet service.

In November 2007, T-Mobile Slovensko in co-operation with the Pontis Foundation announced a grant programme Hľadáme ďalší zmysel – pre zamestnanie (Trying to Find Deeper Meaning – for employment). This project brought T-Mobile philanthropy to a new group of people. The first round of the grant programme supported employment of both hearing-impaired and sight-impaired individuals. T-Mobile also supported this grant programme by a media campaign. Its message was that little needs to be done in order to employ the sight- or hearing-impaired – once certain barriers are eliminated, they can join the work force without problems and forget their handicaps for a time.

T-Mobile Slovensko has supported the Mountain Rescue Service for nine years now, contributing to tourist safety. The Company contributes to the work of the Mountain Rescue Service in the High and Low Tatras, West Tatras, Veľká Fatra, and Slovak Paradise. T-Mobile provides comprehensive mobile telecommunications services inclusive of mobile data communication. Additionally, it operates the non-stop emergency line 18 300 and supplies complete servicing of Mountain Salvage and Rescue Service mobile phones.

In 2007, T-Mobile Slovensko helped implement SMS donation campaigns for Hodina deťom, Biela pastelka, Daffodil Day, Noc splnených snov (Dream Night), Forget-Me-Not Day, Konto nádeje (Account of Hope), Boj proti rakovine – Zbierka Nadácie Medical (Fight Cancer – Medical Foundation Collection), and TV JOJ Foundation. The aim of T-Mobile is to enhance the culture of giving and philanthropy in Slovakia. For this reason T-Mobile became one of partners of the new project DMS (Donors SMS project), a reliable, simple, and transparent mechanism with clear and equal rules for all the non-governmental non-profit organisations engaged. By sending an SMS to a unified number with one same format and price, the customer may support any collection currently being organised. The donation is distinguished by text in the body of the message.

Environmental Activities

T-Mobile Slovensko supported the Trixi Mobiles project – environmentally friendly transport during the summer period. Trixi Mobiles are ecological three-wheelers for one driver and two passengers powered by classic bicycle pedals. The cabin is made of 100 % recyclable polyethylene. These three-wheelers transported people using determined routes in Bratislava and its vicinity through the whole summer. They were also available in Trenčín during the Pohoda Fest and in Košice starting in September. The goal of the Trixi Mobiles project was to promote environmentally-friendly non-motor transport and to support the "Greenways – Way for Healthier Life" grant programme, which has been supported by the Ekopolis Foundation for several years. This programme aims at construction of comfortable and safe paths for walkers, cyclists, joggers, skiers, and wheelchair-users. These paths contribute to a healthier life style, improve conditions for non-motor transport and relaxation, and support protection of our natural and cultural heritage.

An interesting ecological activity was organised during the last weekend of September, when the first annual community project Naša Bratislava (Our Bratislava) took place. This project is prepared by the Engage group of companies in co-operation with the Pontis Foundation. Employees of T-Mobile took part in the project, helping beautify the area around the mothers' centres Hojdana and Prešporkovo, paint the walls of the Pohoda children's home, construct natural barriers preventing erosion in Horský park, or in other ways lending a hand in the capital of Slovakia.

Education and Development of Young People

Another key area of T-Mobile Slovensko's corporate social responsibility is support for education and youth development projects. Therefore T-Mobile as the main sponsor took part in the nationwide Young Leader competition last year. This project has for several years been organised by the non-profit training organisation Junior Achievement Slovensko – Mládež pre budúcnosť (Youth for the Future). The project's goal is to find future leaders with exceptional capabilities among the student participants. Last year, 87 students took part in the project, and the 24 best from the regional rounds in Bratislava, Dubnica nad Váhom, Žilina, Banská Bystrica, and Košice were chosen for the national final entitled Conference of Young Leaders. Several winners emerged from the Conference: the most noticeable personalities, who now have a chance to represent themselves, their schools, and all Slovakia in various international events.

T-Mobile Slovensko is a key player in supporting internetisation and internet utilisation in Slovakia. Therefore T-Mobile Slovensko became a partner of the 5th annual project SME v škole (WE ARE at School) in co-operation with the daily SME. In the project, students received a booklet that became part of their lessons in October and November. The booklet was prepared in a form that was playful engaging for the children. The booklet contained information on how two services, "High-Speed Internet" and "web'n'walk", may help children work systematically and master their curriculum. The internet can be of great help to students searching for information and completing homework.

Employees' Grant Program – T-Mobile Helping the Community

The issue of corporate social responsibility relate to more than just a few dedicated people at T-Mobile Slovensko. T-Mobile also invites all its employees to participate in actively improving their world. The programme of financial grants for community activities was announced in 2007 the fourth time around. The goal of the T-Mobile Helping the Community programme is to support innovative ideas directed at enhancing the quality of life in the community Company employees live in or come from. Last year 109 employees took part in the programme, submitting interesting projects that created opportunities for active recreation, volunteering, or culture, art, sport, education, or social and health care. During the four years of the programme, T-Mobile Slovensko has already supported 135 projects.

Zoznam

The philanthropic activities of Zoznam last year included organising the Drop of Blood project in co-operation with the Red Cross, for the employees of several companies. Nearly 100 volunteers donated this precious liquid, earning the thanks and admiration of the national transfusion station representatives.
The Company also supports the media campaigns of most major charity projects, such as Hodina deťom, Dobrý anjel (Good Angel), Úsmev ako dar, Unicef, the Childrens Fund of the Slovak Republic and People in Danger and its Jeden Svet (One World) project.

Prospects for 2008

Slovak Telekom activity in philanthropy, corporate social responsibility and sponsoring in 2008 will continue to reflect the strategies of its companies, and communicate its corporate and brand values in a socially attractive manner. Corporate social responsibility is an enduring part of the corporate values declared by all Slovak Telekom Group companies.

IV. Financial Results

Slovak Telekom, a. s.

Auditor's Report and IFRS Consolidated Financial Statements

31 December 2007

Contents

All amounts are in millions of Slovak crowns, unless otherwise stated

Consolidated Income Statement

for the year ended 31 December

	Notes	2007	2006
Fixed network and broadband revenue		13,726	13,821
Mobile communication revenue		16,737	15,484
Other		279	342
Total revenue	4	30,742	29,647
Staff costs	5	(3,817)	(3,924)
Material and equipment		(3,940)	(3,470)
Depreciation, amortisation and impairment loss	11,12,13	(9,405)	(10,499)
Interconnection and other fees to operators		(3,850)	(3,789)
Other operating income	7	1,731	711
Other operating costs	6	(6,499)	(5,954)
Operating profit		4,962	2,722
Financial income	8	314	150
Financial expense	9	(70)	(446)
Profit before tax		5,206	2,426
Taxation	10	(808)	(533)
Profit for the year from continuing operations		4,398	1,893
Discontinued operation	11	1,767	330
Profit for the year		**6,165**	**2,223**

The consolidated financial statements on pages 83 to 119 were authorised for issue on behalf of the Board of Directors on 13 March 2008 by:

Ing. Miroslav Majoroš
Chairman of the Board of Directors
and President

Szabolcs Gáborjáni-Szabó
Member of the Board of Directors
and Senior Executive Vice-President

All amounts are in millions of Slovak crowns, unless otherwise stated

Consolidated Balance Sheet

as at 31 December

	Notes	2007	2006
ASSETS			
Non-current assets			
Property and equipment	12	37,607	40,220
Intangible assets	13	15,567	17,342
Prepaid expenses		661	574
		53,835	58,136
Current assets			
Inventories	16	1,103	271
Trade and other receivables	17	3,559	3,688
Prepaid expenses		299	309
Held-to-maturity investments		1,964	-
Income tax		-	222
Cash and cash equivalents	18	8,952	4,433
		15,877	8,923
Assets of disposal group and other assets held for sale	11	13	2,594
		15,890	11,517
TOTAL ASSETS		**69,725**	**69,653**
EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital		26,028	26,028
Share premium		11,632	11,632
Statutory reserve fund	19	1,436	1,385
Retained earnings	19	13,977	12,431
Other reserves	19	3,683	4,061
		56,756	55,537
Non-current liabilities			
Provisions	21	234	203
Deferred tax	10	5,444	5,710
Other payables and deferred income	20	442	538
		6,120	6,451
Current liabilities			
Trade and other payables and deferred income	20	6,005	6,352
Provisions	21	225	1,181
Income tax		619	-
		6,849	7,533
Liabilities directly associated with assets classified as held for sale		-	132
		6,849	7,665
Total liabilities		12,969	14,116
TOTAL EQUITY AND LIABILITIES		**69,725**	**69,653**

Consolidated Statement of Recognised Income and Expense

for the year ended 31 December

	Notes	2007	2006
Hedging swaps		-	(8)
Actuarial gains and (losses) on defined benefit plans		(5)	-
Deferred tax		1	2
Income and (expense) recognised directly in equity		(4)	(6)
Profit after income taxes		6,165	2,223
Recognised income and (expense)		**6,161**	**2,217**

All amounts are in millions of Slovak crowns, unless otherwise stated

Consolidated Cash Flow Statement

for the year ended 31 December

	Notes	2007	2006
Profit for the year from continuing operations		4,398	1,893
Profit for the year from discontinued operation	11	1,767	330
Adjustments for:			
Depreciation, amortisation and impairment loss	11,12,13	9,405	10,566
Interest (income) / expense, net		(305)	62
Income tax expense	10	1,015	612
Gain on disposal of property and equipment		(328)	(236)
Net gain on disposal of investment in subsidiary		(1,659)	-
Other non-cash items		102	(126)
Movement in provisions		(932)	(139)
Changes in working capital:			
Change in trade and other receivables		(116)	54
Change in inventories		(838)	184
Change in trade and other payables		232	389
Cash flows from operations		12,741	13,589
Income taxes paid		(422)	(1,313)
Net cash flows from operating activities		12,319	12,276
Investing activities			
Purchase of intangible assets, property and equipment		(5,743)	(7,186)
Proceeds from disposal of property and equipment		1,000	331
Proceeds from disposal of investment in subsidiary	11	3,504	-
Acquisition of held-to-maturity investments	25	(1,960)	-
Acquisition of minority interests		-	(50)
Interest received		314	150
Net cash used in investing activities		(2,885)	(6,755)
Financing activities			
Repayment of borrowings		(7)	(3,366)
Payments on derivatives		-	(406)
Dividends paid	19	(4,942)	(800)
Interest paid		-	(267)
Net cash used in financing activities		(4,949)	(4,839)
Net increase in cash and cash equivalents		4,485	682
Cash and cash equivalents at 1 January	18	4,467	3,785
Cash and cash equivalents at 31 December	**18**	**8,952**	**4,467**

Notes to the Consolidated Financial Statements

Index to the notes to the consolidated financial statements

All amounts are in millions of Slovak crowns, unless otherwise stated

1. General information

These consolidated financial statements have been prepared for Slovak Telekom, a.s. ("the Company" or "Slovak Telekom") and its subsidiaries T-Mobile Slovensko, a.s. ("T-Mobile"), Zoznam, s.r.o. ("Zoznam"), Zoznam Mobile, s.r.o. ("Zoznam Mobile"), Tower Slovakia, s.r.o. v likvidácii ("Tower Slovakia", formerly RK Tower, s.r.o.), Telekom Sec, s.r.o. and the Institute of NGN (together "the Group").

Slovak Telekom was incorporated as a joint-stock company in the Slovak Republic on 1 April 1999. On 4 August 2000, Deutsche Telekom AG obtained control of the Company through the acquisition of 51 % of the shares of Slovak Telekom. The transaction involved the purchase of existing shares from the Slovak Government and the issue of new shares. The Slovak Government retains 49 % of the shares of the Company through the Ministry of Economy of the Slovak Republic (34 %) (Note 26) and the National Property Fund (15 %).

T-Mobile was founded in 1990 as a joint venture between Atlantic West B.V. (AWBV) and Slovak Telekom. On 31 December 2004 Slovak Telekom completed the purchase of the shares held by AWBV and became the sole shareholder of T-Mobile.

On 31 August 2005 the Company purchased 90 % of the shares of Zoznam and 100 % of the shares of Zoznam Mobile. On 30 June 2006, the Company acquired the remaining 10 % of the shares in Zoznam.

The Company is the principal supplier of fixed-line telecommunication services in the Slovak Republic and owns and operates the majority of the telecommunications facilities therein. The Company provides local, national, and international telephony services and a wide range of other telecommunications services including leased lines, data networks and narrowband as well as broadband internet services. It also provides residential and business customers with products ranging from standard telephones to computer communication networks.

T-Mobile provides mobile telephony services in the 900 MHz and 1800 MHz frequency bands under the Global System for Mobile Communications ("GSM") standard, in the 450 MHz frequency band under the Nordic Mobile Telephone (" NMT") standard, and in the 2100 MHz frequency band under the Universal Mobile Telecommunications System standard ("UMTS"), hereinafter referred to as 'mobile services'. T-Mobile commercially launched the NMT service in September 1991, the GSM 900 service in February 1997, the GSM 1800 service in November 1999 and the UMTS service in January 2006. T-Mobile has also provided Managed Data Network Services ("MDNS") since November 1991. T-Mobile's business activities and customers are concentrated in the Slovak Republic.

Zoznam and Zoznam Mobile operate the internet portal www.zoznam.sk and develop mobile entertainment content and software for mobile phones, and provide information, advertising and promotional services.

On 5 October 2007, the Group ceased the operation of radio and television transmission and all assets and liabilities related to the radio-communication business were sold as of this date.

Members of the Statutory Boards as at 31 December 2007

Board of Directors	
Chair:	Ing. Miroslav Majoroš
Vice-chair:	Ing. Jaroslav Volf
Member:	Ing. Ivan Doletina
Member:	Szabolcs Gáborjáni-Szabó
Member:	Horst A. Hermann
Member:	Dr. Ralph Rentschler
Member:	Ing. Vladimír Zeman

1. General information (continued)

Supervisory Board

Chair:	Wolfgang Hauptmann
Vice-chair:	Pavol Dlhoš
Member:	Ing. Ľudovít Hintoš
Member:	Ing. Pavel Kyman
Member:	Dr. Albert Matheis
Member:	Ing. Jozef Opát
Member:	Ing. Jiřina Perényiová
Member:	Norbert Schmidt
Member:	Anton Štefko

During 2007 a number of changes were made in the Commercial Register: Mr. Siegfried Pleiner and Mrs. Regine Büttner left the Supervisory Board and were replaced by Mr. Wolfgang Hauptmann and Mr. Norbert Schmidt. The Board of Directors approved the change of the Company's registered office, taking effect as of 1 June 2007, from Námestie Slobody 6 to Karadžičova 10, Bratislava. In October 2007 the Company closed its branches, Rádiokomunikácie, o.z. and Call Services, o.z.

Deutsche Telekom AG, with its registered office at Friedrich Ebert Allee 140, Bonn, Germany, is the parent of the group of which the Company is a member and for which group financial statements are drawn up. The parent's consolidated financial statements are available at their registered office or at the Register Court administering the Commercial Register of the District Court of Bonn HRB 6794, Germany.

2. Accounting policies

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation
The consolidated financial statements have been prepared on a historical cost basis, except where disclosed otherwise.

The Group's functional currency is the Slovak crown ("SKK"), the consolidated financial statements are presented in SKK and all values are rounded to the nearest million, except when otherwise indicated.

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

Statement of compliance
The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS").

Basis of consolidation
The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December for each year. The financial statements of the subsidiaries are prepared for the same reporting year as the Company, using uniform accounting policies.

All subsidiaries are fully consolidated from the date of acquisition, being the date on which the Company obtains control, and continue to be consolidated until the date that control ceases.

All intra-group balances, transactions, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

2. Accounting policies (continued)

2.1 Basis of preparation (continued)
Basis of consolidation (continued)
A business combination is accounted for using the purchase method of accounting. An acquisition is accounted for at its cost, being the amount of cash and cash equivalents paid in exchange for control over the net assets of an acquired company, plus any cost directly attributable to the acquisition. The excess of the cost of acquisition over the fair value of the net assets of the subsidiary is recorded as goodwill. The same treatment is applied when accounting for the acquisition of minority interest. The Group uses the cost of the additional interest in the subsidiary and the fair value information at the date of this exchange transaction to determine the amount of the goodwill associated with the transaction.

2.2 Property and equipment
Cost
Property and equipment, except for land, is carried at cost, excluding the costs of day-to-day servicing, less accumulated depreciation and accumulated impairment in value. The cost of property and equipment acquired in a business combination is fair value as at the date of acquisition. Land acquired prior to year 1991 is stated at the values assigned to it by the Government and land purchased thereafter is carried at acquisition cost. Costs also include the estimated costs for dismantling and removing the asset and restoring the site on which it is located. Borrowing costs are not capitalised.

