

Annual Report 2008

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I. Introduction of Slovak Telekom Group

Letter to Shareholders

Dear Shareholders,

2008 brought many exacting challenges for the Slovak Telekom group of companies, but we coped with them successfully. Therefore it is an honour for me to present you the Annual Report 2008, reflecting the accomplishments achieved by Slovak Telekom and its subsidiaries.

The Slovak Telekom Group generated consolidated revenues of SKK 31 billion (EUR 1.029), thus maintaining its leading position on the telecommunications market. This excellent Group result was achieved mainly thanks to revenues generated by T-Mobile Slovensko, which recorded a year-on-year increase of 3.6 %. This is an admirable achievement under the existing circumstances of market oversaturation with mobile services (saturation reached more than 100 %). The important contributions to the Group's overall achievements include accomplishments achieved by expanding broadband services for both fixed and mobile access, internet and mobile content services, and wholesale services.

The continuing efficiency of Slovak Telekom activities in 2008 brought earnings before interest tax, depreciation and amortisation in the amount of nearly



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

SKK 13 billion (EUR 432 million), which worked out to net income of SKK 3.5 billion (EUR 117 million).

The Slovak Telekom Group was in excellent financial condition in 2008. Thanks to the sufficient generation of uncommitted resources, it was able to pay its shareholders dividends totalling SKK 3 billion (EUR 100 million).

Last year the telecommunications market was effected by activity of operators modernising access infrastructure, through construction of optical networks. Slovak Telekom, offering its products and services under the T-Com brand, markedly accelerated the penetration rate of FTTx optical networks into households. At the end of 2008, either internet access or Magio digital television services on optical network were accessible to more than 200 thousand households. Through new access networks, we were able to provide our customers with enhanced quality services – an increased internet access rate of 70 Mbps.

In 2008 we managed to further increase broadband internet penetration via DSL technology, and mobile “fast internet”. 4G internet offered under the T-Com brand was being used by over 300 thousand customers at the end of the year. It was available in more than 900 Slovak cities and towns. Over 70 % of Slovakia's population had access to the benefits of the “Fast Internet” offered by T-Mobile.

We also managed to increase the number of customers using the most modern and advanced digital television on the Slovak market: Magio.

We expanded the programme portfolio for our more than 35 thousand customers. For the most demanding of them, who have multiple TV sets in their households, we made it possible to use Magio services independently on as many as 4 TV sets. By the end of 2008, more than 600 thousand households could access this service.

As a part of continuing service quality enhancement for our customers, Slovak Telekom, offering its services under T-Com brand, and T-Mobile Slovensko have established a common network of telecommunications brand shops, the largest in Slovakia. At more than 200 common sales points, branded with the "T" logo, we offer our customers a complete portfolio of telecommunications products for the needs of the business and residential customers.

In 2008, we successfully positioned the fixed line as a family line, by means of which advantageously-priced calls could be made to all networks both in Slovakia and abroad.

As of 31 December, our Company had 1,126,000 telephone accesses registered. By offering a number of attractive products for the broadband internet services we managed to increase the number of telephone accesses.

Our new strategy is to be not only a telecommunications services vendor, but also a systems integrator of multiple vendors. Therefore we offered business customers extended MPLS VPN and Business City Net services, and managed LAN networks. We were a reliable partner for large corporate customers for long-term critical customer data back-up in T-Com's data centre.

Wholesale services provided by Slovak Telekom constituted a large part of the Company's total revenues in 2008. We succeeded in increasing year-on-year wholesale service volume by more than 10 %, thanks to the expanding trend of hub business: transiting of international voice traffic through our network. NGN (Next Generation Network) technology, successfully expanded last year, together with business systems provided opportunities for increased hubbing business.

Call Centres services are an integral part of our business. They enabled us to enhance the quality of services provided to our customers on the one hand – by means of promoting sales of T-Com products and services – and on the other hand to provide professional services also to external customers, mainly in the areas of banking, insurance, and other telecommunications services. In 2008 our Call Centres also provided sales service for the needs of the parent company Deutsche Telekom and for T-Mobile Slovensko, and we have established new operator lines for the hearing impaired.

Slovak Telekom successfully renewed EN ISO 9001:2000 quality management system certificate. Moreover, 2008 was a milestone in environmental protection for us, as Slovak Telekom met the EN ISO 14001:2004 standard requirements and implemented and launched its environmental management system.

Customer satisfaction is undoubtedly one of the most important of Company success indicators. Our Company measures this parameter numerically using the internationally accepted TRI*M index. Slovak Telekom has seen steadily increasing TRI*M index values over the course of the last several years. Last year customer satisfaction measurement was harmonised throughout the Deutsche Telekom Group. The values thus measured also confirmed the high satisfaction level of Slovak Telekom's customers, in both the business and residential segments.

In 2008, the need to continue investing in new optical infrastructure and innovative products led Slovak Telekom to intensify efforts to make processes and activities more efficient. These efforts were introduced back in 2000, i.e. following the entry of Deutsche Telekom, the strategic and majority shareholder. The current activities, as formulated in the Save for Service project, therefore aim at reducing the level of the operating costs by about SKK 1.2 billion (EUR 39 million) over two years, i.e. by the end of 2010. Cost reduction will give us flexibility in meeting the strategic objectives set by our Company in the worldwide financial crisis.

The aggregate volume of the mobile revenue market totalled SKK 45 billion (EUR 1.50 billion) in 2008. Total customers increased to 5.60 million, which

constituted a 103 % level of mobile service penetration. T-Mobile Slovensko registered 2.35 million active mobile services customers at the end of the year, achieving thus an estimated market share of 42 %. Increasing the ratio of customers using post-paid services to the total customer base to 58 % was another major achievement.

Last year, T-Mobile Slovensko permanently reduced the roaming call prices in the European Union and other countries. It provided several special programmes and improvements for all customer groups through the entire year.

Over the course of 2008, T-Mobile Slovensko offered several exclusive models of cell phones. In August, the Company launched one of the most anticipated mobile phones, the iPhone 3G, on the Slovak market.

Given the fact that the mobile market was highly saturated, the focus of the Company's activities shifted more from the acquisition of new customers to retaining and strengthening loyalty in the last year. Through the year, the "Just Tell Us Once" concept was further extended in the area of customer processes. This consisted of finding effective and prompt solutions to customer requests. Additionally, T-Mobile Slovensko promised customers to meet their requests within a set deadline, a complete novelty on the mobile market.

2008 brought many new interesting projects in the area of content and premium service provided by T-Mobile Slovensko. Music became the main motif of a number of projects, from content downloading through calling tones to a unique musical project called T-Mobile Music City. Further, T-Mobile Slovensko became the first and only mobile operator licensed by the National Bank of Slovakia to provide payment services through cell phones for both the prepaid and post-paid customers. The service enables customers, for example, to purchase Bratislava public transport tickets.

Slovak Telekom manages its internet content business through its subsidiaries Zoznam and Zoznam Mobile. In 2008, Zoznam began to focus on restructuring its product portfolio, presenting several attractive services in segments that until then

had not been present. It entered the job portal market, and the attendance rate of the "Kariera.sk" project grew to 100 thousand users per month after less than six months of its existence.

The most visited news portal on the Slovak internet, Bleskovky, changed its name to Topky.sk. Thanks to its content, it managed to regain the original visitor rate of the former.

Zoznam gave its customers new opportunities to use the internet, via multimedia content sharing at its new community portal Free.sk. There, users can archive their videos and photos, share opinions, and exchange information. A unique functionality of Free.sk is the possibility of adding content directly from a mobile phone via WAP service or JAVA application.

Euro currency implementation was one of the most significant projects of the entire Slovak Telekom Group. Companies belonging to the Group coped with the euro conversion process in all its systems professionally and without any negative impact on the customers.

Dear shareholders, our achievements in 2008 are the result of systematic and effective cooperation of all the employees of the Slovak Telekom Group.

In the long run, the Slovak Telekom Group has defined growth opportunities based on a strategy to be thoroughly applied in 2009. In fixed line products and services, Slovak Telekom will strive to make its cost management even more effective, with the goal of creating conditions for continuous investment into the necessary innovations. The major focus is strengthening its leading position in broadband and on-line services, and on the pay TV market.

The long-term strategy of T-Mobile in mobile services is based on a vision of becoming the most respected company in the market in services and customer care. Building retention, strengthening customer loyalty, effectively managing the customer base, and focusing on strong growth in the mobile data service segment, are the main pillars of the strategy.

I am convinced that our strategy will render us capable of accomplishing the objectives which have been defined by you, the shareholders, in 2009, the main point of which is to let us provide our customers with enhanced quality of the telecommunications, information and communication services which are now an integral part of our personal and professional lives.



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

Milestones of 2008

January

- **Quarter of a Million Customers:** In January over 250,000 customers placed their trust in 4G internet marketed under the T-Com brand.
- **Constructing Optical Infrastructure:** Slovak Telekom continued contracting with developer companies on building optical infrastructure, enabling the provision of triple play services to end customers.
- **Exclusive Fashion Show:** Blanka Matragi presented her haute couture in Slovakia at a fashion show organised by T-Mobile Slovensko.
- **Help for Promising Business People:** T-Mobile Slovensko in cooperation with the Pontis Foundation announced the first annual “Hľadáme ďalší zmysel – PRE PODNIKANIE zmyslovo postihnutých” Grant Programme (Looking for Higher Meaning FOR DOING BUSINESS with the Mentally Impaired).

February

- **More Attractive Calls to Mobile Networks:** Slovak Telekom lowered call rates for calling mobile networks, turning the fixed line into a universal means for calling all networks.
- **Product Portfolio Innovations:**
 - T-Mobile Slovensko launched the new “Vo veľkom” (At Large) calling plans.
 - Zoznam entered a new market segment of job opportunities, offering users comprehensive services through the on-line job portal www.kariera.sk.
- **Underworld in Slovakia:** At T-Mobile Slovensko's invitation, the well-known group Underworld performed as part of electronic beats in Slovakia.
- **Supporting Children's Talents:** T-Mobile Slovensko in cooperation with the Pontis Foundation announced another annual “Hľadáme ďalší zmysel – PRE TALENT” Grant Programme (Looking for Higher Meaning FOR TALENT), designed to develop children and youth with mental impairments.

March

- **Market Leader:** The Slovak Telekom Group announced its financial results for 2007. Its comprehensive telecommunications offering put the Group in the leading market position again.
- **Innovations with Magio:** Customers got the chance to order Magio digital television as a stand-alone product, even without internet access. Also the number of TV channels available in the basic programme package was expanded.
- **Better Mobile Internet:** T-Mobile Slovensko launched a new version of web'n'walk, with several innovations including a browser from Yahoo.
- **Supporting Integration of Disadvantaged Young People into Society:** As part of the second grant round, titled IN-FORMÁCIE (IN-FORMATION), the Nadačný fond ST (Endowment Fund of Slovak Telekom) supported 13 organisations with almost the amount of SKK 950,000 (EUR 31,524.22). These funds enabled the supported organisations to carry out projects uniting disabled young people with their unimpaired peers, fostering stronger integration into society.
- **Partnerships:** Miss Internet voting took place exclusively via www.zoznam.sk.

April

- **Constructing Optical Infrastructure:** Using FTTB and FTTH Technologies, Slovak Telekom brought optical-based products to the first customers located outside of Bratislava, to Zvolen's Sekier housing estate.
- **A Project Unique within Deutsche Telekom:** After a successful completion of the pilot project of customer migration from TDM technology to the Next Generation Network (NGN), approximately 80 % of Žilina's citizens can enjoy the modern network's advantages. None of the more than 30 countries where Deutsche Telekom is active has ever experienced a similar one-off global cutover to advanced technology throughout a city.

- **Interest in Magio:** The number of customers with Magio digital television exceeded 20 thousand.
- **GSM Alarm:** A special security solution for individuals and corporate customers of T-Mobile Slovensko, the Mini alarm, operated via a mobile phone, was launched on the market.
- **Shareholders on Dividends:** The Ordinary General Meeting of Slovak Telekom approved a dividend payment to its shareholders of SKK 3 billion (EUR 100 mil.). Fond národného majetku Slovenskej republiky (National Property Fund SR) was paid SKK 450 million (EUR 15 mil.). The Slovak Republic, represented by the Ministry of Economy SR, was paid SKK 1.020 billion (EUR 34 mil.). Dividends paid to the Deutsche Telekom AG shareholder totalled SKK 1.530 billion (EUR 51 mil.).

May

- **Speed Increase:** T-Com increased the speed of all 4G internet programmes at an unaltered price.
- **More Advanced Calling Plans:** T-Mobile Slovensko enlarged its Podnikateľ (Entrepreneur) programme structure by allowing calls to abroad as part of the basic package, and including other services typically used by business clients.
- **New Data Package:** T-Mobile Slovensko launched Biznis Data (Business Data), a new data product with shared data package for small and medium enterprises.
- **Euro Changeover:** Of the total number of 5 thousand public payphones in operation, euro coins were already being accepted in three thousand payphones throughout Slovakia.
- **Rebranding Bleskovky:** Bleskovky.sk changed to Topky.sk. The Zoznam.sk internet portal began producing news and media coverage with its own team of journalists, and terminated its content supplier partnership. This helped Topky better integrate with the product portfolio of the Zoznam.sk portal, and it regained its original visitor rate within a month.
- **First Slovak Web Show:** The first Slovak web show, Exoti, created by T-Mobile Slovensko, established a new use of modern technologies and mobile access.
- **Successful Marketing Communication:** The Company was awarded a Silver EFFIE in the 2008 National Competition of Marketing Communication Efficiency for launching and building the Magio brand.

June

- **Largest Network of Telecommunications Products and Services:** Slovak Telekom and T-Mobile Slovensko started to merge their retail shops into one joint network, which became the largest network in the telecommunications sector.
- **Expanded Functionality:** Zoznam launched new dictionaries with extended database comprising some 2.5 million words. Besides their larger database, the new dictionaries introduced new languages, and thus became the highest-quality language dictionaries on the Slovak internet.
- **Cheaper Roaming:** Prices of T-Mobile Slovensko data roaming in EU operators' networks decreased significantly in mid June.
- **Successful Summer Project:** The large-scale summer project Dievča leta (Girl of the Summer) at Zoznam.sk introduced a record-breaking number of girls from the whole of Slovakia. Almost 1,200 girls enrolled in the competition to win a car.
- **T-Com Brings Fun:** The third annual T-Com Fiesta street festival was kicked off, again featuring the T-Com Fiesta beach at Tyršovo nábrežie in Bratislava.
- **Trixi Mobiles Again in Slovakia:** T-Mobile Slovensko continued in its support of the Trixi environmental project, with ecological three-wheeler transportation available in three Slovak cities.
- **Partnerships:** Cooperating with the Hodokvas music festival, Zoznam gave young bands a big chance. Competition winners got the chance to perform to give their best to the same audience and on the same stage as megastars Cypress Hill and the immortal punk legends the Sex Pistols.

July

- **Closing the T-Station Portal:** As part of its long-term strategy, Slovak Telekom closed the T-Station internet portal as previously announced, and re-focused on content development at Zoznam.sk.
- **Exclusive Hardware:** T-Mobile Slovensko started selling the Nokia 6650, designated exclusively for T-Mobile International network operators.
- **Emails in Every Mobile Phone:** The new "E-mail Expres" service made emailing possible to and from every mobile telephone via MMS technology.
- **WAP T-zones in Hungarian:** Zoznam Mobile offered mobile content to Hungarian-speaking customers.

- **Endowment Fund Helps Again:** almost SKK 1.5 million (EUR 49,791.88) were provided by the Endowment Fund of Slovak Telekom to 23 organisations in a third grant round, titled “Vítazstvá, kde niet porazených” (Victories with no Losers). The support was earmarked for projects to disseminate and promote fundamental Olympic ideals in the everyday life of society in various ways.
- **Corporate Social Responsibility Report:** Slovak Telekom issued the Corporate Social Responsibility Report for the third time. The 2007 CSR Report summarizes the Company’s corporate philanthropy activities. The creatively produced report, living up to its name of “green report”, offered its readers a little bit of green.
- **A Summer Packed with Experiences:** T-Mobile’s employee programme showed the community 40 winning projects, carried out throughout the summer all over Slovakia.

August

- **iPhone 3G in Slovakia:** T-Mobile Slovensko brought Slovakia the premiere of the iPhone 3G.
- **Euro Changeover:** As of 1 August, Slovak Telekom started dual display of prices in price lists, at points of sale, in marketing materials, on invoices, and in advertisements.
- **T-Com at the Olympic Games:** Slovak Telekom was the general partner of the Slovak Olympic Team at the 29th Summer Olympic Games, which became its most successful ever, thanks to six medals won. The Company presented itself in the official communication campaign through the T-Com business brand.
- **Support to Modern Teaching:** The third annual competition for teachers and schools, Cena Slovak Telekom 2008 (Slovak Telekom Award 2008), got under way. Teachers registered 187 projects characterizing modern ways of teaching, by using PC and internet access.
- **To Customers, even through the Web:** In order to get closer to customers’ needs, T-Com redesigned its interactive web portal. The portal now enables direct purchase of products and services by means of an electronic purchase order.
- **Home Web Page Modified** The most visited home page in the Slovak internet evolved, with the aim of making the Zoznam.sk portal more transparent and personalised.

■ Product Innovation:

- **Mapy (Maps),** one of the most popular services at Zoznam, underwent innovation. The newer version features more detailed mapping documentation and a richer offering of objects, as well as a route planning function.
- Zoznam.sk introduced a new e-mail system based on advanced technology, offering more possibilities to work with directories, message search and clustering.
- **Overcoming Boundaries:** Within less than 6 months of its launch, Kariera.sk, Zoznam’s on-line job portal, achieved a visitor rate of almost 100 thousand real users per month (99,503 RU, source: AIM monitor, June 2008). This was enough to rank it the second most popular portal after the market leader Profesia.
- **Live Broadcasts from Beijing:** For the first time, Zoznam broadcast live from the Slovak Olympic House to users. Furthermore, it carried complete coverage, topical behind-the-scenes information from the Olympics and the Slovak residence, and user-attractive on-line discussions with athletes, support personnel and the Slovak house organisational team.
- **T-Mobile Music City:** An original series of music projects was kicked off in Prešov. The theme was 24 hours of music in the town thanks to T-Mobile Slovensko.

September

- **Educating Teachers:** Slovak Telekom offered technically-specialised teachers a unique opportunity to obtain information on latest trends in information and communication technologies at a special technical conference.
- **Magio with Mosaic:** T-Com made digital television even more attractive by providing a Mosaic overview of 12 TV channels on a single screen, with a menu also available in Hungarian, as well as access to radio stations from the main menu.
- **New Hardware for Rýchly internet (Fast internet):** The hardware offering for FLASH-OFDM technology was gradually extended to include ExpressCard slot cards and a universal USB modem.
- **Zoznam’s Own Fast Electronic Mail Service:** Zoznam’s home page saw another service addition, called Komunikátor (Communicator). This fast email service from Zoznam requires no installation, just an email account. This advantage was appreciated especially by users who, for some reason, could not install programmes to enable fast email service on their PC.

- **Service Innovation:** By automating the import of certain content types, Zoznam Mobile facilitated the importing of themes and flash backgrounds into a database for content editors.
- **World-class Dancer in Slovakia:** T-Mobile Slovensko presented the world-famous flamenco dancer Joaquín Cortés to the Slovak audience.

October

- **Expanding Optical Infrastructure:** In October, more than 100,000 households had access to services provided under the T-Com brand via optical infrastructure, bringing the customer more convenience, high stability and connection speed.
- **Quality of Services Confirmed:** Slovak Telekom maintained its quality management system certificate under EN ISO 9001:2000 standard requirements, and earned a certificate for environmental management systems under EN ISO 14001:2004. The certificates confirm that Slovak Telekom complies with international standards of environmental management, and provides quality services as agreed with its customers.
- **Support for Scientific Activity:** T-Mobile Slovensko became the general partner of the “Hlava roka 2008” (2008 Brain of the Year) Project, a national contest aimed to support science and technical academics.
- **Looking for New Talent:** T-Mobile Slovensko in cooperation with the Pontis Foundation announced another annual “Hľadáme ďalší zmysel – PRE TALENT” (Looking for Higher Meaning FOR TALENT) Grant Programme.
- **Community Network at Zoznam:** Zoznam.sk enabled multimedia content sharing. A new community portal, Free.sk, offered the possibility of archiving videos, photographs or music, on-line communication, sharing of information and opinion, and a chance to meet new people. This multimedia portal's uniqueness lies in the possibility to add user content directly from mobile phones.
- **Creativity Awarded Abroad:** The 2007 Corporate Responsibility Report was short-listed for the Design and Art Direction category at the Golden Drum Festival in Portorož, Slovenia.

November

- **Expanding Optical Infrastructure:** High-speed 4G internet or Magio digital television provided under the T-Com brand over the latest optical fibre-based data transmission technology, were available to more than 150,000 households in 8 cities in Slovakia.
- **Telekom Day:** More than 80 students had the chance to learn about the latest information technologies at a specialised Telekom Day conference, and took part in designing solutions for real-life case studies. The fourth annual Telekom Day student conference was prepared by Slovak Telekom and T-Mobile Slovensko.
- **Interest in Magio Growing:** The number of Magio digital television customers exceeded 30,000.
- **New Product:** Zoznam Mobile launched a new product for customers of T-Mobile Slovensko. Flash backgrounds enabled the combination of active mobile phone components such as time, date, signal, battery status display and the like, and graphics or pictures.
- **SMS lístok – Transport Ticket via Text Message:** T-Mobile Slovensko launched a new micropayment service for all customers: the SMS lístok (transport ticket via text message) for public transportation in Bratislava.
- **New Opportunity for Business People:** T-Mobile Slovensko in cooperation with the Pontis Foundation announced another annual “Hľadáme ďalší zmysel – PRE PODNIKANIE zmyslovo postihnutých” Grant Programme (Looking for further meaning FOR DOING BUSINESS with the Mentally Impaired).
- **T-Mobile Music City:** The first annual T-Mobile Music City series culminated in the biggest performance in Bratislava, featuring numerous Slovak performers and the British group Kosheen.
- **Successful Annual Report:** The Slovak Telekom Annual Report ranked second in the “Best electronic annual report” category in the “2007 Best Annual Report” contest, organised annually by the Ineko (Inštitút pre ekonomické a sociálne reformy; Institute for Economic and Social Reforms), the SK-media agency and the Trend weekly.

December

- **Top-class Speed:** In December, T-Com launched a new product – 4G internet Comfort 4, offering cutting-edge internet connection at the speed of 70 Mbps for download and 2 Mbps for data transmission via optical fibre.
- **Information that open up Opportunities:** A sum of SKK 1.2 million (EUR 39,833) was provided by the Nadačný fond Slovak Telekom (Endowment Fund of Slovak Telekom) to 19 organisations in the fourth grant round. The goal of this grant round was to improve access to important information for young people living in institutions, children re-education homes or special schools.
- **Innovations with Magio:** As of December, over 200 thousand households connected by means of the most modern optical network from T-Com could enjoy the Magio service to watch or record four broadcasted programs at the same time.
- **Euro Changeover:** In relation to the currency changeover, T-Mobile Slovensko announced changes of some parts of its portfolio to benefit its customers.
- **Innovated Service:** Zoznam.sk launched new transportation timetables.

Company Profile

Corporate Identity

The Slovak Telekom Group is part of the worldwide Deutsche Telekom Group of companies. The magenta T is an unmistakable graphic symbol of all group companies and it also stands for the globally applied values honoured by their employees.

Values identical for all companies forming the Deutsche Telekom Group:

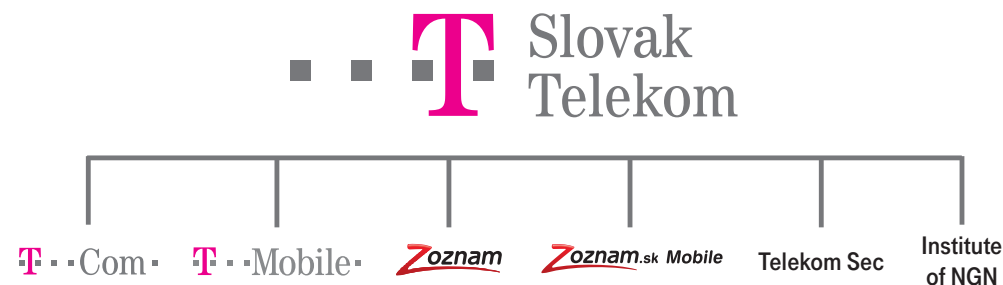
- Superior value
- Passion for the customers
- Innovation
- Respect
- Integrity
- Top excellence

Companies within the Group

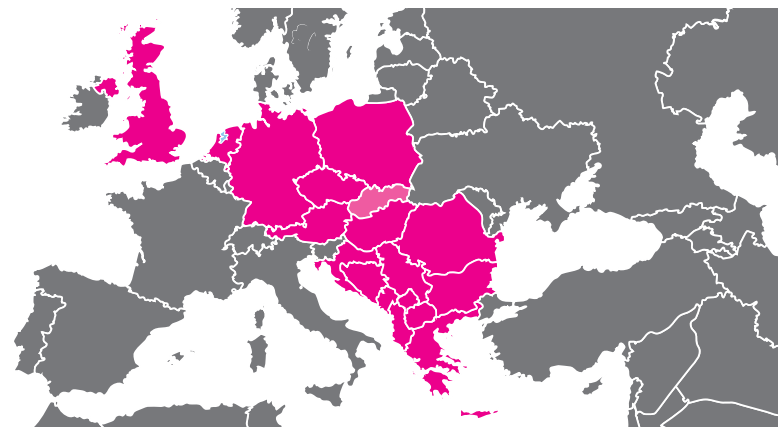
The Slovak Telekom Group comprises the parent company Slovak Telekom, a. s. (Slovak Telekom) and its subsidiaries T-Mobile Slovensko, a. s. (T-Mobile Slovensko), Zoznam, s. r. o. (Zoznam), Zoznam Mobile, s. r. o. (Zoznam Mobile), Telekom Sec, s. r. o. (Telekom Sec), Tower Slovakia, s. r. o. v likvidácii (Tower Slovakia; till 24 September 2008). The Institute of Next Generation Networks (Institute of NGN), a special interest association of legal entities, is also part of the 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 call centre services (under the T-Com brand), mobile communication services (T-Mobile Slovensko), internet content (Zoznam and Zoznam Mobile), as well as security services (Telekom Sec). Institute of NGN is an interest association of legal entities to support development of NGN technology in Slovakia.

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



Deutsche Telekom AG in Europe



Slovak Telekom

Slovak Telekom is a multimedia operator with many years' 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 in Slovakia. It was the first operator in Slovakia to offer the triple play Magio service, combining digital television, internet and telephony, and it is the largest triple play service provider. 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. TRI*M index score at the end of the year 2008 of Slovak Telekom reached 74 points within residential segment and 70 points within business segment, confirming the Company's position among the best of European fixed telecommunications service operators. Slovak Telekom is certified for quality management in line with EN ISO 9001:2000, and the environmental management certificate according to the EN ISO 142001:2004 standard. 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, is the owner of 34 % of shares and the National Property Fund of the Slovak Republic holds 15 % of shares. Slovak Telekom owns 100 % of the shares of T-Mobile Slovensko, which provides a wide portfolio of mobile communication services. Other Slovak Telekom subsidiaries are Zoznam, Zoznam Mobile, Telekom Sec and Tower Slovakia (till 24 September 2008)

Registered Offices:

Karadžičova 10, 825 13 Bratislava

Legal form:

Joint-stock company

Date of Incorporation:

1 April 1999

Principal Business Activities of the Company:

- provision of telecommunications services against payment (transmission, processing, creation and mediation of information) for individuals and legal entities, namely voice, graphical, picture, data, information and multimedia telecommunications services and all combinations thereof
- setting up, operation, construction, maintenance, and servicing of the telecommunications equipment, 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

- Deutsche Telekom AG owns 51 % of shares
- The Slovak Republic, represented by the Ministry of Economy SR owns 34 % of shares
- National Property Fund of the Slovak Republic holds 15 % of shares

T-Mobile Slovensko

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 at 31 December 2008, T-Mobile Slovensko provided its services to 2.35 million customers. T-Mobile Slovensko was the first mobile operator to introduce multi-media 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), mobile broadband Internet access available in Slovakia. T-Mobile Slovensko 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 360 mobile operators in 204 destinations, and GPRS and MMS roaming with 163 GSM operators in 85 destinations 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 SR,
- 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,
- advisory activities in the area of the public packet network for data transmission.

Shareholder Structure:

100 % of shares owned by Slovak Telekom.

Zoznam

One of the most frequently visited Slovak internet portals, Zoznam.sk – www.zoznam.sk, operated by the Zoznam company, originated in 1997. It is specialised in Slovak internet website search and it also offers the internet users everything that the Slovak internet can offer, all that 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 Topky.sk, specialised magazines (oŽene.sk, Mojdom.sk, Dromedar.sk, oPeniazoch.sk, Autoviny.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. Newer projects such as Kariera.sk – through which you can find a job or a new employee – are enjoying popularity. The latest offspring in the Zoznam family – Free.sk – was born in September 2008. It is a new community portal for multimedia content sharing.

An independent audit by Mediaresearch company in November 2008 showed the visit rate of Zoznam.sk portal and its products (except Topky.sk) totalling 1,378,948 real users. Topky visit rate counted 781,820 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

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 the field of commerce, advertising, software, automation, electrical engineering and informatics,
- advertising, publicity and promotional activities,
- market research and public opinion polling,
- graphic design production,
- automated data processing.

Ownership Structure:

Slovak Telekom is the sole owner of the company.

Telekom Sec

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 October 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.

Tower Slovakia, s. r. o. v likvidácii

The company, whose with the previous business name of RK Tower, s. r. o. (until 24 October 2007) was put into liquidation as of 10 October 2007 and terminated upon its deletion from the Companies Register as of 25 September 2008. Activities of Tower Slovakia focused mostly on the leasing of premises at owned sites (towers, masts buildings etc.).

Institute of NGN

The Institute of Next Generation Networks, a special interest association, was founded by Slovak Telekom and Žilinská univerzita (University of Žilina) The association was established as of 23 October 2006 upon its incorporation in the Associations Register.

Association's Registered Offices:

Poštová 1, 010 08 Žilina, Slovak Republic

Legal form:

Interest association of legal entities.

Incorporation Date with the Associations Registry:

23 October 2006

Principal Business Activities of the Association

- transfer of information, experience, know how, knowledge and best practices in the field of modern network and information-communication technologies, by and between business and academia
- development of cooperation between industry and universities, aimed at Slovakia's economic and social development and an increase of Slovakia's competitiveness
- ICT development in the individual regions of Slovakia and among small and medium-sized businesses,
- theoretical and practical education for students and university graduates and teachers, in the applying ideas and principles of an information society and knowledge economy, and implementation of ICT and modern methods in teaching process, and
- research and development activity in cooperation with the University of Žilina and other R&D institutions
- application of results, research, development and innovation in practice, and creation of conditions for testing ICT products, services and applications.

Members:

Slovak Telekom and University of Žilina.

Membership and Cooperation with Slovak Associations by Profession and Industry; Involvement in International Organisations

Slovak Telekom is an active member of the following Slovak organisations:

- Podnikateľská aliancia Slovenska (The Business Alliance of Slovakia),
- 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),
- Republiková únia zamestnávateľov (National Union of Employers)
- Medzinárodný klub (International Club),
- Košice 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
- Združenie pre riadenie a rozvoj ľudských zdrojov (Slovak Association for Human Resources Management and Development)
- Fórum kreatívneho priemyslu (Creative Industry Forum)
- ProRec

- Slovenská asociácia pre vedomostnú spoločnosť - (Slovak Association for Knowledge Society – SAKS)

The Company 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)
- EWS (Europäischer Wirtschaftssenat)

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

- 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),
- Business Leaders Forum
- Republiková únia zamestnávateľov (National Union of Employers)
- Združenie pre riadenie a rozvoj ľudských zdrojov (Slovak Association for Human Resources Management and Development)
- HR Open Forum

T-Mobile Slovensko is represented in the following international organisations

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

Zoznam is an active member of Asociácia internetových médií (AIM), a Slovak Internet Media Association.

Corporate Governance

Organisational Structure of the Company

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

Slovak Telekom 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 has long paid particular attention to the internal control environment. The Company management considers the system of the internal control 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 at Slovak Telekom in this regard is on the control over internal processes and standards. The results of internal testing of the control environment (system) are the subject of a control performed by the Company internal and external audit, which will concurrently serve as the basis for the statement by the management of Deutsche Telekom AG on the internal control 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 have been applied to all its component parts, i.e. to the parent company Slovak Telekom and its subsidiaries, which in 2008 were: T-Mobile Slovensko, Zoznam, Zoznam Mobile, Telekom Sec, Tower Slovakia. All subsidiaries acted as separate legal entities.

Slovak Telekom

An inherent component of the system of governance in 2008 was the Company's organisational structure, which determined its basic arrangement, divided into:

- the Company's bodies;
- executive management

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. On 28 April 2009 the General meeting will approve the prior year profit distribution and decide to transfer 10 % of prior year statutory profit to the reserve fund, with the remaining 2008 profit being retained. Dividend payment is subject to Shareholders decision.

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 strategically 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 in the course of 2008, in March, July, October 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 nominated by its Board of Directors. Members of the Executive Management Board are responsible to the Board of Directors for their activity.

T-Mobile Slovensko

An inherent component of the system of governance is the Company's organisational structure, which determines its basic arrangement, divided into:

- the Company's bodies and
- executive management

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. It is 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 exclusive competence of other Company bodies or employees, or unless delegated by the Board of Directors to other bodies.

The Supervisory Board is the 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 in the course of 2008, in March, July, October and December.

The Executive Management Board of T-Mobile Slovensko is responsible for the operation of the Company, and comprises 8 executive directors, with a Chief Executive Officer designated by the Board of Directors of the Company as their head. The Chief Executive Officer is responsible for Company management and supervision of every Company activity, as well as for the implementation of the annual Company business plan (budget), policies, and direction of other Company managers and employees. The Chief Executive Officer is accountable to the Company's Board of Directors for the performance of his function. The Board of Directors also appoints a Chief Financial Officer of the Company, who reports to the Chief Executive Officer and in cooperation with other managers participates in the elaboration of Company business plans, strategies and policies. The Board of Directors specifies the job descriptions, responsibilities and competences of other executive directors of the Company.

Code of Conduct

In their work, employees of the Slovak Telekom Group follow the Code of Conduct, which is based on defined corporate values and determines the rules of conduct, both internally toward other employees and toward external partners. The Code of Conduct is common to all Deutsche Telekom Group companies, representing their common bond of vision, values and strategy with the parent company.