Cost includes all costs directly attributable to bringing the asset into working condition for its intended use. In the case of the network, this comprises all expenditure, including internal costs directly attributable to network construction up to the network termination point within customer premises, and includes contractors' fees, materials and direct labour. Cost also includes the replacement cost of property and equipment when those costs are incurred, if the recognition criteria are met.

The cost of subsequent enhancement is included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. Maintenance, repairs and minor renewals are charged to the income statement as incurred.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement in the year the asset is derecognised. Net disposal proceeds consist of both cash consideration and the fair value of non-cash consideration received.

Depreciation
Depreciation is calculated on a straight-line basis from the time the assets are available for use, so as to write down their cost to their estimated residual values over their useful lives. The depreciation charge is identified separately for each significant part of an item of property and equipment.

The useful lives assigned to the various categories of property and equipment are:

Freehold buildings	8 to 50 years
Duct, cable and other outside plant	13 to 30 years
Telephone exchanges and related equipment	4 to 13 years
Radio and television equipment	8 to 30 years
Other fixed assets	2 to 30 years

No depreciation is provided on freehold land and capital work in progress.

The assets' residual values, useful lives and depreciation methods are reviewed and adjusted in accordance with IAS 8, where appropriate, at each financial year-end.

Property and equipment are reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable. Where the carrying amount of an asset is higher than its recoverable amount, it is written down to its estimated recoverable amount.

2. Accounting policies (continued)

2.2 Property and equipment (continued)
Depreciation (continued)
When property and equipment meet the criteria to be classified as held for sale, they are stated at whichever is the lower of their carrying amount and fair value less costs to sell and reclassified from non-current to current. The Group measures an item of property and equipment that ceases to be classified as held for sale at the lower of:

a) its carrying amount before the asset was classified as held for sale, adjusted for any depreciation and amortisation that would have been recognised had the asset not been classified as held for sale, and

b) its recoverable amount at the date of the subsequent decision not to sell.

2.3 Goodwill
Goodwill acquired in a business combination is initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is not amortised but is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units. Each unit or group of units to which the goodwill is allocated represents the lowest level within the Group at which the goodwill is monitored for internal management purposes.

Impairment is determined by assessing the recoverable amount of the cash-generating unit to which the goodwill relates.

2.4 Intangible assets
Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. With the exception of goodwill (see above), intangible assets have a finite useful life and are amortised using the straight-line method and assessed for impairment whenever there is an indication that the intangible asset may be impaired.

The useful lives and the amortisation methods for intangible assets are reviewed at least at each financial year-end. Changes in the expected useful lives or the expected pattern of consumption of future economic benefits embodied in the assets are accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates.

Licences are recognised as intangible assets when control is assumed; any payments made prior to control being assumed are recorded as prepayments. Amortisation commences on the date of the commercial launch.

Costs that are directly associated with the development of identifiable and unique software products controlled by the Group and that will probably generate economic benefits exceeding costs beyond one year are recognised as intangible assets. The cost comprises all directly attributable costs necessary to create, produce and prepare the software to be capable of operating in the manner intended by management, including enhancements of applications in use.

The useful lives assigned to the various categories of intangible assets are as follows:

Customer contracts and related customer relationships	4 to13 years
Licenses	10 to 20 years
Software, brand and other	2 to 5 years

2. Accounting policies (continued)

2.4 Intangible assets (continued)
Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are included in the income statement when the asset is derecognised.

2.5 Impairment of assets
At each reporting date the Group assesses whether there is any indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. For the purposes of assessing impairment, assets are grouped at the lowest level for which there is separately identifiable cash flows (cash-generating units). The Group determines the recoverable amount of a cash-generating unit based on its fair value less costs to sell. The fair value less costs to sell is determined by reference to discounted cash flow calculations. These discounted cash flow calculations are based on financial budgets approved by management, usually covering a ten-year period, and used for internal purposes. Cash flows beyond the detailed planning periods are extrapolated using appropriate growth rates. Key assumptions on which management bases the determination of fair value less costs to sell include average revenue per user, customer acquisition and retention costs, churn rates, capital expenditures, market share, growth rates and discount rates. The discount rate used reflects the risk specific to the cash-generating unit. Cash flows used reflect management assumptions and are supported by external sources of information.

The structure of the Group's cash-generating units for the purpose of general impairment testing is as follows:

Cash-generating unit	Recurrence of impairment testing
Slovak Telekom	if triggering event occurs
T-Mobile	Annually
Zoznam, Zoznam Mobile	Annually

If the carrying amount of the cash-generating unit to which goodwill is allocated exceeds its recoverable amount, goodwill allocated to this cash-generating unit is reduced in the amount of the difference. If the impairment loss recognised for the cash-generating unit exceeds the carrying amount of the allocated goodwill, the additional amount of the impairment loss is recognised through the pro rata reduction of the carrying amounts of the assets allocated to the cash-generating unit. Impairment losses on goodwill are not reversed.

In addition to the general impairment testing of cash-generating units, the Group also tests individual assets if their purpose changes from being held and used to being sold or otherwise disposed of. In such circumstances the recoverable amount is determined by reference to market value less cost to sell.

2.6 Inventories
Inventories are stated at the lower of cost and net realizable value. Cost is calculated on a weighted average basis. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs necessary to make the sale. An allowance is created against slow-moving and obsolete inventories.

2.7 Financial assets
When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Group determines the classification of its financial assets on initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year end.

Trade and other receivables
After initial measurement trade and other receivables, which generally have 14-60 days' terms, are measured at amortised cost less any allowance for impairment. The allowance recognised reflects the expected credit risk. Trade receivables are grouped together on the basis of similar credit risk characteristics and tested for impairment. The loss recognised is measured as the difference between the receivable's carrying amount and the present value of estimated future cash flows. The estimated cash flows are based on the past experience of the collectibility of overdue receivables.

2. Accounting policies (continued)

2.7 Financial assets (continued)
Trade and other receivables (continued)
The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement. Subsequent recoveries of amounts previously written off are credited against costs in the income statement.

When the trade receivable to which an allowance was recognised becomes uncollectible or sold, it is written off against the allowance account for trade receivables.

Amounts payable to and receivable from the same international operators are shown net in the balance sheet when a right to set-off exists.

Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on assets held for trading are recognised in profit or loss.

During 2007 the Group did not hold any derivative instruments designated as hedges in accordance with IAS 39.

Held-to-maturity investments
Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when the Group has the positive intention and ability to hold to maturity. After initial measurement held-to-maturity investments are measured at amortised cost using the effective interest method. The calculation takes into account any premium or discount on acquisition and includes transaction costs and fees that are an integral part of the effective interest rate. Gains and losses are recognised in profit or loss when the investments are derecognised or impaired, as well as through the amortisation process.

Cash and cash equivalents
Cash and short-term deposits in the balance sheet comprise cash at banks and in hand and short-term deposits with an original maturity of three months or less from the date of acquisition and short term bonds and promissory notes with high liquidity.

For the purpose of the consolidated cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of bank overdrafts. In the balance sheet, bank overdrafts are included in borrowings in current liabilities.

Derecognition of financial assets
A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

a) the rights to receive cash flows from the asset have expired; or

b) the Group has transferred its rights to receive cash flows from the asset and has transferred substantially all the risks and rewards of the ownership of the asset.

2.8 Financial liabilities
Trade and other payables
Trade and other payables are initially measured at fair value. After initial recognition trade and other payables are measured at amortised cost using the effective interest method. The carrying values of trade and other payables approximate their fair values due to their short maturity.

Financial liabilities at fair value through profit or loss
Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in profit or loss.

During 2007 the Group did not hold any derivative instruments designated as hedges in accordance with IAS 39.

2. Accounting policies (continued)

2.8 Financial liabilities (continued)
Derecognition of financial liabilities
A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

2.9 Leased assets
The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Leases of assets in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

When an operating lease is terminated before the lease period has expired, any payment made to the lessor by way of penalty is recognised as an expense in the period in which the termination takes place.

2.10 Prepaid expenses
The Group has easement rights to use and access technological equipment sited in properties owned by third parties. These easements, which arise on the disposal of properties where such technological equipment is sited, are presented within prepaid expenses in the balance sheet. Easements are initially recognised at their net present value and then amortised over their expected duration.

2.11 Provisions
Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

If the effect of the time-value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks and timing specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a borrowing cost.

Asset retirement obligations
Asset retirement obligations relate to future costs associated with the retirement (dismantling and removal from use) of non-current assets. The amount of the asset retirement obligation initially recognised in the period in which incurred is considered an element of the cost of the related non-current asset in accordance with IAS 16. The obligation is accreted to its present value each period, and the capitalised cost is depreciated over the estimated useful life of the related non-current asset. Upon settlement of the liability, the Group either settles the obligation for its recorded amount or incurs a gain or loss upon settlement.

Customer loyalty programs
The Group operates customer loyalty programs. As part of the programs, the Group grants credits to the participants which can be redeemed in future periods for free or discounted goods or services. A provision is recognised as expense when credits are granted to customers. The provision is reduced by the portion representing estimated awarded credits that are expected to be forfeited by the customers. The provision is utilised when the customers receive benefits from the program.

Termination benefits
Employee termination benefits are recognised in the period when a detailed plan listing the number and structure of employees to be discharged is defined and authorised by management and the trade unions.

Employee benefit obligations
The Group provides retirement and other long-term benefits under both defined contribution and defined benefit plans.

In the case of defined contribution plans, the Group pays contributions to publicly or privately administered pension or severance insurance plans on a mandatory or contractual basis. Once the contributions have been paid, the Group has no further payment obligations. The contribution is based on gross salary payments. The cost of these payments is charged to the income statement in the same period as the related salary cost.

2. Accounting policies (continued)

2.11 Provisions (continued)
Employee benefit obligations (continued)
The Group also provides defined retirement and jubilee benefits. These benefits are unfunded. The cost of providing benefits is determined separately for each benefit using the projected unit credit actuarial valuation method. The defined benefit liability comprises the present value of the defined benefit obligation less past service cost not yet recognised. The discount rate is determined by reference to market yields on government bonds. The currency and term of the corporate bonds or government bonds are consistent with the currency and estimated term of the benefit obligations.The past service cost is recognised as an expense on a straight line basis over the average period until the benefits become vested. If the benefits are already vested immediately following the introduction of, or changes to, a pension plan, past service cost is recognised immediately.

Actuarial gains and losses arising from experience-based adjustments and changes in actuarial assumptions are recognised in the period in which they occur, within equity for retirement benefits and within the income statement for jubilee benefits.

2.12 Revenue recognition
Revenue is recognised upon the delivery of services and products and customer acceptance thereof and to the extent that it is probable that economic benefits will flow to the Group and the revenue can be reliably measured. Revenue for rendering services and customer equipment sales is shown net of value added tax and discounts.

The Group recognises revenue as follows:

Access fees and charges for incoming and outgoing telephone calls and other traffic are recognised in revenue in the period in which the service is rendered.

Activation fees are deferred over the expected customer retention period. This period is estimated on the basis of the anticipated term of the customer relationship under the arrangement which generated the activation fee. Customer acquisition costs incurred, to the extent of the activation fees, are recognised as an asset and amortised over the same period.

Interconnect revenue derived from calls and other traffic that originate in other operators' networks is recognised in revenue at the time when the call is received in the Group's network. The Group pays a proportion of the revenue it collects from its customers to other operators for calls and other traffic that originate in the Group's network but use other operators' networks.

Content revenue is recognised gross or net of the amount due to the content provider when the latter is responsible for the service content and the Group acts as an agent without assuming the risks and rewards of ownership of the services.

Revenue from multiple revenue arrangements is considered as comprising the identifiable and separable components to which general revenue recognition criteria can be applied separately. Numerous service offers are made up of two components, a product and a service. Once the separable components have been identified, the amount received or receivable from the customer is allocated based on each component's fair value. The revenue recognised is limited to the consideration received.

Revenue from sales and rental of equipment is recognised when the equipment is delivered and installed at customer premises.

2.13 Operating profit
Operating profit is defined as the result before discontinued operations, income taxes and finance items. Finance items include interest income on short-term deposits and held-to-maturity investments, interest expense on borrowings and foreign exchange gains and losses.

2.14 Foreign currency translation
Transactions denominated in foreign currencies are recorded at the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date.

All foreign exchange differences are recognised within financial income / expense in the accounting period in which they arise.

2. Accounting policies (continued)

2.15 Taxes
Current tax
Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the tax authorities. The tax rates and tax laws used to calculate the amounts are those enacted at the balance sheet date.

Deferred tax
Deferred income tax is provided using the liability method on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except where the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses to the extent that it is probable that a taxable profit will be available against which the deductible temporary differences, the carry-forward of unused tax credits and unused tax losses can be utilized, except where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

2.16 Comparatives
Certain balances included in the comparative financial statements have been reclassified to conform to the current year presentation. Such reclassifications, in accordance with IAS 1.38, were carried out in order to enhance inter-period comparability of information and comprise the following changes:

a) Own work capitalised of SKK 467 million (Note 6) is disclosed as a separate line item in other operating costs in the 2006 comparatives. In the 2006 income statement this item is presented within staff costs and material and equipment.

b) Other operating income of SKK 711 million (Note 7) is disclosed as a separate line item on the face of the income statement in the 2006 comparatives. This item is presented within other operating costs, net in the 2006 income statement.

2.17 Significant accounting judgements, estimates and assumptions
The preparation of the Group‘s financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities, and the disclosure of contingent liabilities reported at the end of any given period and the reported amounts of revenues and expenses for that reported period. Actual results may differ from these estimates.

In the process of applying the Group‘s accounting policies, management has made the following judgements, estimates and assumptions which have the most significant effect on the amounts recognised in the financial statements:

Useful lives of non-current assets
The estimation of the useful lives of non-current assets is a matter of judgement based on the Group’s experience of similar assets. As described in Notes 2.2 and 2.4, the Group reviews the estimated remaining useful lives of non-current assets at the end of each annual reporting period. Management’s estimates and judgements are inherently prone to inaccuracy for those assets for which no previous experience exists.

Impairment of non-current assets
The Group has recorded impairment losses on property and equipment on the basis of management’s expectations of future sales, the timing of such sales and expected selling price less cost to sell. For certain items, no final decision has yet been made and, therefore, the assumptions applied may change. Refer to Note 12 and Note 13 for details of the impairment of property and equipment and intangible assets.

2. Accounting policies (continued)

2.17 Significant accounting judgements, estimates and assumptions (continued)
Impairment of goodwill
The Group determines whether goodwill is impaired at least annually. This requires an estimation of the recoverable amount, which is typically fair value less cost to sell determined using a discounted cash flow method. Estimating the fair value less cost to sell requires the Group to apply a suitable discount rate and also to make an estimate of the expected future cash flows from the T-Mobile cash-generating unit. Specifically, the estimation of cash flows underlying the fair values of the mobile business considers the continuing investment in network infrastructure required to generate future revenue growth through the offering of new data products and services for which only limited historical information is available. Refer to Note 14 for details of the impairment testing of goodwill.

Allowance for doubtful accounts
The Group maintains an allowance for doubtful accounts to account for estimated losses resulting from the inability of customers to make the requisite payments. When evaluating the adequacy of the allowance for doubtful accounts, management bases its estimates on historical write-off experience, customer creditworthiness and changes in customer payment terms. Refer to Note 17 for details of the allowance for doubtful accounts.

Easements
On disposal of certain properties where technological equipment is sited and required for the Group's operations, the Group enters into agreements to obtain easement rights to continue to use and access this equipment for extended periods. Management has determined, based on an evaluation of the terms and conditions of these sales agreements, that these transactions give rise to an operating lease commitment as the Group does not retain the significant risks and rewards of ownership of the properties.

Asset retirement obligation
The Group enters into lease contracts for land and premises on which mobile communication network equipment is sited. The Group is committed by these contracts to dismantle the equipment and restore the land and premises to their original condition. Management's determination of the amount of the asset retirement obligation involves the following estimates:

a) an appropriate pre-tax credit adjusted interest rate commensurate with the Group's credit standing;

b) the amounts necessary to settle future obligations.

Provisions and contingent liabilities
As set out in Notes 21 and 24, the Group is a participant in several lawsuits and regulatory proceedings. When considering the recognition of a provision, management judges the probability of future outflows and estimates the amount to settle the possible or probable obligation. The judgement and estimates are continually reassessed taking into consideration experience with similar cases.