Companies of the Slovak Telekom Group, together with the parent company Deutsche Telekom AG, have created a corporate culture and a system of corporate values T-Spirit. The Code of Conduct is thus considered a key document laying down the rules of behaviour. Observing the Code of Conduct is obligatory for all employees of Slovak Telekom Group companies, ensuring that the companies become trustworthy partners for suppliers and customers.

The companies get feedback on compliance with ethical business and employee behaviour by means of the Ethics Line mechanism. The line is available to all employees and external partners, to present their comments via telephone, mail or e-mail.

The underlying principles for decision-making for both managers and employees are morals, ethics, legal standards and corporate values. Increasing company value and a correct approach to customer needs and wishes is the priority for employees. Accepting the Code of Conduct is how employees express their loyalty towards the firm, and through behaviour in line with corporate values they strengthen the social responsibility on the part of themselves and their Company.

Quality Policy

In 2008, **Slovak Telekom** entered a new phase in implementation and usage of management control systems. An environmental management system in line with requirements of the EN ISO 14001:2004 standard has been integrated with the existing quality system. This decision of the Executive Management Board is also seen in the extension of environmental quality policy.

An integrated external audit of both systems confirmed the fulfilment of international standards requirements indicated by the renewal of quality certificate and the first issuance of the TÜV CERT certificate. The certificates are applicable for “Development and Provision of Data Services, Desktop Services and LAN Services including Helpdesk, for Business Segment Clients in Business and State and Public Administration”.

The implementation of the environmental management system fulfils the obligation the Company assumed by signing the Sustainability Charter – ETNO as a member of the European Telecommunications Network Operators’ Association. Thus it joined the ranks of companies that put emphasis on fulfilling not only customer requirements but also social responsibility and environmental protection.

Slovak Telekom cooperates with Deutsche Telekom Group members in establishing and maintaining both systems.



In 2008, quality policy was one of the underlying pillars supporting the long-term vision of **T-Mobile Slovensko** to become the most highly regarded service Company. The Company continued its successful implementation of Six Sigma quality improvement methodology, and also realised several projects aiming to improve key processes. As a result of these steps, it achieved both cost reduction and increased quality of services and customer satisfaction.

The most important factor in continuous quality improvement is company personnel, on whose development the Company therefore concentrated. In the course of 2008, employee support and pro-active participation in educational programmes were fully

utilised. Extensive shared interactive training focused on implementing Six Sigma in the mobile operator's business was organised as well. In T-Mobile Slovensko, every employee is responsible for quality, and also motivated to constantly search for innovative solutions and to improve the provision of services to end customers.

Great attention was also paid to the quality measurement and management systems. Mystery shopping research, focused on compliance with standards in sales points, was optimised, and at the end of 2008 was extended through the entire integrated network of Slovak Telekom Group sales points. By means of this research important information on the behaviour of sales people in contact with customers was obtained, and is being used intensively in the subsequent enhancement of employee skills related to customer contact.

This path toward continuous improvement based on high-quality feedback and analysis of sales and services data proved itself, and so the Company intends to continue in this direction in 2009. The objective of T-Mobile Slovensko will be high-quality services to current as well as prospective customers, on the first attempt, wherever they come in contact with the Company.

Sustainable Development and the Environment

Slovak Telekom, in line with the environmental objectives of the Deutsche Telekom Group, has adopted a very proactive approach to the environmental protection. Beyond the obligations imposed by the Slovak legal system, in 2004 it adopted the Sustainability Charter of the European Telecommunications Network Operators' Association. Subsequently in 2005, the Company adopted the Sustainable Development Strategy of Slovak Telekom and the Road Map and Sustainable Development Strategy for 2006-2008. Slovak Telekom thus 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 and to enforce the use of modern telecommunications services as an alternative to activities with a negative impact on the environment.

The year 2008 was a milestone for Slovak Telekom in the area of environmental protection, as the Company met the requirements of the EN ISO 14001:2004 standard; it implemented and launched a system of environmental management. The short time needed for the implementation of the system demonstrates the high level of environmental protection in the Company.

Slovak Telekom continued in specific activities aiming at the elimination of environment pollution also in the past year. The Company recycled a high proportion of waste, and achieved limits on the recycling of electro-equipment and packaging were met. It expanded recycling efforts, with approximately 40 % of its municipal refuse recycled. The Company continued reducing its pollutants, by increasing power consumption efficiency, optimising work space usage, reducing fuel consumption, and testing alternative fuels in operation. In its investment activities, it worked to prevent environmental accidents and improve environmental protection.

T-Mobile Slovensko was persisting in its sustainable development and environmental protection activities. Both these factors are shown in its endeavours, and in continual support and application of relevant mechanisms, in both internal and external terms. In internal company operations an enviro-campaign was realised in 2008, focusing on environmental protection, recycling, and saving of paper and other work materials. T-Mobile Slovensko offers its customers several options for reducing consumption. An increasing number of customers have been using the E-bill service, offering a more effective access to invoices. The Company managed to motivate a growing number of interested clients to change to this more economical invoicing method. Thus T-Mobile Slovensko and its customers have been contributing to the protection of the environment for two years, every month saving tons of paper, reducing their requirements for material, natural resources, power, and the resulting waste. The Company pursued the initiative of collecting mobile telephones past their useful lifetimes or functioning over the last year as well. Customers may still use the collection site in the shop on Vajnorská street in Bratislava. T-Mobile Slovensko cooperates with an authorized company in collection, transportation, recycling and ecological disposal of electronic waste.

Executive Management Board of Slovak Telekom



From left to right: Ing. Milan Vašina; Ing. Miroslav Majoroš; Ing. Pavol Kukura, PhD.; PhDr. Anna Hudáková; Szabolcs Gáborjáni-Szabó, CFA; Dipl. Ing. Rüdiger J. Schulz

Executive Management Board of Slovak Telekom



Ing. Miroslav Majoroš
President/CEO

He was 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 October 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 of Slovak Telekom. Concurrently he is a member of the Board of Directors of the subsidiary T-Mobile Slovensko, 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. He is a member of the Board of Trustees of the IT Association of Slovakia.



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

He was 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 of his career he was responsible for technology platforms, and gradually assumed responsibility in marketing and sales for residential and business customers. In 1996 he assumed the position of Senior Executive Vice-President of Deutsche Telekom's Branch focused on the Business Customers segment in Hannover, and from 1999 he was also responsible for residential customers. By the beginning of 2002 he was managing the marketing and sales activities of T-Com brand in north-west Germany, with almost 45,000 business customers. In 2005 he started working for T-Systems in the position of Executive Vice-President for corporate clients and large companies in north-east Germany, enhancing his experience in the field of IT. He has been working for Slovak Telekom in Bratislava since November 2006 in the position of Senior Executive Vice-President for Marketing, Sales and Technology, (COO) and is the member of the Executive Management Board responsible for marketing and sales, production and services to business and residential customers, as well as for wholesale and overall production, i.e. the production platform and information technologies. Rüdiger J. Schulz is a member of the board of directors of the Slovak – German Chamber of Commerce and Industry.



**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 Director of the controlling division (from 1999 to 2001) and Director of the Group Treasury Branch. In 2005 he started working for Slovak Telekom as CFO and a member of the Boards of Directors of both Slovak Telekom and T-Mobile Slovensko.



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

She was born in 1959. At the Pavel Jozef Šafárik University in Prešov, 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 manage-

ment, 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 an expert in the East Slovakia Museum in Košice. From 1992 she worked as the 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, where she was a member of the management. Since January 2001 she has been working at Slovak Telekom where she holds the position of Executive Vice-President for Human Resources / CHRO. She is also president of the Slovak Association for Human Resources Management and Development.



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

He was 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. From 1994 till 1996 he was the technical director of AT&T in Slovakia; in 1996 he was the technical and later business director of Lucent Technologies Slovensko until 2000. He has been working 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 been working with T-Mobile Slovensko since July 2002. Before assuming the position of CEO as of 1 March 2007, he served as the Executive Director of the Marketing Division. He came to the company from Radiomobil (today T-Mobile) in the 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.

Board of Directors of Slovak Telekom



Ing. Miroslav Majoroš
Chairman



Ing. Jaroslav Volf
Vice-chairman



Szabolcs Gáborjáni-Szabó, CFA
member



Dr. Ralph Rentschler
member



Dr. Lutz Schade
member since 25/9/2008



Ing. Ivan Doletina
member



Ing. Vladimír Zeman
member



Horst A. Hermann
member until 25/9/2008

Supervisory Board of Slovak Telekom

- **Wolfgang Hauptmann** – Chairman
- **Pavol Dlhoš** – Vice-chairman
- **Dr. Albert Matheis** – member
- **Anton Štefko** – member
- **Ing. Jiřina Perényiová** – member
- **Norbert Schmidt** – member
- **Ing. Július Maličký** – member (since 28/2/2008)
- **Milan Brlej** – member (since 28/2/2008)
- **Ing. Ján Hláčik** – member (since 28/2/2008)

- **Ing. Pavel Kyman** – member (until 28/2/2008)
- **Ing. Ľudovít Hintoš** – member (until 28/2/2008)
- **Ing. Jozef Opát** – member (until 28/2/2008)

II. Shaping Development in the Telecommunications Market

Growing Competition, Higher Quality Services

Legislative Conditions

On the European level, the revision process related to the New Regulation Framework (NRF) continued in 2008.

The European Parliament adopted further draft amendments to directives forming the applicable Regulatory Framework in November 2008. The drafts show a visible tendency towards strengthening supra-national regulation. The NRF revision emphasizes the harmonisation principle, and thus repeatedly failed to consider the specific differences and economic backgrounds of Member States.

The amendment to Act No 610/2003 on electronic communications which regulated the implementation of Directive No 2006/24/EC on the retention of data generated or processed in connection with the provision of publicly available electronic communications services or of public communications networks, took effect as of 1 April 2008. The adoption of this Directive was a direct consequence of the European Union's measures aimed at combating terrorism and organised crime. It also contains regulatory arrangements strengthening the powers of the Slovak Telecommunications Office (TO SR) and partially reflects the requirements of security forces as presented in the cross-functional commenting procedure. The operators continue to provide all assistance to state authorities free of charge.

Act No 516/2008 on the Audiovisual Fund and Change and Amendments to some acts was publicised on 5 November 2008. It obliges the several entities operating in audio-vision to contribute to the Audiovisual Fund as a public institution, in order to support and foster the audiovisual culture and industry. For example, distributors of audiovisual work and re-transmission operators contribute 1 % of their income from distribution or re-transmission; the first contributions are required by 31 July 2010.

The tendency towards higher regulation of content services provided via electronic communications networks is demonstrated by the ongoing legislation initiative brought about by the need to transpose EU Audiovisual Media Services Directive No. 2007/65/EC into Slovak law. Slovak Telekom, as a member of the Fórum kreatívneho priemyslu (Creative Industry Forum), participates in the working group meetings at the Ministry of Culture SR, whose task is to prepare a legislative proposal. Intentions as presented by the Slovak Ministry of Culture indicate that Slovak legislative arrangements could go beyond the framework of Directive No. 2007/65/EC, resulting in a higher regulatory burden, in comparison to both the world and other EU countries.

Market Regulation

Through 2008, competition within the Slovak telecommunications market has grown. As expected, this has come with market consolidation and positioning of entities competing nationally and aspiring for long-term operation.

One of the 13 alternative operators originally interconnected with Slovak Telekom's network went bankrupt, another sold its voice business, and other operators consolidated their property. Thus the number of interconnection contracts decreased to 11 active agreements. In 2008, Slovak Telekom adjusted the cost of these interconnections in order to fulfil its regulatory obligation of cost-oriented pricing, and submitted interconnection price calculations based on LRAIC top-down methodology, while observing the maximum interconnection prices according to a TO SR decision. In 2008, TO SR started the second round of relevant market analysis and, in line with the new 2007 recommendation on relevant markets, launched a three-criteria testing on markets considered to be effectively competing at the EU level. The shift towards rigid use of the three-criteria test can be regarded as the only move towards the announced deregulation.

Despite continuing negotiations on local loop unbundling, in 2008 there were again no local loops unbundled. Instead of the anticipated alternative operators' will to enter into a contract on local loop unbundling, they showed a stronger effort to build their own, brand new and more powerful alternative fibre-optics-based fixed access infrastructure. At the European Commission level, a draft recommendation on regulating access to these new infrastructures appeared in 2008; Slovak Telekom actively commented on the draft.

In May 2007, Slovak Telekom made public its Reference offer for Wholesale Broadband Access, in line with the second-instance Decision by the TO SR regarding a significant market power on the wholesale market. In spite of the publicised reference offer, Slovak Telekom brought a legal action against the second-instance TO SR Decision in May 2007. Based on the suit, the Slovak Supreme Court annulled the TO SR Decision as of 12 August 2008 on the grounds of an illegally imposed price regulation obligation, and returned the matter to the TO SR for further proceedings. Slovak Telekom is pursuing effective and enforceable price regulation.

According to the TO SR Decision, Slovak Telekom is the universal service provider as of April 2008 and is discharging full universal service obligations. 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 SR. Insufficient or completely absent execution decrees can be viewed as one of the shortcomings resulting in legal uncertainty on the part of the universal service provider; the case is similar regarding inadequate procrastination in proceedings on the determination of the payment from the universal service account, as already requested by Slovak Telekom in November 2007.

The operators are striving to ensure 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, these operators may be unwilling to invest in infrastructure. De-regulation in other countries, such as the United States and Asia, shows that such an approach leads to increased competitiveness, reduced prices, more extensive services and highly increased productivity.

In the area of economic competition protection in 2008, Slovak Telekom filed an appeal against the first instance court decision of the Antimonopoly Office of the SR (AMO SR) in January 2008. AMO SR decided on dominant position abuse by Slovak Telekom and imposed a fine of 526 million (EUR 17 mil.) for the squeeze of competitors' price margins in the provision of fixed telephone services and dial-up services and for the tying and bundling of services to the service of public fixed telephone network connection. Throughout 2008, Slovak Telekom submitted the second-instance authority arguments and evidence proving that the Company had not violated its dominance on any relevant markets.

In 2008 the AMO SR repeatedly investigated, through the body of first instance, the case of alleged unauthorised non-provision of access to local loops, during the time period prior to the time when the obligation of local loop unbundling was imposed by the TO SR. The Bratislava Regional Court annulled both decisions on dominant position abuse and sanctioning of Slovak Telekom in 2007, this time for the reason that an obligation not imposed under the law cannot be fined. Despite the conclusion drawn

by the Regional Court, the AMO SR repeatedly imposed on ST a fine of 885 million (EUR 29.38 mil.) on the first instance level in August 2008. Slovak Telekom appealed against this decision within the statutory period, reasoning that repeated mistakes by the AMO SR led to wrongful sanctioning of Slovak Telekom, for failure to comply with an obligation which had never been imposed on ST in the past by virtue of any legal regulation or regulatory Decision.

In 2008, AMO SR again examined, in the first-instance proceedings, the case of alleged unauthorised price squeeze on the competitor in the data VPN provision tender of 2004. Both AMO SR Decisions in the above matter were annulled by the Regional Court in 2007 because of several mistakes rendering the AMO SR Decisions unlawful. Yet, with no more than one independent expert's opinion added to the files (which proved the AMO SR used incorrect underlying documents for calculating the competitor's margin in this case), AMO SR decided on the first instance level in October 2008 that Slovak Telekom abused its dominant position and imposed on ST a fine of SKK 73 million (EUR 2.42 mil.). Slovak Telekom appealed the decision within the statutory period on the grounds of unfair sanctioning for behaviour not committed.

Telecommunications Market in Slovakia

The growth of the Slovak telecommunications market continued also in 2008. Once again, the main engines of overall growth were the mobile communication and internet services segments. A slight slow-down compared to the preceding period was a result of the rising saturation of the market and intensive price competition. Telecommunications operators further extended their product portfolios and invested in their infrastructure and enhancing the quality of customer care.

The most important events of 2008 included major investments of fixed operators in extending optical infrastructure for high-speed internet connection and digital TV services, as well as acquisitions of local alternative operators. An ongoing market consolidation, which will strengthen the position of players operating nationally with a comprehensive offer of telecommunications services, can be expected. The determining trend in mobile communications in 2008 was a significant increase in the number of users of mobile internet services and continuous growth of the share of invoiced services customers in the overall customer base. The presence of the third mobile player, Telefónica O2, intensified competition, as manifested in the general price decrease of mobile voice and data services.

The total revenues from sales in the telecommunications market in the SR in 2008 reached the sum of SKK 69.2 billion (EUR 2.3 billion), with the year-on-year growth of more than 3.7 %. Compared to the preceding year, the mobile services segment achieved the highest increase in revenues in absolute numbers, and the greatest dynamics of revenue growth year-on-year was recorded in the internet services. The Slovak Telekom Group confirmed its dominant position with a market share of 44.8 % of consolidated revenues in 2008.

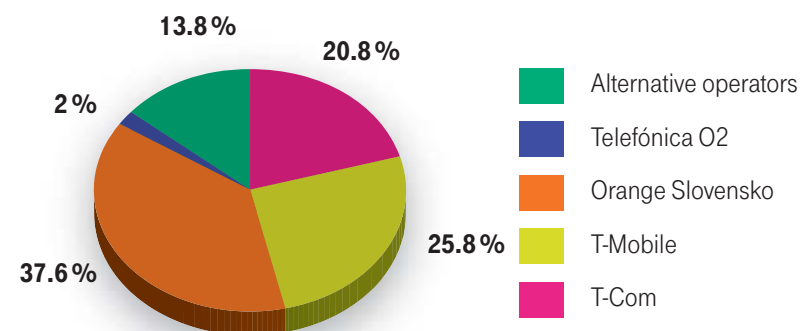
Fixed Voice Services Market

After significant decline in the past years, the fixed network voice services market showed gradual stabilisation of revenues as a result of the substitution of mobile voice services. However, the revenue decrease from services provided on this

market has been an irreversible long-term trend. Slovak Telekom as the biggest provider of services in the fixed network aims to stabilise revenues thanks to the best possible customer-oriented service. The Company has also undertaken gradual and controlled migration of customers from the segment of the traditional voice service based on the interconnection of loops for the internet telephony services (VoIP).

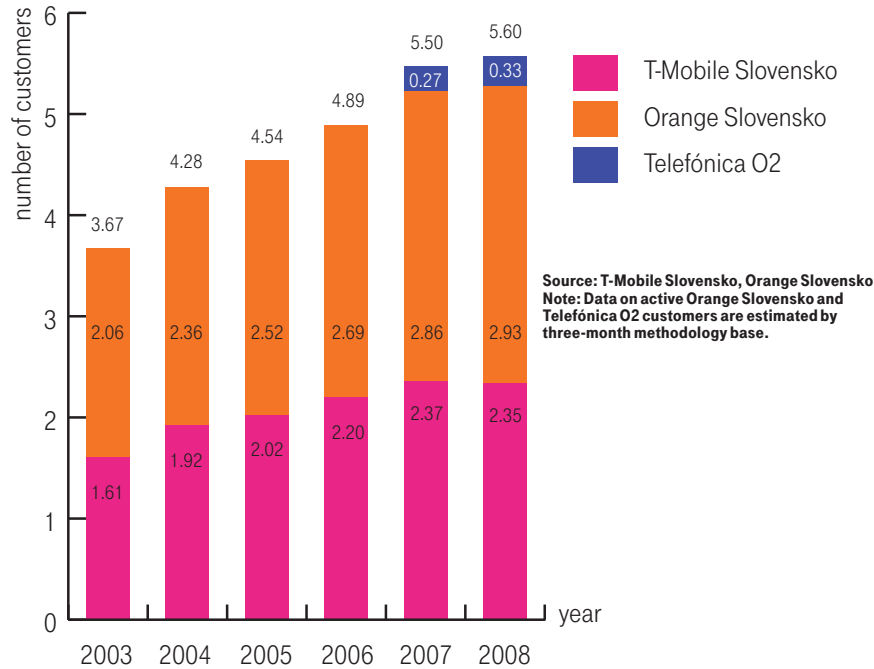
Slovak Telekom, providing its services under the business brand T-Com, registered a total of 1.126 million telephone accesses (including Voice over Internet) by the end of last year. The stabilization in the number of customers of fixed voice services came primarily in the segment of traditional voice services, whereas internet telephony achieved some growth. In the segment of business customers, the increasing demand for data and managed services within comprehensive solutions based on virtual private IP (Internet Protocol) networks continued.

Market Share of Individual Operators in 2008

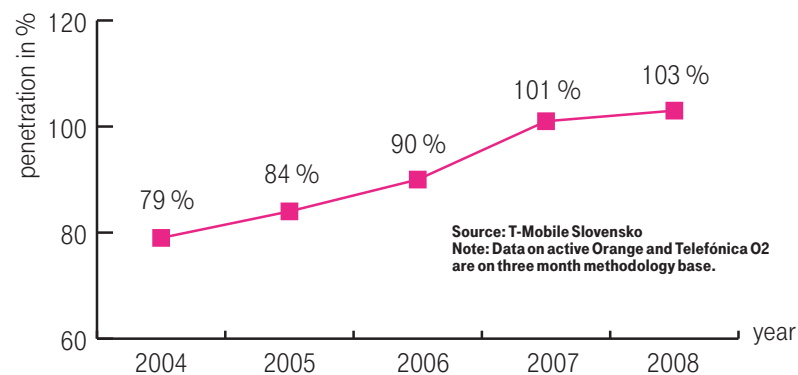


Source: Statistical Office of the SR
Note: Data on the 2008 market size and sales revenues for Orange and Telefónica O2 are estimated.

Trend in Active Mobile Services Customers



Trend in Penetration of Mobile Services, 2004-2008

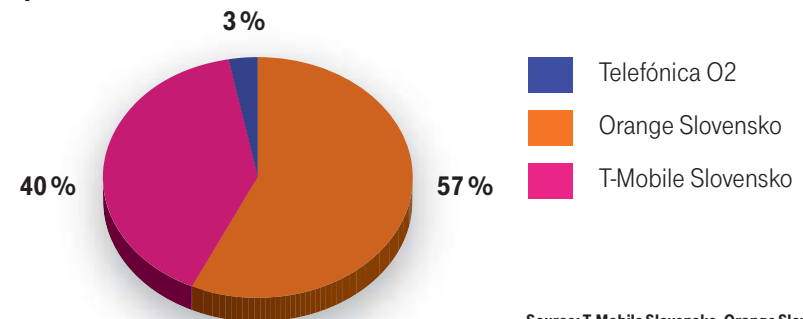


Mobile Services Market

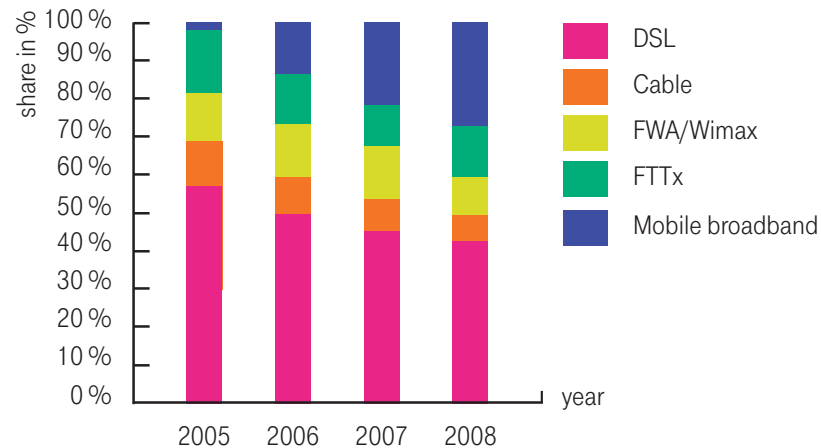
The estimated number of active mobile communication services customers reached approx. 5.60 mil. at the end of 2008, indicating a penetration of mobile services at the level of 103 %. This slight increase in the number of active customers compared to 2007 was primarily motivated by activities of the third mobile operator Telefonica O2, the growing number of broadband mobile internet customers, and the continuing trend of individual customers possessing several SIM cards. T-Mobile Slovensko had approximately 2.35 mil. active mobile services customers at the end of 2008, giving it an estimated 42 % market share. The proportion of customers using invoiced services in the overall T-Mobile customer base increased to 58 % at the end of 2008.

The total volume of mobile market revenues in 2008 reached almost SKK 45 billion (EUR 1.5 billion), indicating a year-on-year increase of approximately 5.3 % compared to 2007. The main engine of growth was the migration of customers into the invoiced services segment, higher intensity of voice services usage, and increasing penetration of mobile data services due to a focus on cross-sell and up-sell activities. In 2008, T-Mobile Slovensko achieved total revenues in the amount of SKK 17.8 bill. (EUR 591 mil.), with year-on-year growth at 3.6 %. T-Mobile's estimated market share of the mobile market in terms of total revenues in 2008 reached 39.4 %, meaning the Company successfully reduced the edge of current market leader Orange Slovensko.

Specification of Mobile Market Revenues in 2008



Share of Individual Broadband Technologies at the End of 2008



Source: T-Mobile Slovensko, Orange Slovensko
 Note: Data on Telefónica O2 are estimated.

Market of Internet Services

The dynamic growth of the broadband internet connection services market also continued in 2008, estimated number of broadband accesses (including mobile connection were 790 thousand by the year end) and year-on-year growth of 36.8 %. The estimated penetration of broadband connections in households thus increased to approximately 34 % in 2008. The greatest dynamic occurred in connections based on DSL technology and optical and mobile broadband connections. In 2008, operators continued investing into expanding coverage and improving access infrastructure quality, as indicated by the increasing accessibility of services and higher access speed for end-customers. Acquisitions of local internet providers by players operating nationally in 2008 brought a more significant consolidation of the internet market, and resulted in standardisation of products and higher-quality customer services.

Total customers of fixed broadband connection (including technologies of the fixed radio access FWA, WiMAX) increased of 28.3 % compared to the preceding year. In the broadband connection market, Slovak Telekom promotes services based on modern optical fibre technology. The Company has started a controlled migration of

customers to this technology, as seen in the continuously improving accessibility of services based on this technology, accessible to 200 thousand households at the end of 2008.

The estimated number of mobile broadband connection customers exceeded 200 thousand by the end of 2008, a year-on-year increase of approximately 67 %. Customer interest in mobile internet services grew primarily from their need for mobility. Another factor was improved service quality due to ongoing investment in Flash OFDM and UMTS / HSDPA networks, and also by other technologies.

Digital and Interactive Content Services

In digital and interactive content services, Slovak Telekom operates in the market of both paid television and, via the Zoznam and Zoznam Mobile subsidiaries, on-line internet services.

In addition to continuous improvement of traditional (portal) services, one key characteristic feature of Zoznam operations in the field of on-line services was the introduction of new services based on the latest Web 2.0 technologies. The core project of these services is the content-sharing platform Free.sk, introduced last autumn. Along with the platform, an open Instant Messenger (the communication tool Komunikátor) was introduced, and an enhanced client email was re-launched. Other successes include the gradual introduction of a single login to all portal services, the launch of the job portal Kariéra.sk, the editorial office becoming independent, and the retention by Topky.sk of the top position among most-read internet dailies.

In the paid television market, Slovak Telekom continued developing the Magio service. Besides expanding its customer base (it had 35,000 customers at the end of 2008 and was accessible in 600 thousand households) and adding new functionalities, Magio became more interactive, and is turning into the leading digital entertainment and interactive content service of the future.

Data and Information-Communication Services

Once again, Slovak Telekom retained its leading position of the stabilised market of data services for business clients in 2008. It completed its process of migrating these services from traditional to IP networks. In the growing market of ICT services, in which IT and data communication services are converging similarly to that in the home entertainment market, the Company has concentrated on providing comprehensive ICT services with added value for big corporations. Furthermore, the Company introduced a new portfolio of standardly managed services for small and medium-size businesses.

Slovak Telekom Group Strategy

Fixed Network Services

In the long term, Slovak Telekom is endeavouring to achieve growth once again, and to respond flexibly to market challenges. Its response is the attitude of a value-oriented, service-focused company, which is also focused on increasing the Company's internal efficiency (Value driven service company & Efficiency driven factory). The strategy adopted for the following three designated action areas is in harmony with this:

- Efficient Company
- Internet Company
- ICT Partner for Business Clients

The "Big 6" strategy, comprising 6 basic pillars, is intended to fulfil long-term Company objectives. The basic pillars of the Big 6 programme are: to become the market leader in broadband internet and IP TV; to remain a customer-oriented company; to implement synergies at the Group level; to focus on developing new business and innovations; to promote corporate culture and, last but not least, to use available resources more effectively and to invest profitably in its future.

In the first action area, the Efficient Company, Slovak Telekom strategy is to Focus and Fix. The Company is striving to achieve this through gradual and controlled migration to NGN networks, transfer of customers from voice to Broadband and IP

services, increased cost efficiency, migration from the fixed telephone line to VoIP, and last but not least through increasing the Company's internal efficiency while maintaining the quality of services and customer satisfaction.

In the second action area – the Internet Company, Slovak Telekom is pursuing a significant growth strategy (Focus and Growth), which the Company implements by consolidating its leading position in the broadband, on-line services and paid television market. To strengthen its leading position in broadband, optical network coverage in the 10 biggest cities in the Slovak Republic, with subsequent expansion into smaller towns, must be achieved. At the same time, the Company is also interested in optimising the original access infrastructure used by technologies based on xDSL.

Strengthening of the on-line market position entails further extension of the service portfolio to include Web 2.0 community services, and transfer of on-line services to TV screens and to mobile devices. With the aim of achieving the leader's position in the paid television market, the Company is promoting Magio through the optical and optimised xDSL network, working for top quality, top content and top applications in digital television, in order to distinguish itself from competitors.

In the third action area, of the Company as an ICT partner for business clients, the strategy is Focus and Growth. This can be achieved by solidifying the leader's position in data and voice services for business customers, and by using this strengthened position when preparing new enhanced ICT services. The Company plans to maintain data centres and provide managed services and security services. The Company hopes to become the data transmission partner for large businesses, providing complex and customised services, and also for medium and small enterprises, to which it will provide standard service packages.

In improving customer satisfaction, the Company continuously faces difficult challenges. One indicator of successful responses to the challenges is the customer satisfaction TRI*M index, in which Slovak Telekom surpassed its 10 most significant competitors in Europe by a full 4 points for 2008.

Mobile Services Division

The current strategy of the Group's mobile division – T-Mobile Slovensko – is based on a long-term vision of becoming the most respected company in the market in services and customer care, bringing out communications solutions to support the development of personal, social and business networks. The main pillars of the strategy are promoting customer retention and loyalty, efficient management of the existing customer base, and strong orientation on the growth in the segment of mobile data services and broadband internet connection. Efficiently fulfilling this strategy is essential in order to achieve the long-term objective of the Company: to become the leader in the field of mobile communication and with respect to the number of invoiced services customers.

Increasing Customer Retention and Loyalty

Due to the growing saturation of the Slovak mobile market, the focus of T-Mobile Slovensko activities has been gradually shifting, from winning new clients to retaining existing customers and fostering their loyalty. The level of customer care has become one of the main areas in which the Company wishes to differentiate itself from competitors. In the course of 2008, the concept “Just Tell Us Once“ in the field of customer processes has been further disseminated; the concept consists of prompt and efficient settlement of customer requests the first time round in various areas, including service changes, information on accounts, complaints, and telephone repairs. A new element in 2008 was the introduction of a promise to customers to resolve requests before a given deadline. Such a procedure is completely new in this mobile market, and shows an effort to meet customer care obligations towards customers.

In 2008, the Company continued implementing a differentiated management of customer care depending on their value. It also continued implementing changes in the information systems and business processes related to customer care. These activities are expected both to bring growth of existing customers' loyalty and to support the winning of high-value customers from competing operators in the next few years.

Efficient Management of the Customer Base

The second pillar of T-Mobile Slovensko strategy is efficient management of the existing customer base. Here, the basic objective is to increase the average revenue

per customer (ARPU) through the migration of customers from prepaid cards to invoiced services, migration into higher-level calling plans, the sale of new services, such as mobile broadband connection, mobile internet “web'n'walk”, e-mail or mobile content services. The Company's ambition is to focus more on providing targeted proposals, depending on the identified needs of individual customer segments. In sales, the Company focused in 2008 on enhancing the performance and efficiency of individual sales channels, primarily in cross/up-sell transactions, as well as on developing new sales channels, mostly for the consumer segment and small and medium-size enterprises. In 2008, activities in the field of customer base management were supported by the continuing implementation of new functionalities in customer and operation systems.

Strengthening the Position in Mobile Broadband Connection

T-Mobile Slovensko, as the operator of a unique technology of mobile broadband internet on the basis of Flash OFDM technology, has profited from Slovak customers' growing interest in mobile internet. Thus it regards development here as one of its key priorities. In 2008, the Company continued expansion and enhancement of quality of Flash OFDM technology infrastructure, with coverage now exceeding 70 % of the population. At the same time, UMTS / HSDPA technology coverage was extended to include new areas and cities (e.g. Košice, Nitra, and Trnava). As regards mobile broadband internet, the Company still aims to improve service coverage and in heavy-traffic connection areas, and in other areas with potential for future development of mobile internet use.

Another priority area of data services for T-Mobile in 2008 was internet services in mobile telephone devices (web'n'walk), enhanced by the introduction of a new version enabling customers a higher-quality experience when using the internet on a mobile device. Moreover, the unique Email Express service was launched, offering customers the possibility to automatically receive e-mail communication in most types of mobile devices.

Group Synergies

Concentrating on achieving synergy between the fixed and mobile divisions, and on generating higher value for shareholders, is an important pillar of Slovak Telekom Group strategy. In 2008, the process of integrating more than 200 Sales Points of Slovak Telekom and T-Mobile Slovensko was successfully completed. The new shared sales network gives customers the possibility of comprehensive customer assistance with fixed and mobile communication products, all at the same location. In sales to business customers the companies concentrated on coordinating activities, primarily in retaining existing clients and exploiting new business opportunities. In 2008, the first activities in common customer care were realised, in the form of launching the Info Assistant services telephone number 1 188. The Slovak Telekom Group plans to continue developing services into the future. Another Group synergies area on which Slovak Telekom Group will focus in the next few years is the development of common product packages at favourable prices, combining fixed and mobile network services. This common effort aims to bring comprehensive info-communications solutions to customers, and to assist them by means of an integrated network for sales and customer care.

III. Report of the Company's Management

Products and Services 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, sales 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 and Zoznam Mobile.

Again in 2008, the Slovak Telekom Group confirmed its leading position in the telecommunications market. In fixed-network services, this was mainly thanks to its broadband internet, wholesale services and Magio digital television, where a rapidly-expanding offering of optics-based infrastructure influenced customer growth. In mobile communications, the segment of invoiced customers significantly increased, and the share of non-voice services, including mobile internet and content services, also continued to grow in total revenues. The Group saw excellent results in its expansion of internet content, partially owing to restructuring of product portfolio, innovations, and the presentation of several new services from first-time segments that attracted users.