2.18 Adoption of IFRS during the year
Standards, interpretations and amendments to published standards, which became effective during 2007 and are relevant to the Group's operations

- IFRS 7 Financial Instruments: Disclosures
  This standard requires disclosures that enable users of the financial statements to evaluate the significance of the Group's financial instruments and the nature and extent of risks arising from those financial instruments. The new disclosures are included throughout the financial statements. While there has been no effect on the financial position or results, comparative information has been revised where needed.
- IAS 1 (Amendment), Presentation of Financial Statements
  This amendment requires the Group to make new disclosures to enable users of the financial statements to evaluate the Group's objectives, policies and processes for managing capital (Note 3).

Standards, interpretations and amendments to published standards effective in 2007 but not relevant to the Group's operations

- IFRIC 7 Applying the Restatement Approach under IAS 29, Financial Reporting in Hyperinflationary Economies.
  The Group does not have a currency of a hyperinflationary economy as its functional currency.

2. Accounting policies (continued)

2.18 Adoption of IFRS during the year (continued)
Standards, interpretations and amendments to published standards effective in 2007 but not relevant to the Group's operations (continued)

- IFRIC 8 Scope of IFRS 2
  IFRIC 8 requires IFRS 2 to be applied to any arrangements where equity instruments are issued for consideration which appears to be less than fair value. The Group has not issued such equity instruments.
- IFRIC 9 Reassessment of Embedded Derivatives
  IFRIC 9 states that the date to assess the existence of an embedded derivative is the date that an entity first becomes a party to the contract, with reassessment only if there is a change to the contract that significantly modifies the cash flows. The Group has no embedded derivatives requiring separation from the host contract.
- IFRIC 10 Interim Financial Reporting and Impairment
  IFRIC 10 requires that an entity must not reverse an impairment loss recognised in a previous interim period in respect of goodwill or an investment in either an equity instrument or a financial asset carried at cost. The Group does not prepare interim financial reporting.

Standards, interpretations and amendments to published standards that have been published, are not effective for accouting periods starting on 1 January 2007 and which the Group has not early adopted

- IFRS 8 Operating Segments (effective for annual periods beginning on or after 1 January 2009)
- IFRIC 11 IFRS 2 Company and Treasury Share Transactions (effective for annual periods beginning on or after 1 March 2007)
- IFRIC 12 Service Concession Arrangements (effective for annual periods beginning on or after 1 May 2008)
- IFRIC 13 Customer Loyalty Programs (effective for annual periods beginning on or after 1 July 2008)
- IFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (effective for annual periods beginning on or after 1 January 2008).
- IAS 23 (Amendment), Borrowing Costs (effective for annual periods beginning on or after 1 January 2009)
- IAS 1 (Revised), Presentation of Financial Statements (effective for annual periods beginning on or after 1 January 2009)
- IFRS 3 (Revised), Business Combinations (effective for annual periods beginning on or after 1 July 2009)
- IAS 27 (Revised), Consolidated and Separate Financial Statements (effective for annual periods beginning on or after 1 July 2009)

Except for IFRIC 13, as explained below, and the additional disclosures required by the Revised IAS 1, the Group believes that the future adoption of the standard will not have any effect on the financial performance or position of the Group and management is assessing the impact of the interpretations.

IFRIC 13 Customer Loyalty Programmes requires customer loyalty award credits to be accounted for as a separate component of the sales transaction in which they are granted and, therefore, part of the fair value of the consideration received is allocated to the award credits and deferred over the period that the award credits are fulfilled. The Group operates such schemes and currently recognises a provision for its customer loyalty programs through expenses. Adoption of IFRIC 13 will result in changes in the value and the presentation of the related items in the income statement and balance sheet.

3. Financial risk management

The Group is exposed to a variety of financial risks. The Group's risk management policy addresses the unpredictability of financial markets and seeks to minimise potential adverse effects on the performance of the Group.

The Group's financial instruments include cash and cash equivalents, short-term deposits and held-to-maturity investments. The main purpose of these instruments is to manage the liquidity of the Group.

The Group has various other financial assets and liabilities such as trade receivables and trade payables which arise from its operations.

The Group enters into derivative transactions. The purpose is to manage foreign exchange risks arising from the Group's operations.

All amounts are in millions of Slovak crowns, unless otherwise stated

3. Financial risk management (continued)

The main risks arising from the Group's financial instruments are foreign exchange risk, interest rate risk, credit risk and liquidity risk. The Treasury Department is responsible for financial risk management, following guidelines approved by the Board of Directors and the Deutsche Telekom Treasury Department. The Treasury Department works in co-operation with the Group's operating units and with the Deutsche Telekom Treasury Department. There are policies in place to cover specific areas, such as foreign exchange risk, interest rate risk, credit risk, liquidity risk, the investment of excess funds and the use of derivative financial instruments.

In 2007, due to increase in excess funds at its disposal, the Group developed a Financial Investment Policy which establishes a framework for making financial investments and for ensuring the best possible return from such investments. The Financial Investment Policy includes limits for individual investment instruments, is in compliance with Group Treasury Policy and was approved by Slovak Telekom's Executive Management Board. In previous years the Group's policies did not permit trading in financial instruments.

3.1 Foreign exchange risk

The Group is exposed to transactional foreign exchange risks arising from international interconnection. In addition the Group is exposed to risks arising from capital and operational expenditures denominated in foreign currencies. Approximately 5 % of the Group's revenue and 28 % of costs are denominated in currencies other than SKK.

The Group requires all of its operating units to use forward currency contracts, currency swaps and spot market trading to eliminate the exposure towards the foreign exchange risk. The hedging financial instruments must be in the same currency as the hedged item. It is the Group's policy to negotiate the terms of the hedge derivatives to match the terms of the hedged item to maximise hedge effectiveness.

Short-term cash forecasts are prepared on a rolling basis to quantify the Group's expected exposure. The Group's risk management policy requires hedging every cash flow denominated in foreign currency exceeding the equivalent of EUR 50 thousand.

In 2006 and 2007, the Group entered into currency forward contracts to hedge its foreign exchange exposure arising on its firm commitments for future capital and operating expenditures. At 31 December 2007, the Group had hedged 77 % of its foreign currency purchases for which firm commitments existed at the balance sheet date.

To mitigate the foreign exchange risk arising from the business operations, the Group purchases and sells the foreign currencies on the spot market and uses forward contracts, which are expected to mature on the date of the anticipated foreign currency cash outlays.

The following table details the sensitivity of the Group's profit before tax and equity to a 5 % increase/decrease in the SKK against relevant foreign currencies, with all other variables held constant. The 5 % change represents management's assessment of the reasonably possible change in foreign exchange rates and is used when reporting foreign currency risk internally in line with treasury policies.

		2007	2006
Profit before tax	Depreciation of SKK by 5 %	82	97
	Appreciation of SKK by 5 %	(81)	(113)
Equity	Depreciation of SKK by 5 %	82	97
	Appreciation of SKK by 5 %	(81)	(113)

3.2 Interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates. In September 2006 the Group fully repaid its long-term borrowings and in 2007 the Group did not contract to any new loan agreement; this led to the elimination of the Group's exposure to interest rate risk from the borrowings.

The Group's exposure to the risk of changes in market interest rates relates to the Group's depository notes, held–to-maturity short–term bonds and promissory notes. The Group seeks to optimise its exposure towards interest rate risk using a mix of fixed–rate and floating–rate securities. At the end of 2007, the securities portfolio consists of fixed-rate bonds (30 %) and floating-rate bonds and promissory notes (70 %).

The sensitivity of the held-to-maturity investments to changes in interest rates is provided in Note 25.

All amounts are in millions of Slovak crowns, unless otherwise stated

3. Financial risk management (continued)

3.3 Credit risk

The Group's credit risk policy defines products, maturities of products and limits for financial counterparties. The Group limits credit exposure to individual financial institutions and securities issuers on the basis of the credit ratings assigned to these institutions by reputable rating agencies and these limits are reviewed on a regular basis.

The Group establishes an allowance for impairment that represents its estimate of losses incurred in respect of trade and other receivables and, historically, actual losses have not exceeded management's expectations. Impairment losses are recognised to cover both individually significant credit risk exposures, and a collective loss component for assets that are assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables includes the Company's past experience of collecting payments, as well as changes in the internal and external ratings of customers.

With regard to other financial assets, which comprise cash and cash equivalents, held-to-maturity investments and trade receivables, the Group's exposure to credit risk arises from the default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

3.4 Liquidity risk

The Group's liquidity risk mitigation principles define the level of cash, cash equivalents, marketable securities and the credit facilities available to the Group to allow it to meet its obligations on time and in full. The funding of liquidity needs is based on comparisons of income earned on cash and cash equivalents and investments in securities with the cost of financing available on credit facilities, with the objective of holding predetermined minimum amounts of cash and cash equivalents and credit facilities available on demand.

The table below summarises the maturity profile of the Group's financial assets (related to the currency forward contracts only) and liabilities based on contractual undiscounted payments.

As at 31 December 2007	On demand	Less than 3 months	3 to 12 months	Over 1 year	Total
Trade and other payables	228	3,155	10	77	3,470
Currency forward contracts:					
Contractual amounts payables	-	1,028	297	-	1,325
Contractual amounts receivables	-	(1,030)	(299)	-	(1,329)

As at 31 December 2006	On demand	Less than 3 months	3 to 12 months	Over 1 year	Total
Trade and other payables	163	3,515	13	97	3,788
Currency forward contracts:					
Contractual amounts payables	-	1,960	895	-	2,855
Contractual amounts receivables	-	(1,844)	(864)	-	(2,708)

3.5 Capital risk management

The Group manages its capital to ensure that it will be able to support its business activities on an ongoing basis, while maximising the return to its shareholders through the optimization of its capital structure. It takes into consideration any applicable guidelines of the majority shareholder. No changes were made in the objectives, policies or processes during 2007 and 2006.

The capital structure of the Group consists of equity attributable to shareholders, comprising issued capital, reserves and retained earnings (Note 19).

All amounts are in millions of Slovak crowns, unless otherwise stated

4. Revenue

	2007	2006
Fixed network communication revenue	9,547	10,300
Wholesale revenue	1,722	1,565
IP / Internet revenue	2,457	1,956
Total fixed network and broadband revenue	13,726	13,821
Mobile communication revenue	16,737	15,484
Other revenue	279	342
Total revenue from continuing operations	30,742	29,647
Revenues from discontinued operation	728	870
	31,470	**30,517**

5. Staff costs

	2007	2006
Wages and salaries	2,959	2,990
Social security contributions	858	934
	3,817	**3,924**

	2007	2006
Number of employees at period end	5,265	5,882
of which T-Mobile	1,450	1,496

As of 1 May 2007 the Company transferred 327 employees of Rádiokomunikácie, o.z. to its subsidiary, TBDS, a. s., which was subsequently sold to a third party on 5 October 2007 (Note 11).

All amounts are in millions of Slovak crowns, unless otherwise stated

6. Other operating costs

	2007	2006
Marketing	1,266	1,009
Dealer commissions	708	531
Repairs and maintenance	705	752
Outsourced services	569	265
Rentals and leases	516	368
Energy	424	427
IT services	388	385
Bank, postal and other services	286	290
Content fees	201	239
Frequency fees	186	187
Consultancy	161	179
Bad debt expenses	133	183
Material sold	120	196
Security	56	110
Business trips and training	47	160
Regulatory claims	4	68
Other	1,183	1,072
Own work capitalised	(454)	(467)
	6,499	**5,954**

7. Other operating income

	2007	2006
Release of legal provisions (Note 21)	983	-
Gain on disposal of property and equipment, net	328	234
Income from material sold	110	177
Other	310	300
	1,731	**711**

8. Financial income

	2007	2006
Interest on short-term deposits	213	150
Interest on held-to-maturity investments	74	-
Other	27	-
	314	**150**

All amounts are in millions of Slovak crowns, unless otherwise stated

9. Financial expense

	2007	2006
Interest on borrowings	-	201
Net interest arising on derivatives	-	12
Net foreign exchange losses	24	80
Net loss on financial instruments held for trading	20	124
Interest cost on restoration obligations	12	12
Bank charges and other financial expense	14	17
	70	**446**

In 2006 the Company repaid its interest-bearing borrowings and interest expense includes early settlement fees of SKK 87 million for the early repayment of these borrowings.

10. Taxation

The major components of income tax expense from continuing operations for the years ended 31 December are:

	2007	2006
Current tax expense	974	513
Deferred tax (income) / expense	(166)	20
Income tax expense reported in the income statement	**808**	**533**

Reconciliation between the reported income tax expense and the theoretical amount that would arise using the standard tax rate is as follows:

	2007	2006
Profit before income tax from continuing operations	5,206	2,427
Profit before income tax from discontinued operation	1,974	409
Profit before income tax	7,180	2,836
Income tax calculated at the statutory rate of 19 % (2006: 19 %)	1,364	539
Effect of income not taxable and expenses not tax deductible:		
Release of legal provisions	(186)	13
Discontinued operation	(168)	-
Other not tax deductible items, net	5	71
Tax charge in respect of prior years	-	(11)
Income tax at the effective tax rate of 14 % (2006: 22 %)	1,015	612
Income tax attributable to continuing operations	808	533
Income tax attributable to discontinued operation	207	79
	1,015	**612**

All amounts are in millions of Slovak crowns, unless otherwise stated

10. Taxation (continued)

Deferred tax assets (liabilities) and deferred tax expense (income) for the years ended 31 December are attributable to the following items:

	Balance sheet		Income statement	
	2007	2006	2007	2006
Accelerated tax depreciation	(3,894)	(3,992)	(98)	80
Unrealised foreign exchange gains	-	(3)	(3)	(65)
Allowance for bad debts	28	35	7	21
Termination benefits	6	7	1	45
Fair value of derivatives	-	28	28	56
Tax loss carry forward	-	-	-	59
Fair value adjustments	(1,658)	(1,842)	(184)	(177)
Other	74	57	(17)	1
	(5,444)	**(5,710)**	**(266)**	**20**

Deffered tax assets (liabilities) are reflected in the balance sheet as follows:

	2007	2006
Deferred tax assets	108	127
Deferred tax liabilities – continuing operations	(5,552)	(5,739)
Deferred tax liabilities – discontinued operation	-	(98)
	(5,444)	**(5,710)**

11. Discontinued operation and other assets held for sale

	2007	2006
Assets of disposal group held for sale	-	1,829
Other assets held for sale	13	765
	13	**2,594**

11.1 Discontinued operation

On 30 January 2002 the Board of Directors decided to restructure and sell the Rádiokomunikácie Business (“RK Business”). The RK Business owned, operated and managed wireless communication sites, broadcasting transmission and a radio relay network and comprised Rádiokomunikácie, o.z., a branch of Slovak Telekom, and a wholly owned subsidiary Tower Slovakia. The transaction was deferred until June 2006 when all legal constraints preventing the sale were resolved and the Group then classified the RK Business as a disposal group held for sale. On 5 October 2007 the net assets of RK Business were sold by the Group to a third party.

All amounts are in millions of Slovak crowns, unless otherwise stated

11. Discontinued operation and other assets held for sale (continued)

11.1 Discontinued operation (continued)

The results of the RK Business for the years ended 31 December (9 months of operation in 2007) are as follows:

	2007	2006
Revenue	728	870
Staff costs	(154)	(196)
Depreciation and amortisation	-	(67)
Other operating expenses, net	(112)	(198)
Profit from discontinued operation, before taxes	462	409
Current tax	(63)	(58)
Deferred tax	10	(21)
Profit from discontinued operation, net of taxes	**409**	**330**

Cash flows of the RK Business for the years ended 31 December (9 months of operation in 2007) are as follows:

	2007	2006
Net cash flows from operating activities	312	544
Net cash flows from /(used in) investing activities	3	(150)
Net cash flows from financing activities	-	13
Total net cash flows from discontinued operation	**315**	**407**

The results of the disposal of the Group's investment in the RK Business are as follows:

	2007
Consideration received in cash	3,852
Cost of net assets disposed of	(2,209)
Transaction costs	(131)
Gain on disposal before income taxes	1,512
Current tax	(242)
Deferred tax	88
Gain on disposal net of taxes	1,358
Net profit on operations and disposal of the RK Business	**1,767**

All amounts are in millions of Slovak crowns, unless otherwise stated

11. Discontinued operation and other assets held for sale (continued)

11.1 Discontinued operation (continued)

The major classes of the assets and liabilities of the RK Business at the date of disposal are as follows:

	2007
Property and equipment	1,634
Trade and other receivables and inventories	329
Cash and short-term deposits	348
	2,311
Trade and other liabilities	(102)
Net assets directly attributable to discontinued operation	**2,209**

Cash flows on the disposal of the Group's investment in the RK Business are as follows:

	2007
Cash consideration received	3,852
Cash and cash equivalents disposed of	(348)
Cash inflows from disposal	**3,504**

11.2 Other assets held for sale

	Land, buildings and related equipment	
	2007	2006
At 1 January	765	46
Net transfer (to) / from property and equipment	(10)	1,199
Impairment	(29)	(379)
Assets sold	(713)	(101)
At 31 December	**13**	**765**

Assets sold in the amount of SKK 713 million represent lands and buildings sold in a cluster sale to a third party.