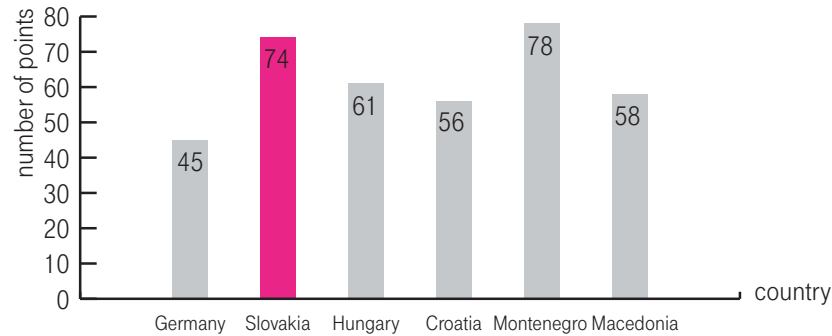
Over the last year, Slovak Telekom and T-Mobile created the largest chain of branded retail telecommunications shops in Slovakia. Through more than 200 common retail shops, customers got easy access to a wide range of products and services of both companies. These common sales points, T-Centres, are branded with the "T" logo.

TRI*M Index: T-Com's Customer Satisfaction among the Best in Deutsche Telekom Group

The most important indicator reflecting the Company's success is customer satisfaction. Customer satisfaction is expressed by the TRI*M index, which is used by companies worldwide in various industries. The Company has used this index to measure customer loyalty and satisfaction since 1998. The independent research agency TNS Global, with years of experience with this research in various parts of the world, collects and evaluates this data.

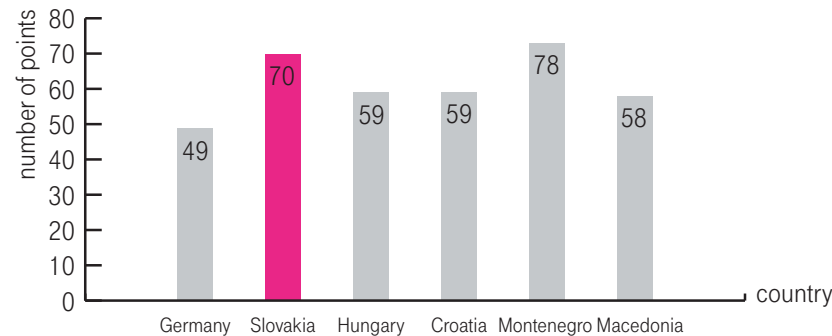
Over the past years the Company has shown a rising TRI*M index. With the aim of achieving comparable results, all Deutsche Telekom Group companies harmonised customer satisfaction measures in 2008. For this reason it is not possible to show how the index evolved over previous years. The TRI*M index is presented in comparison with Deutsche Telekom Group companies in Germany, Hungary, Croatia, Macedonia and Montenegro. The results collected confirmed the position and high standard that Slovak Telekom's TRI*M index has enjoyed over the years.

Comparison of Slovak Telekom's TRI*M Index of Residential Customers with DT Group in Other Countries Providing Fixed Network Services



Source: Deutsche Telekom

Comparison of Slovak Telekom's TRI*M Index of Business Customers with Other DT Group Companies Providing Fixed Network Services



Source: Deutsche Telekom

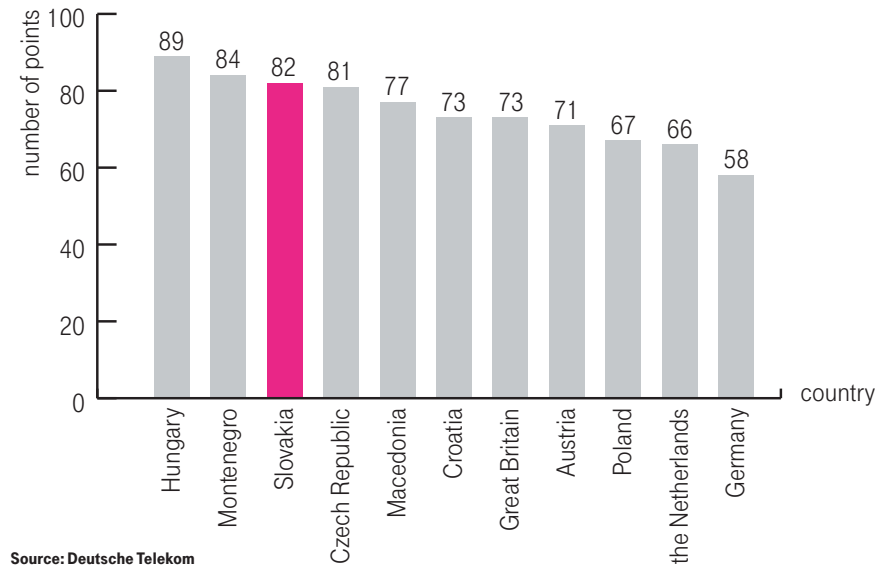
TRI*M Index: T-Mobile Slovensko Customers among the Most Satisfied in Europe

Along with the achieved results, overall company success is also reflected in how customers perceive the company. Customer satisfaction is thus a key indicator. The TRI*M index, expressing customer satisfaction in figures, is a weighted result of multiple assessment questions focused on customer attitudes and associations regarding the Company. The method is used by companies worldwide in various industries.

Customer satisfaction is measured quarterly in all European countries where T-Mobile International is present. T-Mobile Slovensko has long maintained an above-average result among these countries. Its 82 points in 2008 and its customer satisfaction score ranked it third from among all T-Mobile countries.

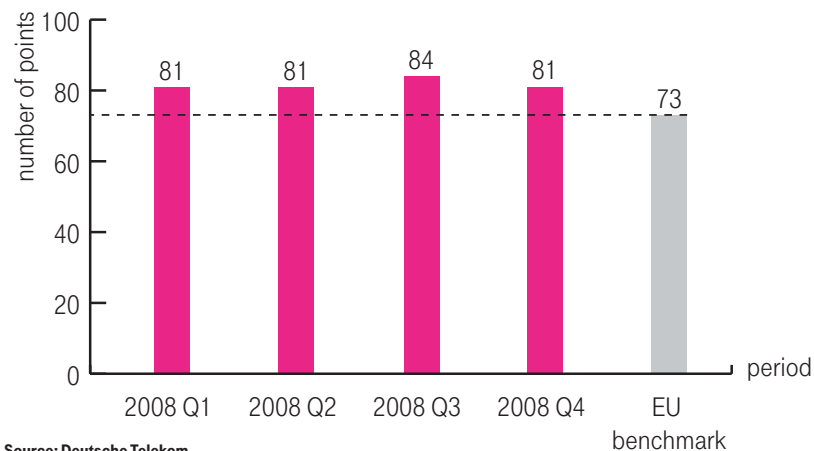
T-Mobile's TRI*M Index of Business Customers of 81 points at the end of 2008 indicates that these were its most satisfied customers.

Average TRI*M Index of T-Mobile Countries in 2008



Source: Deutsche Telekom

TRI*M Index – T-Mobile Slovensko Customer Satisfaction Trend in 2008



Source: Deutsche Telekom

Fixed Network Products and Services for Households

Digital TV: Pursuing Strong Growth

Since its market launch at the end of 2006, the first two years of the digital TV Magio have been characterised by high growth in customer numbers and multiple innovations. Owing to these, Magio has become a market leader, with competing services lagging behind. The functions of recording, fast forwarding/rewinding or live pause have been available since the service launched. The continuously replenished Magio video-on-demand library, with over 600 films including high-definition (HD) format movies, is among the best on the market.

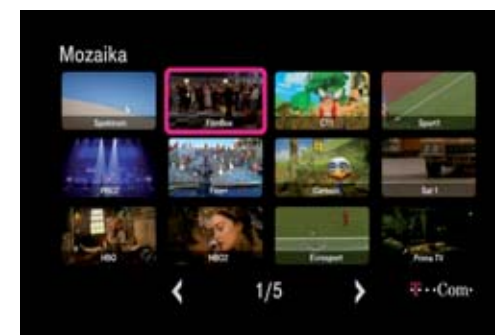
The spring of 2008 saw a breakthrough in the digital TV Magio offering, with customers able to order it as a stand-alone product without internet connectivity. The spring campaign gave customers the possibility of enjoying the high quality

broadcasting service, including all unique functions as well as the set-top box, for SKK 333 (EUR 11.05). At the same time, the basic package of TV channels was also extended by adding 9 TV channels to a total of 14. T-Com also introduced a new function to the digital TV Magio, enabling clients to customise the order of TV channels based on their preference, while unifying price and channel offerings available through Magio and Magio Comfort services, offered over the optical network.

In July 2008, Magio customers subscribing to the Premium 2 or Premium 1 + 2 packages got free access to the HBO Digital service. In the Magio video-on-demand library, the service is available as HBO kino (HBO cinema), with over 200 hours of attractive films, TV series and documentaries, updated every month. While watching these programmes, a client can use the standard functionalities of the set-top box – fast forwarding/rewinding and live pause. Even customers without subscriptions to premium packages can enjoy the current film offering.

Throughout the year, Magio also flexibly reacted to changes in the Slovak TV market. In August, Slovenská Televízia (STV) launched the sports channel Trojka (STV3), which was available to all Magio customers from the very first seconds of its launch in both standard as well as HD format. T-Com thus became one of the first providers of HD TV broadcasting over metallic networks using the ADSL2+ technology. If a customer has a TV set that supports the format it is easy to compare the difference in quality, as HD format features not only high-definition, high-fidelity presentation, a perfect picture, vivid colours and contrast, but also higher sound quality.

Thanks to Magio, the public could watch Trojka live broadcasting from the Beijing Olympics free of charge in a dedicated Palace Cinemas hall at Bratislava's Polus City Center shopping mall.



Another new Slovak TV channel in 2008 was JOJ Plus, launched in October. Like Trojka, JOJ Plus is available to all Magio customers, as the channel is part of the basic package. Customers can choose from a total of 64 channels, an increase of 14 compared to 2007.

In autumn, T-Com satisfied even its more demanding customers with several TV sets at home. To connect a second TV set as well, clients could buy a Tatung set-top box without a hard disk (HDD) at a favourable price. Customers connected via the optical network could watch Magio using a single connection on up to four TV sets independently of one another. This was even in the case of watching HD TV broadcasting or HD films from the video-on-demand library. In 2008 the Magio offering was supplemented with the new functionality Mozaika (Mosaic), enabling viewers to see 12 TV channels on a single screen simultaneously, as well as the Rádio (Radio) application for more convenient listening to radio broadcasting.

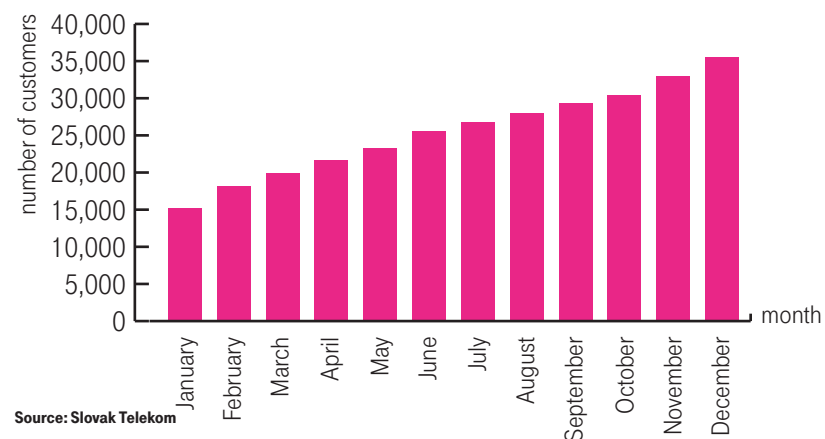
The Magio service, now available to over 600 thousand households, has since its market launch enjoyed significant interest from the general public. The spring, summer and Christmas campaigns attracted tens of thousands of new customers. While early in 2008 there were just over 13 thousand customers, by year-end they totalled more than 35 thousand. The growing demand was undoubtedly also facilitated by the advanced and convenient functionalities Magio has to offer. In the past year, customers also took to Magio's self-installation package, which makes it possible to start watching Magio within seven days after ordering it.

Internet: Speed, Reliability and Security

Low price, quality connectivity and geographical availability of the DSL technology made high-speed 4G internet available for use to almost 80 thousand new customers in the past year. At the end of 2008, the number of DSL-based accesses exceeded the level of 338 thousand. Over the five years since the introduction of DSL technology, Slovakia has seen a steep increase of the number of 4G internet customers. While in 2004 the number of users did not exceed 40 thousand, at the end of the past year it was above 300 thousand. The growing demand of Slovak households for 4G internet can be attributed to the ever-improving quality of the metallic infrastructure, quality of connection,

availability of 4G internet in over 900 municipalities, and affordability. Besides a reliable information search function, the high-speed 4G internet also offers full convenience of use with respect to ever more popular interactive web sites and internet-based sharing or legal downloading of music and video.

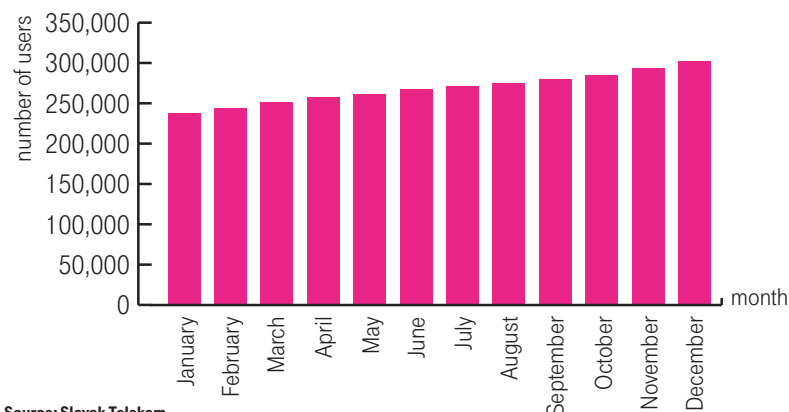
Total Number of IP TV customers



Total Number of DSL accesses



Total Number of 4G Internet users



Source: Slovak Telekom

Requirements of data service users around the world and therefore also in Slovakia concerning usage of the internet are growing. This trend is not related only to more active surfing over internet sites but also to the increasing quantity of multimedia content, particularly video. This development is apparent in the global context and also on Slovak news portals. Watching streamed video entails significant bandwidth requirements. Since the launch of DSL technology on the Slovak market, T-Com has been decreasing connection prices while increasing transmission rates. Customers with Turbo 1 through Turbo 3 products (including product variants without a fixed line marketed under the brands Plus) and Magio with internet connection benefited from April 2008 onwards from a downlink rate increase of 512 Mbps. Yet the increased rates were not reflected in their monthly fee, which remained unchanged.

Users of the optical network-based internet Comfort service also benefited from increased transmission rates. In November, the Comfort 2 product transmission rate was increased to 15 Mbps, and December saw the introduction of the premium product Comfort 4, with a maximum transmission speed of 70 Mbps. The Company also prepared a special introduction offer for Comfort 4 and Turbo 4 at the attractive price of SKK 1,190 (EUR 39.50) per month for the entire subscription period.

Downlink and Uplink Transmission Rates for DSL – based 4G Internet Products

	Download in Mbps	Upload in Mbps
Turbo 1/Plus	2.0	0.25
Turbo 2/Plus	2.0	0.25
Turbo 3/Plus	3.5	0.25
Turbo 4/Plus	12.0	0.50

Downlink and Uplink Transmission Rates for FTTx – based 4G Internet Products

	Download in Mbps	Upload in Mbps
Comfort 1	2.0	0.25
Comfort 2	15.0	1.00
Comfort 3	30.0	2.00
Comfort 4	70.0	2.00

Striving to offer the customer an interesting price combined with a renowned security solution for their computers connected to the internet, T-Com last year launched the 4G Security service, replacing the earlier PC Security product. 4G Security is provided in cooperation with Eset. The benefit related to this service lies in monthly payments as opposed to yearly subscription. The customer thus pays only for months in which the service was really used. At the same time, the total service fee for a one year period is more advantageous as well.

A summer offering of 4G internet and BlackBerry e-mail service was designed in cooperation with the T-Mobile subsidiary. Customers subscribing to 4G internet and BlackBerry were granted discounts on a Blackberry of SKK 1,500 (EUR 49.79).

As the territory covered by DSL technology expanded, so did the overall number of DSL accesses grew accordingly. At the end of 2008, the technology was present in more than 900 municipalities, with 4G internet services available to over 3.8 million residents of Slovakia.

Quality Internet Content from Zoznam

T-Station was T-Com's multimedia portal providing legal downloading of entertainment-related internet content. After the triple-play Magio service launch, the portal was closed down in line with Slovak Telekom Group strategy to provide all internet content services solely via the Zoznam, subsidiary. Last year, Zoznam launched the innovated news portal www.topky.sk, and continued to operate popular portals such as Pauzicka.sk, Kariera.sk, Autoviny.sk, and Dromedar.sk.

Voice Services: Appealing Calls to Fixed Lines

and Mobiles

Also in 2008, the Slovak Telekom focused on providing a flexible portfolio of voice services meeting its customers' stringent communication requirements. The "Rodinná pevná linka" (Family Fixed Line) has gradually become a universal tool for placing calls to all networks, and its usage has also increased in calls to Slovak mobile networks.

The last year was marked by continuous growth in demand for optional calling plans. By the end of 2008, these services had a more than 89 % share of all residential calling plans. One year earlier the share was lower by 3 percentage points. In optional calling plans, the customer can choose specifically according to individual needs or based on the benefits provided. At the same time, the customer demand for calling plans with unlimited free minutes grew. Towards the end of the previous year, nearly 58 % of customers could place their calls without restrictions in off-peak traffic and over weekends, after using up their free minutes (with respect to the calling plans Doma Maxi, Doma Uni, Doma Pohoda) or all day long (for the Doma Extra calling plan).

The demand of customers for UNI calling plans, with free minutes also available for calling to mobile networks, also continued to grow last year. The highest demand for these calling plans came mainly from existing customers; in the past year the

number of new and migrating customers stood over 97 thousand. UNI calling plan customers make up some 27 % of the total customer base.

The calling plan Doma Extra continued to attract client interest. In the course of the year, 33 thousand new customers entered into this calling plan. Doma Extra is a calling plan offering free calls within the Slovak fixed network around the clock.

Voice services were another important component of the FTTx-based Comfort solution provided over optical networks. Comfort calls were offered together with 4G internet or digital TV Magio service.

In respect to international calls to foreign destinations under the T-Com brand, since 2006 it has been possible to choose three countries and place calls to these countries' fixed networks at only SKK 2.26 (EUR 0.075) incl. VAT per minute and to mobile networks abroad at SKK 5.83 (EUR 0.194) incl. VAT per minute. These prices are applicable all day long, and the customer is not charged any service activation fee or monthly usage fee. The full list of countries to which the discount applies includes 31 select destinations, including the USA, Canada and Japan. Customers are free to choose from the countries listed.

As of 31 December 2008, the Company operated 1,126,000 telephone accesses. A number of attractive products contributed to fixed line stabilization when compared to other incumbent operators in the CEE region.

In the course of the year, customers could take advantage of various attractive promotions bringing down their monthly fee. In the summer and at Christmas, customers were granted a discount of up to 33 % on selected calling plans. At Christmas, customers were offered a surprise in the form of a 7.2 mega pixel camera Samsung D760 at an unbeatable price, and the English training course DVD Angličtina EXPRESS at only a fraction of the regular market price. The discount was granted to all customers subscribing to high-speed 4G internet, digital TV Magio, optics-based Comfort services, fixed line, ISDN BRA, Hlas cez internet (Voice over the Internet) or Virtual Voice Net services.

For the Voice over internet service, in 2007 T-Com launched an alternative in the form of prepaid calling credit, marketed as the Ready Card, with no contracts or invoices. The Ready Card product is also convenient in its service provisioning process, as the customers can themselves commission the service and top up calling credit: via internet, internet banking (TatraPay, Sporopay) or a credit card. Everything is conducted online, without the need to contact the call centre, send signed contracts by post or go to a shop. The Ready Card is also the first service in the T-Com portfolio directly targeting customers residing outside Slovakia.

T-Com offers Voice over internet in two versions. The basic monthly plan Hovorím cez internet Uni (Talking over the Internet UNI) offers 60 free minutes for calls to any network in 130 countries, and free off-peak calls to fixed lines in Slovakia. Hovorím cez internet Total (Talking over the Internet Total) offers free calls to fixed networks in Slovakia around the clock, free on-net calls (calls between Hlas cez internet users) without any restriction, and 1,000 free minutes to fixed networks abroad.

In 2006, Slovak Telekom introduced, under the T-Com brand, functionality supporting euro-based payments in its public payphones, thus commencing its preparation for the euro conversion project. The Company gradually adjusted public payphones to support payments made with euro coins along with Slovak korunas. Towards the end of 2008, the process was successfully completed and all public payphones were ready for conversion to the new currency. Payphones take euro coins in the value of 10, 20 and 50 cents, as well as 1 and 2 euros. The period of 2007 and 2008 saw continuous development of innovations in this form of communication, as selected payphones were supplemented with functionality to send text messages and e-mails. Text messages can be sent to Slovak Telekom's fixed network as well as the mobile networks of T-Mobile Slovensko and Orange Slovensko. T-Com unified the price of text messages sent to Slovak and foreign destination numbers at SKK 3.01 (EUR 0.10) incl. VAT. The maximum length of an SMS message is 160 characters. E-mails can be sent in a way similar to how SMS messages are typed and sent. The price for sending an e-mail is SKK 3.01 (EUR 0.10) incl. VAT. The maximum length of e-mail is equal to that of an SMS, i.e. 160 characters. In this way, T-Com has introduced a new dimension in utilising conventional public telecommunications in Slovakia.

Fixed Network Products and Services for Small Enterprises, Business People and Large Customer Solutions

Slovak Telekom provides products and services to business people and small companies as well as comprehensive solutions for large enterprises under the T-Com brand. The Company offers customers plans and programmes that best suit their communications needs. In voice services it focuses especially on optional calling plans which offer universal utilisation of free minutes even for calling mobile networks, and free unlimited calls within the fixed network. As of the end of 2008, the share of optional calling plans for traditional landlines and ISDN lines in this segment had grown to 74 %. The growth was fuelled particularly by customer response to promotional product offerings in this segment. The most successful campaign last year was the Christmas campaign.

The most popular plan in the traditional voice business is the Biznis Partner plan, designed not only for small and medium enterprises but also for large companies. It offers companies with branch offices in multiple locations around Slovakia the possibility of merging all fixed lines – traditional telephone lines as well as ISDN lines – into one calling plan, while costs can be split among various cost centres. The customer will thus have a summarized overview of calling costs on one joint invoice, as well as a detailed overview of calls made from individual lines included in the plan. A wide range of plans for traditional and ISDN access is available. In 2008 more than a half of all new customers ordered the Biznis Uni 50 and Biznis Uni 150 calling plans, designed for active customers who call all networks. Biznis Uni Calling plans offer free minutes to all networks, inclusive of mobile networks, as well as favourable international calls. Customers are showing interest in the flat plans Biznis Mesto and Biznis Slovensko too. With the Biznis Mesto plan, customers get unrestricted local calls within the fixed network; and under the Biznis Slovensko plan they get unrestricted local and national calls within the fixed network. Customers having an ISDN line can benefit from the Uni plans in two versions: Biznis ISDN Uni 100 and Biznis ISDN Uni 200. These offer a quantity of free

minutes for calling fixed and mobile networks in Slovakia, for calling through the Voice on Internet service, and for international calls to countries in charge bands 0 and 1, which include all countries of the European Union, Canada and the USA.

An ever growing number of companies and organisations use the Intelligent Network services to communicate with their customers. Such services include the toll-free number 0800 and shared-cost number 0850. In the case of a toll-free number, the costs of calls made are borne by the company which ordered the service. This is a strong marketing tool for providing customers with information on a company's products. With the shared-cost number, call costs are shared between the customer and the company which ordered the service. The service is used by firms interested in effective communication with customers that also wish to eliminate malicious and unwanted calls.

T-Com's offer for companies just starting in business, for small enterprises or for individual business people includes comprehensive communications solutions in the Benefit programme, which presents a practical combination of voice services, high-speed DSL internet access, the possibility of faxing and modern private branch exchange (PBX) functions. This programme was launched in 2006 as IP Office. It brings the customers favourable conditions in the form of free unrestricted calls to fixed networks within Slovakia and abroad, as well as cheaper calls to mobile networks. It is offered in several versions. They feature free supplementary functions such as easy and quick service of calls from the PC, integration with MS Outlook, and the "remote office" function or all functions of a virtual private branch exchange without the need of physically having one. The Benefit Start programme is used by customers who have only one telephone connected in one location but want to use functionalities of a modern PBX, place free IP calls and have a stable and quick internet connection. The Benefit Light programme enables the connection of two telephones to one PBX. The Benefit Optimal and Intensive programmes are designed for multiple users; Optimal for four and Intensive for eight users. All programmes offer customers unlimited local, national and international calls and permanent internet connection without data or time restrictions.

Data and ICT services

Slovak Telekom's transformation from a traditional telco operator to a company providing comprehensive info-communication services (ICT) successfully continued in 2008. To satisfy the communications needs of large accounts, the Company traditionally provides overall solutions for data transmission, voice communication and internet access. In the data services area, services to large customers include primarily the progressive MPLS VPN and Business CityNet services, which are increasingly replacing traditional data services such as telecommunications leased lines or Frame Relay. Data services from T-Com meet the highest demands in terms of quality, speed and security of transmitted data. At present, there is increased need for information access not only at work, but also elsewhere, at any time and anywhere. For that reason, mobile access to virtual private networks became a fact of life.

In the field of ICT, T-Com has long positioned itself as a system integrator capable of rendering a comprehensive solution to customer needs, in both traditional telecommunications and the IT sphere. Last year the Company also started to offer ICT services to smaller customers (SME segment, i.e. Small and Medium Enterprises). New products were launched on to the market to put forward solutions which unburden these customers from tending to communication infrastructure, allowing them to focus on their core business. Breaking from the past, when services terminated in the customer's socket, T-Com now brings the customer the solution right "to the table". The Manažované LAN siete (Managed LAN Networks) product ensures supply and administration of equipment to enable smooth operation of the customer's local area network (LAN), inclusive of attractive functionalities such as above-standard security, secured remote user access to local network from the internet, and a comfortable solution for wireless access to the local network. Another product, called Managed Desktop Services, is for the supply and administration of PCs, laptops and peripherals (such as printers), including the corresponding software in different variations, allowing for flexible accommodation to customer needs. The Dlhodobé zálohovanie dát (Long term data backup) product aims mostly at customers aware of their data's

critical value. It is a flexible solution to backup data transmitted via a secured channel from the customer's location to T-Com's data centre.

Monitoring and remote user support is a matter-of-course for all services, as is a local field support, if necessary. The ICT service portfolio will further expand in 2009.

Fix Network Wholesale Services

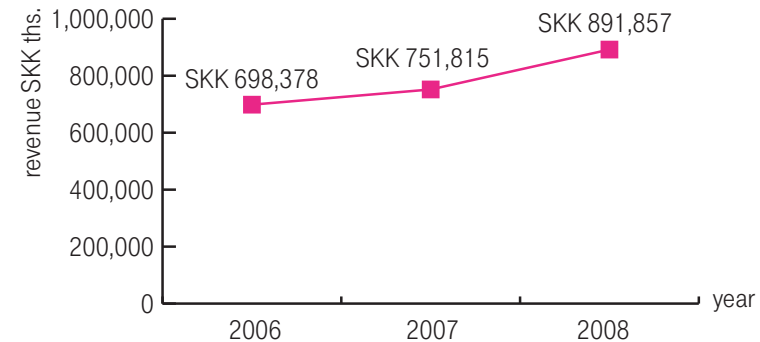
Slovak Telekom had another successful year in wholesale services. Under conditions of constantly falling unit prices for telecommunication services, the Company managed to exceed the planned wholesale revenue volume by 3.3 %. Wholesale service revenues in 2008 represented 15.8 % of total Company revenues, and wholesale revenue volume rose by 10.8 % year-on-year. Such success was achieved mostly thanks to cooperation established with new business partners as well as expanding the existing collaboration.

The Company continued developing its wholesale hubbing business, i.e. transiting of international voice traffic through its network. The latest NGN (Next Generation Network) technology used for this service, combined with Business Support Systems, created the environment to accelerate the hubbing growth rate.

By connecting 27 new international operators through 2008, the Company expanded the number of both its business partners and activities. The result was a 32 % year-on-year increase in transited traffic via the ST network, as well as an almost 19 % increase in revenue. The overview of hubbing revenue development is shown in the graph below.

In wholesale data services in 2008, the Company pursued further expansion of the product portfolio and cooperation with wholesale partners. Through attractive innovations of the ISP Connect product, a customer transit connection to the international IP network, the Company significantly attracted Slovakia's internet service providers. The total planned volume of IP transit capacity over 2 Gbps sold was exceeded, and ISP Connect service revenue in 2008 surpassed the plan by 64 %.

Slovak Telekom Hubbing Revenue Development



Source: Slovak Telekom
Note: Value in the graph will be indicated in EUR. Source data available in the backup.

The Company expanded the portfolio of services for high transmission capacities of wholesale customers by the introduction of the new service Carrier Ethernet in 2008. This enables interconnection of individual sites of a telecom operator using the capacity of the ST metro Ethernet network under wholesale conditions. Customer response and revenues generated confirmed that launching the service was the right move.

In international business activities, the Company successfully approached business partners in Ukraine, chiefly through its offering of broadband leased lines. The cooperation culminated in the sale of the first 10 Gbps international backbone solution to Kiev.

Services based on the latest technology platforms and innovative solutions provided to wholesale partners lay the foundation for further development of business relationships and co-operation with wholesale customers.

Call Centre Services

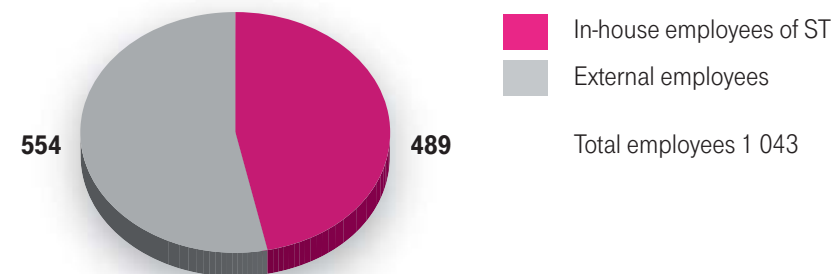
The main activity of Call Centres was operating customer care for T-Com brand customers. Call Centres' commercial activities are primarily focused on inbound outsourcing services (infolines, helpdesks, order lines and 'green' lines), outbound outsourcing services, and back office services (processing and archiving requests, correspondence and surveys). Last year these services were offered and provided very successfully for both domestic and international customers, in particular from the banking, insurance and telecommunications industries.

In 2008, Call Centres provided sales services for the parent company Deutsche Telekom. For T-Mobile Slovensko, it provided the services of telephone number information and sales, which thanks to excellent performance grew by 200 %.

Call Centres other successes in 2008 included the introduction of the new operator lines of 12 999 and 12 777 for the hearing impaired, managed by DAS (Directory & Assistance Services). These services met the requirements of the Telecommunications Office of the Slovak Republic, which made Slovak Telekom the universal service provider. The 12 111 service, a third-party information service recognised as the Best European Service of 2007, expanded its portfolio of offerings.

In addition to improving and stabilizing most qualitative indicators for customer care, Call Centres last year focused strongly on selling T-Com products. Its share of overall sales reached 32 % of residential customers for broadband products, 52 % for Magio, and 52 % of residential calling programs.

Current Overview of Various Forms of Employment in the Call Centres



Source: Slovak Telekom

New Technologies Increase the Quality of Products

In 2009 the Slovak Telekom will continue adding new technologies, services and products to its portfolio. It is the Company's endeavour to promptly respond to global telecommunications tendencies and further focus on increased customer satisfaction.

In fixed network voice services, a greater influence of IP-based voice services is to be expected. While existing voice programmes are relatively popular, and customers have already realized the universal advantages of making calls from the fixed line in all directions, 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 Benefit program (formerly IP Office). Fixed network Triple Play services will continue to expand thanks to a faster ADSL 2+ technology and optic network. After a successful launch, utilisation of the platform's large potential will gradually grow. Downloading applications at home from an external environment over the internet or via a mobile phone will be available from the beginning of 2009. 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 household access to 4G internet and to Triple Play (Magio) services. T-Com plans to enable users to view e-mails or internet pages on their television sets.

By the end of 2008, the service was available to almost 600 thousand households, with coverage provided mainly through the ADSL 2+ network. The newly developed optical infrastructure is considerably contributing to the total coverage of households. By the end of 2008, this infrastructure covered more than 200 thousand households in Slovakia's biggest cities. The project's priority in the year 2009 will be an increase in FTTx Technologies coverage in Žilina and in selected smaller towns. Within the first half of 2009, a coverage of around 250 thousand households is expected.

Mobile Communication Products and Services for Customer Segment

Voice Services: New Best-Sellers

T-Mobile Slovensko has brought in new services and improvements for all voice customer groupings. Throughout the year, various special programs offering unlimited calling packages or other interesting benefits for heavy-usage customers came out. T-Mobile Slovensko also continues to support programs of more efficient communications with close acquaintances and family at times they can use it best. This offering was segmented through the year for prepaid card customers, and users of the Fix and standard monthly programs, such that everyone could pick a choice to best cover their individual needs.

Prepaid card customers got several advantages this year, like the chance to call for free after the third minute. In the spring, Easy Extra SMS was expanded by the new option of the Easy Extra SMS week, a benefit valid for 7 days. In the fall, T-Mobile Slovensko introduced the enhanced Easy Plus loyalty program, with half-price calls and SMS and MMS messages.

The monthly programs segment saw a new type of monthly program starting in February. This was the Vo veľkom (At Large) program series, featuring two free minute packages used in parallel – free minutes in Slovak networks, and weekend minutes within the T-Mobile network. It also includes advantageous evening rates, lower-priced calls to other networks, transfer of free minutes, and a wider offering of promotional telephones. For several months, the Vo veľkom programs were best-sellers, and one of the most interesting new offerings on the 2008 market.

The promotional program offering Paušál pre blízkeho (Flat Rate for Friends) was also exceptionally popular. Every customer activating one of these programs received a special gift certificate to give to family or friends. The recipient who activated a post-paid program got a 50 percent discount for its period of two full years.