All amounts are in millions of Slovak crowns, unless otherwise stated

12. Property and equipment

	Land and buildings	Duct, cable and other outside plant	Telephone exchanges and related equipment	Radio and trans-mission equipment	Other	Construc-tion in progress including advances	Total
Cost							
At 1 January 2007	5,129	27,965	40,355	7,948	7,001	1,855	90,253
Additions	96	487	865	654	514	1,239	3,855
Disposals	(78)	(26)	(1,243)	(469)	(555)	(7)	(2,378)
Transfers	148	(34)	315	484	239	(1,152)	-
Transfer to and from assets held for sale	-	-	(61)	-	14	-	(47)
At 31 December 2007	5,295	28,392	40,231	8,617	7,213	1,935	91,683
Depreciation							
At 1 January 2007	(1,262)	(10,373)	(30,140)	(4,692)	(3,549)	(17)	(50,033)
Depreciation charge	(222)	(841)	(3,302)	(775)	(784)	-	(5,924)
Impairment charge	(215)	(14)	(160)	-	(18)	(16)	(423)
Disposals	26	25	1,241	432	523	-	2,247
Transfers	(57)	57	174	(187)	13	-	-
Transfer to and from assets held for sale	-	-	59	-	(2)	-	57
At 31 December 2007	(1,730)	(11,146)	(32,128)	(5,222)	(3,817)	(33)	(54,076)
Net book value as of 31 December 2007	**3,565**	**17,246**	**8,103**	**3,395**	**3,396**	**1,902**	**37,607**

The impairment charge includes amounts of SKK 215 million relating to buildings which management has decided to sell but which have not yet meet the criteria of IFRS 5 and, therefore, have not been reclassified as held for sale, SKK 50 million relating to mobile phone exchanges which were subsequently reclassified as held for sale and SKK 158 million relating to technological equipment which has no future use and which will be liquidated in 2008. The recoverable amount of all impaired assets was determined by reference to estimated fair value less cost to sell.

Property and equipment of the Group (except the motor vehicles) is insured to the limits of indemnity of SKK 935 million (2006: SKK 969 million) and motor vehicles to the limits of indemnity up to SKK 60 million (2006: up to SKK 60 million).

All amounts are in millions of Slovak crowns, unless otherwise stated

12. Property and equipment (continued)

	Land and buildings	Duct, cable and other outside plant	Telephone exchan-ges and related equipment	Radio and trans-mission equipment	Other	Construc-tion in progress including advances	Total
Cost							
At 1 January 2006	7,082	27,381	39,815	11,168	7,235	1,788	94,469
Additions	267	839	1,480	1,019	737	840	5,182
Disposals	(30)	(321)	(1,313)	(413)	(525)	-	(2,602)
Transfers	12	136	479	(40)	166	(753)	-
Transfer to and from assets held for sale	(2,202)	(70)	(106)	(3,786)	(612)	(20)	(6,796)
At 31 December 2006	5,129	27,965	40,355	7,948	7,001	1,855	90,253
Depreciation							
At 1 January 2006	(1,568)	(9,848)	(27,084)	(7,322)	(3,684)	-	(49,506)
Depreciation charge	(341)	(846)	(4,078)	(975)	(709)	-	(6,949)
Impairment charge	-	(19)	(34)	-	(144)	(17)	(214)
Disposals	24	317	1,282	365	515	-	2,503
Transfers	(4)	-	(314)	253	65	-	-
Transfer to and from assets held for sale	627	23	88	2,987	408	-	4,133
At 31 December 2006	(1,262)	(10,373)	(30,140)	(4,692)	(3,549)	(17)	(50,033)
Net book value as of 31 December 2006	**3,867**	**17,592**	**10,215**	**3,256**	**3,452**	**1,838**	**40,220**

All amounts are in millions of Slovak crowns, unless otherwise stated

13. Intangible assets

	Customer contracts and related customer relation-ships	Licenses	Goodwill	Software	Other	Total
Cost						
At 1 January 2007	12,261	2,564	2,349	11,021	516	28,711
Additions	-	-	-	950	307	1,257
Disposals	-	-	-	(6)	-	(6)
Transfers	-	-	-	246	(246)	-
At 31 December 2007	12,261	2,564	2,349	12,211	577	29,962
Depreciation						
At 1 January 2007	(2,152)	(890)	-	(8,260)	(67)	(11,369)
Amortisation charge	(1,077)	(146)	-	(1,715)	(36)	(2,974)
Impairment charge	-	-	-	(54)	(1)	(55)
Disposals	-	-	-	3	-	3
Transfers	-	-	-	(1)	1	-
At 31 December 2007	(3,229)	(1,036)	-	(10,027)	(103)	(14,395)
Net book value as of 31 December 2007	**9,032**	**1,528**	**2,349**	**2,184**	**474**	**15,567**

The impairment charge of SKK 55 million relates to software which has no future use and will be liquidated.

All amounts are in millions of Slovak crowns, unless otherwise stated

13. Intangible assets (continued)

	Customer contracts and related customer relation-ships	Licenses	Goodwill	Software	Other	Total
Cost						
At 1 January 2006	12,261	2,564	2,328	9,044	845	27,042
Additions	-	-	21	1,684	87	1,792
Disposals	-	-	-	(79)	-	(79)
Transfers	-	-	-	416	(416)	-
Transfer to and from assets held for sale	-	-	-	(44)	-	(44)
At 31 December 2006	12,261	2,564	2,349	11,021	516	28,711
Depreciation						
At 1 January 2006	(1,076)	(744)	-	(6,603)	(30)	(8,453)
Amortisation charge	(1,076)	(146)	-	(1,762)	(37)	(3,021)
Impairment charge	-	-	-	(3)	-	(3)
Disposals	-	-	-	66	-	66
Transfer to and from assets held for sale	-	-	-	42	-	42
At 31 December 2006	(2,152)	(890)	-	(8,260)	(67)	(11,369)
Net book value as of 31 December 2006	**10,109**	**1,674**	**2,349**	**2,761**	**449**	**17,342**

All amounts are in millions of Slovak crowns, unless otherwise stated

14. Impairment of goodwill

For impairment testing the goodwill acquired in business combinations has been allocated to two individual cash-generating units, as follows:

	2007	2006
T-Mobile	2,209	2,209
Zoznam and Zoznam Mobile	140	140
	2,349	**2,349**

T-Mobile
The recoverable amount of the cash-generating unit was determined using cash flow projections for a ten-year period, with cash flows beyond the ten-year period being extrapolated using a 2.3 % growth rate (2006: 2.3 %) and a discount rate of 7.93 % (2006: 7.76 %). The recoverable amount of the cash-generating unit was determined to exceed its carrying value.

Zoznam and Zoznam Mobile
As the business area in which the cash-generating unit operates is developing rapidly, its recoverable amount has been determined using cash flow projections covering a five-year period, with cash flows beyond the five-year period being extrapolated using a 4 % growth rate (2006: 4 %) and a discount rate of 9.34 % (2006: 9.61 %). The recoverable amount of the cash-generating unit was determined to exceed its carrying value.

15. Principal subsidiary undertakings

At 31 December 2007 the Group had the following subsidiaries:

Name	Registered office	Activity	Profit 2007	Profit 2006	Net assets 2007	Net assets 2006
T-Mobile Slovensko, a.s.	Vajnorská 100/A, 831 03 Bratislava	Wireless phone and data services	3,096	2,427	13,677	10,581
Tower Slovakia, s.r.o. v likvidácii	Cesta na Kamzík 14, 831 01 Bratislava	Broadcasting	861	6	1,528	667
Zoznam, s.r.o.	Viedenská cesta 3-7, 851 01 Bratislava	Internet portal	21	14	50	29
Zoznam Mobile, s.r.o.	Viedenská cesta 3-7, 851 01 Bratislava	Mobile content provider	13	13	35	22
Telekom Sec, s.r.o.	Kukučínova 52, 831 03 Bratislava	Security services	-	-	-	-
Institute of Next Generation Networks	Poštová 1, 010 08 Žilina	NGN technology research and development	(2)	-	(2)	-

All subsidiaries are incorporated in the Slovak Republic and, except for the Institute of Next Generation Networks, are wholly owned by Slovak Telekom. Shares in the subsidiaries are not traded on a public market.

On 5 October 2007 Slovak Telekom sold the subsidiary TBDS to a third party (Note 11).

At the General Meeting of Tower Slovakia on 10 October 2007 its Board of Directors approved its liquidation and the liquidation process is supposed to be completed in 2008.

All amounts are in millions of Slovak crowns, unless otherwise stated

16. Inventories

	2007	2006
Cables, wires and spare parts	227	106
Phones, accessories for mobile communication	669	90
Other inventory including goods for resale	207	75
	1,103	**271**

Inventories with a carrying value of SKK 153 million (2006: SKK 39 million) are carried at net realizable value. Inventories are shown net of an allowance of SKK 63 million (2006: SKK 42 million) for slow-moving and obsolete items.

17. Trade and other receivables

	2007	2006
Trade receivables from third parties	3,285	3,427
Trade receivables from related parties	136	149
Other receivables from third parties	49	69
Other receivables from related parties	89	43
	3,559	**3,688**

Trade receivables are net of an allowance of SKK 717 million (2006: SKK 763 million).

In 2007 the Group sold uncollectible receivables with a nominal value of SKK 164 million (2006: SKK 274 million) to a company specializing in the collection of overdue receivables for SKK 31 million (2006: SKK 29 million) and the related allowance was released.

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

	2007	2006
At 1 January	763	906
Charge for the year	330	405
Utilised	(208)	(359)
Reversed	(168)	(189)
At 31 December	**717**	**763**

No significant individually impaired trade receivables were included in the provision for impairment losses.

All amounts are in millions of Slovak crowns, unless otherwise stated

17. Trade and other receivables (continued)

As at 31 December, the ageing structure of receivables is as follows:

	Total	Neither past due nor impaired	< 30 days	31-90 days	91-180 days	181-365 days	> 365 days
2007	3,285	2,703	435	55	19	45	28
2006	3,427	2,829	397	96	59	27	19

Receivables that are past due as at the balance sheet date but not impaired are from creditworthy customers who have a good track record with the Group and, based on historical default rates, management believes that no additional impairment allowance is necessary.

18. Cash and cash equivalents

	2007	2006
Cash	3,757	2,632
Short-term deposits	5,195	1,801
	8,952	**4,433**

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise the following at 31 December:

	2007	2006
Cash	3,757	2,632
Short-term deposits	5,195	1,801
Cash and short-term deposits attributable to the disposal group held for sale (Note 11)	-	34
	8,952	**4,467**

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for periods from one day to three months and earn interest at the respective short-term deposit rates.

19. Shareholders' equity

On 1 April 1999 Slovak Telekom became a joint-stock company, with 20,717,920 ordinary shares authorised, issued and fully paid at a par value of SKK 1,000 per share. Deutsche Telekom AG acquired 51 % of Slovak Telekom through a privatisation agreement, effective 4 August 2000, by which the Company issued 5,309,580 new ordinary shares with a par value of SKK 1,000 per share. The shares were issued at a premium totalling SKK 11,632 million. All the newly issued shares were subscribed and fully paid by Deutsche Telekom AG. The privatisation transaction also involved the purchase by Deutsche Telekom AG of 7,964,445 existing ordinary shares from the Slovak Government.

As of 31 December 2007 Slovak Telekom had authorised and issued 26,027,500 ordinary shares (2006: 26,027,500) with a par value of SKK 1,000 per share. All the shares issued were fully subscribed.

All amounts are in millions of Slovak crowns, unless otherwise stated

19. Shareholder's equity (continued)

The statutory reserve fund is set up in accordance with Slovak law and is not distributable. The reserve is created from retained earnings to cover possible future losses. On 24 April 2007 the General Assembly approved the prior year profit distribution and decided to transfer 10 % of prior year statutory profits, as reported in the Company's separate financial statetments, to the reserve fund, with the remaining 2006 profit being retained.

In 2007 dividends of SKK 4,942 million were declared and paid (2006: no dividends were declared).

On the Group's acquisition of a controlling interest in T-Mobile at 31 December 2004, the assets and liabilities of T-Mobile were re-measured to their fair values. The excess of the fair value of the net assets acquired before 31 December 2004 over their value reported within investments in joint ventures of SKK 4,779 million was included in other reserves. As the assets acquired are subject to depreciation, an amount of SKK 378 million (2006: SKK 379 million) was released from the reserve in 2007.

Movements in retained earnings and other reserves were as follows:

	Statutory reserve fund	Retained earnings	Other reserves
At 1 January 2006	1,222	9,992	4,446
Hedging swaps	-	-	(6)
Profit for the year	-	2,223	-
Release of revaluation reserve	-	379	(379)
Allocation to funds	163	(163)	-
At 31 December 2006	**1,385**	**12,431**	**4,061**
At 1 January 2007	1,385	12,431	4,061
Actuarial losses on defined benefit plans	-	(4)	-
Dividends	-	(4,942)	-
Profit for the year	-	6,165	-
Release of revaluation reserve	-	378	(378)
Allocation to funds	51	(51)	-
At 31 December 2007	**1,436**	**13,977**	**3,683**

All amounts are in millions of Slovak crowns, unless otherwise stated

20. Trade and other payables and deferred income

	2007	2006
Non-current		
Deferred income	336	429
Other	106	109
	442	**538**
Current		
Trade payables to third parties	3,152	3,557
Trade payables to related parties	318	231
Amounts due to employees	585	548
Fair value of derivative instruments	-	145
Deferred income	1,599	1,549
Other	351	322
	6,005	**6,352**

21. Provisions

	Legal and regulatory claims	Asset retirement obligation	Loyalty programs	Termination benefits	Retirement and jubilee benefits	Other	Total
At 1 January 2007	987	181	131	36	19	30	1,384
Arising during the year	11	17	101	23	12	92	256
Reversals	(983)	-	(20)	-	-	-	(1,003)
Utilised	(7)	-	(79)	(30)	(2)	(60)	(178)
At 31 December 2007	8	198	133	29	29	62	459
Non-current	-	198	-	-	29	7	234
Current	8	-	133	29	-	55	225
	8	**198**	**133**	**29**	**29**	**62**	**459**

Legal and regulatory claims
Provisions of SKK 885 million and SKK 80 million related to Anti-Monopoly Office proceedings have been released. These cases are described further in Note 24.

Asset retirement obligation
The Group is subject to obligations for dismantlement, removal and restoration of assets associated with its cell site operating leases. Cell site lease agreements may contain clauses requiring restoration of the leased site at the end of the lease term, creating an asset retirement obligation.

Loyalty programs
The loyalty programs provision primarily covers the cost of equipment, accessories and gifts provided in exchange for credits awarded to participants of the Group's "Max Club" and "T-Mobile Club" loyalty programs. The provision is recognised based on previous experience of the use of these credits by loyalty program participants.

All amounts are in millions of Slovak crowns, unless otherwise stated

21. Provisions (continued)

Termination benefits
The restructuring of the Group's operations resulted in a reduction of 126 in employee numbers in 2007. The Group expects a further headcount reduction of 80 in 2008. An agreement has been reached with local trade union representatives based on a detailed formal plan that specifies the number of staff involved and their locations and functions. The amount of compensation to be paid for terminating employment was calculated by reference to the specific conditions included in the agreement with the trade unions. The termination payments are expected to be paid within twelve months of the balance sheet date and are recognised in full in the current period.

Retirement and jubilee benefits
The Group provides benefit plans for all its employees. Provisions are created for benefits payable in respect of retirement and jubilee benefits. One-off retirement benefits are dependent on employees fulfilling the required conditions to enter retirement and jubilee benefits are dependent on the number of years of service with the Group. The benefit entitlements are determined from the respective employee's monthly remuneration or as a defined particular amount.

	Retirement benefits	Jubilee	Total
Present value of the defined benefit obligation			
At 1 January 2007	58	6	64
Interest cost	1	-	1
Current service cost	4	-	4
Benefits paid	(1)	(1)	(2)
Actuarial losses	4	1	5
At 31 December 2007	66	6	72
Past service cost not recognised in the balance sheet	(43)	-	(43)
Liability recognised in the balance sheet at 31 December 2007	**23**	**6**	**29**

The principal actuarial assumptions used in determining the benefit obligations include a discount rate of 4.956 % and a retirement age of 60 years.

22. Commitments

The Group's capital commitments relate principally to the mobile network with the majority of payments expected to occur within one year and are as follows:

	2007	2006
Capital expenditures contracted for but not completed due within one year	534	285
Capital expenditures contracted for but not completed due between one and five years	94	87
Capital expenditures contracted for but not completed due after five years	-	44
	628	**416**

The Group has commitments under operating leases and other purchase contracts with terms ranging from one to ten years relating primarily to the rental of office space, retail space and motor vehicles (SKK 1,333 million), and IT and network support and maintenance (SKK 732 million).

All amounts are in millions of Slovak crowns, unless otherwise stated

22. Commitments (continued)

As at 31 December, the aggregate future minimum lease payments under non-cancelable operating leases and other purchase contracts are as follows:

	2007	2006
Operating commitments due within one year	991	764
Operating commitments due between one and five years	777	895
Operating commitments due after five years	297	267
	2,065	**1,926**

23. Related party transactions

	Receivables		Payables		Sales		Purchases	
	2007	2006	2007	2006	2007	2006	2007	2006
Deutsche Telekom AG	30	31	43	64	187	534	169	220
T-Systems Group	11	5	31	17	61	58	121	103
T-Mobile Group	88	107	152	105	248	224	265	234
DeTeImmobilien-Slovakia	89	43	86	44	37	-	346	128
Other	7	6	6	1	36	46	47	51
	225	**192**	**318**	**231**	**569**	**862**	**948**	**736**

The Group conducts business with its parent, Deutsche Telekom AG, and its parent's subsidiaries, associates and joint ventures. Business transactions relate mainly to voice, data and other traffic interconnections, management fees and consultancy and other services.

In 2006 the Company received a reimbursement of SKK 364 million from Deutsche Telekom for costs incurred in its rebranding and this is shown within sales in the table above.

In September 2006 the facility and real estate management of the Group was outsourced to DeTeImmobilien-Slovakia, s.r.o. which provided services to the Group in the amount of SKK 346 million (2006: SKK 128 million).

Compensation of key management personnel

	2007	2006
Short term employee benefits	**149**	**154**

Key management personnel, 32 in number (2006: 30) include members of the Board of Directors, Supervisory Board and the Executive Management Board.

All amounts are in millions of Slovak crowns, unless otherwise stated

24. Contingencies

Legal and regulatory cases

The Group has been charged by the Anti-Monopoly Office ("AMO") with abusing its dominant market position by violating competition law through price squeeze and tying practices. AMO imposed a penalty of SKK 526 million when issuing its first stage decision on 27 December 2007. The Group appealed this decision on 11 January 2008 and proceedings are ongoing. As management believes it is possible rather than probable that this case will result in an obligation to pay this penalty, a provision has not been made in these financial statements.

On 27 September 2007 the Regional Court in Bratislava overturned the second stage AMO decision which had imposed a penalty of SKK 885 million on the Company for not allowing competitors to access local lines (unbundling of local loops) and thus abusing its dominant market position. The Company had provided in full against this penalty in 2005, but this provision was released after the Regional Court found in favour of the Company. AMO is expected to initiate steps in the new proceeding against the Group on this issue and management believes that a substantial penalty, potentially as much as the initial penalty of SKK 885 million, might be imposed. However, as the Company was successful in its appeal against the original decision and as management believes it is possible rather than probable that this case will result in an obligation to pay any penalty, a provision has not been made in these financial statements.

On 10 September 2007 the Regional Court in Bratislava overturned the second stage decision of AMO which had imposed a penalty of SKK 80 million on the Group for abusing its dominant market position in tendering for a complex telecommunication project. The Group had provided in full against this penalty in 2006, but this provision was released after the Regional Court found in favour of the Group. AMO has initiated new proceeding against the Group on this issue and on 23 November 2007 AMO delivered a preliminary notification to the Group, before issuing a decision. Management believes that a penalty, potentially as much as the initial penalty of SKK 80 million, might be imposed. However, as the Group was successful in its appeal against the original decision and as management believes it is possible rather than probable that this case will result in an obligation to pay a penalty, a provision has not been made in these financial statements.

The Group is involved in other legal and regulatory proceedings in the normal course of business. Management is confident that the Group will suffer no material loss as a result of such proceedings in excess of the provisions already recognised in the financial statements (Note 21).

25. Financial instruments

Fair values

Below is a comparison by category of the carrying amounts and fair values of all financial instruments, including those classified as a disposal group held for sale, that are carried in the financial statements:

	Carrying amount		Fair value	
	2007	2006	2007	2006
Financial assets				
Cash and cash equivalents	8,952	4,467	8,952	4,467
Held-to-maturity investments	1,964	-	1,948	-
Trade receivables	3,421	3,765	3,421	3,765
Financial liabilities				
Forward foreign exchange contracts	-	145	-	145
Trade payables	3,470	3,788	3,470	3,788

Cash and cash equivalents, forward foreign exchange contracts, trade receivables, interest-bearing borrowings and trade payables mainly have short maturities and their carrying amounts at the reporting date approximate their fair values.

The fair value of the held-to-maturity investments amounted to SKK 1,945 million as at 31 December 2007. This value was established based on market values provided by banks who act as depositors of the securities.

25. Financial instruments (continued)

Fair values (continued)
If the interest rates of the held-to-maturity investments were 15 basis points higher / 20 basis points lower and all other variables were held constant, the Group's profit for the year ended 31 December 2007 and equity as at 31 December 2007 would increase / decrease by SKK 0.4 million / SKK 0.5 million (2006: nil).

Forward foreign exchange contracts
As of 31 December 2007 the Group was party to foreign exchange contracts with maturities of one to five months to hedge anticipated future foreign currency expenditures in EUR and USD. While these contracts may provide effective economic hedges under the Group's risk management policies, they do not qualify for hedge accounting under the specific rules of IAS 39 and were, therefore, classified as held for trading upon initial recognition.

Changes in the fair value of these derivative instruments were recognised immediately as expense in the income statement in the amount of SKK 120 million, net of tax of SKK 28 million (year ended 31 December 2006: SKK 106 million, net of tax of SKK 25 million).

Independent Auditor's Report

ERNST & YOUNG

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Slovenská republika

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www.ey.com/sk

Independent Auditor's Report

To the Shareholders of Slovak Telekom, a.s.:

We have audited the accompanying financial statements of Slovak Telekom, a.s. and its subsidiaries ('the Group'), which comprise the consolidated balance sheet as at 31 December 2007 and the consolidated income statement, consolidated statement of recognized income and expense and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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 and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as of 31 December 2007 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

13 March 2008
Bratislava, Slovak Republic

Ernst & Young

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

Ing. Jana Švarcová
SKAU Licence No. 932

THIS IS A TRANSLATION OF THE ORIGINAL SLOVAK REPORT

Ernst & Young Slovakia, s.r.o., IČO: 35 840 463, zapísaná v Obchodnom registri Okresného súdu Bratislava I, oddiel: Sro, vložka číslo: 2700/B a v zozname audítorov vedenom Slovenskou komorou audítorov pod č. 257.

Slovak Telekom, a. s.

Auditor's Report and IFRS Financial Statements

31 December 2007

Contents

All amounts are in millions of Slovak crowns, unless otherwise stated

Income statement

for the year ended 31 December

	Notes	2007	2006
Revenue	4	14,585	14,741
Staff costs	5	(2,641)	(2,904)
Material and equipment		(1,056)	(850)
Depreciation, amortisation and impairment loss	11,12,13	(5,425)	(6,438)
Interconnection and other fees to operators		(1,955)	(1,942)
Other operating income	7	1,629	630
Other operating costs	6	(3,076)	(2,932)
Operating profit		2,061	305
Financial income	8	214	216
Financial expense	9	(11)	(225)
Profit before tax		2,264	296
Taxation	10	(227)	(105)
Profit for the year from continuing operations		2,037	191
Discontinued operation	11	929	318
Profit for the year	**18**	**2,966**	**509**

The financial statements on pages 123 to 153 were authorized for issue on behalf of the Board of Directors on 13 March 2008 by:

Ing. Miroslav Majoroš
Chairman of the Board of Directors
and President

Szabolcs Gáborjáni-Szabó
Member of the Board of Directors
and Senior Executive Vice-President

All amounts are in millions of Slovak crowns, unless otherwise stated

Balance Sheet

as at 31 December

	Notes	2007	2006
ASSETS			
Non-current assets			
Property and equipment	12	29,884	32,540
Software	13	1,058	1,402
Investments in subsidiaries	14	12,305	11,605
Prepaid expenses		603	490
		43,850	46,037
Current assets			
Inventories	15	428	178
Trade and other receivables	16	1,796	1,779
Prepaid expenses		207	207
Held-to-maturity investments	24	1,020	-
Income tax		-	209
Cash and cash equivalents	17	5,927	3,726
		9,378	6,099
Assets of disposal group and other assets held for sale	11	11	2,561
		9,389	8,660
TOTAL ASSETS		**53,239**	**54,697**
EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital		26,028	26,028
Share premium		11,632	11,632
Statutory reserve fund	18	1,436	1,385
Retained earnings	18	5,256	7,287
		44,352	46,332
Non-current liabilities			
Provisions	20	33	20
Deferred tax	10	3,217	3,306
Other payables and deferred income	19	309	391
		3,559	3,717
Current liabilities			
Trade and other payables and deferred income	19	4,889	3,494
Provisions	20	94	1,038
Income tax		345	-
		5,328	4,532
Liabilities directly associated with assets classified as held for sale		-	116
		5,328	4,648
Total liabilities		8,887	8,365
TOTAL EQUITY AND LIABILITIES		**53,239**	**54,697**

Statement of Recognised Income and Expense

for the year ended 31 December

	Notes	2007	2006
Hedging swaps		-	(8)
Actuarial gains and (losses) on defined benefit plans		(5)	-
Deferred tax		1	2
Income and (expense) recognised directly in equity		(4)	(6)
Profit after income taxes		2,966	509
Recognised income and (expense)		**2,962**	**503**

All amounts are in millions of Slovak crowns, unless otherwise stated

Cash Flow Statement

for the year ended 31 December

	Notes	2007	2006
Profit for the year from continuing operations		2,037	191
Profit for the year from discontinued operation	11	929	318
Adjustments for:			
Depreciation, amortisation and impairment loss	11,12,13	5,425	6,489
Interest (income) / expense, net	8,9	(203)	68
Income tax expense	10,11	302	182
Gain on disposal of property and equipment	7	(334)	(232)
Net gain on disposal of investment in subsidiary		(2,578)	-
Other non-cash items		220	(362)
Movements in provisions		(952)	(189)
Changes in working capital:			
Change in trade and other receivables		(264)	421
Change in inventories		(254)	61
Change in trade and other payables		1,703	(4)
Cash flows from operations		6,031	6,943
Income taxes received / (paid)		163	(358)
Net cash flows from operating activities		6,194	6,585
Investing activities			
Purchase of software and property and equipment		(2,979)	(3,903)
Proceeds from disposal of property and equipment		989	328
Proceeds from disposal of investment in subsidiary	11	3,752	-
Acquisition of investment in subsidiary		-	(50)
Acquisition of held-to-maturity investments	24	(1,020)	-
Dividends treated as capital repayment by subsidiary		-	804
Dividends received		-	837
Disbursement of inter-company loan		(6)	-
Repayment of inter-company loan		-	700
Interest received		213	144
Net cash from / (used in) investing activities		949	(1,140)
Financing activities			
Repayment of borrowings		-	(3,353)
Payments on derivatives		-	(406)
Dividends paid	18	(4,942)	(800)
Interest paid		-	(267)
Net cash used in financing activities		(4,942)	(4,826)
Net increase in cash and cash equivalents		2,201	619
Cash and cash equivalents at 1 January	17	3,726	3,107
Cash and cash equivalents at 31 December	**17**	**5,927**	**3,726**

Notes to the Financial Statements

Index to the notes to the financial statements

All amounts are in millions of Slovak crowns, unless otherwise stated

1. General information

Slovak Telekom, a.s. ("the Company" or "Slovak Telekom") is a joint-stock company incorporated on 1 April 1999 in the Slovak Republic. The Company's registered office is located at Karadžičova 10, 825 13 Bratislava and the business registration number (IČO) is 35 763 469. On 4 August 2000, Deutsche Telekom AG obtained control of the Company through the acquisition of 51 % of the shares of Slovak Telekom. The transaction involved the purchase of existing shares from the Slovak Government and the issue of new shares. The Slovak Government retains 49 % of the shares of the Company through the Ministry of Economy of the Slovak Republic (34 %) (Note 25) and the National Property Fund (15 %).

The Company is the principal supplier of fixed-line telecommunication services in the Slovak Republic and owns and operates the majority of the telecommunications facilities therein. The Company provides local, national, and international telephony services and a wide range of other telecommunications services including leased lines, data networks and narrowband as well as broadband internet services. It also provides residential and business customers with products ranging from standard telephones to computer communication networks. On 5 October 2007, the Company ceased the operation of radio and television transmission and all assets and liabilities related to the radio-communication business were sold as of this date.

Members of the Statutory Boards as at 31 December 2007

Board of Directors	
Chair:	Ing. Miroslav Majoroš
Vice-chair:	Ing. Jaroslav Volf
Member:	Ing. Ivan Doletina
Member:	Szabolcs Gáborjáni-Szabó
Member:	Horst A. Hermann
Member:	Dr. Ralph Rentschler
Member:	Ing. Vladimír Zeman

Supervisory Board	
Chair:	Wolfgang Hauptmann
Vice-chair:	Pavol Dlhoš
Member:	Ing. Ľudovít Hintoš
Member:	Ing. Pavel Kyman
Member:	Dr. Albert Matheis
Member:	Ing. Jozef Opát
Member:	Ing. Jiřina Perényiová
Member:	Norbert Schmidt
Member:	Anton Štefko

During 2007 a number of changes were made in the Commercial Register: Mr. Siegfried Pleiner and Mrs. Regine Büttner left the Supervisory Board and were replaced by Mr. Wolfgang Hauptmann and Mr. Norbert Schmidt. The Board of Directors approved the change of the Company's registered office, taking effect as of 1 June 2007, from Námestie Slobody 6 to Karadžičova 10, Bratislava. In October 2007 the Company closed its branches, Rádiokomunikácie, o.z. and Call Services, o.z.

Deutsche Telekom AG, with its registered office at Friedrich Ebert Allee 140, Bonn, Germany, is the parent of the group of which the Company is a member and for which group financial statements are drawn up. The parent's consolidated financial statements are available at their registered office or at the Register Court administering the Commercial Register of the District Court of Bonn HRB 6794, Germany.

All amounts are in millions of Slovak crowns, unless otherwise stated

2. Accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation
The financial statements are the separate financial statements of the Company and meet the requirements of IFRS in respect of the preparation of a parent's separate financial statements.

The financial statements have been prepared on a historical cost basis, except where disclosed otherwise.

The Company's functional currency is the Slovak crown ("SKK"), the financial statements are presented in SKK and all values are rounded to the nearest million, except when otherwise indicated.

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

Statement of compliance
These financial statements are the separate financial statements of the Company and were prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS").

On 13 March 2008, the Company also issued consolidated financial statements for the year ended 31 December 2007 prepared in compliance with IFRS. These consolidated financial statements are available at the Company's registered office or at the Register Court administering the Commercial Register of District Court Bratislava I, Slovak Republic.

2.2 Property and equipment
Cost
Property and equipment, except for land, is carried at cost, excluding the costs of day-to-day servicing, less accumulated depreciation and accumulated impairment in value. Land acquired prior to year 1991 is stated at the values assigned to it by the Government and land purchased thereafter is carried at acquisition cost. Borrowing costs are not capitalized.

Cost includes all costs directly attributable to bringing the asset into working condition for its intended use. In the case of the network, this comprises all expenditure, including internal costs directly attributable to network construction up to the network termination point within customer premises, and includes contractors' fees, materials and direct labour. Cost also includes the replacement cost of property and equipment when those costs are incurred, if the recognition criteria are met.