A variety of Fix program alternatives enriched the group of products oriented toward family and friends. Fix is primarily for children or older, less demanding users. The portfolio grew to include the lowest programs of Fix 0 Sk and Fix 100 Sk, making it possible to buy a promotional telephone and use a program starting at SKK 100 (EUR 3.319) monthly. In certain periods, T-Mobile Slovensko further offered a special chance to activate the Fix 100 Sk program and receive free credit for a friend.

Fix 300 Sk and Fix 500 Sk are also strong components in the Fix portfolio. These attract mostly teenagers, who appreciate flexible use of calling credit and large quantity of SMS messages. Through the year, T-Mobile Slovensko gave them multiple promotional offerings, of benefits like extra credit every month, calls at SKK 1 (EUR 0.033) per minute, SMS messages for SKK 0.90 (EUR 0.030) or calling for free after the third minute.

Christmas brought an exceptionally diverse portfolio, with a great number of benefits. An introductory promotion offered all T-Mobile customers unlimited SMS messaging to all networks. A further offering included a special version of the Paušál pre blízkeho promotion (a gift certificate with a discount of as much as 75 percent), the Christmas program Super hit 100 featuring 2000 minutes per month, various Fix program promotions, and the Fix 100 Sk program totally free. An extensive range of promotional telephones (of some 40 models of various brands) also enriched the Christmas offering, with many high-end models available for the lowest prices in history. So the Company helped bring state of the art technology to a larger number of customers.

During the year, T-Mobile Slovensko offered many exclusive models of mobile telephones. In July, the Nokia 6650 joined the assortment, available only through T-Mobile International Group operators. The Sony Ericsson models K770i and T700i are among the telephones sold only by T-Mobile Slovensko.

On 22 August 2008, T-Mobile Slovensko introduced one of the year's most anticipated mobile phones – the iPhone 3G. Three special iTariff programs were created for this line. They all included a certain quantity of free minutes to all networks, free weekend minutes in the T-Mobile network, free SMS messages, and even 1 GB of data to

use in 3G and 2G networks, and unlimited Wi-Fi data transfer at T-Mobile HotSpots. The programs were designed so as to cover the high demands of iPhone 3G users, and facilitate its full range of use of available services all in one program.

The company also prepared an interesting voice programs offering for those who do not have a mobile phone. Since the spring, they have been able to activate a Viac (More) or Relax program with double free minutes, all for a standard monthly fee.

At the end of August, T-Mobile Slovensko made permanent reductions in roaming call prices in the European Union and other countries. Through the year, the Company also presented several offers with even more attractive pricing – such as in neighbouring countries during weekends, or the main summer promotion of half-price calls from 30 countries after the first minute.

Consumer Segment Data Services

In 2008, T-Mobile Slovensko continued to expand its support for both main mobile internet services: Rýchly internet (Fast Internet) and web'n'walk. A new service for working with e-mails in a mobile phone, and lower data roaming prices, were also introduced.

T-Mobile Slovensko brought out many new types of hardware for mobile broadband – Rýchly internet – services: two kinds of Express cards as well as a universal USB modem, a compact device to access services with a desktop or notebook computer. User promotions offered a wide range of benefits: 2000 minutes monthly for monthly programs, reduced monthly fees, extra data, and a special coupon for purchasing a notebook for SKK 1 (EUR 0.033) with no further payments.

The internet via mobile phone service, web'n'walk, underwent numerous improvements last year. In the spring, a new version of browser was introduced, enabling easier orientation for browsing internet pages and decreasing the data volume needed to display pages. Thanks to this new version, customers can view more pages within their monthly programs, making their mobile internet experience more convenient than ever.

Furthermore, Slovak web'n'walk users have had a new browser available since the spring. T-Mobile switched to the oneSearch browsing system from Yahoo! in all European countries, offering its customers fast and simple browsing of relevant search results both on the internet and the mobile web.

Last year, the Company launched a special web'n'walk service promotion for monthly programs, called web'n'walk giga. This featured a full 1 GB of data at a matchless price for two years. The summer saw a special Easy Extra web'n'walk promotion, enabling prepaid Easy card holders the chance to surf for a minimal price. Both promotions contributed considerably to an increased number of mobile internet users, and provided the opportunity to try out comfortable surfing for promotional fees.

In July 2008, T-Mobile Slovensko introduced new mobile telephone e-mailing possibilities. E-mail Expres is a simple service offering receiving and sending of e-mails via mobile phone using MMS technology. This is now accessible on all promotional models offered over recent years, making the service widely available. Furthermore, the service is simple to use, as it runs on the mobile telephone's text editor.

Last summer, T-Mobile Slovensko made permanent reductions in data roaming prices in the European Union, USA and other countries. The year-on-year price decreased by over 65 percent.

A New Security Solution: GSM Alarm

A unique item among T-Mobile Slovensko services is the GSM alarm security feature, added to the offering in April. This gives customers protection in their home or office at favourable prices and with easy usage.

The basic component of the Mini alarm service is a compact device for which the customer has a special SIM card. It can be placed anywhere in the home or office. Its great advantage is its mobility – its dimensions and weight make it highly portable. It senses motion through all 360 degrees, and includes a microphone. Any unauthorised entry into the building is recorded, with the device informing its

owner by telephone or SMS message as selected. The Mini alarm is operated by the service user's mobile telephone.

Mobile Services for Business Segment

T-Mobile Slovensko addresses the exacting demands of the business segment with a sophisticated segmentation of offers and the introduction of various benefits, in an effort to provide its customers easy and reliable communication at work.

In voice programs, the key product is the monthly program Podnikateľ (Entrepreneur), enhanced in May 2008 by services among the most heavily used in this segment. The main change was an increase in free minutes – in addition to the Slovak networks, business customers can also use them to call all European Union and USA networks within their monthly fee. They can also take advantage of free calling within their companies using the Medzi nami (Just Between Us) service.

T-Mobile Slovensko has also set up a Biznis de luxe set of programs, among which are Podnikateľ 600 and 1200. They include the services of Smart roaming, Medzi nami or Virtuálna privátna sieť (Virtual Private Network), and BlackBerry Internet E-Mail or web'n'walk, as part of the program's monthly fee. The customer chooses which of these services to use for free. Another benefit of Biznis de luxe programs is in the selection of mobile telephones available at significantly lower prices. Customers can also opt for an annual exchange of their mobile phones.

Besides the new look of Podnikateľ programs, the Company presented multiple promotions with other benefits. For instance, those interested could call for free on four days of the week, or choose between packages: 2000 off-peak minutes within the network or 100 extra minutes to all networks on weekdays.

Small and medium enterprises can now take advantage of the Firma and Firma Extra services, which bring business customers the chance to share a calling program among multiple employees, and to take advantage of favourable prices for calls to all Slovak and Czech networks.

T-Mobile Slovensko offers customers who frequently travel internationally the Smart roaming service, which as part of a monthly fee allows free incoming calls through T-Mobile Group operators in Europe. During last year this service also reduced calling prices from all networks in the European Union and other countries. Another program feature is identical pricing of SMS and MMS messages in all T-Mobile Group operator networks in Europe. Business customers who frequently travel to the Czech Republic can also make use of the identical pricing of calling from Slovakia to the Czech Republic, from the Czech Republic to Slovakia, and inside the Czech Republic.

Regarding data services, T-Mobile Slovensko introduced Biznis data, enabling business customers with multiple users to draw on a common data package simultaneously, at an advantageous price. The service also features sharing of the data package among the employees' mobile telephones. Biznis data comes in three versions (with packages of 25, 125 and 350 GB of data), so firms of various sizes can optimise data usage.

For data roaming, the Company presented both permanent price reductions and the special Web roaming 24 service. This is targeted at those who use data intensively outside Slovakia – it offers a 20 MB data package at a favourable price. Web roaming 24 is available in 32 different countries, and is the best offer in the segment.

Throughout last year, the assortment of promotional mobile phones expanded to include worldwide best sellers. The Nokia N95 8 GB was launched, as was a pair of devices exclusive to T-Mobile International, MDA Compact IV and MDA Vario IV, and the Slovak debut of the Sony Ericsson XPERIA™ X1.

In 2008 T-Mobile Slovensko continued its support of BlackBerry services, and thanks to a modified structure in the Podnikatel' programs it is available to more customers at better prices. Over the year, two new devices from RIM were added to the promotional assortment: BlackBerry 8310 and BlackBerry Bold, the manufacturer's flagship item.

Developing Content and Premium Business: New Projects, Music, and Mobile Micropayments

2008 saw many new projects and continued development of T-Mobile Slovensko's existing content and premium services.

The Company launched several original mobile/internet projects. These enabled user generated content, with users modifying or sharing content with others and creating personal profiles (through a web portal or mobile telephone). These projects interfaced with a variety of contests and voting promotions. For example, there was the re-design of www.mobici.sk in conjunction with the music project T-Mobile Music City, Slovakia's unconventional first web-based show www.exoti.sk, and the Christmas portal www.vianocnehity.sk. In cooperation with marketing communication and its Christmas campaign concept, the Christmas portal included standard content (backgrounds, ringtones and videos).

Many of last year's projects put music at the forefront – from downloaded content, through ringtones, to the unique project of T-Mobile Music City. Customer interest in mobile music, especially real tones and the Full Songs service (which downloads full-length songs to mobile phones) attained a double-digit increase year on year. Additionally, T-Mobile Slovensko brought out a new category of download for the music format – Video tones.

Java games recorded their greatest growth in downloaded content last year. A constantly expanding portfolio, increasing game quality, cooperation with all major suppliers and a range of promotions and contests, together with a growing number of telephones supporting Java, all contributed to this excellent result.

The Company also caught the whole world's wave of interest in Web 2.0, and in cooperation with several internet industry partners gave its customers the chance to

join various internet communities conveniently and right from their mobile phone, with all appropriate optimizations. Here, customers made good use of platforms like mobile Internet and the web'n'walk service.

The new projects that achieved excellent results included a summer SMS contest, with daily prizes for T-Mobile customers in the form of over 50 Alfa Romeo MiTo cars. This project, unmatched anywhere in the worldwide T-Mobile Group or in Central Europe, exceeded all expectations, attracting participation in all customer age groups.

As for premium services, the month of October was a milestone for the business, as T-Mobile Slovensko became the first and only mobile operator licensed by the National Bank of Slovakia to provide mobile telephone-based payment, even for customers with prepaid Easy cards and monthly Fix programs. This transformed all customers' mobile phones into full-fledged, accessible, practical and convenient electronic payment devices for everyday use, through "micropayments". Customers pay via premium SMS for the given merchandise or service, covering the cost in their next invoices or from the credit with their operators.

In cooperation with its partners, T-Mobile Slovensko provides various types of micro-payments – such as topping up the account for the Tipos lottery, mobile insurance through Union, and purchase of services and products from Ringier and Azet.

The SMS ticket for Bratislava's public transportation system became a unique service of this kind. Launched on 17 November 2008, it became popular and heavily used from its very first days. In the coming year, this kind of service will be extended to other cities in Slovakia.

Internet Content Services

The Internet portal Zoznam.sk, a subsidiary of the Slovak Telekom Group, is focused on providing Internet content services. In 2008 Zoznam.sk was strategically focused on restructuring and innovating its product portfolio. It also attracted user interest by presenting several new services from first-time segments. Its long-term pillars

include its Internet search engine, web page catalogue and e-mail account. Second in popularity only to its home page is the news portal Topky.sk. Significant portal products include the specialised magazines Dromedar.sk, Mojdodom.sk, oPeniazoch.sk, Autoviny.sk, Lesk.sk, and the Internet retailer Z-Obchody.sk. The Dictionaries, Timetables, Photo collection, and a wide offer of simple on-line games at Pauzicka.sk have become user favourites.

In February, Zoznam.sk entered the market of specialised job advertisement portals. Despite the competition that entered this market earlier, Kariéra successfully and rapidly attained an interesting market share. In less than the first half year of its existence, it achieved almost 100 thou RU/month (99,503 RU, source: AIM monitor, July 2008). Kariera.sk is a site offering users a simple way to a job and employers a way to find employees. This portal facilitates registration, job search, and agent offer services, making it easier to find a job and perform other useful functions. The application is already operating in three language versions (Slovak, English and German).

In 2008, one of Slovakia's most-visited Internet pages changed its face. Based on user feedback, the home page of Zoznam.sk evolved slightly. The services used most often are placed alphabetically in a new menu, visible to the user on the first page displayed.



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www.kariera.sk

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Zoznam.sk má všetko

Marketing partners moved out of Top Services, to a position under the news box. Later home page was enhanced to include high-speed communication: the Komunikátor service became part of the headline. This service requires no extra software, and it is enough to have

created a Zoznam e-mail account. Users unable for any reason to install programmes enabling quick e-mail particularly appreciate this.

The most-visited news portal on the Slovak Internet, Bleskovky, in August changed its name to Topky.sk. It continues to offer its users the possibility to acquire complete information on topics that interest them, with the added attraction of accessing the growing number of video-content articles. Topky.sk content comes from its own editorial team. Thanks to an intensive campaign and high-quality content, Topky successfully reached the original attendance figures of Bleskovky after one month.

Summer innovations altered e-mail services so as to satisfy the functional, design and reliability requirements of any modern user. Technically, the number of e-mail servers tripled, securing reliable, quick and failure-free access to the service. There are also new disc arrays to store users' e-mail messages increasing the security of the data saved. The modern design, based on the dynamic technologies Ajax and Javascript, makes it possible to work with directories, search and sort messages, reflecting the individual user's ergonomic requirements to access his or her most-used items. At the same time, to a great extent it results from the spatial layout to which freemail users have become accustomed, thus facilitating easy orientation in many cases.

New maps at Zoznam.sk. Compared to the original version, the beta version of new maps provides more detailed map views. In addition to the original Slovak Republic maps, there are now maps of the Czech Republic, Central Europe, and Western Slovakia. Beta maps offer more and higher-quality objects, offering the user more than just position. For example, the user can also get other useful information, like a restaurant's menu of the day, or a petrol station's prices. A public transport user can find not only the accurate position of any bus stop, but also the current arrivals and departures of buses. A route planner function has been added, offering a database of towns even in the Czech Republic. These maps are designed so as to offer users simple and intuitive operation easy manoeuvring.

In the autumn Zoznam.sk brought its users new possibilities of Internet usage, by sharing multimedia content on the new community portal Free.sk. The primary func-

tions of this new multimedia portal are archiving videos, photographs and music, on-line communication, shared information and opinions, getting to know new people. A unique function of Free.sk is the addition of media directly from mobile telephones via WAP or JAVA. In this way the users can be a part of Free.sk wherever they go within their mobile operator's signal range.

The game portal Pauzicka.sk's more clearly-arranged home page was an immediately visible and user-friendly change. Added functions are appreciated especially by users identifiable as active creators of shared content, because the game portal offers them more space for communication and comments.

The superior language dictionary on Slovakia's Internet has seen modifications. Besides enlarging the word database in the original English, German, French and Spanish dictionaries, the languages of Russian, Italian and Hungarian translation have been added here. A new function of the language dictionary is a keyboard to enter special Cyrillic characters in translating from Russian. Simplified controls to change input and output language, as well as a new function of translating search results with a simple, further facilitate dictionary users' work. It means the selected word is translated for the given language combination without the need to re-enter it. Users who speak no Slovak are offered the possibility to operate the dictionary through an English or German menu.

Based on the independent audit of the company Mediaresearch, 59 % of all Internet users in Slovakia also use Zoznam.sk.



Implementing the New Currency

By signing the Code of Ethics for the Euro Changeover in 2007, **Slovak Telekom** committed to converting to the new currency with no unexplained raise in product and service price. In the same year the Company initiated its Euro conversion plan, consisting of five coordinated projects to cover all aspects of technical and commercial change.

Besides the technical conversion, the Company concentrated on giving its customers transparent, understandable and timely information. From 1 August, dual prices were displayed on all price lists, at points of sales, promotional materials, invoices and advertising.

Information on the conversion rate was shown in all materials and retail shops alike. The Company also made changes to its corporate webpage, despite its exemption from the law; these included a user-friendly electronic euro-calculator, and dual price display for all residential products and services.

Residential customers received their first dual-pricing invoices in August. This first invoice showed itemised prices and the total amount due in Slovak korunas, with the amount due also shown in euros at the bottom for information purposes. The December invoice, delivered in January, differed from the previous in its payment due, which was given in euros. From February 2009, all costs will be itemised in euros, with Slovak koruna information given only for the total amount due.

On 1 January 2009, at the moment of conversion to the euro, the order in which prices are indicated on customer web pages was swapped. The euro became the primary currency, with Slovak koruna values given in brackets for informative purposes. All marketing media are using this layout. Call Centre agents, from the first days of the year, are communicating all product pricing first in euros, and then explaining the equivalent value in korunas for better orientation.

The customer saw only minimal system limitations in association with the euro conversion. The most extensive restraint was the inaccessibility of internet banking as a

means of recharging credit for internet-based calling. Customers were informed of this limitation, due to the banks' euro conversion, in advance. They were able to increase their credit from the beginning of January by using rub-off coupons using the euro.

Public payphones also experienced a big change. Some 4000 coin-operated phones were modified throughout last year, with one thousand replaced or moved. From the beginning of October, all our coin-operated devices have accepted both euros and Slovak koruna. They accepted the latter through 16 January, since when they accept only euros.

Each of the changes resulting from the change to the new currency was communicated to customers through a separate press release. The Company also publicised them on the corporate euro portal, and in some cases an informational message was inserted directly into web user interfaces.

T-Mobile Slovensko also committed to implementing the new currency without unreasonable service and product price changes, having signed the Code of Ethics for the Euro Changeover in 2007. A special team (where all company divisions were represented) was set up to manage preparation for the new currency and cover all related activities.

As part of the process, customers were gradually informed about the change of both currency and prices. Dual display of prices started in all types of communication at the end of July – in advertising, promotional material, invoices, price lists and press releases. Customers received their first dual display invoices in August.

From 1 January 2009, the currency primarily used in communication has been the euro. Dual display of prices continues with the euro given first; service and product prices in Slovak korunas follow in brackets. Prices are stated in euro in all forms of communication and the corresponding values in korunas are indicated for information purposes only.

As expected, the conversion to the euro was smooth and had no negative impact on customers.

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

Slovak Telekom

In 2008 Information Technologies Division of Slovak Telekom focused on supporting products and services of broadband networks, high-speed internet, IPTV and FTTH- or FTTX-based IP technologies and services (i.e. “fibre-to-the-home“ or “fibre-to-the-building“). Activities that help simplify and shorten production processes and customer services were also the centre of attention.

Key IT Projects in 2008

Given the Company’s customer orientation, one of the key projects was modernisation and optimisation of IT support to service provisioning processes. The newly implemented service-oriented architecture (SOA) helps effective systems integration and enables significant simplification and acceleration of processes related to customer service provisioning. A geographical information system was also implemented, to enhance better and faster service provisioning. This system will considerably speed up planning and building of ST network technical infrastructure as well as fault clearance processes. To improve coordination of services which require technicians to work directly on the customer’s premises, a new N@DA system for navigation and distribution is being used. The geographical system called MEGAPLAN was deployed in pilot operation in 2008 and is soon to be completed. The N@DA project is just entering its implementation phase. The regular operation of both systems will contribute to future higher efficiency of service provisioning and improved customer satisfaction at reduced costs for the Company.

Throughout 2008, Slovak Telekom heavily invested in building optical infrastructure, allowing customers to utilise services over the latest state-of-the-art network. Subsequently, the expansion of IT systems functionality for processing purchase orders, for network inventorying and workflow took place, in order to significantly

automate the preparation and implementation of those services. IT support to the GPON-based access network expansion is especially worth noting.

The top priority project in 2008 was the preparation for introduction of the euro currency, which was successfully implemented. To ensure a smooth changeover to a new currency, the Company established an implementation changeover programme, comprehensively covering all affected business areas. IT systems modification and conversion, especially in the field of accounting and invoicing systems as well as business intelligence tools, were the heart of this programme. The euro changeover project impacted more than 60 IT systems in total.

As required by Slovak legislation, changes were implemented in two phases – dual display functions were put into action during Phase 1. The objective of the more comprehensive Phase 2 was the system conversion itself.

An application called SPONA to support on-line sales was developed in 2008. It made products and services available via the www.t-com.sk portal. In sales support, IT Division engineered customer portal, which now has a new graphics environment and enables customers to change or specify their customer configuration and data, among other functions.

In 2007 Slovak Telekom successfully completed the Data Warehouse (DWH) project implementation. Throughout 2008 the solution was further developed and improved by such actions as an Infomatica software upgrade. This software serves for data extraction and transformation. Operational efficiency was required too, and as part of these efforts all the old RDB legacy system’s reporting functions were migrated into DWH. After completing euro-DWH migration there will be a new euro-converted DWH in use as the Slovak Telekom’s sole reporting and statistics system.

Concerning infrastructure, Slovak Telekom further developed the data storing strategy implemented in the previous year, which was based on modern virtualisation technologies. The Company also developed a solution based on the server virtualisation principle, which will enable not only server technology restoration, greatly simplify the administration and reduce operating expenditures, but will also help save on electrical power. This step has also placed Slovak Telekom among companies endorsing a “Green IT” programme, which primarily aims at increasing operational efficiency and reducing burdens on the environment.

The IT Division continued with an optimisation programme in processing as well. The ITIL process standard was implemented in almost all IT areas, and 2008 saw IT recertified in ISO 9000. For 2009 the ITIL - ISO 20000 process quality certification is planned. ST also pays great attention to internal norms (Compliance) norms. Both internal and external audits confirmed compliance, and the effectiveness of IT process controls and quality.

In 2007 the IT Unit provided IT services to external customers for the first time. In 2008 Slovak Telekom grew its external IT business as a strategic area. The IT Division thus contributed a total of SKK 51 million (EUR 1.7 mil.) to the Company's revenues, which represents a more than fourfold increase over IT service turnover in 2007. The Company is successfully responding to the international communication needs of a number of multinational companies. IT Division implemented several successful projects, in which Slovak Telekom acted as a systems integrator, and in co-operation with its partners provided for the customers' comprehensive information needs based on their individual requirements. Over the past year Slovak Telekom, under the T-Com brand, provided several corporate clients with business continuity services in state-of-the-art data centres.

IT Prospects

From the perspective of information technologies, 2008 was a very demanding year for IT, as it had to shift significantly into the “enabler” role for the IP product portfolio. IT became the medium for IP strategy implementation and customer behaviour analysis.

Key tasks for the upcoming period include further enhancing effectiveness and improvement of IT support to distribution of the Magio service and other broadband internet products. The Company will also continue expanding and improving IT support for the FTTH/FTTB programme.

Another priority is the concept finalisation, completion and fine-tuning of operation support systems (OSS) for a wide product portfolio, but especially for the IP-based product line. The outcomes, harmonised with the improvement of data quality in the Cramer technical administration system, will considerably streamline the entire Company's operation.

The Company will continue further expanding its activities in systems integration, which will enable provision of comprehensive customer solutions and so unburden customers from communications and IT infrastructure care. Such a solution will save time and finances, and increase operational reliability. Examples of this include outsourcing of PC network administration, desk-top services, security, data centre services, application administration, IT operations and other value added services that the Company provides to a number of external customers.

The telecommunications product market continues to change rapidly. It can be assumed that within a few years consumers will opt chiefly for flat service packages appropriate to all their needs. Other services, which customers will use only rarely, will be offered by modern telecommunications companies via portal solutions and electronic commerce. Slovak Telekom therefore is preparing solutions that will allow our customers to use internet-based services, from product search and configuration, through ordering, continuous quality control of services or bills, right up to payment. ST continues to endeavour to gain customer trust through the modern, reliable and stable IT solutions it offers to internal and external customers.

T-Mobile Slovensko

The information technologies unit at T-Mobile Slovensko is directly engaged in fulfilling business objectives, participating in both development and implementation of the overall business strategy.

T-Mobile Slovensko utilises numerous state-of-the-art technologies; it has been investing in their further enhancement and expanding capacity to introduce new customer services. Individual service implementation, new and enhanced application interfaces for sales people and overall IT support are all facilitated by the Information Technology Division with respect to those available technologies. With the continuous introduction of many new products and services, new systems are needed and new functions for their utilization have to be incorporated. As both the customer base and frequency of use of individual products grow, further expansion demands that existing projects function more effectively and flexibly.

Unique Technology Services

Network services vary in their offering and quality, a factor clearly distinguishing the Company in the telecommunications market. Both consumer and business segments can choose from a unique offering of voice and data services that were at the core of technological development again in 2008.

T-Mobile Slovensko was the only operator with four technologies available – GSM (with GPRS and EDGE extensions), 3G (UMTS with HSDPA extension), FLASH-OFDM and Wi-Fi. Both coverage and network capacity were expanded several times over the past year.

Last year, unique FLASH-OFDM technology was expanded to other locations for provision of the Rýchly internet (Fast Internet) service. It is now accessible for more than 70 % of Slovakia's inhabitants and in the course of the year service capacity was increased for all its users. This increase was because they are among the world's heaviest mobile internet users, with data traffic volume surpassing that of several Western European countries.

In 2008, the data equipment portfolio for FLASH-OFDM-based Rýchly internet service was significantly extended to include two ExpressCard slot data cards and a unique USB modem with a universal USB interface enabling connection to any supported PC or laptop.

In 2008 T-Mobile Slovensko expanded UMTS and HSDPA technology coverage, with the signal available in Bratislava, Trnava, Nitra, Košice as well as in smaller towns such as Stupava, Pezinok, Modra, Senec, Šamorín and their surroundings by year end.

Thanks to HSDPA customers can download data at the speed of up to 3.6 Mbps. In addition to high speed, the technology also supports other 3G network services such as video-telephoning or higher-quality content services, for example for watching TV on a mobile phone.

Through the year, T-Mobile Slovensko continued expanding EDGE technology in the whole territory of Slovakia.

All these technologies reflected modern trends and the launch of new services and products. One example was the iPhone 3G, which considerably affected customer behaviour and brought heavier utilization of data services by customers. In this respect, several company divisions made special preparations for introducing this project, enhancing several technologies' capacity and readying systems for a successful sales launch in Slovakia.

Key IT Projects in 2008

The IT Division is also involved in fulfilling the promise of T-Mobile Slovensko to become the most highly regarded service company. In accord with this objective, after implementing customer segmentation in recent years, the Division succeeded in launching a campaign management system to better target its campaigns on customer segments. In today's highly competitive environment, customers are addressed through multiple information channels and campaigns targeted at smaller groups. A characteristic feature of T-Mobile Slovensko is its detailed customer knowledge. First-contact systems such as Call Centres or the retail network help

the Company maintain consistent information on fulfilment status of a particular request, even when the customer makes multiple contacts.

As part of its customer orientation and satisfaction of customer needs, T-Mobile Slovensko focuses on both launching new services and quality improvement of existing services provided through electronic channels. T-Mobile Slovensko considers electronic channels promising, highly efficient, and also environmentally friendly. Therefore, the Company has been developing and promoting this type of communication and endeavours to meet individual customer needs to the maximum extent possible. The chance to choose from among several electronic invoice formats with varying level of detail, with an advanced tool to define invoice recipients, is a very good example of such efforts. T-Mobile Slovensko has extended electronic invoice features to enable customers to analyze their consumption using different methods, focusing either on the most-frequently called numbers or SMS messages and then optimise their calling patterns. Other forms of electronic communication via the internet portal through which customers can pay their invoices or administer their contacts and services also add to customer comfort.

The Company is conscious of the need to ensure security of its customers' personal data. Because it considers this to be crucial, it has long been investing in premium data security. In the course of the year, several new features were introduced to significantly increase the protection of sensitive information accessible through the internet (e.g. information on consumption, amounts invoiced or personal data). From the moment of their registration, customers can set up the monitoring of access to their accounts in such a way that they are informed about each login or notified of any suspicious event (such as repeated failed attempts to login to the account). Customers can change these preferences any time. Another noteworthy security feature related to the access to the portal (besides the required password strength, such as capital letters, numbers and password length) is the sending of an authentication code via SMS message. Customers thus have the possibility to actively participate in protecting their confidential information.

Euro Implementation in T-Mobile Slovensko

One of the biggest changes at **T-Mobile in 2008** was conversion to the new currency. As the conversion to the euro was to affect all company units, a programme team consisting of representatives of all divisions was established. The programme objective was to prepare T-Mobile processes and systems so as to observe all legal regulations and minimise customer impact.

The core part of the programme was the implementation of changes to information systems, with the most extensive modifications involving company invoicing and accounting systems. Changes also concerned systems and processes of customer relation management, the corporate portal, marketing materials, sales systems and processes, and reporting.

The project implementation occurred in two main phases. The core of phase 1, completed in July 2008, was the launch of dual display of prices, providing customers with information on prices both in Slovak korunas and euros. During phase 2, the company implemented the actual conversion, such that all its systems worked in the new currency from January 2009. Information on prices both in euros and in Slovak korunas is to be provided at least until the end of 2009.

The euro implementation process in T-Mobile Slovensko was successfully accomplished: in accordance with company's expectations and without any negative impact on its customers.

Human Resources – Essential Prerequisite for a Flourishing Business

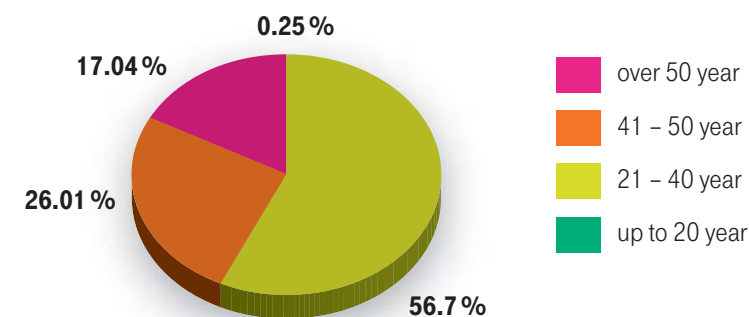
Through strategic and professional management of human resources, the companies of the Slovak Telekom Group create attractive working conditions for their employees, motivating them to top-level performance. In all activities, the human resources teams support their internal clients by serving as reliable business partners, and offering effective high quality services. Corporate culture is shaped through several tools, from employee recruitment and selection, through remuneration compensation, motivation, development and training, to key employee retention projects, career development planning and the like. Owing to strong market competition, the Group must also take into account human resources expenses, and find a balance between optimal headcount and increased effectiveness.

The Slovak Telekom Group has consistently pursued for several years now the strategic goal of employing high quality and efficient people, who therefore are well paid. At the end of 2008, there were a total of 5,194 Slovak Telekom Group employees. Slovak Telekom had 3,626 employees in the area of fixed line, consisting of 61.56 % men and 38.44 % women. Over the same period the headcount of T-Mobile Slovensko was 1,499, with some 50.6 % male and 49.4 % female personnel; and the companies Zoznam and Zoznam Mobile employed 67 employees, approximately 62 % of them men. The headcount of NGN Istitute was 2. As of year-end 2008, the average age of an employee of Slovak Telekom was 39.52 years, of T-Mobile Slovensko 32 years, and of Zoznam and Zoznam Mobile 26.5 years. More than 44 % of Slovak Telekom employees are university graduates; 49 % of them completed secondary school with school leaving exam; and over 6 % of personnel lacks a school leaving exam. Almost half of T-Mobile Slovensko personnel are university graduates. 22.2 % of Slovak Telekom employees have worked in the Company for less than 5 years, 17.24 % from 5 to 10 years (inclusive), and 60.56 % for more than 10 years. At T-Mobile Slovensko, a total of 60.4 % of employees have worked with the Company for less than 5 years, 20.6 % have been with the Company from 5 to 10 years, and 18 % for over 10 years.

During 2008, **Slovak Telekom** hired 335 new people from outside, with 98 employees transferred within the Company. Activities of personnel marketing intensified in 2008 in support of the T-Com brand as an attractive employer, with the objective of attracting more top-quality candidates for expert and managerial positions, along with the aim of increasing current employee loyalty. Personnel marketing included an image campaign implemented in various print media, school cooperation activities, and the introduction of the new programme “Employee tip”. In this programme, employees of the Company get a financial reward for recommending candidates for vacancies, if the candidate they recommend proves to be the right person and stays with the Company. The Company considers a success the nearly 40 % selection rate of candidates from the overall number of those recommended within the programme.

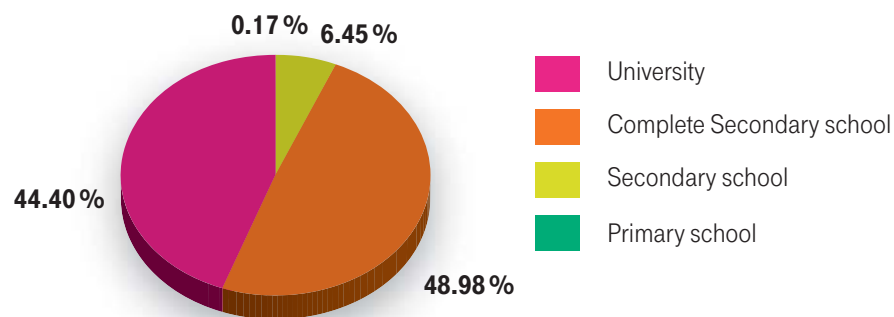
A new communication service for the employees – the common address 24@st.sk – was launched in the first months of the year. This provides a unified channel for all questions related to the Human Resources Unit, and thus serving as an employee advisory service in a simple and effective form.

Slovak Telekom Employee Age Profile



Source: Slovak Telekom

Slovak Telekom Employee Education Profile



Source: Slovak Telekom

T-Mobile Slovensko in 2008 continued its efficient increase of headcount number, with the main increase recorded in customer services, sales, and technical divisions. Human resources activities focused on retention of employees in specialised and key positions. At the same time the Company perceived a deficiency of suitable candidates on the market when recruiting employees for expert positions in technical divisions, marketing, and finance.

Employee Development and Compensation

Slovak Telekom

Owing to IT and telecommunications market dynamics, **Slovak Telekom** opted to implement a new compensation policy. Reorganisation of job positions made it possible to develop a more effective compensation system, founded on groupings of individual job positions. The salary variable was also based on these groupings. Sales and call centre positions were reassessed and their compensation adjusted. Regarding benefits, the Company decided to provide employees with discount cards that could be used to buy goods and services in the retail network. As for employee development in 2008, the Company paid particular attention to business-oriented training activities, as well as developing managerial skills training and developing key employees.

In business-oriented training, employee development focused on 3 strategic areas:

- Optical networks and technical infrastructure
- IT solutions
- Sales channel management system

With the aim of improving the quality and efficiency of the common sales network of Slovak Telekom and T-Mobile Slovensko, the Join Retail Network project trained salespersons of both companies in product portfolio and system support.