Maintenance, repairs and minor renewals are charged to the income statement as incurred.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement in the year the asset is derecognised. Net disposal proceeds consist of both cash consideration and the fair value of non-cash consideration received.

Depreciation
Depreciation is calculated on a straight-line basis from the time the assets are available for use, so as to write down their cost to their estimated residual values over their useful lives. The depreciation charge is identified separately for each significant part of an item of property and equipment. The useful lives assigned to the various categories of property and equipment are:

Freehold buildings	8 to 50 years
Duct, cable and other outside plant	30 years
Telephone exchanges and related equipment	4 to 13 years
Radio and television equipment	8 to 30 years
Other fixed assets	2 to 30 years

No depreciation is provided on freehold land and capital work in progress.

The assets' residual values, useful lives and depreciation methods are reviewed and adjusted in accordance with IAS 8, where appropriate, at each financial year-end.

2. Accounting policies (continued)

2.2 Property and equipment (continued)
Depreciation (continued)

Property and equipment are reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable. Where the carrying amount of an asset is higher than its recoverable amount, it is written down to its estimated recoverable amount.

When property and equipment meet the criteria to be classified as held for sale, they are stated at whichever is the lower of their carrying amount and fair value less costs to sell and reclassified from non-current to current. The Company measures an item of property and equipment that ceases to be classified as held for sale at the lower of:

a) its carrying amount before the asset was classified as held for sale, adjusted for any depreciation and amortisation that would have been recognised had the asset not been classified as held for sale, and

b) its recoverable amount at the date of the subsequent decision not to sell.

2.3 Software
Software acquired separately is measured on initial recognition at cost. Following initial recognition, software is carried at cost less any accumulated amortisation and any accumulated impairment losses. Software has a finite useful life and is amortised using the straight-line method and assessed for impairment whenever there is an indication that the software may be impaired.

The useful lives and the amortisation methods for software are reviewed at least at each financial year-end. Changes in the expected useful lives or the expected pattern of consumption of future economic benefits embodied in the assets are accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates.

Costs that are directly associated with the development of identifiable and unique software products controlled by the Company and that will generate economic benefits exceeding cost beyond one year are recognised as software. Cost comprises all directly attributable costs necessary to create, produce and prepare the software to be capable of operating in the manner intended by management, including enhancements of applications in use.

The useful lives assigned to software are 2 to 5 years.

Gains or losses arising from derecognition of software are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are included in the income statement when the asset is derecognised.

2.4 Investments in subsidiaries
Investments in subsidiaries are recognised at cost. Distributions received in excess of the pre-acquisition profits of subsidiaries are regarded as a recovery of the initial investment and are recognised as a reduction of the cost of the investment. The cost of the investment in a subsidiary is based on the cost attributed to the acquisition of the investment, representing fair value of the consideration given and directly attributable transaction costs.

2.5 Impairment of assets
At each reporting date the Company assesses whether there is any indication that an asset may be impaired. If any such indication exists, the Company makes an estimate of the asset's recoverable amount. For the purposes of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows (cash-generating units). The Company determines the recoverable amount of a cash generating unit based on its fair value less costs to sell. The fair value less costs to sell is determined by reference to discounted cash flow calculations. These discounted cash flow calculations are based on financial budgets approved by management, usually covering a ten-year period, and used for internal purposes. Cash flows beyond the detailed planning periods are extrapolated using appropriate growth rates. Key assumptions on which management bases the determination of the fair value less costs to sell include average revenue per user, customer acquisition and retention costs, churn rates, capital expenditures, market share, growth rates and discount rates. The discount rate used reflects the risk specific to the cash-generating unit. Cash flows used reflect management assumptions and are supported by external sources of information.

In addition to the general impairment testing of cash-generating units, the Company also tests individual assets if their purpose changes from being held and used to being sold or otherwise disposed of. In such circumstances the recoverable amount is determined by reference to market value less cost to sell.

2. Accounting policies (continued)

2.6 Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is calculated on a weighted average basis. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs necessary to make the sale. An allowance is created against slow-moving and obsolete inventories.

2.7 Financial assets

When financial assets are initially recognised, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Company determines the classification of its financial assets on initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year end.

Trade and other receivables

After initial measurement trade and other receivables, which generally have 14-60 days' terms, are measured at amortised cost less any allowance for impairment. The allowance recognised reflects the expected credit risk. Trade receivables are grouped together on the basis of similar credit risk characteristics and tested for impairment. The loss recognised is measured as the difference between the receivable's carrying amount and the present value of estimated future cash flows. The estimated cash flows are based on past experience of the collectibility of overdue receivables.

The carrying amount of the asset is reduced through the use of a allowance account, and the amount of the loss is recognised in the income statement. Subsequent recoveries of amounts previously written off are credited against costs in the income statement.

When the trade receivable to which an allowance was recognised becomes uncollectible or sold, it is written off against the allowance account for trade receivables.

Amounts payable to and receivable from the same international operators are shown net in the balance sheet when a right to set-off exists.

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when the Company has the positive intention and ability to hold to maturity. After initial measurement held-to-maturity investments are measured at amortised cost using the effective interest method. The calculation takes into account any premium or discount on acquisition and includes transaction costs and fees that are an integral part of the effective interest rate. Gains and losses are recognised in profit or loss when the investments are derecognised or impaired, as well as through the amortisation process.

Cash and cash equivalents

Cash and short-term deposits in the balance sheet comprise cash at banks and in hand and short-term deposits with an original maturity of three months or less from the date of acquisition and short term bonds and promissory notes with high liquidity.

For the purpose of the cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of bank overdrafts. In the balance sheet, bank overdrafts are included in borrowings in current liabilities.

Derecognition of financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the Company has transferred its rights to receive cash flows from the asset and has transferred substantially all the risks and rewards of the ownership of the asset.

2. Accounting policies (continued)

2.8 Financial liabilities

Trade and other payables

Trade and other payables are initially measured at fair value. After initial recognition trade and other payables are measured at amortised cost using the effective interest method. The carrying values of trade and other payables approximate their fair values due to their short maturity.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

2.9 Leased assets

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Leases of assets in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

When an operating lease is terminated before the lease period has expired, any payment made to the lessor by way of penalty is recognised as an expense in the period in which the termination takes place.

2.10 Prepaid expenses

The Company has easement rights to use and access technological equipment sited in properties owned by third parties. These easements, which arise on the disposal of properties where such technological equipment is sited, are presented within prepaid expenses in the balance sheet. Easements are initially recognised at their net present value and then amortised over their expected duration.

2.11 Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

If the effect of the time-value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks and timing specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a borrowing cost.

Customer loyalty program

The Company operates a customer loyalty program. As part of the program, the Company grants credits to the participants which can be redeemed in future periods for free or discounted goods or services. A provision is recognised as expense when credits are granted to customers. The provision is reduced by the portion representing estimated awarded credits that are expected to be forfeited by the customers. The provision is utilised when the customers receive benefits from the program.

Termination benefits

Employee termination benefits are recognised in the period when a detailed plan listing the number and structure of employees to be discharged is defined and authorised by management and the trade unions.

Employee benefit obligations

The Company provides retirement and other long-term benefits under both defined contribution and defined benefit plans.

In the case of defined contribution plans, the Company pays contributions to publicly or privately administered pension or severance insurance plans on a mandatory or contractual basis. Once the contributions have been paid, the Company has no further payment obligations. The contribution is based on gross salary payments. The cost of these payments is charged to the income statement in the same period as the related salary cost.

2. Accounting policies (continued)

2.11 Provisions (continued)
Employee benefit obligations (continued)
The Company also provides defined retirement and jubilee benefits. These benefits are unfunded. The cost of providing benefits is determined separately for each benefit using the projected unit credit actuarial valuation method. The defined benefit liability comprises the present value of the defined benefit obligation less past service cost not yet recognised. The discount rate is determined by reference to market yields on government bonds. The currency and term of the corporate bonds or government bonds are consistent with the currency and estimated term of the benefit obligations. The past service cost is recognised as an expense on a straight line basis over the average period until the benefits become vested. If the benefits are already vested immediately following the introduction of, or changes to, a benefit plan, past service cost is recognised immediately.

Actuarial gains and losses arising from experience-based adjustments and changes in actuarial assumptions are recognised in the period in which they occur, within equity for retirement benefits and within the income statement for jubilee benefits.

2.12 Revenue recognition
Revenue is recognised upon delivery of services and products and customer acceptance thereof and to the extent that it is probable that economic benefits will flow to the Company and the revenue can be reliably measured. Revenue for rendering services and customer equipment sales is shown net of value added tax and discounts.

The Company recognises revenue as follows:

Access fees and charges for incoming and outgoing telephone calls and other traffic are recognised in revenue in the period in which the service is rendered.

Activation fees are deferred over the expected customer retention period. This period is estimated on the basis of the anticipated term of the customer relationship under the arrangement which generated the activation fee. Customer acquisition costs incurred, to the extent of the activation fees, are recognised as an asset and amortised over the same period.

Interconnect revenue derived from calls and other traffic that originates in other operators' networks is recognised in revenue at the time when the call is received in the Company's network. The Company pays a proportion of the revenue it collects from its customers to other operators for calls and other traffic that originate in the Company's network but use other operators' networks.

Content revenue is recognised gross or net of the amount due to the content provider when the latter is responsible for the service content and the Company acts as an agent without assuming the risks and rewards of the ownership of the services.

Revenue from multiple revenue arrangements is considered as comprising the identifiable and separable components to which general revenue recognition criteria can be applied separately. Numerous service offers are made up of two components, a product and a service. Once the separable components have been identified, the amount received or receivable from the customer is allocated based on each component's relative fair value. The revenue recognised is limited to the consideration received.

Revenue from sales and rental of equipment is recognised when the equipment is delivered and installed at customer premises.

2.13 Operating profit
Operating profit is defined as the result before discontinued operations, income taxes and finance items. Finance items include interest income on short-term deposits and held-to-maturity investments, interest expense on borrowings and foreign exchange gains and losses.

2.14 Foreign currency translation
Transactions denominated in foreign currencies are recorded at the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date.

All foreign exchange differences are recognised within financial income / expense in the accounting period in which they arise.

2. Accounting policies (continued)

2.15 Taxes

Current tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the tax authorities. The tax rates and tax laws used to calculate the amounts are those enacted at the balance sheet date.

Deferred tax

Deferred income tax is provided using the liability method on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except where the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses to the extent that it is probable that a taxable profit will be available against which the deductible temporary differences, the carry-forward of unused tax credits and unused tax losses can be utilized, except where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

2 .16 Comparatives

Certain balances included in the comparative financial statements have been reclassified to conform to the current year presentation. Such reclassifications, in accordance with IAS 1.38, were carried out in order to enhance inter-period comparability of information and comprise the following changes:

a) Own work capitalized of SKK 411 million (Note 6) is disclosed as a separate line item in other operating costs in the 2006 comparatives. In the 2006 income statement this item is presented within staff costs and material and equipment.

b) Other operating income of SKK 630 million (Note 7) is disclosed as a separate line item on the face of the income statement in the 2006 comparatives. This item is presented within other operating costs, net in the 2006 income statement.

c) Fees for audiotex and other telecommunication services of SKK 145 million are included in interconnection and other fees to operators on the face of the income statement in the 2006 comparatives. This item is included in other operating costs, net in the 2006 income statement.

2.17 Significant accounting judgements, estimates and assumptions

The preparation of the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities, and the disclosure of contingent liabilities reported at the end of any given period and the reported amounts of revenues and expenses for that reported period. Actual results may differ from these estimates.

In the process of applying the Company's accounting policies, management has made the following judgements, estimates and assumptions which have the most significant effect on the amounts recognised in the financial statements:

Useful lives of non-current assets

The estimation of the useful lives of non-current assets is a matter of judgement based on the Company's experience of similar assets. As described in Notes 2.2 and 2.3, the Company reviews the estimated useful lives of non-current assets at the end of each annual reporting period. Management's estimates and judgements are inherently prone to inaccuracy for those assets for which no previous experience exists.

2. Accounting policies (continued)

2.17 Significant accounting judgements, estimates and assumptions (continued)
Impairment of non-current assets
The Company has recorded impairment losses on property and equipment on the basis of management's expectations of future sales, the timing of such sales and expected selling price less cost to sell. For certain items, no final decision has yet been made and, therefore, the assumptions applied may change. Refer to Note 12 for details of the impairment of property and equipment.

Allowance for doubtful accounts
The Company maintains an allowance for doubtful accounts to account for estimated losses resulting from the inability of customers to make the requisite payments. When evaluating the adequacy of the allowance for doubtful accounts, management bases its estimates on historical write-off experience, customer creditworthiness and changes in customer payment terms.

Easements
On disposal of certain properties where technological equipment is sited and required for the Company's operations, the Company enters into agreements to obtain easement rights to continue to use and access this equipment for extended periods. Management has determined, based on an evaluation of the terms and conditions of these sales agreements, that these transactions give rise to an operating lease commitment as the Company does not retain the significant risks and rewards of ownership of the properties.

Provisions and contingent liabilities
As set out in Notes 20 and 23, the Company is a participant in several lawsuits and regulatory proceedings. When considering the recognition of a provision, management judges the probability of future outflows and estimates the amount to settle the possible or probable obligation. The judgement and estimates are continually reassessed taking into consideration experience with similar cases.

2.18 Adoption of IFRS during the year
Standards, interpretations and amendments to published standards, which became effective during 2007 and are relevant to the Company's operations

- IFRS 7, Financial Instruments: Disclosures
  This standard requires disclosures that enable users of the financial statements to evaluate the significance of the Company's financial instruments and the nature and extent of risks arising from those financial instruments. The new disclosures are included throughout the financial statements. While there has been no effect on the financial position or results, comparative information has been revised where needed.
- IAS 1 (Amendment), Presentation of Financial Statements
  This amendment requires the Company to make new disclosures to enable users of the financial statements to evaluate the Company's objectives, policies and processes for managing capital (Note 3).

Standards, interpretations and amendments to published standards effective in 2007 but not relevant to the Company's operations

- IFRIC 7, Applying the Restatement Approach under IAS 29, Financial Reporting in Hyperinflationary Economies
  The Company does not have a currency of a hyperinflationary economy as its functional currency.
- IFRIC 8, Scope of IFRS 2
  IFRIC 8 requires IFRS 2 to be applied to any arrangements where equity instruments are issued for consideration which appears to be less than fair value. The Company has not issued such equity instruments.
- IFRIC 9, Reassessment of Embedded Derivatives
  IFRIC 9 states that the date to assess the existence of an embedded derivative is the date that an entity first becomes a party to the contract, with reassessment only if there is a change to the contract that significantly modifies the cash flows. The Company has no embedded derivatives requiring separation from the host contract.

2. Accounting policies (continued)

2.18 Adoption of IFRS during the year (continued)
Standards, interpretations and amendments to published standards effective in 2007 but not relevant to the Company's operations (continued)

- IFRIC 10, Interim Financial Reporting and Impairment
  IFRIC 10 requires that an entity must not reverse an impairment loss recognised in a previous interim period in respect of goodwill or an investment in either an equity instrument or a financial asset carried at cost. The Company does not prepare interim financial reporting.

Standards, interpretations and amendments to published standards that have been published, are not effective for accouting periods starting on 1 January 2007 and which the Company has not early adopted

- IFRS 8, Operating Segments (effective for annual periods beginning on or after 1 January 2009)
- IFRIC 11, IFRS 2 Company and Treasury Share Transactions (effective for annual periods beginning on or after 1 March 2007)
- IFRIC 12, Service Concession Arrangements (effective for annual periods beginning on or after 1 May 2008)
- IFRIC 13, Customer Loyalty Programs (effective for annual periods beginning on or after 1 July 2008)
- IFRIC 14, IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (effective for annual periods beginning on or after 1 January 2008)
- IAS 23 (Amendment), Borrowing Costs (effective for annual periods beginning on or after 1 January 2009)
- IAS 1 (Revised), Presentation of Financial Statements (effective for annual periods beginning on or after 1 January 2009)
- IFRS 3 (Revised), Business Combinations (effective for annual periods beginning on or after 1 July 2009)
- IAS 27 (Revised), Consolidated and Separate Financial Statements (effective for annual periods beginning on or after 1 July 2009)

Except for IFRIC 13, as explained below, and the additional disclosures required by the Revised IAS 1, the Company believes that the future adoption of the standards will not have any effect on the financial performance or position of the Company and management is assessing the impact of the interpretations.

IFRIC 13 Customer Loyalty Programmes requires customer loyalty award credits to be accounted for as a separate component of the sales transaction in which they are granted and, therefore, part of the fair value of the consideration received is allocated to the award credits and deferred over the period that the award credits are fulfilled. The Company operates such schemes and currently recognises a provision for its customer loyalty program through expenses. Adoption of IFRIC 13 will result in changes in the value and the presentation of the related items in the income statement and balance sheet.

3. Financial risk management

The Company is exposed to a variety of financial risks. The Company's risk management policy addresses the unpredictability of financial markets and seeks to minimise potential adverse effects on the performance of the Company.

The Company's financial instruments include cash and cash equivalents, short-term deposits and held-to-maturity investments. The main purpose of these instruments is to manage the liquidity of the Company.

The Company holds financial assets which represent its investment in subsidiaries. These financial assets are considered to be long-term and represent a significant part of the Company's business activities. The Company has agreed shareholder loan facilities with its subsidiaries T-Mobile, Tower Slovakia, s.r.o. v likvidácii ("Tower Slovakia", formerly RK Tower, s.r.o.) and with the Institute of Next Generation Networks.

The Company has various other financial assets and liabilities such as trade receivables and trade payables which arise from its operations.

The main risks arising from the Company's financial instruments are foreign exchange risk, interest rate risk, credit risk and liquidity risk. The Treasury Department is responsible for financial risk management, following guidelines approved by the Board of Directors and the Deutsche Telekom Treasury Department. The Treasury Department works in co-operation with the Company's operating units and with the Deutsche Telekom Treasury Department. In addition, the Treasury Department manages the liquidity and financing needs of the Company's subsidiaries. There are policies in place to cover specific areas, such as foreign exchange risk, interest rate risk, credit risk, liquidity risk and the investment of excess funds.

All amounts are in millions of Slovak crowns, unless otherwise stated

3. Financial risk management (continued)

In 2007, due to increase in excess funds at its disposal, the Company developed a Financial Investment Policy which establishes a framework for making financial investments and for ensuring the best possible return from such investments. The Financial Investment Policy includes limits for individual investment instruments, is in compliance with Group Treasury Policy and was approved by Slovak Telekom's Executive Management Board. In previous years the Company's policies did not permit trading in financial instruments.

3.1 Foreign exchange risk
The Company is exposed to transactional foreign exchange risks arising from international interconnection. In addition, the Company is exposed to risks arising from capital and operational expenditures denominated in foreign currencies. Approximately 5 % of revenue and 13 % of costs are denominated in currencies other than SKK.

To mitigate the foreign exchange risk arising from its business operations, the Company purchases and sells the foreign currencies on the spot market.

The following table details the sensitivity of the Company's profit before tax and equity to a 5 % increase / decrease in the SKK against relevant foreign currencies, with all other variables held constant. The 5 % change represents management's assessment of the reasonably possible change in foreign exchange rates and is used when reporting foreign currency risk internally in line with treasury policies.

		2007	2006
Profit before tax	Depreciation of SKK by 5 %	12	9
	Appreciation of SKK by 5 %	(12)	(9)
Equity	Depreciation of SKK by 5 %	12	9
	Appreciation of SKK by 5 %	(12)	(9)

3.2 Interest rate risk
The Company's operating cash flows are substantially independent of changes in market interest rates. In September 2006 the Company fully repaid its long-term borrowings and in 2007 the Company did not enter into any new loan agreements. The Company's exposure to changes in market interest rates relates to the Company's held-to-maturity investments. The Company seeks to optimise its exposure towards interest rate risk using a mix of fixed–rate and floating–rate securities. At the end of 2007, the securities portfolio consists of fixed-rate bonds (23 %) and floating-rate bonds and promissory notes (77 %).

The sensitivity of held-to-maturity investments to changes in interest rates is set out in Note 24.

3.3 Credit risk
The Company's credit risk policy defines products, maturities of products and limits for financial counterparties. The Company limits credit exposure to individual financial institutions and securities issuers on the basis of credit ratings assigned to these institutions by reputable rating agencies and these limits are reviewed on a regular basis.

The Company establishes an allowance for impairment that represents its estimate of losses incurred in respect of trade and other receivables and, historically, actual losses have not exceeded management's expectations. Impairment losses are recognised to cover both individually significant credit risk exposures, and a collective loss component for assets that are assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables includes the Company's past experience of collecting payments, as well as changes in the internal and external ratings of customers.

With regard to other financial assets, which comprise cash and cash equivalents, held-to-maturity investments and trade receivables, the Company's exposure to credit risk arises from the default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

All amounts are in millions of Slovak crowns, unless otherwise stated

3. Financial risk management (continued)

3.4 Liquidity risk

The Company's liquidity risk mitigation principles define the level of cash and cash equivalents, marketable securities and the credit facilities available to the Company to allow it to meet its obligations on time and in full. The funding of liquidity needs is based on comparisons of income earned on cash and cash equivalents and held-to-maturity investments with the cost of financing available on credit facilities, with the objective of holding predetermined minimum amounts of cash and cash equivalents and credit facilities available on demand.

The table below summarises the maturity profile of the Company's financial liabilities based on contractual undiscounted payments:

As at 31 December 2007	On demand	Less than 3 months	3 to 12 months	Over 1 year	Total
Trade and other payables	103	1,736	1,647	–	3,486

As at 31 December 2006	On demand	Less than 3 months	3 to 12 months	Over 1 year	Total
Trade and other payables	107	2,007	13	20	2,147

3.5 Capital risk management

The Company manages its capital to ensure that it will be able to support its business activities on an ongoing basis, while maximising the return to its shareholders through the optimization of its capital structure. It takes into consideration any applicable guidelines of the majority shareholder. No changes were made in the objectives, policies or processes during 2007 and 2006.

The capital structure of the Company consists of equity attributable to shareholders, comprising issued capital, reserves and retained earnings (Note 18).

4. Revenue

	2007	2006
Voice services	7,071	7,780
Content services	566	595
Terminal equipment	326	313
Data services	1,962	1,947
Fixed network communication revenue	9,925	10,635
Wholesale revenue	2,021	1,900
IP / Internet revenue	2,325	1,863
Total fixed network and broadband revenue	14,271	14,398
Other revenue	314	343
Total revenue from continuing operations	14,585	14,741
Revenue from discontinued operation	327	927
	14,912	**15,668**

All amounts are in millions of Slovak crowns, unless otherwise stated

5. Staff costs

	2007	2006
Wages and salaries	2,020	2,205
Social security contributions	621	699
	2,641	**2,904**

	2007	2006
Number of employees at period end	3,758	4,333

As of 1 May 2007 the Company transferred 327 employees of Rádiokomunikácie, o.z. to its subsidiary, TBDS, a.s., which was subsequently sold to a third party on 5 October 2007 (Note 11).

6. Other operating costs

	2007	2006
Repairs and maintenance	424	485
Outsourced services	412	128
Marketing	408	300
Energy	287	295
Bank, postal and other services	194	202
Rentals and leases	187	115
IT services	186	189
Dealer commisions	170	105
Material sold	120	196
Content fees	106	114
Consultancy	90	118
Bad debt expenses	62	87
Security	39	86
Regulatory claims	4	68
Other	791	855
Own work capitalized	(404)	(411)
	3,076	**2,932**

7. Other operating income

	2007	2006
Release of legal provisions (Note 20)	983	-
Gain on disposal of property and equipment, net	334	232
Income from material sold	110	177
Other	202	221
	1,629	**630**

All amounts are in millions of Slovak crowns, unless otherwise stated

8. Financial income

	2007	2006
Interest on short-term deposits	117	144
Foreign exchange gains, net	-	65
Interest on held-to-maturity investments	71	-
Other	26	7
	214	**216**

9. Financial expense

	2007	2006
Interest on borrowings	-	200
Net interest arising on derivatives	-	12
Commitment fees	-	10
Foreign exchange losses, net	3	-
Bank charges and other financial expense	8	3
	11	**225**

In 2006 the Company repaid its interest-bearing borrowings and interest expense includes early settlement fees of SKK 87 million for the early repayment of these borrowings.

10. Taxation

The major components of income tax expense from continuing operations for the years ended 31 December are:

	2007	2006
Current tax expense / (income)	228	(54)
Deferred tax (income) / expense	(1)	159
Income tax expense reported in the income statement	**227**	**105**

All amounts are in millions of Slovak crowns, unless otherwise stated

10. Taxation (continued)

A reconciliation between the reported income tax expense and the theoretical amount that would arise using the statutory tax rate is as follows:

	2007	2006
Profit before income tax from continuing operations	2,264	296
Profit before income tax from discontinued operation	1,004	395
Profit before income tax	3,268	691
Income tax calculated at the statutory rate of 19 % (2006: 19 %)	621	131
Effect of income not taxable and expenses not tax deductible:		
Release of legal provisions	(186)	13
Discontinued operations	(117)	2
Other not tax deductible items, net	(19)	43
Tax charge in respect of prior years	3	(7)
Income tax at the effective tax rate of 9 % (2006: 26 %)	302	182
Income tax attributable to continuing operations	227	105
Income tax attributable to discontinued operation	75	77
	302	**182**

Deferred tax assets (liabilities) and deferred tax expense (income) for the years ended 31 December are attributable to the following items:

	Balance sheet		Income statement	
	2007	2006	2007	2006
Accelerated tax depreciation	(3,259)	(3,343)	(84)	80
Unrealised foreign exchange gains	-	(3)	(3)	(64)
Allowance for bad debts	11	19	8	6
Termination benefits	6	7	1	45
Fair value of derivatives	-	-	-	84
Other	25	14	(11)	8
	(3,217)	**(3,306)**	**(89)**	**159**

Deferred tax assets (liabilities) are reflected in the balance sheet as follows:

	2007	2006
Deferred tax assets	42	40
Deferred tax liabilities – continuing operations	(3,259)	(3,259)
Deferred tax liabilities – discontinued operation	-	(87)
	(3,217)	**(3,306)**

All amounts are in millions of Slovak crowns, unless otherwise stated

11. Discontinued operation and other assets held for sale

	2007	2006
Assets of disposal group held for sale	-	1,796
Other assets held for sale	11	765
	11	**2,561**

11.1 Discontinued operation

On 30 January 2002 the Board of Directors decided to restructure and sell the Rádiokomunikácie Business (“RK Business”). The RK Business owned, operated and managed wireless communication sites, broadcasting transmission and a radio relay network and comprised Rádiokomunikácie, o.z., a branch of Slovak Telekom, and a wholly owned subsidiary Tower Slovakia. The transaction was deferred until June 2006 when all legal constraints preventing the sale were resolved and the Company then classified the RK Business as a disposal group held for sale.

On 1 May 2007 the net assets of the RK Business, owned by Slovak Telekom and Tower Slovakia, were transferred to a wholly owned subsidiary TBDS, a.s. (“TBDS”) and consequently the value of Slovak Telekom’s investment in TBDS increased by SKK 1,274 million. As a result of the net asset transfers, Tower Slovakia acquired a minority interest in TBDS, which Slovak Telekom then acquired from Tower Slovakia for SKK 1,640 million. Then, on 5 October 2007 Slovak Telekom, as sole shareholder, sold its investment in TBDS to a third party.

The results of Rádiokomunikácie, o.z., the branch only, for the years ended 31 December (4 months of operation in 2007) are as follows:

	2007	2006
Revenue	327	927
Staff costs	(60)	(195)
Depreciation and amortisation	-	(51)
Other operating expenses, net	(70)	(286)
Profit from discontinued operation, before taxes	197	395
Current tax	(34)	(58)
Deferred tax	(11)	(19)
Profit from discontinued operation, net of taxes	**152**	**318**

The cash flows of Rádiokomunikácie, o.z., the branch only, for the years ended 31 December (4 months of operation in 2007) are as follows:

	2007	2006
Net cash flows from operating activities	38	520
Net cash flows used in investing activities	(11)	(124)
Total net cash flows from discontinued operation	**27**	**396**

All amounts are in millions of Slovak crowns, unless otherwise stated

11. Discontinued operation and other assets held for sale (continued)

11.1 Discontinued operation (continued)

The results of the disposal of Slovak Telekom's investment in TBDS are as follows:

	2007
Consideration received in cash	3,852
Cost of investment disposed of	(2,914)
Transaction costs	(131)
Gain on disposal before income taxes	807
Current tax	(128)
Deferred tax	98
Gain on disposal, net of taxes	777
Net profit on operations and disposal of investment in discontinued operation	**929**

Cash flows on the disposal of Slovak Telekom's investment in TBDS are as follows:

	2007
Cash consideration received	3,852
Cash and cash equivalents disposed of	(100)
Cash inflows from disposal	**3,752**

11.2 Other assets held for sale

	Land, buildings and related equipment	
	2007	2006
At 1 January	765	46
Net transfer (to) / from property and equipment	(12)	1,199
Impairment	(29)	(379)
Assets sold	(713)	(101)
At 31 December	**11**	**765**

Assets sold in the amount of SKK 713 million represent lands and buildings sold in a cluster sale to a third party.

All amounts are in millions of Slovak crowns, unless otherwise stated

12. Property and equipment

	Land and buildings	Duct, cable and other outside plant	Telephone exchanges and related equipment	Other	Construction in progress including advances	Total
Cost						
At 1 January 2007	4,022	27,965	36,751	3,715	796	73,249
Additions	25	487	748	229	553	2,042
Disposals	(78)	(26)	(1,169)	(450)	-	(1,723)
Transfers	117	(34)	252	263	(598)	-
Transfers from assets held for sale	-	-	-	14	-	14
At 31 December 2007	4,086	28,392	36,582	3,771	751	73,582
Depreciation						
At 1 January 2007	(944)	(10,373)	(27,985)	(1,405)	(2)	(40,709)
Depreciation charge	(83)	(841)	(2,927)	(380)	-	(4,231)
Impairment charge	(215)	(14)	(110)	(18)	(4)	(361)
Disposals	28	24	1,165	388	-	1,605
Transfers	(57)	57	174	(174)	-	-
Transfers from assets held for sale	-	-	-	(2)	-	(2)
At 31 December 2007	(1,271)	(11,147)	(29,683)	(1,591)	(6)	(43,698)
Net book value at 31 December 2007	**2,815**	**17,245**	**6,899**	**2,180**	**745**	**29,884**

The impairment charge includes an amount of SKK 215 million relating to buildings which management has decided to sell but which do not yet meet the criteria of IFRS 5 and, therefore, have not been reclassified as held for sale. Their recoverable amount was determined by reference to their estimated fair value less cost to sell. The impairment charge also includes an amount of SKK 146 million for technological equipment which has no future use and will be either sold or liquidated.

Property and equipment, excluding motor vehicles, is insured to a limit of SKK 935 million (2006: SKK 969 million) and motor vehicles to a limit of SKK 60 million (2006: SKK 60 million).

All amounts are in millions of Slovak crowns, unless otherwise stated

12. Property and equipment (continued)

	Land and buildings	Duct, cable and other outside plant	Telephone exchanges and related equipment	Radio and trans-mission equipment	Other	Construc-tion in progress including advances	Total
Cost							
At 1 January 2006	5,513	27,382	36,432	3,295	4,328	698	77,648
Additions	121	839	1,059	-	352	572	2,943
Disposals	(30)	(321)	(1,086)	(13)	(396)	-	(1,846)
Transfers	6	135	452	(164)	29	(458)	-
Transfers to assets held for sale	(1,588)	(70)	(106)	(3,118)	(598)	(16)	(5,496)
At 31 December 2006	4,022	27,965	36,751	-	3,715	796	73,249
Depreciation							
At 1 January 2006	(1,171)	(9,848)	(25,248)	(2,685)	(1,801)	-	(40,753)
Depreciation charge	(217)	(846)	(3,644)	(35)	(323)	-	(5,065)
Impairment charge	(1)	(19)	(34)	-	(142)	(2)	(198)
Disposals	24	317	1,056	11	393	-	1,801
Transfers	(4)	-	(203)	142	65	-	-
Transfers to assets held for sale	425	23	88	2,567	403	-	3,506
At 31 December 2006	(944)	(10,373)	(27,985)	-	(1,405)	(2)	(40,709)
Net book value at 31 December 2006	**3,078**	**17,592**	**8,766**	**-**	**2,310**	**794**	**32,540**

13. Software

	Software	Software under construction	Total
Cost			
At 1 January 2007	4,620	43	4,663
Additions	341	119	460
Disposals	(5)	-	(5)
Transfers	38	(38)	-
At 31 December 2007	4,994	124	5,118
Depreciation			
At 1 January 2007	(3,261)	-	(3,261)
Amortisation charge	(749)	-	(749)
Impairment charge	(54)	(1)	(55)
Disposals	5	-	5
Transfers	(1)	1	-
At 31 December 2007	(4,060)	-	(4,060)
Net book value at 31 December 2007	**934**	**124**	**1,058**

The impairment charge of SKK 55 million relates to software which has no future use and will be liquidated.