In the second half of 2008, a new concept of a comprehensive manager development was introduced, focusing on 4 key areas (people – finances – customer – processes and projects). In this new concept, a development programme for heads of departments, aimed at leading employees through change processes, was successfully launched during the fourth quarter. This thorough and targeted approach creating a new concept of manager development led in particular to excellent adaptation of the development programme to the current needs of Slovak Telekom managers.



A two-year retention programme for key players for 2007-2009, focused on stabilising and developing a select group of employees, successfully continued through 2008. Activities implemented within the programme contributed to strengthening internal know-how in strategic areas, to enhancing intensity of networking among key players, and to individual development. The programme will continue into the first half of 2009. At the end of 2008, the success rate of stabilising and retaining key players was 94.7 %.

A new tool, Telekom Storybox, created in the second half of 2008, was presented to the management. Its objective was to support and develop our customer-oriented corporate culture. The tool will be implemented in early 2009. Its purpose is to motivate active discussion on four important topics: Company strategy, brand name, service culture, and Company values.

With the aim of increasing knowledge about the customer, the Front Line Training programme was introduced in September. The programme became a part of Slovak Telekom's new employee orientation process.

Another activity aimed at improving customer-oriented corporate culture was the implementation of a Seven Habits of Highly Effective People development programme, in which 23 directors from all Company units took part.

Ten new courses were added to the 55 existing and constantly-used e-learning courses on the EDUCA portal. Since beginning e-learning training, there have been 40,935 cases of Slovak Telekom employees using this form of education. There were 19,504 cases of e-learning courses in 2008, and was 7,905 participants of other development activities. The average number of development days per employee was 3.5, and average development costs per employee were SKK 9,100 (EUR 302.06).

Employees of **T-Mobile Slovensko** are at the centre of the Company's interest, and looking after them is one of the Human Resources Division's most essential activities. Compensation in the sector of information technology and telecom-

munications has long been among the highest of that of all sectors in the Slovak Republic. Employees of T-Mobile Slovensko are compensated based on individual performance, with pay adjustments also reflecting trends in the information technology and telecommunications sector. Apart from base pay all employees are entitled to a special bonus, subject to fulfilment of annual corporate and individual objectives, as well as for activities exceeding the scope of regular operation, and extraordinary and project-related bonuses. The excellent fulfilment of corporate objectives is always reflected in employee compensation. Based on employee feedback and market research, the Company has been gradually improving and expanding its benefit offering for employees, where a "cafeteria" system gives each employee the option of selecting a tailored benefit package. In 2008, an offering of discounts on products and services of other companies was expanded by more than 70 percent. The ongoing intention has been to improve employees' working environment and monitor regularly employee satisfaction with various aspects of Company life.

In 2008 T-Mobile Slovensko continued resolutely in its strong trend of training and developing its employees, successfully building on the results of previous years. More than 1,000 employees were involved in training and development, representing 2,700 participants. The average number of training days per attendee was 2.6, with a strong emphasis on interactivity.

The content and focus of training courses reflected the needs and requirements of various target groups of the Company, current status and evaluation of previous training and development activities. Managers and employees in non-management positions took part in many internal and external training and development activities implemented in Slovakia or abroad. Many of these were an advanced level of training started in 2006 and 2007.

Some 230 employees included in career planning took advantage of an opportunity to obtain feedback on their strong points and areas of potential development through development tools, which included the external Development Centre, Start-Stop-Continue, the electronic questionnaire Feedback by direct superiors, and 360-degree feedback.

Several motivational competitions were prepared for employees during the year. The popular survey Service Hero was organised again; its objective was to award colleagues nominated by employees based on their actions and orientation on internal and external customers, who thus represented real Service Heroes.

Two new employee contests were organised in 2008: Best Performer and Innovation Award. The objective of Best Performer is to support the Company's performance culture and reward selected colleagues with excellent performance within each division. Through the Innovation Award initiative, the Company rewarded those suggestions that made processes more efficient and simple or which enabled cost cutting.

Employee development in 2009 will be characterised by a higher number of internal activities focused on details and systematic approaches. The basis for this will be the know-how and experience obtained by participants and training and development units in previous periods.

Employee Surveys in Slovak Telekom Group

In 2008, employees of Slovak Telekom and T-Mobile Slovensko took part in the extensive Employee Survey of the Deutsche Telekom Group, which is executed biennially. At Slovak Telekom, 69 % of employees took part, and at T-Mobile Slovensko 76 %. The results of the survey showed that Slovak Telekom employees were loyal to the Company, that they were customer-oriented, solved their tasks with initiative, and highly appreciated the management style of their direct superiors. The overall results of T-Mobile Slovensko were above the level of the entire Group, and also above the level of multinational external comparisons for IT and telecommunications companies.

The Human Resources Unit at Slovak Telekom regularly addresses managers for feedback on its work quality. The HR STEP survey identifies managers' perceptions concerning the unit's products and services, and the extent to which they consider the Human Resources Unit their business partner. As part of the Deutsche Telekom

Group, both companies regularly took part in the 2008 spirit@telekom survey. The goal of the survey was to regularly monitor development in key areas, focusing on corporate culture, employee satisfaction, and loyalty to the Company. Of the countries participating in 2008, both companies achieved the highest results on most questions. The outcome most appreciated was an extremely good score on the question of how employees feel at Slovak Telekom and T-Mobile Slovensko, where Slovak Telekom achieved an average score of over 75 % of employees feeling either good or very good in the Company.

Cooperation of Slovak Telekom Group with Secondary Schools and Universities

In 2008, **Slovak Telekom**, continued intensive cooperation with students and teachers at different levels. Among the greatest successes was the Company's traditional presence in the student event National Career Days 2008, with Slovak Telekom continuing as one of best-valued companies among students, as supported by the following awards: first place in the category Best Job Offer, second place in the category Best Company, and third place in the category Best Communication. Besides participation in National Career Days, Slovak Telekom took part in other job fairs, for example in Pro Educo in Košice. Programmes that the Company has consistently prepared for students include:

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

Human Resources employees together with experts organised several onsite visits for students of several secondary schools and universities (e.g., the Slovak University of Technology, Karol Adler Secondary Vocational Electrotechnical School, and Secondary Technical School of Transport and Telecommunications

in Trnava) in specialised ST classrooms and workplaces. Students thus could take part in demonstration of state-of-the-art technologies as well as see them in practice. In cooperation with teachers, Slovak Telekom in 2008 organised the first NTiT (New trends in telecommunications) conference for secondary school educators. Teachers evaluated the conference positively.

In 2008, **T-Mobile Slovensko** organised several onsite visits for teachers and professors from technical schools and for dozens of students from the Slovak Technical University Telecommunications Department. They got acquainted with the activities of the technical divisions' personnel, and had the chance to watch expert presentations and visit the control centre and a base station. Representatives of the Company from the Information Technologies Division and Technical Division attended prominent job fairs organised by student organisations at universities and elsewhere. At the largest of them, National Career Days, the Company achieved third place in the category "Best Company as Awarded by Students".

In 2008, T-Mobile Slovensko first participated in the job and career fair Vapac, which was focused on final-year secondary school students from all of Slovakia. The Company's participation in the fairs was to enable students and graduates to become aware of the Company as a potential employer, in the form of personal consultations with colleagues from various divisions, and at the same time to obtain information about current situation on the labour market.

In 2008, T-Mobile Slovensko participated in the prestigious study "Best Employers in Slovakia", prepared by the international consulting firm Hewitt Associates. In 2008, 42 employers from Slovakia participated in the study, and T-Mobile Slovensko achieved success by placing fifth.

According to employees, the strong points of T-Mobile Slovensko in comparison to other companies include:

- Colleagues and good relations at work,
- Good image of the Company,
- Benefits and training courses provided to employees.



In November 2008, Slovak Telekom and T-Mobile Slovensko prepared for their fourth 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. An innovation in the organisation of this event was the participation of students and pedagogues from a partner technical university from Leipzig (Germany). Participants of this interactive conference not only had the chance to learn about the latest technological trends, but to collaborate with experts from both companies in real life case studies. The main topics of the event were new trends in fixed and mobile technologies, a survey of NGN technological architectures, and options of access and transport networks for 3PP services. Students could also participate in lectures focused on management technologies for modern services and mobile applications on portals of operators in the future (LTE, multiband modem for FLASH-OFDM and HSDPA technologies). Participants in the conference were most interested in new technologies in computer networks, the future of the telecommunications market, the security of the public telecommunications network (encryption, resistance of systems against potential attacks, etc.), installation and new trends of optic networks in Slovakia and abroad, and the future direction of mobile communication. In parallel agenda to the students' conference, there was a programme for educators invited from universities, a main topic of which was assessment of cooperation with Slovak Telekom, and T-Mobile Slovensko.

Career Opportunities at T-Mobile Slovensko

In 2008, T-Mobile Slovensko worked to modify career paths and career planning concepts. The Company focused on development of expert and project employees, and as always on managers too. In this connection, a new development tool - internal coaching - was introduced, and internal mentoring also employees. In a management program entitled Talent Club, some fifty employees with strong potential to be promoted to the first or higher management level were prepared through the New Manager programme, the objective of which was develop into a new Company manager.

Performance Management and Corporate Culture at T-Mobile Slovensko

T-Mobile Slovensko continued in its development programme for senior and top managers focused on direct experience of selling products and services. This practical first line experience gave managers a more comprehensive view when designing and directing both corporate strategy and individual functional strategies. During the past year, the Company focused on defining successors for strategic managerial positions, which at the same time supported the international succession initiative. Regarding corporate culture, the Company concentrated on collecting feedback from internal employees and on establishing support activities for targeted development areas. Within its internal activities, the Company continued providing various training courses and awards with a strong focus on supporting corporate culture, performance, and innovation.

Directions of Slovak Telekom Group's Human Resources in 2009

The employee structure of Slovak Telekom Group companies is under significant pressure to improve efficiency, implying the need for change, in both quality and quantity. The dynamic competitive and technological environment will in 2009 indicate a need for still higher efficiency, 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. In 2009, the Company will also implement a new, more efficient compensation system, facilitating performance growth. In implementing the "Telekom Storybox", Slovak Telekom is focusing on improvement of performance-oriented and customer-oriented corporate culture and leadership throughout the Company, as well as on employee commitment in improving our services to customers. The primary task of the Human Resources Division of T-Mobile Slovensko in 2009 will be to support employees in achieving the established financial and qualitative objectives, to support the deepening of service-oriented corporate culture, and to improve processes directed at both external and internal customers. The main objectives of the Human Resources Division will also include retaining highly motivated employees, arranging for their development, and regaining the top positions in the "Best Employer of the Year" survey.

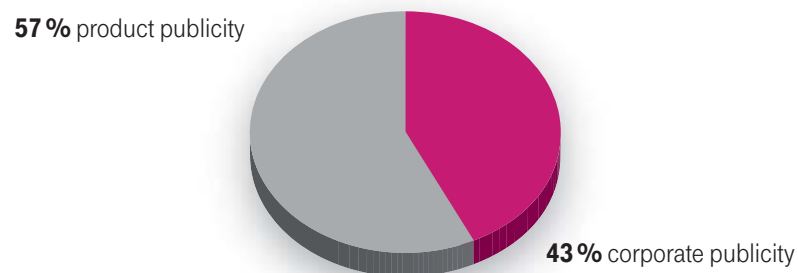
Synergies will be deepened and cooperation utilised in the Slovak Telekom Group in 2009. This will bring values and corporate culture into closer proximity, which will be supported by intensive cooperation aimed at reinforcing the perception of the Company as a customer-oriented service organisation.

Communication Affects Customer's Decision

Slovak Telekom Group companies consider open communication towards their customers, stakeholders and employees to be a cornerstone of their business strategy for operating on the telecommunication market. The key functions for disseminating information to the media as well as to internal and external customers include the External, Internal and Marketing Communication departments. Systemic and open communication is also firmly embedded in the Code of Ethics for Deutsche Telekom Group employees, and in the internationally observed Sarbanes-Oxley Act.

Given the Company's business orientation, it is only natural that its media communication focuses mainly on product and service sales support. The publicity trends over the past five years, characterised by a change in the ratio of corporate and product-oriented publicity, clearly documents the success of this approach. The category of corporate publicity includes presentations of activities in the fields of social responsibility, sponsorship, and volunteering, as well as the presentation of strategic and regulatory topics and themes resonating throughout society. In the past year, product communication made up 57 % of all media output.

Product and Corporate Publicity in 2008



Source: Slovak Telekom

Trends in Product and Corporate Publicity since 2005:

	2005	2006	2007	2008
Product Publicity	40 %	47 %	54 %	57 %
Corporate Publicity	60 %	53 %	46 %	43 %

Internal communication plays an irreplaceable role in all Slovak Telekom Group companies, as it provides space for dialogue between the Company's management and employees, facilitates corporate culture development, contributes to extending the level of employee knowledge of products, services and key internal projects provided.

In the last year, the T-Com brand successfully retained its position in unaided brand awareness, at 77 %, and prompted awareness at 96 % (GfK Advertising Tracking Study, September 2008). Also, T-Mobile marketing communication continued to build a strong brand and to reinforce its key attributes. Zoznam focused on launching new products, and adjusted its marketing communication accordingly.

Slovak Telekom

Corporate communication activities in 2008 were conducted by the External Communication Department, Internal Communication Department and the CR and Sponsorship Team.

External Communication

The goal of external communication in 2008 was to position Slovak Telekom and its business brand T-Com through a wide array of PR tools as a provider of comprehensive advanced telecommunication services, bringing people not only entertainment but also support in their private and professional life and in connection with both. According to the AVE analysis (Advertising Value Equivalent – conducted by the SITA agency) the overall increase of the positive publicity of Slovak Telekom compared to the previous year was 35 %, while the value of media outputs in 2008 stood at SKK 25.6 million (EUR 850,000).

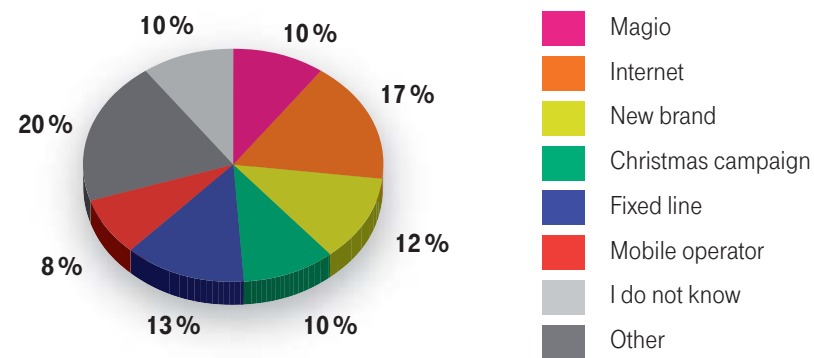
Standard topics featuring products, services and CR activities developed by the external communication in 2008 were supplemented by presentations of members of the Board of Directors in the media according to their area of responsibility. Also, more space in the past year was created for introducing product innovations by the Company's experts engaged in the key projects of 2008. Another success of the communication function was initiation of cooperation with lifestyle media, communicating information concerning Company products and services, at first sight appearing complicated, in an easy-to-understand way.

These activities were also fully reflected in the media audit conducted by the external PR agency in January 2009, wherein various journalists independently confirmed the success of positioning the T-Com brand, as that of an operator introducing advanced products such as Magio or 4G internet. When Slovak journalists assess the strengths of Slovak Telekom, they note above all an innovative approach in combination with tradition, infrastructure/internet coverage, and good marketing and communication. They also expressed clear satisfaction with provision of Company business and financial information.

Slovak Telecommunication Operator Publicity in 2008

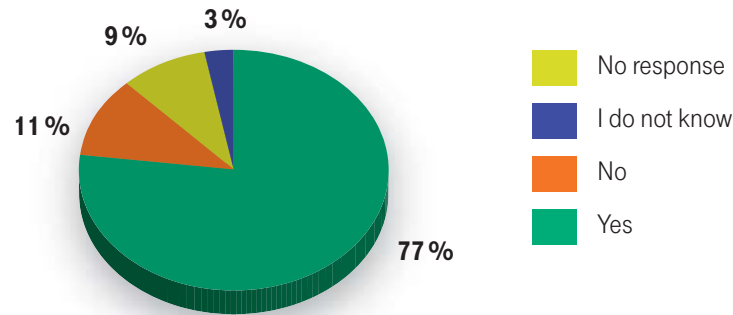


Areas, which Media Associate with T-Com Brand:



Source: VYV PR, January 2009, Media audit

The Media Satisfaction with the Quantity and Contents of Economic/Financial Information Provided



Source: VYV PR, January 2009, Media audit

Communication support for projects receiving grants from the Endowment Fund Slovak Telekom contributed to increased public awareness about the possibility of getting Slovak Telekom assistance through the Fund. This is predominantly for disadvantaged individuals and organisations implementing projects integrating the disadvantaged in common life.

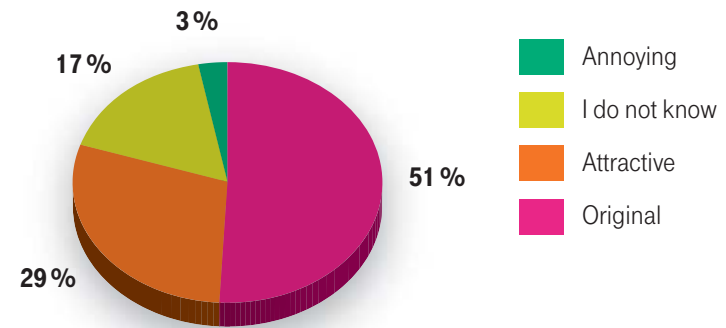
Thanks to the media mix aimed at informing teachers about the possibility to participate in the Slovak Telekom Award, last year's contest was the most successful and effective so far. The number of teachers participating as well as works registered was the highest ever.

Slovak Telekom in 2008 became the general partner of the Slovak Olympic team and Slovak Olympic Committee. The external communication provided fans with a unique opportunity to get autographs of Olympics team members just before their departure to Beijing.

The most popular project for which the external communication secured media support was undoubtedly T-Com Fiesta and T-Com Fiesta Beach. Early in 2008 the media gave a good reaction to the Magio skating rink, offering fun on ice and also

raising the issue of possible summer leisure activities at the Tyršove nábrežie riverbank in Bratislava, as well as in the centres of Slovakia's largest cities – Bratislava, Banská Bystrica and Košice. Intensive cooperation with media representatives in all three cities facilitated the spread of information to a large number of people about the event, a favourite of the media. Last year, the media coverage of the T-Com Fiesta and T-Com Fiesta Beach projects increased by 26%. With respect to corporate responsibility activities, the same indicator grew by 20%.

Media Perception of T-Com Fiesta and T-Com Beach:



Source: VYV PR, January 2009, Media audit

In the field of communication about products, services and projects, 2008 was marked by the ever extending availability of Magio and 4G internet, as well as the gradual expansion of the optical network. The project for migration of customers from TDM technology to the so-called Next Generation Network in the town of Žilina, the Deutsche Telekom Group's first such project, was a brand new topic in 2008. The media started using the name of the project in relation to emphasizing the availability of so-called triple play services to almost 80% of the city's inhabitants.

One of the main projects last year concerned merging the sales points of Slovak Telekom and T-Mobile Slovensko into a single joint retail network. From the

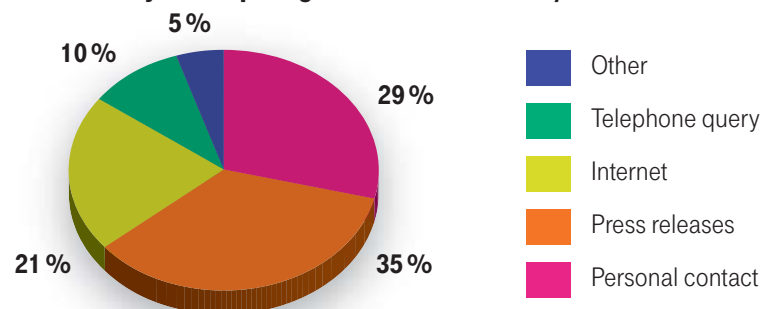
perspective of communication, this challenging project was supported solely by public relations tools, including print, radio and a PR campaign conducted mainly in regional media.

Advertorials presenting the optical fibre network in individual development projects were a new element in the communication about optical infrastructure expansion on the Slovak market.

In the area of regulation, media attention focused on regulatory disputes reopened by the Antimonopoly Office, which did not respect decisions made by the Regional Court in the given cases.

In its external communication, the Company used a broad array of mechanisms and communication channels. Besides paid PR campaigns targeting the public, the principal communication tool in the media work was everyday prompt handling of queries of journalists as well as in-person meetings. Media representatives received information at press conferences, informal meetings with the Company's management, specialised conferences, and product presentations associated with the practical demonstration of the given product. One important communication channel was the Company's website www.slovaktelekom.sk, the visitor rate of which grew by 37 % in the past year.

Preferred Ways of Acquiring Information About ST/T-Com



Source: VYVPR, January 2009, Media audit

Every year, the the Company prepares the Annual Report and the Social Responsibility Report as part of its comprehensive public communication policy. Both reports are available solely in electronic format, in line with the environmental strategy of the Company. In the past year, the creative form of the reports received awards in two competitions. The annual report received second place in the "Best Annual Report" contest organised by the Institute for Economic and Social Reforms – Ineko, the SK-media agency and the Trend weekly in the best electronic annual report category. The Social Responsibility Report for 2007 was shortlisted in the international festival Golden Drum in Portorož in the Design and Art Direction category.

Slovak Telekom/T-Com in Media:

Topic: Personal Profile Interview with Miroslav Majoroš The Man Who Downsized Slovak Telekom

(Profit, 26 November 2008)



The Fat, and Slow Ones on the Market will Cease to Exist, says Miroslav Majoroš, CEO of ST

- They say that when you joined Slovenské telekomunikácie coming from the top position at both the Czech and Slovak IBM, many were asking you whether you had gone mad. You said no, but also that perhaps you would do so after you settled in. Five years have passed and you seem to be in quite good shape.
- You should have seen me five years ago, the handsome man that I used to be.
- So it has ended up better than you expected?
- Well, nobody has yet asked me this question, really. I guess it has, yes. Originally I thought I would survive for some two to three years. It's better now as far as

results are concerned, but we really did work very hard. Not only me – also all my other colleagues. I thought we would be resolving a different kind of problem, but still it's not as bad as it could be.

- **Originally, you studied sound and imaging. This does not look like you were contemplating a top management career. Were you able back then to imagine how it might end up?**
- Back in the 1970s, who would dare contemplate a top management career? One would have had to study Marxism and Leninism. No, I did not, not even in my dreams. However, many people in Slovakia, such as leading bankers, have a technical background. Back then, many people studied engineering in order to avoid doing political science; after all many would not be allowed to go to anything but an engineering university. This is a specialisation that is relevant under any regime – electrons keep buzzing around from one side to another, regardless of whether the communists are currently on top or anyone else.
- **Where did the sound technician-to-manager conversion take place?**
- I still consider myself to be a sound technician, although in the meantime I have already forgotten many things. Shortly after the revolution, all managers at Slovak Television (STV) were being recalled and new ones elected. And my colleagues elected me to be their boss. This is how I became the head of the dubbing department, and later also of the sound technical team, then the entire technical team, the Bratislava TV studio – i.e. the whole Mlynská dolina campus and a statutory representative of the general director. And when he stepped down, I was appointed to manage the entire STV for a few months. But this was my swan song. I did not want to do it, and therefore did not run for the general director position in the election. Subsequently, I was forced to leave STV against my will, and therefore had to start looking around.

Topic: Corporate Philanthropy A Hat Full of Philanthropy

(Hospodárske noviny daily, Human Capital, March 2008)

- Corporate philanthropy is a demonstration of the responsibility of companies assisting those in need, top athletes and, culture. The twin athletes Danka and Janka Veldáková from Košice receive support from Slovak Telekom. If they could, they would like one day to support sporting ambitions of children and young people, by motivating them not to spend their time, among other things, by sitting in front of the TV and PC. Thanks to philanthropy, these Olympic athletes can focus on training and their career in the national team. However, the principal strategic decision taken by Slovak Telekom in the past year in corporate philanthropy was establishing the Endowment Fund, striving to help the impaired, and socially or otherwise disadvantaged people. The fund provides grants to organisations in grant rounds, while also financially supporting individual applicants. The grant recipients are selected by an expert panel. In two grant rounds, we have so far supported 58 organisations in a total amount of close to SKK 4.3 million, including 48 individuals, who received a total of more than SKK 800 thousand. Andrea Jančeková, director of the Social Services Centre Hrabiny, spoke at the event about the PC classroom established in their orphanage thanks to the Slovak Telekom Endowment Fund. “My Ukrainian friend, who visited me just yesterday, told me about a great poet. He said that happiness has two wings – one is beautiful and the other good. And it's up to us which of these we choose. Suddenly, I realised that the souls of our children are beautiful, the assistance we get from ST is good,” Jančeková said. She presented the donors with a beautiful straw hat decorated with fruit, ribbons and a butterfly – in order to spread the good among all who need it.

**Topic: Optical Network Development
T-Com: We Will Gradually Replace Most
of the Metallic Network with Optics**

(www.zive.sk; 6 December 2008)

**We talked to the COO of T-Com about
plans concerning optical networks, DSL
and Magio.**

■ **Will the prices of the internet service
keep declining or will the market keep the current levels for some time?
Rüdiger J. Schulz, Senior Executive Vice-President for Sales and Operating
Activities / COO:**

- What is important is an indicator called ARPA - Average Revenue per Access. Although this indicator fluctuates only a little in the course of the year, it does change in the long run. With respect to traditional telephone lines, we have seen a drop from SKK 700 (EUR 23.24) to SKK 500 (EUR 16.6) over eight years, with the internet it only took just over four years. And with respect to Triple play services, the time horizon has got down to two years. This goes to show that the market is developing faster. It is also thanks to new technologies and the larger number of players in the market.

Slovakia is also unique because of its high number of small companies. There are some 700 to 800 local companies providing internet connectivity locally. There is also mobile broadband pushing the price down. Therefore, the trend of price decreases will also continue in future.

- **After some time the DSL price has dropped, but not so significantly – except for the premium price plan. If we compare these prices and available transmission rates with those based on fibre optics, they appear quite expensive.**
- I would however not compare these two types of services directly. That would be like comparing Apple with Playstation One. We are operating the optical network over a very small territory. Once optical network coverage is comparable with DSL availability, then we will be able to compare the prices and rates directly.



Also, one needs to realise that we have some 330,000 customers using DSL, and this is why we need to set the price with some sensitivity. A dominant player cannot come in with predatory prices as a new entrant. This is also apparent in the mobile market, where the approach of Telefónica O2 is quite different from competitors.

**Topic: T-Com Fiesta Opening
T-Com Fiesta in the Streets As
Well As on the Beach...**

(www.strategie.sk; 12 June 2008)

- Shaolin monks on one bank of the Danube River and an even larger beach on the other – these are but a few attractions offered by T-Com Fiesta, now in its third year. The event will for the second time also include the T-Com Fiesta Beach on the riverbank in Bratislava. The beach will open for the public on Friday 13 June 2008, and the street art festival T-Com Fiesta will start one week later on 19 June 2008. Following the example of European metropolises such as Paris, Berlin, Brussels, London, Prague and Vienna, Bratislava will have its own city beach, for the second time now. The beach preparation project was shared by Slovak Telekom and the Bratislava City Council. The beach will be available for the public free of charge from 13 June to 1 September 2008, from 9 a.m. to 10 p.m. every day. This year, the beach is to offer several new possibilities – relaxation and sports facilities have been extended. Besides two beach-volleyball courts, the area offers table tennis, football and Russian bowling; there are also petangue playing fields, an outdoor fitness centre and a boxing punch-ball. Sporting equipment is available against a refundable deposit; courts can be booked in advance.





**Interview with Miroslav Majoroš
on television TA3.**

Internal Communication

Internal communication at Slovak Telekom has an irreplaceable position, not only with the view to continuous dialogue between Company management and employees, and as an instrument for daily deepening of the employees' knowledge of the Company, its direction and values, but also with respect to creating an open platform for free exchange of opinions of employees concerning any topic. In the long-term horizon, the goal of internal communication is to shape employee culture in line with the corporate mission, vision and values.

Internal communication channels include the intranet with its own in-house video production, a monthly available both in an electronic and print form, and various creative campaigns. Its content is based on surveys regularly conducted within Slovak Telekom to identify opinions, attitudes and moods of employees.



Internal media reflect employees' daily work life, bring timely and comprehensive information concerning management decisions, explain the context of company projects, help resolve problematic issues effectively and, above all, accentuate the ultimate purpose of all Slovak Telekom activities, which is customer satisfaction.

For any internal projects run within a company with employees distributed all over the country, properly functioning internal media are one of the key success factors. In 2008 Slovak Telekom invested significant financial resources and employee effort in expanding the coverage of optical as well as metallic networks. A strong internal communication campaign supported by posters, fliers and other creative tools helped build employee identification with



the challenging project goals, and a focus on delivering. All parts of the Company were also engaged in another internal project addressing the topic of customer relationship management. For the success of this initiative, collaboration of all Slovak Telekom units and employees was a must. This was one reason why topics focusing on the customer, his needs, problems and possible complaints were among the most frequent and most elaborated in all internal media. The smooth transition of Slovak Telekom to the euro was supported by internal media, with an educational campaign, including interactive quizzes and contests, running through the year. Through internal media, a new initiative was launched at Slovak Telekom with the aim of long-term development of the innovation potential of employees, along with permanent mapping of new opportunities for business activities of the Company. All year long, topics like Company transformation, efficiency increase, cost reduction, employee ethics and anti-corruption behaviour, corporate social responsibility and many more, also resonated in internal media.

Readership of internal media in Slovak Telekom is traditionally high. As the principal communication tool, the Company intranet was visited in 2008 on average daily by 69 % of employees. Very popular, too, were interactive discussion forums and the Company blog. The success and motivating effect of the intensive communication of customer-related topics can also be documented by the fact that, in the course of 2008, the readership of the discussion forum Customer Voice,

addressing Slovak Telekom client suggestions and associated solutions, increased by 30 %.

According to the survey conducted in September last year, with the employee participation rate of 69 %, as many as 77 % employees appreciated open communication in the Company. This is to a great extent attributable also to communication in the Company blog, varying in contents and many times also in opinions. The chance to point out issues was taken up by many employees in order to seek better solutions for the customer as well as prompt and effective removal of discrepancies in process; the blog was also a place for informal discussion between colleagues and for employee networking.

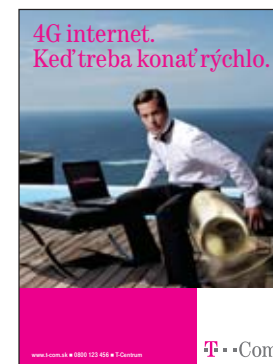
Better mutual understanding was in the past year facilitated by means of informal meetings of Company management with regional employees. The national Company Olympics inspired by the sponsoring support of Slovak Telekom for the Slovak Olympic Team helped as well.

Compliance with high standards in internal communication was reconfirmed by the successful outcomes of the inspection performed by the Internal Communication Department as part of an audit for ISO 9001:2000.

Marketing Communication

The principal role of marketing communication in 2008 was to further develop the brand T-Com as well as to support sale of key products and services – voice services, high-speed 4G internet, digital TV Magio and new services provided over the optical network.

The position of the T-Com brand was successfully retained in 2008 both quantitatively and qualitatively. Unaided awareness of the T-Com brand reached 77 %, aided awareness 96 % (according to Advertising Tracking Study, GfK, September 2008), which reinforced the position of T-Com as one of the best known brands in Slovakia.



With increasing competition in all telecommunication market segments the T-Com brand in 2008 confirmed its position of the best known provider of comprehensive telecommunication services; moreover it also clearly dominated as the best known provider of digital TV in Slovakia (source: GfK, Advertising Tracking Study, January 2008, May 2008, September 2008).

Magio digital TV was also the best known TV broadcasting service in Slovakia in 2008, clearly ahead of all competing services (source: GfK, Advertising Tracking Study, January 2008, May 2008, September 2008).

In the field of major above-the-line (ATL) communication campaigns, T-Com continued further in the successful strategy of communication in the form of communication packages. Within a single period (normally for 2 to 3 months), T-Com communicates several products and services, but always under a single creative concept. Thus individual parts of the communication package are interlinked, and campaign awareness is mutually supported. At the same time, the unique story of each campaign component, linked with a product and its benefits, ensures simple identification of specific communicated products and their benefits. Such approach made it possible again in 2008 to achieve communication outputs comparable with the competition, at significantly lower media costs. 2008 saw the following campaign packages implemented: Agent (spring), Sport (summer), Home chat (autumn), Grandpa from the country (winter/Christmas).

Marketing communication also implemented several innovative communication projects. Among the most important was the multi-layer project concerning T-Com brand presence and services within the coverage of the Summer Olympics in Beijing by the Slovak Television, the daily Šport, and internet news portals. The European Football Championship was used to communicate the Magio brand in a special educational TV spot, demonstrating Magio benefits using a football match example.

New approaches to the consumer were also apparent in web communication, e.g. in the form of using social networking such as facebook and free.sk as integral parts of the communication campaign (winter/Christmas 2008).

In 2008, T-Com brand marketing communication received one silver nail and one shortlist at the national creativity festival, Zlatý klinec (Golden Nail). Even more precious were T-Com brand successes in the national marketing communication effectiveness competition, EFFIE Slovakia 2008. A T-Com campaign received a Silver Effie for launch and continuous year-long support of the Magio brand, a Bronze Effie for the campaign "Internet Split from the Telephone", and 2 shortlists for the business campaign "Pirates" and the project "Children's University Online".

In direct communication, the Company continued the unique project T-Com Fiesta in 2008. This event brought the cosmopolitan atmosphere of large cities and street entertainment to Bratislava, but also to Banská Bystrica and Košice.

Bratislava's 2008 summer season featured the second annual T-Com Fiesta Beach, with an extension of total beach area, increased beach sports facilities, expanded bar capacity, and an offering of food and drinks, along with other improvements. The beach also included a large playground for children, chill-out zone featuring Magio, PCs and free Wi-Fi internet connection, showers, sports equipment hire and other services. The T-Com Fiesta Beach in Bratislava in this way brought a truly innovative experience under the T-Com brand to over 100,000 visitors from June to September 2008.

Another innovative communication project was the Magio caravan, which roamed towns across the country in the second half of the year, offering inhabitants the chance to try Magio and 4G internet services live, directly in their hometown, in an unconventional way.

T-Mobile Slovensko

T-Mobile Slovensko continued to strengthen its position on the market, using several well developed corporate communication activities.