All amounts are in millions of Slovak crowns, unless otherwise stated

13. Software (continued)

	Software	Software under construction	Total
Cost			
At 1 January 2006	4,003	41	4,044
Additions	690	42	732
Disposals	(70)	-	(70)
Transfers	40	(40)	-
Transfers to and from assets held for sale	(43)	-	(43)
At 31 December 2006	4,620	43	4,663
Depreciation			
At 1 January 2006	(2,511)	-	(2,511)
Amortisation charge	(844)	-	(844)
Impairment charge	(3)	-	(3)
Disposals	56	-	56
Transfers to and from assets held for sale	41	-	41
At 31 December 2006	(3,261)	-	(3,261)
Net book value at 31 December 2006	**1,359**	**43**	**1,402**

14. Investments in subsidiaries

As at 31 December 2007 the Company held the following investments in subsidiaries:

Name	Registered Office	Activity	Cost of investment	Profit	Net assets
T- Mobile Slovensko, a.s.	Vajnorská 100/A, 831 03 Bratislava	Wireless phone and data services	11,416	3,096	13,677
Tower Slovakia, s.r.o. v likvidácii	Cesta na Kamzík 14, 831 01 Bratislava	Broadcasting	700	861	1,528
Zoznam, s.r.o.	Viedenská cesta 3-7, 851 01 Bratislava	Internet portal	116	21	50
Zoznam Mobile, s.r.o.	Viedenská cesta 3-7, 851 01 Bratislava	Mobile content provider	73	13	35
Telekom Sec, s.r.o.	Kukučínova 52, 831 03 Bratislava	Security services	-	-	-
Institute of Next Generation Networks	Poštová 1, 010 08 Žilina	NGN technology research and development	-	(2)	(2)
			12,305		

All subsidiaries are incorporated in the Slovak Republic and, except for the Institute of Next Generation Networks, are wholly owned by the Company. Shares in the subsidiaries are not traded on a public market.

On 5 October 2007 Slovak Telekom sold the subsidiary TBDS to a third party.

At the General Meeting of Tower Slovakia on 10 October 2007 its Board of Directors approved its liquidation and the liquidation process should be completed in 2008.

All amounts are in millions of Slovak crowns, unless otherwise stated

14. Investments in subsidiaries (continued)

As at 31 December 2006 the Company held the following investments in subsidiaries:

Name	Registered office	Activity	Cost of in-vest-ment	Invest-ments classi-fied as held for sale	Profit	Net assets
T-Mobile Slovensko, a.s.	Vajnorská 100/A, 831 03 Bratislava	Wireless phone and data services	11,416	-	2,427	10,581
Tower Slovakia, s.r.o. v likvidácii	Cesta na Kamzík 14, 831 01 Bratislava	Broadcasting	-	700	6	667
TBDS, a.s.	Cesta na Kamzík 14, 831 01 Bratislava	No activity	-	1	-	1
Zoznam, s.r.o.	Viedenská cesta 3-7, 851 01 Bratislava	Internet portal	116	-	14	29
Zoznam Mobile , s.r.o.	Viedenská cesta 3-7, 851 01 Bratislava	Mobile content provider	73	-	13	22
Telekom Sec, s.r.o.	Kukučínova 52, 831 03 Bratislava	Security services	-	-	-	-
Institute of N Next Generation Networks	Poštová 1, 010 08 Žilina	NGN technology re-search and development	-	-	-	-
			11,605	**701**		

15. Inventories

	2007	2006
Cables, wires and spare parts	220	104
Other inventory including goods for resale	208	74
	428	**178**

Inventories with a carrying value of SKK 26 million (2006: SKK 28 million) are carried at net realizable value. Inventories are shown net of an allowance of SKK 22 million (2006: SKK 26 million) for slow-moving and obsolete items.

16. Trade and other receivables

	2007	2006
Trade receivables from third parties	1,606	1,603
Trade receivables from related parties	84	111
Other receivables from third parties	17	22
Other receivables from related parties	89	43
	1,796	**1,779**

Trade receivables are net of an allowance of SKK 236 million (2006: SKK 343 million).

All amounts are in millions of Slovak crowns, unless otherwise stated

16. Trade and other receivables (continued)

In 2007 the Company sold uncollectible receivables with a nominal value of SKK 164 million (2006: SKK 274 million) to a company specializing in the collection of overdue receivables for SKK 31 million (2006: SKK 29 million) and the related allowance was released.

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

	2007	2006
At 1 January	343	565
Charge for the year	235	275
Utilised	(201)	(343)
Reversed	(141)	(154)
At 31 December	**236**	**343**

No significant individually impaired trade receivables were included in the provision for impairment losses.

As at 31 December, the ageing structure of receivables is as follows:

	Total	Neither past due nor impaired	< 30 days	31-90 days	91-180 days	181-365 days	> 365 days
2007	1,606	1,244	304	24	14	15	5
2006	1,603	1,259	249	46	39	7	3

Receivables that are past due as at the balance sheet date but not impaired are from creditworthy customers who have a good track record with the Company and, based on historical default rates, management believes that no additional impairment allowance is necessary.

17. Cash and cash equivalents

	2007	2006
Cash	3,602	2,404
Short-term deposits	2,325	1,322
	5,927	**3,726**

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for periods from one day to three months and earn interest at the respective short-term deposit rates.

All amounts are in millions of Slovak crowns, unless otherwise stated

18. Shareholders' equity

On 1 April 1999 Slovak Telekom became a joint-stock company with 20,717,920 ordinary shares authorised, issued and fully paid at a par value of SKK 1,000 per share. Deutsche Telekom AG acquired 51 % of Slovak Telekom through a privatisation agreement, effective 4 August 2000, by which the Company issued 5,309,580 new ordinary shares with a par value of SKK 1,000 per share. The shares were issued at a premium totalling SKK 11,632 million. All the newly issued shares were subscribed and fully paid by Deutsche Telekom AG. The privatisation transaction also involved the purchase by Deutsche Telekom AG of 7,964,445 existing ordinary shares from the Slovak Government.

As of 31 December 2007 Slovak Telekom had authorised and issued 26,027,500 ordinary shares (2006: 26,027,500) with a par value of SKK 1,000 per share. All the shares issued were fully subscribed.

The statutory reserve fund is set up in accordance with Slovak law and is not distributable. The reserve is created from retained earnings to cover possible future losses. On 24 April 2007 the General Assembly approved the prior year profit distribution and decided to transfer 10 % of prior year statutory profits to the reserve fund, with the remaining 2006 profit being retained.

In 2007 dividends of SKK 4,942 million were declared and paid (2006: no dividends were declared).

Movements in retained earnings and other reserves were as follows:

	Statutory reserve fund	Retained earnings
At 1 January 2006	1,222	6,941
Profit for the year	-	509
Allocation to funds	163	(163)
At 31 December 2006	**1,385**	**7,287**
At 1 January 2007	1,385	7,287
Actuarial losses on defined benefit plans	-	(4)
Dividends	-	(4,942)
Profit for the year	-	2,966
Allocation to funds	51	(51)
At 31 December 2007	**1,436**	**5,256**

19. Trade and other payables and deferred income

	2007	2006
Non-current		
Deferred income	309	391
	309	**391**
Current		
Trade payables to third parties	1,622	1,947
Trade and other payables to related parties	1,864	200
Amounts due to employees	387	385
Deferred income	840	840
Other	176	122
	4,889	**3,494**

All amounts are in millions of Slovak crowns, unless otherwise stated

20. Provisions

	Legal and regulatory claims	Loyalty program	Termination benefits	Retirement and jubilee benefits	Other	Total
At 1 January 2007	985	16	37	19	1	1,058
Arising during the year	9	18	23	12	30	92
Reversals	(983)	-	-	-	-	(983)
Utilized	(5)	(2)	(31)	(2)	-	(40)
At 31 December 2007	6	32	29	29	31	127
Non-current	-	-	-	29	4	33
Current	6	32	29	-	27	94
	6	**32**	**29**	**29**	**31**	**127**

Legal and regulatory claims
Provisions of SKK 885 million and SKK 80 million related to Anti-Monopoly Office proceedings have been released. These cases are described further in Note 23.

Loyalty program
The loyalty program provision primarily covers the cost of equipment, accessories and gifts provided in exchange for credits awarded to participants of the Company's "Max Club" loyalty program. The provision is recognised based on previous experience of the use of these credits by loyalty program participants.

Termination benefits
The restructuring of the Company's operations resulted in a reduction of 126 in employee numbers in 2007. The Company expects a futher headcount reduction of 80 in 2008. An agreement has been reached with local trade union representatives based on a detailed formal plan that specifies the number of staff involved and their locations and functions. The amount of compensation to be paid for terminating employment was calculated by reference to the specific conditions included in the agreement with the trade unions. The termination payments are expected to be paid within twelve months of the balance sheet date and are recognised in full in the current period.

Retirement and jubilee benefits
The Company provides benefit plans for all its employees. Provisions are created for benefits payable in respect of retirement and jubilee benefits. One-off retirement benefits are dependent on employees fulfilling the required conditions to enter retirement and jubilee benefits are dependent on the number of years of service with the Company. The benefit entitlements are determined from the respective employee's monthly remuneration or as a defined particular amount.

All amounts are in millions of Slovak crowns, unless otherwise stated

20. Provisions (continued)

Retirement and jubilee benefits (continued)

	Retirement benefits	Jubilee	Total
Present value of the defined benefit obligation			
At 1 January 2007	58	6	64
Interest cost	1	-	1
Current service cost	4	-	4
Benefits paid	(1)	(1)	(2)
Actuarial losses	4	1	5
At 31 December 2007	66	6	72
Past service cost not recognised in the balance sheet	(43)	-	(43)
Liability recognised in the balance sheet at 31 December 2007	**23**	**6**	**29**

The principal actuarial assumptions used in determining the benefit obligations include a discount rate of 4.956 % and a retirement age of 60 years.

21. Commitments

The Company's capital commitments relate principally to software and were as follows at 31 December:

	2007	2006
Capital expenditures contracted for but not completed due within one year	62	-
Capital expenditures contracted for but not completed due between one and five years	9	-
	71	**-**

The Company has commitments under operating leases and other purchase contracts with terms ranging from one to ten years relating primarily to office rental (SKK 464 million) and IT and network support and maintenance (SKK 350 million).

The aggregate future minimum lease payments under non-cancelable operating leases and other purchase contracts as at 31 December were as follows:

	2007	2006
Operating commitments due within one year	285	330
Operating commitments due between one and five years	271	311
Operating commitments due after five years	258	106
	814	**747**

All amounts are in millions of Slovak crowns, unless otherwise stated

22. Related party transactions

	Receivables		Payables		Sales		Purchases	
	2007	2006	2007	2006	2007	2006	2007	2006
Deutsche Telekom AG	30	31	43	64	187	534	166	218
T-Systems Group	10	5	31	17	63	63	113	101
T-Mobile Slovensko	36	65	53	54	735	776	529	558
DeTeImmobilien-Slovakia	89	43	86	44	37	8	346	128
Tower Slovakia	-	3	1,637	9	8	25	1,679	108
Other	9	7	14	12	44	47	99	66
	174	**154**	**1,864**	**200**	**1,074**	**1,453**	**2,932**	**1,179**

The Company conducts business with its subsidiaries as well as with its parent, Deutsche Telekom AG, and its parents' subsidiaries, associates and joint ventures. Business transactions relate mainly to voice, data and other traffic interconnections, management fees and consultancy and other services.

The Company purchased shares in TBDS in July 2007 from Tower Slovakia and the related payable of SKK 1,635 million was not settled at the year end (Note 19).

In 2006 the Company received a reimbursement of SKK 364 million from Deutsche Telekom for costs incurred in its rebranding and this is shown within sales in the table above.

In September 2006 the facility and real estate management of the Company was outsourced to DeTeImmobilien-Slovakia, s.r.o. which provided services to the Company in the amount of SKK 346 million (2006: SKK 128 million).

Compensation of key management personnel

	2007	2006
Short term employee benefits	**70**	**86**

Key management personnel, 19 in number (2006: 20), include members of the Board of Directors, Supervisory Board and the Executive Management Board.

23. Contingencies

Legal and regulatory cases

The Company has been charged by the Anti-Monopoly Office ("AMO") with abusing its dominant market position by violating competition law through price squeeze and tying practices. AMO imposed a penalty of SKK 526 million when issuing its first stage decision on 27 December 2007. The Company appealed this decision on 11 January 2008 and proceedings are ongoing. As management believes it is possible rather than probable that this case will result in an obligation to pay this penalty, a provision has not been made in these financial statements.

On 27 September 2007 the Regional Court in Bratislava overturned the second stage AMO decision which had imposed a penalty of SKK 885 million on the Company for not allowing competitors to access local lines (unbundling of local loops) and thus abusing its dominant market position. The Company had provided in full against this penalty in 2005, but this provision was released after the Regional Court found in favour of the Company. AMO is expected to initiate steps in the new proceeding against the Group on this issue and management believes that a substantial penalty, potentially as much as the initial penalty of SKK 885 million, might be imposed. However, as the Company was successful in its appeal against the original decision and as management believes it is possible rather than probable that this case will result in an obligation to pay any penalty, a provision has not been made in these financial statements.

All amounts are in millions of Slovak crowns, unless otherwise stated

23. Contingencies (continued)

Legal and regulatory cases (continued)
On 10 September 2007 the Regional Court in Bratislava overturned the second stage decision of AMO which had imposed a penalty of SKK 80 million on the Company for abusing its dominant market position in tendering for a complex telecommunication project. The Company had provided in full against this penalty in 2006, but this provision was released after the Regional Court found in favour of the Company. AMO has initiated new proceedings against the Company on this issue and on 23 November 2007 AMO delivered a preliminary notification to the Company, before issuing a decision. Management believes that a penalty, potentially as much as the initial penalty of SKK 80 million, might be imposed. However, as the Company was successful in its appeal against the original decision and as management believes it is possible rather than probable that this case will result in an obligation to pay a penalty, a provision has not been made in these financial statements.

The Company is involved in other legal and regulatory proceedings in the normal course of business. Management is confident that the Company will suffer no material loss as a result of such proceedings in excess of the provisions already recognised in the financial statements (Note 20).

24. Financial instruments

Fair values
Below is a comparison by category of the carrying amounts and fair values of all financial instruments, including those classified as a disposal group held for sale, that are carried in the financial statements:

	Carrying amount		Fair value	
	2007	2006	2007	2006
Financial assets				
Cash and cash equivalents	5,927	3,726	5,927	3,726
Held-to-maturity investments	1,020	–	1,015	–
Trade receivables	1,690	1,899	1,690	1,899
Financial liabilities				
Trade payables	3,486	2,263	3,486	2,263

Cash and cash equivalents, trade receivables and trade payables have short maturities and their carrying amounts at the reporting date approximate their fair values.

The fair value of the held-to-maturity investments amounted to SKK 1,015 million as at 31 December 2007. This value was established based on market values provided by banks who act as depositors of the securities.

If the interest rates of the held-to-maturity investments were 15 basis points higher / 20 basis points lower and all other variables were held constant, the Company's profit for the year ended 31 December 2007 and equity as at 31 December 2007 would increase / decrease by SKK 0.3 million / SKK 0.3 million (2006: nil).

Independent Auditor's Report

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Independent Auditor's Report

To the Shareholders of Slovak Telekom, a.s.:

We have audited the accompanying financial statements of Slovak Telekom, a.s. ('the Company'), which comprise the balance sheet as at 31 December 2007 and the income statement, statement of recognized income and expense and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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 and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of 31 December 2007 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

13 March 2008
Bratislava, Slovak Republic

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

Ing. Jana Švarcová
SKAU Licence No. 932

THIS IS A TRANSLATION OF THE ORIGINAL SLOVAK REPORT

Ernst & Young Slovakia, s. r. o., IČO: 35 840 463, zapísaná v Obchodnom registri Okresného súdu Bratislava I, oddiel: Sro, vložka číslo: 2700/B a v zozname audítorov vedenom Slovenskou komorou audítorov pod č. 257.