External Communication

External communication in the past year focused on intensive communication with the media, as well as creation and release of dedicated communication messages, while handling hundreds of questions raised by media, governmental and professional institutions. Also in the past year, the team engaged in several global and European telecommunications surveys and research projects.

The key mission of external communication was strong support for the operator's services, products and promotional campaigns, striving to deliver its strategic object of becoming the most highly regarded service company. Product innovations are introduced using various communication tools, a presentation to specialists,

or an event. Again in 2008, the media focused on certain corporate and regulatory topics, but product-related communication still remained strong.

Media outputs also entailed media positioning management team members, through interviews, profiles, polls or positions on a given topic; top management members represented the Company either directly, providing readers with an insight to their work, the division, or the entire company, or their opinion concerning current trends or developments in the telecommunication market. In the past year, several interviews with the CEO were published in opinion-making dailies (Hospodárske noviny, Pravda) and economic weeklies (Trend), as were personal profile interviews with selected management members in life-style media.

The Company continues to develop a relationship with the media, employing various forms of media relations. Selected topics were communicated at press conferences (financial results of the company), smaller events (launch of the new price plans Vo veľkom (At Large) and Podnikateľ (Entrepreneur) or business breakfasts with practical product demonstrations (Mini alarm). An integral part of these activities included discussions on selected topics with experts from T-Mobile Slovensko, or informal meetings with individual media representatives.

Thanks to T-Mobile Slovensko, several Slovak journalists were able to participate in leading specialised IT and mobile communication events such as the Mobile World Congress in Barcelona, the CeBIT fair in Hanover, and a pilot demonstration of LTE technology in Bonn as a part of testing conducted by T-Mobile International.

A special event, along with a preparatory campaign, was organised for the general public to mark the iPhone 3G launch in Slovakia. Two days before the sales launch, the city centre was marked with stickers on the pavements, with navigation to the event location. Owing to the huge interest of customers in the novelty and expectations of the public, the neighbouring area was magenta-lit, a program with several singers was prepared, and after 10 p.m. a special form of entertainment followed – a “silent disco” (visitors were listening to music while the square was already silent). The event culminated just before midnight with the ceremonial opening of

the shop and first iPhone 3G sale. The iPhone 3G launch was organised in parallel in four cities – Bratislava, Žilina, Banská Bystrica and Košice – placing the event among the key product sale launches in Slovakia.

T-Mobile Slovensko in the Media

Mobile Communications News

Topic: Economic Results for First Half of 2008

(18 August 2008, TA3)

- **My guest today is the chief executive officer of T-Mobile Slovensko, Mr Milan Vašina. First let's look at your first half-year on the job, that is, your business here in Slovakia. What transpired? You saw some strong market growth in terms of earnings.**
- As for the first half-year, yes, we know that compared to 2007 the market slowed down quite a lot, full penetration occurred, there are now three of us operators, and in this environment we had some relatively good success. We grew, particularly in the area of invoiced customers. There was and is great interest in fast internet services, meaning we're also growing in data services, and in the area of content as well. Another success factor is a very low outflow of customers, so relatively strong loyalty has been secured.
- **Where do you think this success comes from?**
- Personally I think this is a long-term strategy, you have to work with the customer, and the main thing is customer care. And if the customer is satisfied, he has no reason to leave you, and he starts using more services. This came through in voice services, where we already have an average of over 100 minutes per customer monthly, and there has also been growth of over 25 % in data services. This means there's an increase in total operations per se, and this is the reason a customer uses more services to a greater extent, even as prices are going down.
- **You mentioned mobile internet. Fixed internet penetration in Slovakia has not been what we had expected, but people are starting to get comfortable with mobile internet. How do you see it?**

- Mobile internet is going to grow very, very much in the future, and can be divided into two categories. The first is primarily on a mobile phone display, and the second is broadband mobile internet, i.e. fast internet on a computer. And there is in fact huge growth in both categories. In usage of these services among our base, as a percentage of total usage it's very high, and we're doing even better than in western Europe. So this shows that mobile internet use is significant. And in this sense, you have to offer not only services but also comparable content for both access types. That's why we're trying to offer mobile access, either to e-mail or to whatever other shared content, in the same manner as on a computer. We'll be continuing this way, even as we try to undertake other projects – for example in the spring we realised the first webshow in Slovakia.

Midnight iPhone Sales: Summary

Topic: Introduction of iPhone 3G

(22 August 2008, Mobilmania.sk)

- Today just after midnight, T-Mobile launched the sales of iPhone 3G. In Bratislava, the operators used varying strategies: T-Mobile lit up the old marketplace in magenta, pulled in platforms and some cars, and created a corridor for those waiting in line. Almost exactly at midnight, the operators let the first customer in. He had waited in front of the T-Mobile shop since seven that evening. The operators used their shops to full capacity, but except for journalists and their own personnel only let in as many customers as there were salespeople. The rest had to wait outside. T-Mobile had an extensive space available for customers in front of the shop. There was less space in front of Orange, and most of that was around the corner (from the side where there is no door). T-Mobile motivated these nocturnal customers with a discount of SKK 2,000, which was probably why they had about two and a half times as many customers as Orange. Altogether there were likely just under 200 people present. One of T-Mobile's very first customers purportedly went for a 16 GB model with no obligatory minimum period.

Operators Draw Customers with Generous Bonuses

Topic: T-Mobile's Christmas Offering

(25 November 2008, Hospodárske noviny daily)

- The mobile operators are trying to outdo one another in attracting and interesting clients. For instance, T-Mobile popped for SMS messages to all networks free of charge, and for discount opportunities when purchasing a telephone. Coupon for Friends (Kupón pre blízkeho) was a well-received promotion, with a discount from the monthly rate during the mandatory period. This would be something for new customers, too.
- So there were promotional telephones at extra low prices (especially at T-Mobile), or monthly rates offering remarkable benefits for customers who didn't buy telephones. For the first time T-Mobile is put forward a generous data package, to supplement voice plans, at an excellent price. This has set it apart, and apparently other changes for the better are yet to come.
- Students may be interested in the Fix 300 Sk program, where they get a promotional telephone for SKK 1 (with a choice of 16 models). Prices are the same for calling all networks, and evening and weekend calls are cheaper. This program makes available a credit from which prices for calls and messages are discounted, providing a degree of flexibility. In addition, Christmas promotional customers can choose one of several benefits: either an extra credit, granting SKK 150 on top every month, or one-koruna calls during evenings and weekends.
- The customer has numerous alternatives available. Those who want to make many calls during the day via T-Mobil as well as other networks will find suitable the Super hit 100 programme for SKK 590 per month. If a specific number of minutes is enough (100, 200 and so on), they can take advantage of the Flat Rate for Friends (Paušál pre blízkeho) coupon promo, giving them a calling plan with much lower prices, like the 100 Viac program for SKK 199 monthly.

Internal Communication

Internal communication at T-Mobile Slovensko continued in 2008 to develop corporate culture and to implement inspiring projects in line with the approach of the T-Mobile International Group, while pursuing the goal of becoming the most highly regarded service company.

The principal tools of internal communication are electronic media and employee events, as well as Echo, the popular employee journal. At the same time, the magazine enjoys a superior position within the entire T-Mobile International Group, repeatedly receiving the best feedback in surveys measuring readership and provision of useful information. Again in the past year, Internal Communication scored a success in Slovakia. In the contest Corporate Medium of the Year, the team won the PhDr. Marián Matyáš Unique Corporate Media Project Award, for the educational film Sign Language for Employees, for sign language training of sales persons serving customers with hearing disabilities.

In its work, internal communication frequently utilises films and video spots, which are highly popular among employees and make it possible to communicate select corporate messages while retaining atmosphere and corporate culture. Films are also a very good means for getting feedback from employees on topical questions or selected projects, which is subsequently presented over the intranet or at employee events. This tool is one of the most effective, since it spans the employee community by presenting individual opinions to other colleagues.

In electronic media, Internal Communication continued to support flow of information toward employees through the intranet as well as direct emails, designed to bring key facts, news, or current developments in the company, while also closely cooperating with other units on extending applications aimed at simplifying and facilitating the work of employees.

The primary goal of internal communication was to introduce and support the key initiatives of the company, its objectives and results to its employees. Based on these,

employees could grasp more easily their role and deliver their tasks and contribute to the work of colleagues. In this field, internal communication utilised several communication tools, e.g. CEO's keynotes or direct emails. The intranet and company journal also featured articles introducing or presenting various organisation units, new employees and their tasks in the company, and key company projects and their deliverables.

Along with articles in print and electronic media, an important part of internal communication was personal contact with company employees on all levels and collection of feedback in real time. In this respect, a series of events for managers was organised. This included a roadshow for all employees held twice a year, at which division directors present their results, vision and expectations for the future period. Management team members can thus gain direct insights from employees and respond to their questions concerning individual projects and the direction the company is going. The quality and satisfaction with the event is subsequently assessed by employees themselves in employee surveys.

In the course of the year, internal communication organised several support campaigns aimed at increasing awareness and knowledge of services and products launched on the market. For example, there was an intensive information series concerning the merger of the sales networks of T-Mobile Slovensko and Slovak Telekom (the Join Retail Network project). Significant attention was dedicated to a detailed and comprehensive introduction of the Christmas campaign in the last months of the year. Along with that, special campaigns were organised building on the motif of the marketing campaign – as in the case of the successful campaign including the teaser from the Vo veľkom (At Large) price plan market launch. A special presentation was prepared for employees one day prior to the iPhone 3G sale launch.

Throughout the year, employees had the opportunity to get acquainted with all products and try them live at dedicated events held in the showroom located in the company building.

Internal Communication also provided strong communication support in respect to projects of other divisions. Gradually, campaigns for the Human

Resources Division were implemented within the new HR initiative early last year, as well as in relation to introduction of two new awards: the Innovation Award and Best Performer. One of the largest international projects of 2008 was support devoted to the Deutsche Telekom Group employee survey. Apart from that, internal communication also cooperated on the campaign that accompanied a motivational and educational competition for Customer Service Division employees, called Case Star.

The Internal Communication team also prepared several meetings for employees with interesting personalities in Slovakia within an original T-Mobile Fórum format. A separate chapter in the list of internal communication activities was the bridging of corporate responsibility activities with the internal environment of the company by launching an internal environmental campaign.

Internal communication prepared a large number of employee events in 2008. Besides the traditional roadshows, managerial meetings and special presentations, employees met again at the summer T-Mobile Day, a regular event devoted to employee families including children, offering a wide range of sporting activities and competitions for the kids. The Christmas party, the year-end event at which winners of the Service Hero poll as well as Best Performer and Innovation Award contests for 2008 were announced, has gained extraordinary popularity.

Marketing Communication

In 2008, marketing communication at T-Mobile Slovensko continued to build a strong brand and strengthen its key attributes by means of interactive and emotional campaigns. In the course of the year, the Company won public attention thanks to several original approaches utilised for brand presentation, increased activity in the online environment, and better interaction with customers. In the field of sponsorship, the Company focused on supporting music events, including the company's own projects.

Brand Support Activities

T-Mobile Slovensko continued in the success of campaigns of 2007, for which the Company's advertising agency MUW Saatchi & Saatchi received early last year several awards in creativity contests. At the national contest Zlatý klinec (Golden Nail), the Company received a golden nail in the top category for the sponsorship project campaign Slovensko hľadá SuperStar - Mobíci (Slovak Pop Idol – Mobíks) and a bronze nail for internet banners promoting the web'n'walk service. Professional colleagues awarded T-Mobile Slovensko with a silver Effie for the Euro roaming campaign.



Throughout the year, the Company launched campaigns aimed at reinforcing its position in the voice price plan segment while also focusing on customer loyalty. The launch of new Vo veľkom price plans in February 2008 was supported by an emotional campaign with a successful introductory teaser phase.

In April, building on the very favourable business and communication reactions to the product offering Paušál pre blízkeho (Flat Rate for Friend), T-Mobile Slovensko relaunched the offering with a new campaign with the message Vaši najbližší sa zvezú s vami (Your Nearest Ones Will Go Along With You). Customer loyalty development was supported at the end of the summer with yet another successful emotional campaign Dúha (Rainbow). The long-term concept T-Mobile verným (T-Mobile for Loyal Clients) was then further developed in later projects and campaigns.

For internet products, T-Mobile prepared several original campaigns throughout the year. In January, a campaign introducing an attractive combination of mobile internet services and free minutes was launched.



In summer, the campaign titled Stopár (Hitchhiker) promoting mobile internet resonated in the public. T-Mobile Slovensko built on this to introduce a new positioning of the service, focusing on the target group aged 15 to 35. The goal of the communication was to promote mobility as one of the key features of mobile internet. The campaign also included a website with an

interactive game zoberma.sk (take-me.sk), enabling visitors to roam locations similar to those visited by the main character of the TV spot, travelling with mobile internet throughout Slovakia.

T-Mobile Slovensko prepared an attractive campaign also in relation to the Podnikateľ (Businessman) price plan redesign. The TV spot with the boss' scratched car appropriately communicated the new benefit of "calls to foreign destinations" while scoring big, thanks to its funny content, across the whole customer base – for both business customers and the consumer segment.

The ever more successful field of content services was supported in the second



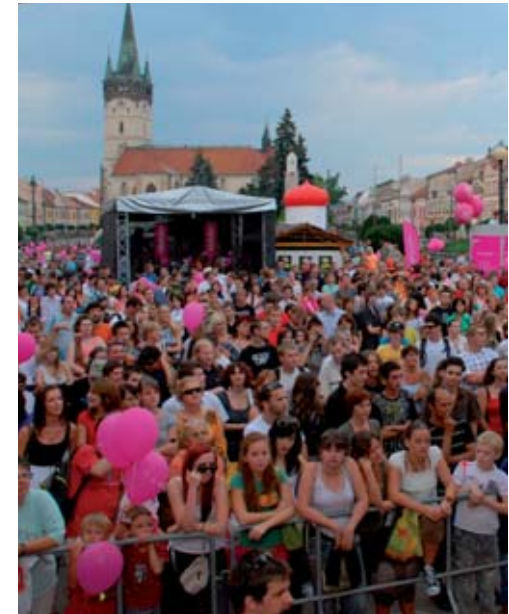
half of the year with an original campaign, promoting a competition for 55 Alfa Romeo MiTo cars available to the consumer segment. To get a car by sending an SMS was simply demonstrated by cars falling down from the sky among characters in the TV spot. The campaign's success was apparent also in the behaviour of customers, who started taking part

in the competition in high numbers immediately after its launch.

The marketing communication year culminated with an exceptionally successful Christmas campaign, in which T-Mobile Slovensko introduced attractive offers: free SMS messages over weekends, Paušál pre blízkeho, mobile internet, unlimited calls, etc. The whole campaign was built around Christmas hits, which instantly became popular with the general public. In the following weeks, the campaign started to spread virally, and in the advertisement research of GfK scored outstanding results within the target group. The SMS campaign achieved unaided awareness score of 37 %, aided awareness 89 %, T-Mobile brand affiliation 95 % and satisfaction 88 %.

The campaign also comprised the Christmas portal vianocnehity.sk (Christmashits.sk) offering multiple original content created for customers, significant interactivity and capacity for content generated by users. Customers were able to create Christmas rhymes at the internet site and also to take part in various competitions, including a promotion at the Express radio station. The Christmas portal attracted significant attention – in less than a three month period it was visited by almost half a million unique users.

T-Mobile Slovensko fully utilised the company's focus on the target group of young people and an innovative approach in communication with respect to development and implementation of the first Slovak webshow, Exoti (Eccentrics). The entire project was run online on the web page www.exoti.sk. The show enabled young



people to choose their favourites among the nominees to create the final four group of contestants, who subsequently fulfilled tasks chosen by visitors to the page. The winning tasks were accomplished by finalists outdoors, and customers could watch videos on their mobile displays or at the website. T-Mobile Slovensko incorporated its web'n'walk service into the contest, while making a mobile phone the tool for controlling the development of the show. The unique project Exoti.sk achieved outstanding communication results – over 370 thousand unique users of the webpage and 730 thousand total visits, meaning the show addressed as much as 40 per cent of the target group aged 15 to 25. In the course of the Exoti show, the T-Mobile brand assumed the leading position in the online environment.

Sponsorship Activities

In sponsorship strategy, respecting the global brand strategy, a unique concept was created confirming the original forms of approach to and execution of music sponsorship. The T-Mobile Music City project encompasses various musical activities, infiltration into genuine internet communities and brand development.

T-Mobile Slovensko launched the original music project T-Mobile Music City and in the course of 2008 rolled through four Slovak cities one by one, with various musical productions. The motif of the series was the chance to enjoy music for a full 24 hours in several parts of the city free of charge.

The project respected the character of the cities, each of which had a tailored musical dramaturgy setup, thus increasing each project's originality. The series kicked off on 8 August in Prešov, paying tribute to the hometown of several Slovak pop stars. In September, events in Martin and Banská Štiavnica followed. The 2008 series culminated on 22 November, with the T-Mobile Music City making good use of its unique character and some well-selected musical production venues. The Music City series in last year was a great success with the public, and was attended by more than 55 thousand people.

This original musical project was supported by an attractive form of communication support, incorporating the successful comeback of the popular Mobík characters. Mobíks

were established within the online community as musical experts. They were at the very heart of project preparation, giving fans first-hand insights, introducing individual events, stars and shows, and interviewing the most attractive performers. The animated characters were present at their dedicated webpage www.mobici.sk, visited by 160 thousand unique users. At the same time, the Mobíks made themselves at home at the Pokec.sk site, with 359 thousand unique users, where they created their own profiles, communicated with other users, and prepared various contests for them.

In 2008 the popular electronic beats project, featuring electronic music, continued too. At the event on 8 February, T-Mobile Slovensko presented a concert of the British electronic cult band Underworld at the Incheba hall in Bratislava. The concert also featured a German project titled Modeselektor. electronic beats is a concept created by T-Mobile International, connecting music and lifestyle. It is based on intelligent use of time, inspiring and entertaining fans of the brand. electronic beats develops a community of open and tolerant people with good taste, who like to share their pleasant experience.

Zoznam

In 2008, the marketing communication of the internet portal Zoznam.sk focused on new product and service launches and related benefits, key features and strengths. It also gave attention to support for media partnerships and philanthropic activities. Another important goal was to create and maintain positive relations with journalists.

Zoznam.sk in media:

Topic: Over 100,000 Calls Made via Zoznam.sk

(16 January 2008, strategie.sk)

- In early December 2007, Zoznam.sk gave all registered users the chance to call any destination worldwide free of charge. Over the concluding weekend, the number of calls made exceeded 100,000!

Topic: Zoznam.sk Supports File Sharing from a Mobile Handset

(16 October 2008, zive.sk)

- Zoznam.sk. introduced its activities in the field of mobile communication. The Company is launching a service called Free.sk, and also hopes to operate its own TV channel. Zoznam.sk. presented its new web services activities and their interoperability with mobile communication. The first novelty is the new service Free.sk, which we reported in separate flash reports at Živé.sk. Using a special application and WAP interface, it is possible to share video, pictures and music directly from a mobile handset.

Topic: Slovak Media Leaders at Year's End

(December 2008, medialne.sk)

■ How was the year for Zoznam.sk?

- In 2008, we entered the market of online job portals with Kariera.sk, and we launched new dictionaries with enriched content. The breakthrough was the re-branding of the Bleskovky.sk magazine to Topky.sk, and retaining this news and

showbiz portal with our own editorial team. A demanding reconstruction and re-design of emails was accomplished, too. The autumn saw the launch of still more innovations. After termination of cooperation with ICQ, we launched the Zoznam.sk communicator beta version, enabling fast communication without the need to install software. October was important for Zoznam.sk too, as in this month we launched a community service enabling multimedia content sharing.

The job portal Kariera.sk was a product innovation launched early last year.

The success of the campaign "Máme neskutočne veľa práce" (We have immense loads of work) was reflected not only in the creativity awards received (Silver Drum/Portorož, Strategieonline third place) but also in the number of visits. After less than half a year of existence, the new job portal achieved a visitor rate of almost 100 thousand real users per month, putting it in second place right after the long-term market leader Profesia.sk.

May brought a rebranding campaign, communicating the change of the name and domain of the news and showbiz portal. The key message of the campaign was Bleskovky sa menia na Topky.sk (Bleskovky is Changing to Topky.sk). The content mix and structure of the Topky.sk portal, with its own editorial team, continue the direction of the former Bleskovky. Users of Topky can find high quality worldwide and national news and sports information, as well as attractive tabloid-type information, on the portal.

In the summer, Zoznam.sk continued in the successful project Dievča leta (Girl of the Summer), again offering its users attractive pictures of young women and girls competing for favour of users. The winning candidate received a fantastic Lancia Ypsilon, regarded 4 wheel treasure by car fans as far as the design is concerned. Besides the traditional forms of advertising, the campaign was also supported by an attractive moto-team, roaming Slovak cities and helping girls win the contest. Integrated marketing communication tools helped increase the number of girls applying for the competition by 30 % over last year, which in absolute numbers stands for close to 1,200 girls. Never before has this project attracted such a large number of contestants – not even when the project was supported by a strong print partner.

In the autumn, Zoznam.sk extended its product portfolio to include a new community portal Free.sk, enabling multimedia content sharing. The uniqueness of the Web 2.0 category service lies in the possibility to upload content directly from a mobile handset as simply as from a PC. In this way, users can share their experiences and events they encounter, or any interesting content, anytime and anywhere.

Creativity Awards

- Print advert Kariéra “Básnička” (poem), third place (Strategie monthly, Strategieonline, February 2008)
- radio spot “Dievča leta” (Girl of the Summer), first place (Strategie monthly, Strategieonline, June 2008)
- Radio spot “Free” / video, first place (Strategie monthly, Strategieonline, October 2008)
- Radio spot “Free” / photographic, second place (Strategie monthly, Strategieonline, October 2008)
- Moving boards Kariéra (Career) Silver Drum (Golden Drum, Portorož, October 2008)

Media Partnerships

Every year, Zoznam.sk acts as media partner of many projects attractive to its users. Zoznam.sk makes use of these partnerships to address specific target groups. The partnership with the summer music festival Hodokvas is such an example. With its project Odpál na Hodokvas (Let It Roll at Hodokvas), Zoznam.sk helped identify the best young bands, who got the chance to show their stuff on the same stage and with the same audience as megastars like Cypress Hill or the immortal punk-rock legend Sex Pistols. This form of addressing the target group got an outstanding response from both the participating bands and the users. In 2008, Zoznam.sk was the partner of several long-anticipated concerts, such as Bobby McFerrin, Morcheeba, Lenny Kravitz, Andrea Bocelli, Alicia Keys, James Blunt, Igor Moiseyev Ballet, and Gregorian; events including Pohoda, Cultural Summer, Coronation Festival, Jazz Days, AdEaters Night, and National Career Days; and premieres of films/cultural performances Winnie the Pooh, Bathory, Sex and the City, Mamma Mia, and The Producers.

Zoznam.sk dievčaleta.sk

Zapoj sa do súťaže
Dievča leta 2008
a vyhraj Lanciu Ypsilon!

www.dievcaleta.sk

Corporate Social Responsibility of the Slovak Telekom Group

Corporate social responsibility is resonating more and more in the public's consciousness. The companies belonging to the Slovak Telekom Group rank among the first to undertake philanthropic aid. Corporate social responsibility is an integral part of the corporate values they promote. The Group's corporate social responsibility strategy comes from the corporate responsibility principles of the parent company Deutsche Telekom AG.

Slovak Telekom

Slovak Telekom regards corporate social responsibility as a natural part of its business philosophy. Long-term membership in the Business Leaders Forum and Corporate Donors Club associations, which aim to develop corporate social responsibility and create higher ethical business standards, gives the Company opportunities to share experience in this area and undergo regular professional evaluation of its philanthropic activities. In the long term, corporate social responsibility strategy is focused on systematic, transparent, targeted, and effective support. Slovak Telekom has concentrated its aid in several areas, focusing mainly on those which were neglected in the past.



In 2008, Slovak Telekom concentrated predominately on community aid and assistance, mainly targeting physically, socially, or otherwise disadvantaged people, by helping them to gain better access to informa-

tion. Cultural, artistic and sports activities were also supported. Digital literacy development in Slovakia and the volunteer activities by employees are also long-term targets.

Endowment Fund of Slovak Telekom Distributes More Than EUR 150 000 in 2008

The Endowment Fund of Slovak Telekom (Nadačný fond Slovak Telekom) was established in 2007, with the goal of helping physically and socially disadvantaged groups and individuals. The Endowment Fund is managed by the Intenda Foundation, which is responsible for the administration of the grant programmes, including the monitoring of the projects supported. The funds are distributed based on an assessment by independent professional commissions, in two ways: a grant system for organisations, and support given to individual applicants. Each single grant round has a specific theme. After a successful first grant round evaluated back in 2007, and which saw SKK 1,000,000 (EUR 33,193.92) allocated, the Endowment Fund announced three grant rounds in 2008. These rounds focused on socially integrating physically impaired young people and their unimpaired peers, disseminating information about global Olympics ideals and supporting mutual understanding, and improving access to information. The grant rounds received a positive response from the public, and a good reaction from third-sector organisations. A total of 55 projects were supported in the three rounds, and the total amount granted was SKK 3,563,117



(EUR 118,273.84). The support of individuals in 2008 targeted purchase of special devices to give the physically impaired better access to important information, thus enhancing the quality of their lives. As part of the individual scheme, the Endowment Fund helped those children and young people who do not allow their health status to isolate them from the world, but indeed strive to stay in contact with their friends and colleagues and to study and work. The Fund supported 63 individuals with a total of SKK 979,834 (EUR 32,524.53) in 2008.

Both professionals and the general public were also impressed with the Endowment Fund's idea and philosophy in the second year of Trhovisko firemných riešení (Marketplace on Corporate Solutions), organised by the Pontis Foundation and Business Leaders Forum association within the scope of the International Conference on Corporate Social Responsibility. There, Slovak Telekom was one of twenty companies enjoying the opportunity to present their successful and innovative corporate social responsibility activities.

Cooperation with Domestic and International

Charity Organisations

Slovak Telekom has been supporting the project of the Nadácia pre deti Slovenska – Hodina deťom (Foundation for the Children of Slovakia – Hour for Children) for several years through its telephone donation line 18 222. The telephone line is operated throughout the year free of charge. The Company provides a toll-free line (Euroinfolinka 0800 103 104) for the European Information Centre, primarily intended to give information on the conversion to the euro. Slovak Telekom supports the initiative of the Spoločnosť priateľov detských domovov: Úsmev ako dar (the Association of Friends of Children from Children's Homes: The Smile as a Gift) by financially supporting an annual benefit concert. The Company also covers the costs of operating the non-stop telephone line: Linka pomoci pre obeť domáceho a sociálneho násillia (Help Line for Victims of Domestic and Social Violence), managed by the Slovenská Nadácia Silvie Gašparovičovej (Slovak Foundation of Silvia Gašparovičová).

Support of Informatisation of Slovakia

Slovak Telekom has long invested in developing Slovakia's informatisation, digital literacy and educational support. The Cena Slovak Telekom (Slovak Telekom Award) took place for the third time in 2008. Its goal is to inspire elementary, secondary and special school educators to make use of modern information and communication technologies



in teaching subjects other than information science. Over three months, 187 written projects describing internet use at schools were registered for the competition. The authors of the winning projects, chosen by a professional commission, received financial awards, and the winning schools in the single categories received notebooks. The schools were evaluated based on their teachers' activities throughout the three years of the competition. All projects entered in the competition enriched the virtual library at the web competition site www.cenast.sk, used by educators as a modern and creative teaching source. The library now contains 539 challenging topics to make the teaching process more diverse.

Support of Cultural and Sports Projects

The name of Slovak Telekom has for several years been linked to the Divadlo Aréna (the Arena Theatre) as its main sponsor. The Company was a general partner of two productions in 2008: Traja kamaráti (Three Friends) and Komunizmus (Communism). The first of these titles brought into focus a classic bestseller of the same name, which has over the years lost none of its fresh humour, sentimental sadness or tragedy. With the second title, the playwright Viktor Klimáček returns once more to the past, to years which fundamentally influenced our history, following up on his previous play titled Dr. Gustáv Husák presented in 2006. Slovak

Telekom also promoted a unique project: the exhibition of artistic photos of renowned Slovak actors and actresses called Emócie (Emotions), open to public in the theatre.

In addition to Divadlo Aréna, Slovak Telekom supported smaller local and regional cultural projects, such as Dni Milana Hodžu (Milan Hodža Days) in Sučany, Hudobné leto (Musical Summer) in Trenčianske Teplice, the Blast:beat musical and educational project, and the Vianočný bazár (Christmas Bazaar) organised by the International Women's Club.

Slovak Telekom was a general partner of the Slovak Olympic Team and Slovak Olympics Committee last year. By means of the general partnership, the Company expressed its support for our sports representatives at the 29th Olympic Games in Beijing, where the six medals won made for our most successful Olympics in modern history.

Corporate Volunteering

The corporate volunteering tradition started in Slovak Telekom in 2004, when dozens of devoted individuals helped in the High Tatras areas afflicted by the natural disaster. These activities gradually increased, and now volunteer weekends are organised



along with the subsidiaries T-Mobile Slovensko and Zoznam. Last year, during the 30th annual Čisté hory (Clean Mountains) event organised by Štátne lesy TANAP (State Forests of TANAP), the companies' employees cleaned the Hincové pleso and Žabie pleso mountain lakes, and the surroundings of Hrebienok mountain above Starý Smokovec last year. In cooperation with the Voda a ľudia (Water and People) Civil Association, they

helped to create a wetlands forest. In the village of Zaježová near Zvolen, employees together with the Živica CEEV (Centre of Environmental and Ethical Education) Civil Association, worked on future ecological centre, for public education on a natural and alternative way of life.

Volunteer support also gradually expanded. Slovak Telekom has been collaborating with the Krízové centrum Slniečko (Sun Crisis Centre) for three years. In 2008, it provided aid to the Centre by collecting clothes. A collection was also organised for the homeless from the Mea Culpa and Depaul homeless shelters. The Company has also maintained a long-term cooperation with the Nadačný fond Dr. Klaun (Dr. Clown Foundation), sponsoring theatre performances by clowns at institutes of social services for children, hospitals, and other specialised facilities. In 2008, the volunteers participated in the third annual benefit event Deň klaunov (Day of Clowns) in Trenčín, where collected toys were sold and the proceeds donated to Nadačný fond Dr. Klaun.

Several volunteer events were organised in cooperation with organisations which won grants from the Endowment Fund of Slovak Telekom. One example is the Special Elementary Boarding School for visually impaired children in Bratislava, where employees helped install an exhibition of children's artworks. They also baked cakes for a Christmas party.

Employees also got the opportunity to execute their own volunteer project, for which they got financial support. In 2008, some employees' volunteer project for the Krízové centrum pre matky s deťmi (Crisis Centre for Mothers and their Children) in Košice was supported for the first time, with employees led creative workshops. Slovak Telekom has established long-term cooperation with the Hrabiny Institute of Social Services in Nová Baňa. The Priatelia deťom (Friends to Children) Civil Association associated with the Hrabiny Institute implemented projects supported by grants from the Endowment Fund of Slovak Telekom. A summer camp for children both of Slovak Telekom employees and from the Hrabiny Institute was subsequently organised. All year, the Hrabiny Institute tried to obtain finances to purchase a car needed there to transport physically impaired children living in the Institute.

The Company's employees announced a collection at the Christmas party to contribute to buying the car. Slovak Telekom was also a general partner of the beneficial concert the proceeds of which were also dedicated to the purchase of the car.

Along with providing a short number to the Hodina deťom (Hour for Children) project, employees also helped organise a TV show to call up VIPs. A total of 241 volunteers participated in volunteer activities in 2008.

T-Mobile Slovensko

T-Mobile Slovensko is also active in social, economic and ecological areas. Philanthropy and sponsorship are a part of the corporate social responsibility of it. During the year, the Company supported several types of events and initiatives of both the individuals and organisations alike. The forms of aid vary from financial contributions, through the provision of its products, to corporate volunteering. The corporate social responsibility strives for involvement of the highest possible number of employees, which was applied to several last year's activities.

Corporate Philanthropy

T-Mobile Slovensko has been collaborating with the Asociácia nepočujúcich Slovenska (Slovak Association of the Deaf) for seven years. The portfolio involves a number of communication services for those suffering from hearing impairments, such as SMS and MMS messages, data services, and the new service of E-mail Express.

T-Mobile Slovensko endeavours to help by improving the level of service to that target group. More than 60 sales staff at 20 retail shops have basic knowledge of sign language now, and a number of them have advanced through upper levels of this communication. More and more brand shop staff are learning sign language and using it in their work too. Real-life experience has confirmed that people with hearing impairments are highly interested in this service. Sales staff too are interested not only in knowing sign language and the finger alphabet, but also having the opportunity to

provide this target group with specific information, preferred types of mobile phones, and relevant services. T-Mobile Slovensko is still the only telecommunications company capable of serving deaf customers without using pen and paper, or without an interpreter.

In cooperation with the Asociácia nepočujúcich Slovenska, T-Mobile Slovensko has supported two sign language courses. The international sign language course took part in Slovakia for the first time at Hokoce in November. It was taught by Gerdinand Wagenaar, who also serves as an interpreter in the European Parliament and in various European and global forums for the deaf. The opportunity to acquire such unique knowledge was utilised by several dozen interested individuals who have long been devoted to sign language. The course helped them expand their knowledge and abilities to communicate in this form worldwide. At the end of November, a sign language course for the public took place in Ždiar. Those interested thus had the chance to obtain basic knowledge of it at a significantly reduced fee.

At the beginning of the year, T-Mobile Slovensko in cooperation with the Pontis Foundation announced the results of the first round of the Hľadáme ďalší zmysel – PRE ZAMESTNANIE, (Looking for Higher Meaning FOR EMPLOYMENT) grant programme, thanks to which the Company helped seek jobs for 55 visually and hearing impaired individuals throughout Slovakia. The programme also focused on persuading employers that employing this target group often requires little effort and that, after some barriers are removed, they can become a part of team with no problem, and forget his or her handicap for a while.

Great support went to the Hľadáme ďalší zmysel grant programme in 2008; a full five rounds took place. The Company announced programme rounds of Hľadáme ďalší zmysel – PRE PODNIKANIE (Looking for Higher Meaning FOR BUSINESS) in January and November, helping the hearing impaired by giving them a helping hand in business activities. The assistance included a weekly course How to Launch a Business, in which participants gained basic knowledge on business, on how to obtain a trade licence and manage accounts, and other legislative or psychological know-how.

The hearing impaired participants are involved in activities such as masonry and plumbing, a carpentry workshop, and a hand car wash establishment.

In February and October last year, rounds of the Hľadáme ďalší zmysel – PRE TALENT (Looking for Higher Meaning FOR TALENT) programme were announced. The programme aimed at increasing the chance of children and young people with mental impairments aged 6 to 21 for self-fulfilment, development of talent, abilities and working skills, thus facilitating their integration into the community and success on the labour market as adults. The two rounds of the project supported more than 30 organisations. The final projects included support of dog and horse therapy for handicapped children, special interactive teaching equipment for schools, establishing creative workshops, rehearsals of cultural performances, and an exhibition of photos made by deaf children.

For ten years, T-Mobile Slovensko has been supporting the Mountain Rescue Service dedicated to caring about the safety of tourists, supporting their work in the High Tatras, Low Tatras, Western Tatras, Veľká Fatra and Slovenský raj areas. The Company ensures their comprehensive mobile telecommunications services, including mobile data communication. It also operates a non-stop emergency line, 18 300, and provides complete service of the Mountain Rescue Service's mobile telephones.

In 2008, T-Mobile Slovensko helped organise financial collections such as Hodina Deťom, Biela pastelka (White Pencil), Deň narcisov (Narcissus Day), Dni nezábudiek (Forget-me-Not Day), Konto nádeje (Account Hope), and a collection announced by the Rádio Express radio station to finance a summer camp for children of poor families. The Company's aim is to boost a culture of donation and philanthropy in Slovakia. In this respect, it also gives support for the Darcovská SMS správa (DMS - Donors Message Service) project, a simple, transparent and credible mechanism with equal rules for all non-governmental and not-for-profit organisations engaged in it. By sending an SMS message in a uniform format and at the uniform price to a common number, the customer can support any collection which is under way at that time. The collection desired can be specified in the text of the message.

Ecological Activities

During the summer, T-Mobile Slovensko again supported the Trixi mobile vehicles project, a project promoting ecology-friendly transportation. Trixi mobile vehicles are ecological tricars, classic-style pedal vehicles, constructed for one driver and two passengers. The cabin is made of polyethylene and is completely recyclable. The tricars were used to transport people on specified routes in Bratislava, Košice and – for the first time – in Piešťany and Prešov during the entire summer period. The Trixi mobile vehicle project aimed at promoting ecological, non-motorised transport and the Greenways – cesty pre zdravší život (Roads for a Healthier Life) grant programme, which has been supported by the Ekopolis Foundation for several years. The programme is aimed at creating safe and comfortable trails for pedestrians, bicyclists, joggers, skiers and wheelchair users. The trails contribute to a healthier lifestyle, improving non-motorised transport and recreation opportunities, and support protection of natural and cultural heritage. Thanks to the Greenways 2008 grant programme, a full 90 km of bike trails will be built between the Slánske Mountains and the region of Tokaj in the area of Sebechleby and Stará Myjava.

Another interesting ecological activity which took place in the second weekend of September was T-Mobile support for an annual event. Employees engaged in the latest Naša Bratislava (Our Bratislava) community project, prepared by the Engage group of companies together with the Pontis Foundation. Its purpose is to beautify select areas, clean Horský park (Mountain Park) and other green areas, and otherwise support the Capital of Slovakia.

Along with external ecological activities, T-Mobile Slovensko conducted an internal environmental campaign focused on employee education and its practical application. During and after the campaign, employees were asked for substantial paper saving, recycling, and other complementary steps aimed at improving the human environment during everyday corporate work.

Support of Scientific Activities

As part of its sponsoring activities, T-Mobile supported the projects promoting science, technology and innovation in Slovakia. The Company therefore became a general partner of Hlava roka 2008 (2008 Brain of the Year), the nationwide competition to support science and technical academics. T-Mobile Slovensko not only brought advanced technologies and novelties to Slovakia's market; it also wanted to support Slovakia's scientists in their work, projects, patents and innovations in science, technology and natural sciences, to revitalise the financing and promotion of science and research in Slovakia.

Employee Grant Programme – T-Mobile Helps the Community

The Company's employees have also increasingly engaged in corporate social responsibility projects. For this reason, there were two rounds of the employee grant programme: T-Mobile pomáha komunite (T-Mobile Helps the Community) was in 2008. These aimed at promoting innovative ideas to enhance the quality of the life of the community in which the Company employees live or come from. The project made possible selected projects throughout Slovakia. A large number of employees again participated in the programme in 2008. They submitted interesting proposals, focused on creating opportunities for active leisure time, volunteering, or in the spheres of culture, art, sports, education, and social and health care. T-Mobile supported 87 projects in two rounds in 2008, and more than 220 projects during the five years of the programme's existence.

Zoznam

Zoznam participates in many non-profit projects each year. Through support in the form of providing media space free of charge, the Company strives to disseminate the idea of supporting disadvantaged groups. In 2008, Zoznam media promoted Hodina deťom, Unicef, Úsmev ako dar, Človek v ohrození (People in Peril), and others. The Zoznam.sk internet portal, in cooperation with the Red Cross humanitarian organisation, again organised the Kvapka krvi (Drop of Blood) event in 2008. That admirable philanthropic project drew around 100 voluntary donors.

IV. Financial Results

Slovak Telekom, a. s.

Consolidated Financial Statements prepared in accordance
with International Financial Reporting Standards (IFRS)
and Auditor's Report

for the year ended 31 December 2008

Consolidated Financial Statements. All amounts are in millions of Slovak crowns, unless otherwise stated.

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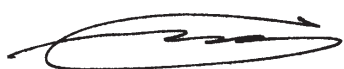
Consolidated Financial Statements. All amounts are in millions of Slovak crowns, unless otherwise stated.

Consolidated Income Statement

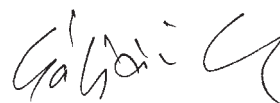
for the year ended 31 December

	Notes	2008	2007
Fixed network and broadband revenue		13,321	13,726
Mobile communication revenue		17,386	16,737
Other		294	277
Total revenue	4	31,001	30,740
Staff costs	5	(4,263)	(3,889)
Material and equipment		(3,567)	(3,907)
Depreciation, amortisation and impairment losses	11,12,13	(8,512)	(9,405)
Interconnection and other fees to operators		(4,197)	(3,837)
Other operating income	7	856	1,731
Other operating costs	6	(6,842)	(6,463)
Operating profit		4,476	4,970
Financial income	8	525	306
Financial expense	9	(578)	(70)
Profit before tax		4,423	5,206
Taxation	10	(894)	(808)
Profit for the year from continuing operations		3,529	4,398
Discontinued operation	11	-	1,767
Profit for the year		3,529	6,165

The consolidated financial statements on pages 90 to 128 were authorised for issue on behalf of the Board of Directors on 12 March 2009 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

Consolidated Financial Statements. All amounts are in millions of Slovak crowns, unless otherwise stated.

Consolidated Balance Sheet

as at 31 December

	Note	2008	2007
ASSETS			
Non-current assets			
Property and equipment	12	35,334	37,607
Intangible assets	13	14,093	15,567
Held-to-maturity investments	26	102	-
Prepaid expenses		655	661
		50,184	53,835
Current assets			
Inventories	16	1,044	1,103
Trade and other receivables	17	3,501	3,559
Prepaid expenses and other current assets		311	299
Held-to-maturity investments	26	1,795	1,964
Income tax		28	-
Intragroup loan	18, 24	1,501	-
Cash and cash equivalents	19	10,661	8,952
		18,841	15,877
Assets of disposal group and other assets held for sale	11	370	13
		19,211	15,890
TOTAL ASSETS		69,395	69,725
EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital		26,028	26,028
Share premium		11,632	11,632
Statutory reserve fund	20	1,733	1,436
Retained earnings	20	14,585	13,977
Other reserves	20	3,304	3,683
		57,282	56,756
Non-current liabilities			
Provisions	22	298	234
Deferred tax	10	5,049	5,444
Other payables and deferred income	21	353	442
		5,700	6,120

Consolidated Financial Statements. All amounts are in millions of Slovak crowns, unless otherwise stated.

	Note	2008	2007
Current liabilities			
Trade and other payables and deferred income	21	5,908	6,005
Provisions	22	366	225
Income tax		139	619
		6,413	6,849
Total liabilities		12,113	12,969
TOTAL EQUITY AND LIABILITIES		69,395	69,725

Consolidated Financial Statements. All amounts are in millions of Slovak crowns, unless otherwise stated.

Consolidated Statement Of Recognised Income And Expense

for the year ended 31 December

	Notes	2008	2007
Actuarial losses on defined benefit plans		(3)	(5)
Deferred tax		1	1
Expense recognised directly in equity		(2)	(4)
Profit after income taxes	20	3,529	6,165
Recognised income		3,527	6,161

Consolidated Financial Statements. All amounts are in millions of Slovak crowns, unless otherwise stated.

Consolidated Cash Flow Statement

for the year ended 31 December

	Notes	2008	2007
Profit for the year from continuing operations		3,529	4,398
Profit for the year from discontinued operation	11	-	1,767
Adjustments for:			
■ Depreciation, amortisation and impairment losses	11, 12, 13	8,512	9,405
■ Interest income, net		(501)	(305)
■ Income tax expense	10	894	1,015
■ Gain on disposal of property and equipment		(272)	(328)
■ Net gain on disposal of investment in subsidiary		-	(1,659)
■ Other non-cash items		427	109
■ Movement in provisions		186	(932)
Changes in working capital:			
■ Change in trade and other receivables		62	(116)
■ Change in inventories		54	(838)
■ Change in trade and other payables		(602)	232
Cash flows from operations		12,289	12,748
■ Income taxes paid		(1,796)	(422)
Net cash flows from operating activities		10,493	12,326
Investing activities			
■ Purchase of intangible assets, property and equipment		(4,831)	(5,743)
■ Proceeds from disposal of intangible assets, property and equipment		371	1,000
■ Proceeds from disposal of investment in subsidiary	11	-	3,504
■ Acquisition of held-to-maturity investments		(2,939)	(1,960)
■ Proceeds from disposal of held-to-maturity investments		2,609	-
■ Disbursement of intragroup loan		(1,500)	-
■ Interest received		514	314
Net cash used in investing activities		(5,776)	(2,885)
Financing activities			
■ Repayment of borrowings		-	(7)
■ Dividends paid	20	(3,000)	(4,942)
■ Other charges paid		(8)	(7)
Net cash used in financing activities		(3,008)	(4,956)
Net increase in cash and cash equivalents		1,709	4,485
Cash and cash equivalents at 1 January	19	8,952	4,467
Cash and cash equivalents at 31 December	19	10,661	8,952

Consolidated Financial Statements. All amounts are in millions of Slovak crowns, unless otherwise stated.

Notes to the Consolidated Financial Statements

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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 “the Group” 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”), 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. The business registration number (IČO) of the Company is 35 763 469 and the tax identification number (DIČ) is 202 027 3893. On 4 August 2000, Deutsche Telekom AG (“Deutsche Telekom” or “DT 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 %) 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. 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 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.

Members of the Statutory Boards as at 31 December 2008:

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

Consolidated Financial Statements. All amounts are in millions of Slovak crowns, unless otherwise stated.

Supervisory Board	
Chair:	Wolfgang Hauptmann
Vice-chair:	Pavol Dlhoš
Member:	Ing. Július Maličký
Member:	Milan Brlej
Member:	Dr. Albert Matheis
Member:	Ing. Ján Hláčik
Member:	Ing. Jiřina Perényiová
Member:	Norbert Schmidt
Member:	Anton Štefko

During 2008 a number of changes were made in the Commercial Register: Mr. Horst A. Hermann left the Board of Directors and was replaced by Dr. Lutz Schade. The employees' representatives Mr. Ľudovít Hintoš, Mr. Pavel Kyman and Mr. Jozef Opát left the Supervisory Board and were replaced by Mr. Július Maličký, Mr. Milan Brlej and Mr. Ján Hláčik.

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 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.

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

Consolidated Financial Statements. All amounts are in millions of Slovak crowns, unless otherwise stated.

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 a 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 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, 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
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. Impairment losses are reversed if the reasons for recognising the original impairment loss no longer apply.

Consolidated Financial Statements. All amounts are in millions of Slovak crowns, unless otherwise stated.

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:

- 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
- 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.

The useful lives and the amortisation methods for intangible assets are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset 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 generate economic benefits exceeding costs beyond one year are recognised as intangible assets. 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.

Intangible assets are assessed for impairment whenever there is an indication that they may be impaired.

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

Customer contracts and related customer relationships	4 to 13 years
Licenses	10 to 20 years
Software, brand and other	2 to 16 years

Consolidated Financial Statements. All amounts are in millions of Slovak crowns, unless otherwise stated.

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 are 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
Broadband and fixed network business	If triggering event occurs
Mobile business	Annually
Online business (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 realisable 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, they are initially measured at fair value, plus, in the case of investments not held 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 recognition 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

Consolidated Financial Statements. All amounts are in millions of Slovak crowns, unless otherwise stated.

estimated future cash flows. The estimated cash flows are based on the past experience of the collectibility of overdue receivables.

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 for which an allowance was recognised becomes uncollectible or sold, it is written off against the allowance account.

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 2008 the Group did not hold any derivative instruments designated as hedges in accordance with IAS 39. The Group did, however, enter certain derivative transactions that, while providing effective economic hedges under the Group's risk management policies, do not qualify for hedge accounting under the specific rules of IAS 39. Changes in the fair value of derivative instruments that do not qualify for hedge accounting under IAS 39 are recognised immediately in the income statement.

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 them to maturity. After initial recognition 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 cash equivalents in the balance sheet comprise cash at banks and in hand, 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:

- the rights to receive cash flows from the asset have expired; or
- 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.

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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.

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 2008 the Group did not hold any derivative instruments designated as hedges in accordance with IAS 39. The Group did, however, enter certain derivative transactions that, while providing effective economic hedges under the Group's risk management policies, do not qualify for hedge accounting under the specific rules of IAS 39. Changes in the fair value of derivative instruments that do not qualify for hedge accounting under IAS 39 are recognised immediately in the income statement.

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 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.

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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 a decrease of revenue 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

Slovak Telekom 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.

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 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 become vested immediately following the introduction of, or changes to, a benefit plan, past service costs are 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 measured reliably. 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 services are 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 related activation fees, are recognised as assets and amortised over the same period.

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Interconnect revenue generated from calls and other traffic that originate in other operators' networks is recognised as 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 of equipment is recognised when the equipment is delivered and installed at customer premises. Revenue from the operating lease of equipment is recognised on a straight-line basis over the period of the lease.

2.13 Operating profit

Operating profit is defined as the result before 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.

2.15 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 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.

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 utilised, 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.

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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:

- Personal leasing costs of SKK 100 million are disclosed within wages and salaries (Note 5) in the 2007 comparatives. In the 2007 income statement these expenses were presented within other operating costs.
- Cost related to installation services of SKK 54 million are presented in the 2007 comparatives within other operating costs. In the 2007 income statement these expenses were presented as staff costs and material and equipment.

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. Refer to Note 12 and Note 13 for details of the impairment of property and equipment and intangible assets.

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 cash-generating units. 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

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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:

- an appropriate pre-tax credit adjusted interest rate commensurate with the Group's credit standing;
- the amounts necessary to settle future obligations.

Provisions and contingent liabilities

As set out in Notes 22 and 25, 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 of economic resources and estimates the amount needed to settle the possible or probable obligation. Such judgements and estimates are continually reassessed taking into consideration experience with similar cases.

Fair value estimation

The fair value of financial instruments which are not traded in an active market is determined by using quoted forward exchange rates for similar instruments, bank quotes available at the balance sheet date and valuation techniques.

Nominal values for trade and other receivables and payables with maturities of less than one year are assumed to approximate their fair values due to their short-term nature.

2.18 Adoption of IFRS during the year

Standards, interpretations and amendments to published standards effective in 2008 but not relevant to the Group's operations

- IAS 39, Financial Instruments: Recognition and Measurement and IFRS 7, Financial Instruments: Disclosures (Amendments)
The amendments allow reclassification of certain financial instruments from held for trading and available for sale categories. The Group does not have financial instruments in those categories.
- IFRIC 11, IFRS 2 – Group and Treasury Share Transactions
The interpretation addresses accounting for schemes whereby employees have rights to equity instruments in the Company or in the Company's Parent.
- IFRIC 12, Service Concession Arrangements
The interpretation provides guidance on the accounting by operators of public-to-private service concession arrangements. The Group does not have service concession arrangements.
- IFRIC 14, IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
The interpretation addresses how to assess the limit, under IAS 19 Employee Benefits, on the amount of the surplus that can be recognised as an asset particularly when a minimum funding requirement exists. The Group does not have funded defined benefit plans.

Standards, interpretations and amendments to published standards that have been published, are not effective for accounting periods starting on 1 January 2008 and which the Group has not early adopted

- IFRS 1 (Revised), First-time Adoption of International Financial Reporting Standards (effective for annual periods beginning on or after 1 July 2009)
- IFRS 2 (Amendment), Share-based Payment (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)
- IFRS 8, Operating Segments (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)
- IAS 23 (Revised), Borrowing Costs (effective for annual periods beginning on or after 1 January 2009)

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- IAS 27 (Amended), Consolidated and Separate Financial Statements (effective for annual periods beginning on or after 1 July 2009)
- IAS 32 (Amended), Financial Instruments: Presentation (effective for annual periods beginning on or after 1 January 2009)
- IFRIC 13, Customer Loyalty Programs (effective for annual periods beginning on or after 1 July 2008)
- IFRIC 15, Agreements for the Construction of Real Estate (effective for annual periods beginning on or after 1 January 2009)
- IFRIC 16, Hedges of a Net Investment in a Foreign Operation (effective for annual periods beginning on or after 1 October 2008)
- IFRIC 17, Distributions of Non-Cash Assets to Owners (effective for annual periods beginning on or after 1 July 2009)
- IFRS Improvements Standard (May 2008)

Part I - contains amendments that result in accounting changes for presentation, recognition or measurement purposes

- IFRS 5, Non-current Assets Held for Sale and Discontinued Operations (effective for annual periods beginning on or after 1 July 2009)
- IAS 1, Presentation of Financial Statements (effective for annual periods beginning on or after 1 January 2009)
- IAS 16, Property, Plant and Equipment (effective for annual periods beginning on or after 1 January 2009)
- IAS 19, Employee Benefits (effective for annual periods beginning on or after 1 January 2009)
- IAS 20, Accounting for Government Grants and Disclosure of Government Assistance (effective for annual periods beginning on or after 1 January 2009)
- IAS 23, Borrowing Costs (effective for annual periods beginning on or after 1 January 2009)
- IAS 27, Consolidated and Separate Financial Statements (effective for annual periods beginning on or after 1 January 2009)
- IAS 28, Investments in Associates (effective for annual periods beginning on or after 1 January 2009)
- IAS 31, Interests in Joint Ventures (effective for annual periods beginning on or after 1 January 2009)
- IAS 29, Financial Reporting in Hyperinflationary Economies (effective for annual periods beginning on or after 1 January 2009)
- IAS 36, Impairment of Assets (effective for annual periods beginning on or after 1 January 2009)
- IAS 38, Intangible Assets (effective for annual periods beginning on or after 1 January 2009)
- IAS 39, Financial Instruments: Recognition and Measurement (effective for annual periods beginning on or after 1 January 2009)
- IAS 40, Investment Property (effective for annual periods beginning on or after 1 January 2009)
- IAS 41, Agriculture (effective for annual periods beginning on or after 1 January 2009)

Part II - contains amendments that are terminology or editorial changes only, which the Board expects to have no or minimal effect on accounting; (all effective for annual periods beginning on or after 1 January 2009)

- IFRS 7, Financial Instruments: Disclosure
- IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors
- IAS 10, Events after the Reporting Period
- IAS 18, Revenue
- IAS 20, Accounting for Government Grants and Disclosure of Government Assistance
- IAS 29, Financial Reporting in Hyperinflationary Economies
- IAS 34, Interim Financial Reporting
- IAS 40, Investment Property
- IAS 41, Agriculture

Except for the additional disclosures required by the Revised IAS 1, the Group believes that the future adoption of these standards, interpretations and amendments will not have any material effect on the financial performance or position of the Group.

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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, held-to-maturity investments and loans. The main purpose of these instruments is to manage the liquidity of the Group.

The Group has agreed loan facilities with its parent company DT AG.

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 the foreign currency risk arising from the Group's operations. The Group does not perform speculative trading with the derivative instruments.

The main risks arising from the Group's financial instruments are market 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 DT AG Treasury Department. The Treasury Department works in co-operation with the Group's operating units and with the DT AG Treasury Department. There are policies in place to cover specific areas, such as market risk, credit risk, liquidity risk, the investment of excess funds and the use of derivative financial instruments.

Due to an increase in excess funds at its disposal, the Group has 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.

3.1 Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

3.1.1 Foreign exchange risk

The Group is exposed to transactional foreign exchange risk arising from international interconnection. In addition, the Group is exposed to risks arising from capital and operational expenditures denominated in foreign currencies. Approximately 3 % of the Group's revenue and 12 % of the costs are denominated in currencies other than SKK.

The Group requires all of its operating units to use forward currency contracts, currency swaps or spot market trading to eliminate the exposure towards foreign currency 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 maximize 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 the hedging of every cash flow denominated in foreign currency exceeding the equivalent of EUR 50 thousand.

In 2007 and 2008, the Group entered into currency forward contracts to hedge its foreign currency exposure arising on its firm commitments for future capital and operating expenditures. The forward contracts are expected to mature on the date of the anticipated foreign currency cash expenditures. At 31 December 2008, the Group has hedged 100 % of its foreign currency purchases for which firm commitments existed at the balance sheet date.

The Group's main exposure is to changes in EUR and USD foreign exchange rates, with immaterial risk related to financial assets and financial liabilities denominated in other foreign currencies. However, the Group's exposure

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to changes in the EUR exchange rate was ended effective 1 January 2009 when the euro became the official currency of the Slovak Republic (Note 27).

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 (EUR and USD), 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 exchange risk internally in line with treasury policies.

		2008	2007
Profit before tax	Depreciation of SKK by 5 %	(16)	(82)
	Appreciation of SKK by 5 %	16	81
Equity	Depreciation of SKK by 5 %	(16)	(82)
	Appreciation of SKK by 5 %	16	81

3.1.2 Interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates. In 2008 the Group entered a master agreement on upstream loans with DT AG.

The Group's exposure to the risk of changes in market interest rates relates mainly to the Group's held-to-maturity investments. 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 2008, the securities portfolio consists of fixed-rate bonds and promissory notes (73 %) and floating-rate bonds (27 %).

The sensitivity of held-to-maturity investments to changes in interest rates is provided in Note 26.

3.2 Credit risk

The Group is exposed to credit risk from its operating activities and certain financing activities. 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 Group's past experience of collecting payments, as well as changes in the internal and external ratings of customers.

With regard to financial assets, which comprise cash and cash equivalents, short-term deposits, held-to-maturity investments, derivative financial instruments, loans 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 financial assets. No significant agreements reducing the maximum exposure to credit risk had been concluded as at 31 December 2008.

The Group assesses its financial investments at each reporting date to determine whether there is any objective evidence that they are impaired. A financial investment is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that investment. Significant financial investments are tested for impairment on an individual basis. The remaining financial investments are assessed collectively in groups that share similar credit risk characteristics.

An impairment loss in respect of a financial investment is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. All impairment losses are recognised in profit or loss. An impairment loss is reversed if the reversal can be related

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objectively to an event occurring after the impairment loss was recognised. The reversal of the impairment loss is recognised in profit or loss.

The quantitative disclosure of the Group's exposure to credit risk is set out in Note 17.

3.3 Liquidity risk

The Group's liquidity risk mitigation principles define the level of cash and 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 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 Group's financial liabilities based on contractual undiscounted payments. However, amounts relating to currency forward contracts will be settled net upon maturity.

As at 31 December 2008	On demand	Less than 3 months	3 to 12 months	Over 1 year	Total
Trade and other payables	434	3,175	-	22	3,631
Currency forward contracts:					
■ Contractual amounts payable	-	26	40	-	66
■ Contractual amounts receivable	-	(25)	(36)	-	(61)

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 payable	-	1,028	297	-	1,325
■ Contractual amounts receivable	-	(1,030)	(299)	-	(1,329)

3.4 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 maximizing 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 objectives, policies or processes during 2008.

The capital structure of the Group consists of equity attributable to shareholders, comprising issued capital, reserves and retained earnings (Note 20).

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4. Revenue

	2008	2007
Fixed network communication revenue	8,671	9,547
Wholesale revenue	1,939	1,722
IP / Internet revenue	2,711	2,457
Total fixed network and broadband revenue	13,321	13,726
Mobile communication revenue	17,386	16,737
Other revenue	294	277
Total revenue from continuing operations	31,001	30,740
Revenues from discontinued operation	-	728
	31,001	31,468

5. Staff costs

	2008	2007
Wages and salaries	3,423	3,129
Social security contributions	840	760
	4,263	3,889

	2008	2007
Number of employees at period end	5,194	5,265
of which T-Mobile	1,499	1,450

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6. Other operating costs

	2008	2007
Repairs and maintenance	664	612
Outsourced services	515	594
Marketing costs	1,281	1,334
Energy	476	414
Postal services	276	286
Rentals and leases	588	436
IT services	487	395
Dealers' commissions	872	769
Material sold	201	120
Business trips and training	101	118
Frequency fees	176	157
Content fees	199	201
Consultancy	271	161
Bad debts expenses	125	133
Security	40	56
Legal and regulatory claims	36	4
Customer solutions	195	160
Other	796	967
Own work capitalised	(457)	(454)
	6,842	6,463

7. Other operating income

	2008	2007
Release of legal provisions (Note 22)	-	983
Gain on disposal of property and equipment, net	273	328
Income from material sold	226	110
Other	357	310
	856	1,731

8. Financial income

	2008	2007
Interest on short-term deposits	276	213
Interest on held-to-maturity investments	205	74
Other	32	19
Interest on intragroup loans	12	-
	525	306

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9. Financial expense

	2008	2007
Impairment of held-to-maturity investments	405	–
Foreign exchange losses, net	97	24
Net loss on financial instruments held for trading	42	20
Interest cost on restoration obligations	13	12
Bank charges and other financial expense	21	14
	578	70

The Group created a 100 % allowance for a held-to-maturity investment of SKK 405 million including interest.

10. Taxation

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

	2008	2007
Current tax expense	1,289	974
Deferred tax income	(395)	(166)
Income tax expense reported in the income statement	894	808

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

	2008	2007
Profit before income tax from continuing operations	4,423	5,206
Profit before income tax from discontinued operation	–	1,974
Profit before income tax	4,423	7,180
Income tax calculated at the statutory rate of 19 % (2007: 19 %)	840	1,364
Effect of income not taxable and expenses not tax deductible:		
■ Creation / (release) of legal provisions	7	(186)
■ Discontinued operation	–	(168)
■ Other tax non-deductible items, net	42	5
Tax charge in respect of prior years	5	–
Income tax at the effective tax rate of 20 % (2007: 14 %)	894	1,015
Income tax attributable to continuing operations	894	808
Income tax attributable to discontinued operation	–	207
	894	1,015

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

	Balance sheet		Income	
	2008	2007	2008	2007
Difference between carrying and tax value of fixed assets	(3,872)	(3,894)	(22)	(98)
Allowance for held-to-maturity investments	77	-	(77)	-
Staff cost accruals	73	-	(73)	-
Allowance for bad debts	45	28	(17)	7
Termination benefits	18	6	(12)	1
Fair value adjustments	(1,484)	(1,658)	(174)	(184)
Other	94	74	(20)	8
	(5,049)	(5,444)	(395)	(266)

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

	2008	2007
Deferred tax assets	307	108
Deferred tax liabilities	(5,356)	(5,552)
	(5,049)	(5,444)

11. Discontinued operation and other assets held for sale

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.

The results of the RK Business for the year ended 31 December 2007 (9 months of operation) were as follows:

	2007
Revenue	728
Staff costs	(154)
Other operating expenses, net	(112)
Profit from discontinued operation, before taxes	462
Current tax	(63)
Deferred tax	10
Profit from discontinued operation, net of taxes	409

Consolidated Financial Statements. All amounts are in millions of Slovak crowns, unless otherwise stated.

The cash flows of the RK Business for the year ended 31 December 2007 (9 months of operation) were as follows:

	2007
Net cash flows from operating activities	312
Net cash flows from investing activities	3
Total net cash flows from discontinued operation	315

The results of the disposal of the Group's investment in the RK Business were 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

The major classes of the assets and liabilities of the RK Business at the date of disposal were 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

The cash flows on the disposal of the Group's investment in the RK Business were as follows:

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

Consolidated Financial Statements. All amounts are in millions of Slovak crowns, unless otherwise stated.

11.2 Other assets held for sale

	Land, buildings and related equipment	
	2008	2007
At 1 January	13	765
Net transfer from / (to) property and equipment	562	(10)
Impairment charge	(116)	(29)
Reversal of impairment charge	28	-
Assets sold	(117)	(713)
At 31 December	370	13

Assets held for sale at 31 December 2008 comprise buildings and land which are to be sold within 1 year.

12. Property and equipment

	Land and buildings	Duct, cable and other outside plant	Telephone exchanges and related equipment	Radio and transmission equipment	Other	Construction in progress including advances	Total
Cost							
At 1 January 2008	5,295	28,392	40,231	8,617	7,213	1,935	91,683
Additions	116	751	1,103	523	687	565	3,745
Disposals	(72)	(210)	(3,623)	(805)	(751)	-	(5,461)
Transfers	288	(118)	486	282	183	(1,121)	-
Transfer to and from assets held for sale	(1,067)	(50)	(9)	-	(20)	-	(1,146)
At 31 December 2008	4,560	28,765	38,188	8,617	7,312	1,379	88,821
Depreciation							
At 1 January 2008	(1,730)	(11,146)	(32,128)	(5,222)	(3,817)	(33)	(54,076)
Depreciation charge	(230)	(861)	(2,543)	(783)	(860)	-	(5,277)
Impairment charge	(8)	(20)	(58)	-	(49)	(15)	(150)
Disposals	54	209	3,619	805	745	-	5,432
Transfers	(56)	51	(28)	-	-	33	-
Transfer to and from assets held for sale	549	16	5	-	14	-	584
At 31 December 2008	(1,421)	(11,751)	(31,133)	(5,200)	(3,967)	(15)	(53,487)
Net book value as of 31 December 2008	3,139	17,014	7,055	3,417	3,345	1,364	35,334

The impairment charge relates mainly to various network and technological equipment and other assets which have no future use and will be either sold or liquidated.

Property and equipment (except motor vehicles) is insured to a limit of SKK 845 million (2007: SKK 935 million) and motor vehicles to a limit of SKK 60 million (2007: 60 million).

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	Land and buildings	Duct, cable and other outside plant	Telephone exchanges and related equipment	Radio and transmission equipment	Other	Construction 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 decided to sell but which did not meet the criteria of IFRS 5 and, therefore, were not reclassified as held for sale at 31 December 2007, SKK 50 million relating to mobile phone exchanges which were subsequently reclassified as held for sale and SKK 158 million relating to technological equipment. The recoverable amount of all impaired assets was determined by reference to estimated fair value less cost to sell.

13. Intangible assets

	Customer contracts and related customer relationships	Licenses	Goodwill	Software	Other	Total
Cost						
At 1 January 2008	12,261	2,564	2,349	12,211	577	29,962
Additions	-	-	-	963	535	1,498
Disposals	-	-	-	(417)	-	(417)
Transfers	-	-	-	335	(335)	-
At 31 December 2008	12,261	2,564	2,349	13,092	777	31,043
Depreciation						
At 1 January 2008	(3,229)	(1,036)	-	(10,027)	(103)	(14,395)
Amortisation charge	(1,079)	(146)	-	(1,705)	(29)	(2,959)
Impairment charge	-	-	-	(10)	-	(10)
Disposals	-	-	-	415	-	415
Transfers	-	-	-	-	(1)	(1)
At 31 December 2008	(4,308)	(1,182)	-	(11,327)	(133)	(16,950)
Net book value as of 31 December 2008	7,953	1,382	2,349	1,765	644	14,093

	Customer contracts and related customer relationships	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

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14. Impairment of goodwill

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

	2008	2007
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 (2007: 2.3 %) and a discount rate of 7.77 % (2007: 7.93 %). 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 (2007: 4 %) and a discount rate of 9.59 % (2007: 9.34 %). The recoverable amount of the cash-generating unit was determined to exceed its carrying value.

15. Principal subsidiary undertakings

At 31 December 2008 the Group had the following subsidiaries:

Name	Registered office	Activity	Profit 2008	Profit 2007	Net assets 2008	Net assets 2007
T-Mobile Slovensko, a. s.	Vajnorská 100/A, 831 03 Bratislava	Wireless phone and data services	3,034	3,096	8,565	13,677
Zoznam, s. r. o.	Viedenská cesta 3-7, 851 01 Bratislava	Internet portal	33	21	83	50
Zoznam Mobile, s. r. o.	Viedenská cesta 3-7, 851 01 Bratislava	Mobile content provider	16	13	51	35
Telekom Sec, s. r. o.	Kukučínova 52, 831 03 Bratislava	Security services	-	-	1	-
Institute of Next Generation Networks	Poštová 1, 010 08 Žilina	NGN technology research and development	(2)	(2)	(4)	(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.

At the General Meeting of Tower Slovakia on 10 October 2007 its Board of Directors approved its liquidation. The entity was liquidated as of 31 March 2008 and the liquidation process was completed on 5 August 2008. The entity was erased from the Commercial Register on 25 September 2008.

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16. Inventories

	2008	2007
Cables, wires and spare parts	277	227
Phones, accessories for mobile communication	627	669
Other inventory including goods for resale	140	207
	1,044	1,103

Inventories with a carrying value of SKK 159 million (2007: SKK 131 million) are carried at net realisable value. Inventories are shown net of an allowance of SKK 75 million (2007: SKK 63 million) for slow-moving and obsolete items.

17. Trade and other receivables

	2008	2007
Trade receivables from third parties	3,247	3,285
Trade receivables from related parties	130	136
Other receivables from third parties	124	49
Other receivables from related parties	-	89
	3,501	3,559

Trade receivables are net of an allowance of SKK 731 million (2007: SKK 717 million).

In 2008 the Group sold uncollectible receivables with a nominal value of SKK 47 million (2007: SKK 164 million) to a Company specializing in the collection of overdue receivables for SKK 9 million (2007: SKK 31 million) and the related allowance was released.

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

	2008	2007
At 1 January	717	763
Charge for the year	243	216
Utilised	(90)	(208)
Reversed	(139)	(54)
At 31 December	731	717

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
2008	3,247	2,722	365	75	34	33	18
2007	3,285	2,703	435	55	19	45	28

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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. Intragroup loans

The Group granted DT AG a short-term loan of SKK 1,500 million on 23 December 2008. The loan bears an interest at a rate of 3.56 % p.a., is not secured and is repayable on 23 March 2009 (Note 24).

19. Cash and cash equivalents

	2008	2007
Cash	7,740	3,757
Short-term deposits	2,921	5,195
	10,661	8,952

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.

20. 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 2008 Slovak Telekom had authorised and issued 26,027,500 ordinary shares (2007: 26,027,500) with a par value of SKK 1,000 per share. All the shares issued were fully subscribed. There were no changes in share capital and share premium during 2008.

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 30 April 2008 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 statements, to the reserve fund, with the remaining 2007 profit being retained.

In 2008 dividends of SKK 3,000 million were declared and paid (2007: SKK 4,942 million).

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 379 million (2007: SKK 378 million) was released from the reserve in 2008.

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Movements in retained earnings and other reserves were as follows:

	Statutory reserve fund	Retained earnings	Other reserves
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
At 1 January 2008	1,436	13,977	3,683
Actuarial losses on defined benefit plans	-	(3)	-
Dividends	-	(3,000)	-
Profit for the year	-	3,529	-
Release of revaluation reserve	-	379	(379)
Allocation to funds	297	(297)	-
At 31 December 2008	1,733	14,585	3,304

21. Trade and other payables and deferred income

	2008	2007
Non-current		
Deferred income	309	336
Other	44	106
	353	442
Current		
Trade payables to third parties	3,501	3,152
Trade payables to related parties	130	318
Amounts due to employees	672	585
Deferred income	1,250	1,599
Other	355	351
	5,908	6,005

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22. Provisions

	Legal claims	Asset retirement obligation	Loyalty programs	Termination benefits	Retirement and jubilee benefits	Other	Total
At 1 January 2008	8	198	133	29	29	62	459
Arising during the year	40	19	173	101	21	82	436
Reversals	(1)	-	(39)	(5)	-	(3)	(48)
Utilised	(3)	-	(99)	(30)	(1)	(50)	(183)
At 31 December 2008	44	217	168	95	49	91	664
Non-current	-	217	-	-	49	32	298
Current	44	-	168	95	-	59	366
	44	217	168	95	49	91	664

Legal claims

The provision includes amounts in respect of legal claims brought against the Group. It is the opinion of the Group's management that the outcome of these legal claims will not result in any significant loss beyond the amounts provided at 31 December 2008.

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 recognized based on previous experience of the use of these credits by loyalty program participants.

Termination benefits

The restructuring of Slovak Telekom's operations resulted in a headcount reduction of 74 employees in 2008. Slovak Telekom expects a further headcount reduction of 227 in 2009 as a result of an ongoing restructuring program. 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 recognized in full in the current period.

Retirement and jubilee benefits

Slovak Telekom 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 Slovak Telekom. The benefit entitlements are determined from the respective employee's monthly remuneration or as a defined particular amount.

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	Retirement benefits	Jubilee	Total
Present value of the defined benefit obligation			
At 1 January 2008	66	6	72
Interest cost	4	-	4
Current service cost	4	-	4
Benefits paid	(1)	-	(1)
Actuarial losses	3	-	3
At 31 December 2008	76	6	82
Past service cost not recognised in the balance sheet	(33)	-	(33)
Liability recognised in the balance sheet at 31 December 2008	43	6	49

Principal actuarial assumptions used in determining the defined benefit obligation include discount rates of 4.308 % and 4.956 % to calculate the present value of the obligation and interest costs, respectively and an average retirement age of 62 years.

23. 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:

	2008	2007
Capital expenditures contracted for but not completed due within one year	341	534
Capital expenditures contracted for but not completed due between one and five years	51	94
	392	628

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, and IT and network support and maintenance.

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

	2008	2007
Operating commitments due within one year	1,232	991
Operating commitments due between one and five years	1,298	777
Operating commitments due after five years	163	297
	2,693	2,065

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24. Related party transactions

	Receivables		Payables		Sales		Purchases	
	2008	2007	2008	2007	2008	2007	2008	2007
Deutsche Telekom AG	1,509	30	34	43	91	187	147	169
T-Home Group	8	6	2	6	81	35	27	33
T-Systems Group	18	11	10	31	111	61	78	121
T-Mobile Group	95	88	84	152	248	248	317	265
DeTelmmobilien-Slovakia	-	89	-	86	32	37	230	346
Other	1	1	-	-	1	1	3	14
	1,631	225	130	318	564	569	802	948

The Group conducts business with its parent, Deutsche Telekom AG and its subsidiaries, associates and joint ventures. Business transactions relate mainly to telephone calls and other traffic in the related parties' networks. Other transactions include data services, management, consultancy and other services.

The Group granted Deutsche Telekom AG a short-term loan of SKK 1,500 million. Interest related to this loan amounted to SKK 12 million (Note 18).

In September 2006 the facility and real estate management of the Group was outsourced to DeTelmmobilien-Slovakia, s. r. o. ("DTI"), a member of the Deutsche Telekom Group. DTI provided services of SKK 230 million to the Group during the period ending 30 September 2008, when DTI ceased to be a member of Deutsche Telekom Group. During the twelve-month period ending 31 December 2007 the Group purchased services of SKK 346 million.

Compensation of key management personnel

	2008	2007
Short term employee benefits	134	149

Key management personnel, 30 in number (2007: 32) include members of the Board of Directors, Supervisory Board and the Executive Management Board.

25. Contingencies

Legal and regulatory cases

The Group has been charged by the Anti-Monopoly Office ("AMO") with abusing its dominant position and violating competition law by 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 against this decision on 11 January 2008. The Group received an official "call" on 11 December 2008 confirming that second stage decision would be issued. The Group responded to the call on 29 January 2009, objecting to AMO's arguments used in both the first stage decision and the call. As management believes it is possible rather than probable that this case will result in an obligation to pay the penalty, a provision has not been made in these financial statements.

On 27 September 2007 the Regional Court in Bratislava overturned the second stage decision of AMO, which had imposed on the Group a penalty of SKK 885 million for not allowing competitors to access local lines (unbundling of local loops) and thus abusing its dominant position. The Group had provided in full against this penalty in 2005, but this provision was released after the Regional Court found in favour of the Group.

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Subsequently AMO initiated a new proceeding against the Group on this same issue and on 15 August 2008 AMO issued its first stage decision, imposing a penalty of SKK 885 million. The decision is not yet effective and enforceable as the Group filed an appeal on 28 August 2008. 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 the 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 on the Group a penalty of SKK 80 million for abusing its dominant position in tendering for 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. Subsequently AMO initiated a new proceeding against the Group on this same issue and on 29 October 2008 AMO issued its first stage decision imposing a penalty of SKK 73 million. The decision is not yet effective and enforceable as the Group filed an appeal on 13 November 2008. 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 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 recognized in the financial statements (Note 22).

26. Financial instruments

Fair values

Below is a comparison by category of the carrying amounts and fair values of all financial instruments that are carried in the financial statements:

	Carrying amount		Fair value	
	2008	2007	2008	2007
Financial assets				
Non-current				
■ Held-to-maturity investments	102	-	103	-
Current				
■ Cash and cash equivalents	10,661	8,952	10,661	8,952
■ Held-to-maturity investments	1,795	1,964	1,786	1,948
■ Trade receivables	3,377	3,421	3,377	3,421
Financial liabilities				
Non-current				
■ Trade payables	22	77	22	77
Current				
■ Trade payables	3,631	3,470	3,631	3,470

Cash and cash equivalents, trade receivables 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 1,889 million as at 31 December 2008 (2007: SKK 1,945 million). This value was established based on market values provided by banks who act as depositors of the securities.

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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 2008 and equity as at 31 December 2008 would increase/decrease by SKK 2 million / SKK 3 million (2007: 0.4 million / 0.5 million).

Forward foreign exchange contracts

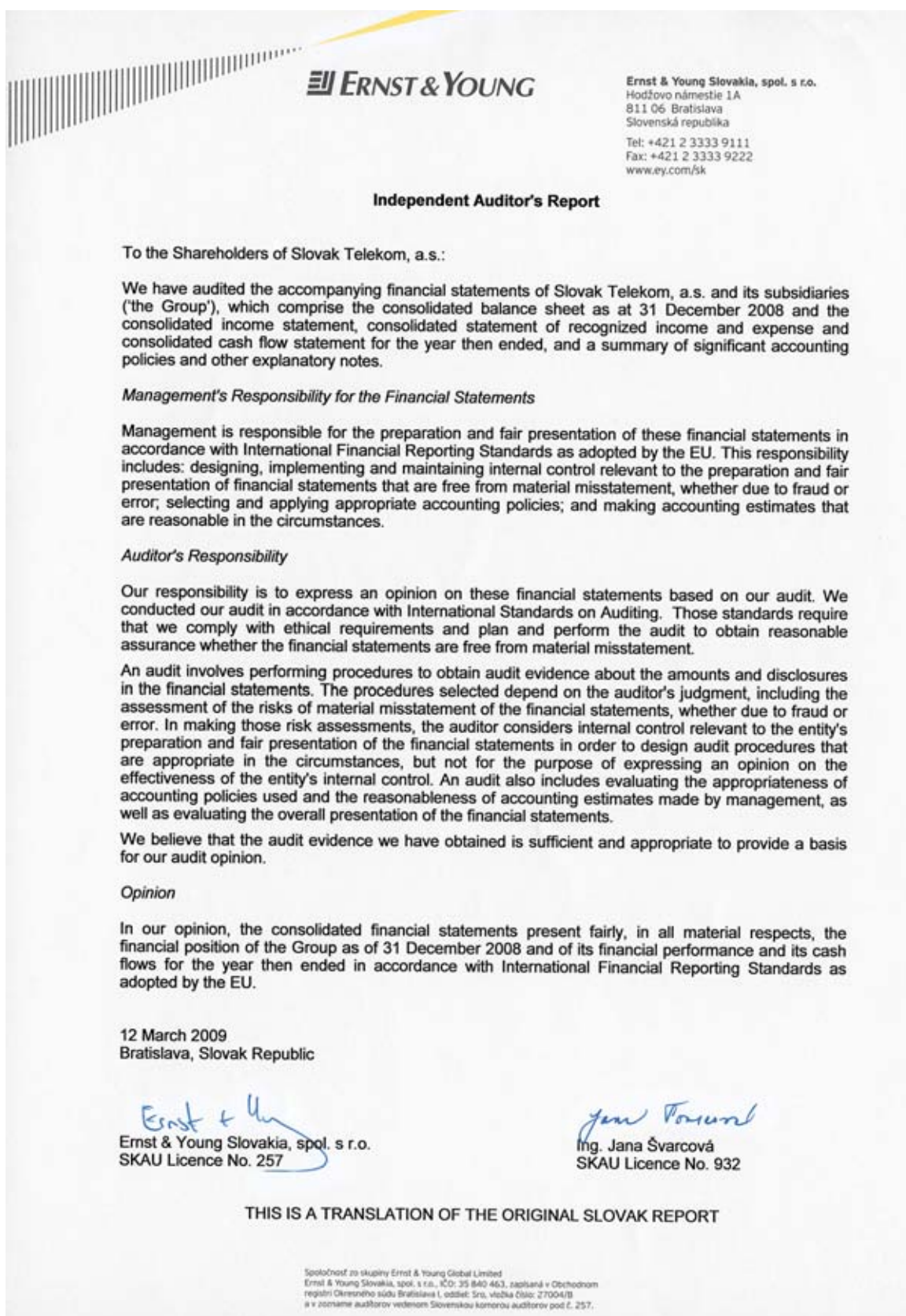
As of 31 December 2008 the Group was a party to four foreign exchange forward contracts with maturity of one to five months to hedge anticipated future foreign currency expenditure in USD. While these contracts may provide effective economic hedges under the Group's risk management policies, they do not qualify for hedge accounting under the specific rules of IAS 39 and were, therefore, classified as held for trading upon initial recognition.

The net loss from the change in the fair value of derivative instruments was expensed in the income statement in the amount of SKK 5 million, net of tax of SKK 1 million (2007: net gain of SKK 120 million net of tax of SKK 28 million).

27. Events after the balance sheet date

With the introduction of the euro as the legal tender of the Slovak Republic on 1 January 2009, the functional currency of the Group changed from the Slovak Crown to euro. The change in functional currency was implemented prospectively and all assets, liabilities and equity of the Group were converted into euro based on the official conversion rate € 1 = SKK 30.1260. The change did not affect the financial position of the Group as at 31 December 2008.

Independent Auditor's Report



Consolidated Financial Statements. All amounts are in millions of Slovak crowns, unless otherwise stated.

Slovak Telekom, a. s.

Financial Statements prepared in accordance with
International Financial Reporting Standards (IFRS) and
Auditor's Report

for the year ended 31 December 2008

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

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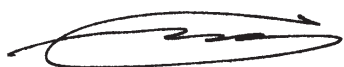
Financial Statements. All amounts are in millions of Slovak crowns, unless otherwise stated.

Income Statement

for the year ended 31 December

	Notes	2008	2007
Revenue	4	14,173	14,569
Staff costs	5	(2,905)	(2,714)
Material and equipment		(925)	(1,029)
Depreciation, amortisation and impairment losses	11, 12, 13	(4,379)	(5,425)
Interconnection and other fees to operators		(2,082)	(1,955)
Other operating income	7	1,526	1,635
Other operating costs	6	(3,141)	(3,011)
Operating profit		2,267	2,070
Financial income	8	8,434	205
Financial expense	9	(223)	(11)
Profit before tax		10,478	2,264
Taxation	10	(312)	(227)
Profit for the year from continuing operations		10,166	2,037
Discontinued operation	11	-	929
Profit for the year	19	10,166	2,966

The financial statements on pages 132 to 166 were authorised for issue on behalf of the Board of Directors on 12 March 2009 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

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

Balance Sheet

as at 31 December

	Note	2008	2007
ASSETS			
Non-current assets			
Property and equipment	12	28,098	29,884
Software	13	859	1,058
Investments in subsidiaries	14	11,605	12,305
Held-to-maturity investments	25	102	-
Prepaid expenses		602	603
		41,266	43,850
Current assets			
Inventories	15	414	428
Trade and other receivables	16	5,304	1,796
Prepaid expenses		221	207
Held-to-maturity investments	25	911	1,020
Intragroup loan	17	1,500	-
Income tax		28	-
Cash and cash equivalents	18	8,093	5,927
		16,471	9,378
Assets held for sale	11	368	11
		16,839	9,389
TOTAL ASSETS		58,105	53,239
EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital		26,028	26,028
Share premium		11,632	11,632
Statutory reserve fund	19	1,733	1,436
Retained earnings	19	12,122	5,256
		51,515	44,352
Non-current liabilities			
Provisions	21	67	33
Deferred tax	10	3,154	3,217
Deferred income	20	282	309
		3,503	3,559

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

	Note	2008	2007
Current liabilities			
Trade and other payables and deferred income	20	2,891	4,889
Provisions	21	196	94
Income tax		-	345
		3,087	5,328
Total liabilities		6,590	8,887
TOTAL EQUITY AND LIABILITIES		58,105	53,239

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

Statement Of Recognised Income And Expense

for the year ended 31 December

	Notes	2008	2007
Actuarial losses on defined benefit plans		(3)	(5)
Deferred tax		1	1
Expense recognised directly in equity		(2)	(4)
Profit after income taxes	19	10,166	2,966
Recognised income		10,164	2,962

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

Cash Flow Statement

for the year ended 31 December

	Notes	2008	2007
Profit for the year from continuing operations		10,166	2,037
Profit for the year from discontinued operation	11	-	929
Adjustments for:			
■ Depreciation, amortisation and impairment losses	11, 12, 13	4,379	5,425
■ Interest income, net		(264)	(203)
■ Income tax expense	10	312	302
■ Gain on disposal of property and equipment	7	(273)	(334)
■ Dividend income from group companies	8, 23	(8,146)	-
■ Net gain on disposal of investment in subsidiary		(828)	(2,578)
■ Other non-cash items		205	227
■ Movements in provisions	21	136	(952)
Changes in working capital:			
■ Change in trade and other receivables		139	(264)
■ Change in inventories		9	(254)
■ Change in trade and other payables		(572)	1,703
Cash flows from operations		5,263	6,038
■ Income taxes (paid) / received		(748)	163
Net cash flows from operating activities		4,515	6,201
Investing activities			
■ Purchase of software and property and equipment		(2,796)	(2,979)
■ Proceeds from disposal of property and equipment		368	989
■ Proceeds from disposal of investment in subsidiary	11	-	3,752
■ Proceeds from disposal of held-to-maturity investment		1,470	-
■ Acquisition of held-to-maturity investments		(1,650)	(1,020)
■ Dividends received		4,500	-
■ Disbursement of intragroup loan		(1,501)	(6)
■ Interest received		268	213
Net cash from investing activities		659	949
Financing activities			
■ Dividends paid	19	(3,000)	(4,942)
■ Other charges paid		(8)	(7)
Net cash used in financing activities		(3,008)	(4,949)
Net increase in cash and cash equivalents		2,166	2,201
Cash and cash equivalents at 1 January	18	5,927	3,726
Cash and cash equivalents at 31 December	18	8,093	5,927

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

Notes to the Consolidated Financial Statements

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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. The business registration number (IČO) of the Company is 35 763 469 and the tax identification number (DIČ) is 202 027 3893. On 4 August 2000, Deutsche Telekom AG ("Deutsche Telekom" or "DT 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 %) 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 national and international telephony services, broadband internet services and a wide range of other telecommunications services including data networks, value added services and leased lines. It also provides residential and business customers with products ranging from standard telephones to computer communication networks.

Members of the Statutory Boards as at 31 December 2008:

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

Supervisory Board	
Chair:	Wolfgang Hauptmann
Vice-chair:	Pavol Dlhoš
Member:	Ing. Július Maličký
Member:	Milan Brlej
Member:	Dr. Albert Matheis
Member:	Ing. Ján Hláčik
Member:	Ing. Jiřina Perényiová
Member:	Norbert Schmidt
Member:	Anton Štefko

During 2008 a number of changes were made in the Commercial Register: Mr. Horst A. Hermann left the Board of Directors and was replaced by Dr. Lutz Schade. The employees' representatives Mr. Ľudovít Hintoš, Mr. Pavel Kyman and Mr. Jozef Opát left the Supervisory Board and were replaced by Mr. Július Maličký, Mr. Milan Brlej and Mr. Ján Hláčik.

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 District Court of Bonn HRB 6794, Germany.

Financial Statements. 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 12 March 2009, the Company also issued consolidated financial statements for the year ended 31 December 2008 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 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, 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 Company 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

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

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
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. Impairment losses are reversed if the reasons for recognising the original impairment loss no longer apply.

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:

- 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
- 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.

The useful lives and the amortisation methods for software are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset 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.

Software is assessed for impairment whenever there is an indication that the software may be impaired.

The useful lives assigned to software are 2 to 16 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

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

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.

2.6 Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is calculated on a weighted average basis. Net realizable 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, they are initially measured at fair value, plus, in the case of investments not held 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 recognition 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. Recognised loss is measured as the difference between the receivable's carrying amount and the estimated future cash flows. The estimated cash flows are based on the past experience of the collectibility of overdue receivables.

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 for which an allowance was recognised becomes uncollectible or is sold, it is written off against the allowance account.

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 them to maturity. After initial recognition,

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

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 cash equivalents in the balance sheet comprise cash at banks and in hand, 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.

2.8 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.

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, when it is probable that an outflow of resources will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

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

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 a decrease of revenue 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 utilized 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.

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 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 become vested immediately following the introduction of, or changes to, a benefit plan, past service costs are 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 measured reliably. 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 related activation fees, are recognised as assets and amortised over the same period.

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

Interconnect revenue generated from calls and other traffic that originate in other operators' networks is recognised as 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 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 of equipment is recognised when the equipment is delivered and installed at customer premises. Revenue from the operating lease of equipment is recognised on a straight-line basis over the period of the lease.

Revenue from dividends is recognised when the shareholder's right to receive payment is established.

2.13 Operating profit

Operating profit is defined as the result before 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 translated 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.

2.15 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

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

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:

- Personal leasing costs of SKK 100 million are disclosed within wages and salaries (Note 5) in the 2007 comparatives. In the 2007 income statement these expenses were presented within other operating costs.
- Cost related to installation services of SKK 54 million are presented in the 2007 comparatives within other operating costs. In the 2007 income statement these expenses were presented within staff cost and material and equipment.

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 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 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. 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. Refer to Note 16 for details of the allowance for doubtful accounts.

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.

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

Provisions and contingent liabilities

As set out in Notes 21 and 24, 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 of economic resources and estimates the amount needed to settle the possible or probable obligation. Such judgements and estimates are continually reassessed taking into consideration experience with similar cases.

Fair value estimation

The fair value of financial instruments which are not traded on an active market is determined by using quoted forward exchange rates for similar instruments, bank quotes available at the balance sheet date and valuation techniques.

Nominal values for trade and other receivables and payables with maturities of less than one year are assumed to approximate their fair values due to their short-term nature.

2.18 Adoption of IFRS during the year

Standards, interpretations and amendments to published standards effective in 2008 but not relevant to the Company's operations

- IAS 39, Financial Instruments: Recognition and Measurement and IFRS 7, Financial Instruments: Disclosures (Amendments)
The amendments allow reclassification of certain financial instruments from held for trading and available for sale categories. The Company does not have financial instruments in those categories.
- IFRIC 11, IFRS 2 – Group and Treasury Share Transactions
The interpretation addresses accounting for schemes whereby employees have rights to equity instruments in the Company or in the Company's Parent.
- IFRIC 12, Service Concession Arrangements
The interpretation provides guidance on the accounting by operators of public-to-private service concession arrangements. The Company does not have service concession arrangements.
- IFRIC 14, IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
The interpretation addresses how to assess the limit, under IAS 19 Employee Benefits, on the amount of the surplus that can be recognised as an asset particularly when a minimum funding requirement exists. The Company does not have funded defined benefit plans.

Standards, interpretations and amendments to published standards that have been published, are not effective for accounting periods starting on 1 January 2008 and which the Company has not early adopted

- IFRS 1 (Revised), First-time Adoption of International Financial Reporting Standards (effective for annual periods beginning on or after 1 July 2009)
- IFRS 2 (Amendment), Share-based Payment (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)
- IFRS 8, Operating Segments (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)
- IAS 23 (Revised), Borrowing Costs (effective for annual periods beginning on or after 1 January 2009)
- IAS 27 (Amended), Consolidated and Separate Financial Statements (effective for annual periods beginning on or after 1 July 2009)
- IAS 32 (Amended), Financial Instruments: Presentation (effective for annual periods beginning on or after 1 January 2009)
- IFRIC 13, Customer Loyalty Programs (effective for annual periods beginning on or after 1 July 2008)
- IFRIC 15, Agreements for the Construction of Real Estate (effective for annual periods beginning on or after 1 January 2009)
- IFRIC 16, Hedges of a Net Investment in a Foreign Operation (effective for annual periods beginning on or after 1 October 2008)
- IFRIC 17, Distributions of Non-Cash Assets to Owners (effective for annual periods beginning on or after 1 July 2009)

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

■ IFRS Improvements Standard (May 2008)

Part I - contains amendments that result in accounting changes for presentation, recognition or measurement purposes

- IFRS 5, Non-current Assets Held for Sale and Discontinued Operations (effective for annual periods beginning on or after 1 July 2009)
- IAS 1, Presentation of Financial Statements (effective for annual periods beginning on or after 1 January 2009)
- IAS 16, Property, Plant and Equipment (effective for annual periods beginning on or after 1 January 2009)
- IAS 19, Employee Benefits (effective for annual periods beginning on or after 1 January 2009)
- IAS 20, Accounting for Government Grants and Disclosure of Government Assistance (effective for annual periods beginning on or after 1 January 2009)
- IAS 23, Borrowing Costs (effective for annual periods beginning on or after 1 January 2009)
- IAS 27, Consolidated and Separate Financial Statements (effective for annual periods beginning on or after 1 January 2009)
- IAS 28, Investments in Associates (effective for annual periods beginning on or after 1 January 2009)
- IAS 31, Interests in Joint Ventures (effective for annual periods beginning on or after 1 January 2009)
- IAS 29, Financial Reporting in Hyperinflationary Economies (effective for annual periods beginning on or after 1 January 2009)
- IAS 36, Impairment of Assets (effective for annual periods beginning on or after 1 January 2009)
- IAS 38, Intangible Assets (effective for annual periods beginning on or after 1 January 2009)
- IAS 39, Financial Instruments: Recognition and Measurement (effective for annual periods beginning on or after 1 January 2009)
- IAS 40, Investment Property (effective for annual periods beginning on or after 1 January 2009)
- IAS 41, Agriculture (effective for annual periods beginning on or after 1 January 2009)

Part II - contains amendments that are terminology or editorial changes only, which the Board expects to have no or minimal effect on accounting (all effective for annual periods beginning on or after 1 January 2009)

- IFRS 7, Financial Instruments: Disclosure
- IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors
- IAS 10, Events after the Reporting Period
- IAS 18, Revenue
- IAS 20, Accounting for Government Grants and Disclosure of Government Assistance
- IAS 29, Financial Reporting in Hyperinflationary Economies
- IAS 34, Interim Financial Reporting
- IAS 40, Investment Property
- IAS 41, Agriculture

Except for the additional disclosures required by the Revised IAS 1, the Company believes that the future adoption of these standards, interpretations and amendments will not have any material effect on the financial performance or position of the Company.

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 minimize potential adverse effects on the performance of the Company.

The Company's financial instruments include cash and cash equivalents, short-term deposits, held-to-maturity investments and loans. 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 loan facilities with its parent company DT AG and with its subsidiaries T-Mobile Slovensko, a. s. (T-Mobile Slovensko) and the Institute of Next Generation Networks.

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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 market 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 DT AG Treasury Department. The Treasury Department works in co-operation with the Company's operating units and with the DT AG 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 market risk, credit risk, liquidity risk and the investment of excess funds.

Due to an increase in excess funds at its disposal, the Company has 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 the Company's Executive Management Board.

3.1 Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

3.1.1 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 4 % of revenue and 21 % 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 foreign currencies on the spot market.

The Company's main exposure is to changes in EUR and USD foreign exchange rates, with immaterial risk related to financial assets and financial liabilities denominated in other foreign currencies. However, the Company's exposure to changes in the EUR exchange rate was ended effective 1 January 2009 when the euro became the official currency of the Slovak Republic (Note 27).

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 (EUR and USD), 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 exchange risk internally in line with treasury policies.

		2008	2007
Profit before tax	Depreciation of SKK by 5 %	(13)	(12)
	Appreciation of SKK by 5 %	13	12
Equity	Depreciation of SKK by 5 %	(13)	(12)
	Appreciation of SKK by 5 %	13	12

3.1.2 Interest rate risk

The Company's operating cash flows are substantially independent of changes in market interest rates. In 2008 the Company entered a master agreement on upstream loans with DT AG. The Company's exposure to changes in market interest rates relates mainly 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 2008, the securities portfolio consists of fixed-rate bonds and promissory notes (76 %) and floating-rate bonds (24 %).

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

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3.2 Credit risk

The Company is exposed to credit risk from its operating activities and certain financing activities. 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 financial assets, which comprise cash and cash equivalents, short-term deposits, held-to-maturity investments and loans 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 financial assets. No significant agreements reducing the maximum exposure to credit risk had been concluded at 31 December 2008.

The Company assesses its financial investments at each reporting date to determine whether there is any objective evidence that they are impaired. A financial investment is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that investment. Significant financial investments are tested for impairment on an individual basis. The remaining financial investments are assessed collectively in groups that share similar credit risk characteristics.

An impairment loss in respect of a financial investment is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. All impairment losses are recognised in profit or loss. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. The reversal of the impairment loss is recognised in profit or loss.

The quantitative disclosure of the Company's exposure to credit risk is set out in Note 16.

3.3 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 2008	On demand	Less than 3 months	3 to 12 months	Over 1 year	Total
Trade and other payables	41	1,410	-	-	1,451

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

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3.4 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 maximizing 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 objectives, policies or processes during 2008.

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

4. Revenue

	2008	2007
Voice services	6,453	7,071
Content services	496	566
Terminal equipment	265	326
Data services	1,840	1,962
Fixed network communication revenue	9,054	9,925
Wholesale revenue	2,239	2,021
IP / Internet revenue	2,534	2,325
Total fixed network and broadband revenue	13,827	14,271
Other revenue	346	298
Total revenue from continuing operations	14,173	14,569
Revenue from discontinued operation	-	327
	14,173	14,896

5. Staff costs

	2008	2007
Wages and salaries	2,333	2,184
Social security contributions	572	530
	2,905	2,714

	2008	2007
Number of employees at period end	3,626	3,758

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6. Other operating costs

	2008	2007
Repairs and maintenance	346	336
Outsourced services	366	412
Marketing	422	461
Energy	303	287
Postal services	182	194
Rentals and leases	237	187
IT services	266	186
Dealers' commissions	270	225
Material sold	200	120
Content fees	83	106
Consultancy	84	90
Business trips and training	62	71
Bad debt expenses	41	59
Security	21	39
Regulatory claims	36	4
Customer solutions	195	160
Other	463	478
Own work capitalized	(436)	(404)
	3,141	3,011

7. Other operating income

	2008	2007
Release of legal provisions (Note 21)	-	983
Gain on disposal of property and equipment, net	273	334
Income from material sold	226	110
Gain on liquidation of Tower Slovakia (Note 14, 23)	828	-
Other	199	208
	1,526	1,635

8. Financial income

	2008	2007
Dividends from T-Mobile Slovensko (Note 23)	8,146	-
Interest on short-term deposits	103	117
Interest on intragroup loans	13	-
Interest on held-to-maturity investments	139	71
Other	33	17
	8,434	205

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9. Financial expense

	2008	2007
Impairment of held-to-maturity investments	202	-
Foreign exchange losses, net	-	3
Bank charges and other financial expense	21	8
	223	11

The Company created a 100 % allowance for a held-to-maturity investment of SKK 202 million including interest.

10. Taxation

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

	2008	2007
Current tax expense	375	228
Deferred tax income	(63)	(1)
Income tax expense reported in the income statement	312	227

A reconciliation between the reported income tax expense and the theoretical amount that would arise using the statutory tax rate is as follows:

	2008	2007
Profit before income tax from continuing operations	10,478	2,264
Profit before income tax from discontinued operation	-	1,004
Profit before income tax	10,478	3,268
Income tax calculated at the statutory rate of 19 % (2007: 19 %)	1,991	621
Effect of income not taxable and expenses not tax deductible:		
■ Dividends	(1,548)	-
■ Tower Slovakia winding up	(157)	-
■ Creation / (release) of legal provisions	7	(186)
■ Discontinued operation	-	(117)
■ Other tax non-deductible items, net	22	(19)
Tax (recovery) / charge in respect of prior years	(3)	3
Income tax at the effective tax rate of 3 % (2007: 9 %)	312	302
Income tax attributable to continuing operations	312	227
Income tax attributable to discontinued operation	-	75
	312	302

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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	
	2008	2007	2008	2007
Difference between carrying and tax value of fixed assets	(3,303)	(3,259)	44	(84)
Allowance for held-to-maturity investments	38	-	(38)	-
Staff cost accruals	41	-	(41)	-
Allowance for bad debts	21	11	(10)	8
Termination benefits	18	6	(12)	1
Other	31	25	(6)	(14)
	(3,154)	(3,217)	(63)	(89)

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

	2008	2007
Deferred tax assets	149	42
Deferred tax liabilities	(3,303)	(3,259)
	(3,154)	(3,217)

11. Discontinued operation and other assets held for sale

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") causing the value of Slovak Telekom's investment in TBDS to increase by SKK 1,274 million. Tower Slovakia, as a result of those net assets transfers, obtained 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 year ended 31 December 2007 (4 months of operation) were as follows:

	2007
Revenue	327
Staff costs	(60)
Other operating expenses, net	(70)
Profit from discontinued operation, before taxes	197
Current tax	(34)
Deferred tax	(11)
Profit from discontinued operation, net of taxes	152

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

The cash flows of Rádio komunikácie, o. z., the branch only, for the year ended 31 December 2007 (4 months of operation) were as follows:

	2007
Net cash flows from operating activities	38
Net cash flows used in investing activities	(11)
Total net cash flows from discontinued operation	27

The results of the disposal of Slovak Telekom's investment in TBDS were 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

The cash flows on the disposal of Slovak Telekom's investment in TBDS were 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	
	2008	2007
At 1 January	11	765
Net transfer from / (to) property and equipment	561	(12)
Impairment charge	(116)	(29)
Reversal of impairment charge	28	-
Assets sold	(116)	(713)
At 31 December	368	11

Assets held for sale at 31 December 2008 comprise buildings and land which are to be sold within 1 year.

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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 2008	4,086	28,392	36,582	3,771	751	73,582
Additions	20	751	967	303	398	2,439
Disposals	(72)	(209)	(2,216)	(120)	-	(2,617)
Transfers	242	(119)	414	17	(554)	-
Transfers from assets held for sale	(1,067)	(50)	(9)	(20)	-	(1,146)
At 31 December 2008	3,209	28,765	35,738	3,951	595	72,258
Depreciation						
At 1 January 2008	(1,271)	(11,147)	(29,683)	(1,591)	(6)	(43,698)
Depreciation charge	(79)	(861)	(2,144)	(402)	-	(3,486)
Impairment charge	(8)	(20)	(58)	(49)	(15)	(150)
Disposals	54	209	2,212	115	-	2,590
Transfers	(56)	51	(2)	-	7	-
Transfers from assets held for sale	549	16	5	14	-	584
At 31 December 2008	(811)	(11,752)	(29,670)	(1,913)	(14)	(44,160)
Net book value at 31 December 2008	2,398	17,013	6,068	2,038	581	28,098

The impairment charges relate mainly to various network and technological equipment and other assets which have no future use and will be either sold or liquidated.

Property and equipment, excluding motor vehicles, is insured to a limit of SKK 845 million (2007: SKK 935 million) and motor vehicles to a limit of SKK 60 million (2007: SKK 60 million).

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	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 decided to sell but which did not meet the criteria of IFRS 5 and, therefore, were not reclassified as held for sale at 31 December 2007. Their recoverable amount was determined by reference to their estimated fair value less cost to sell. The impairment charge also included an amount of SKK 146 million for technological equipment which had no future use and was either sold or liquidated.

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13. Software

	Software	Software under construction	Total
Cost			
At 1 January 2008	4,994	124	5,118
Additions	279	151	430
Disposals	(105)	-	(105)
Transfers	68	(68)	-
At 31 December 2008	5,236	207	5,443
Depreciation			
At 1 January 2008	(4,060)	-	(4,060)
Amortisation charge	(617)	-	(617)
Impairment charge	(10)	-	(10)
Disposals	103	-	103
Transfers	-	-	-
At 31 December 2008	(4,584)	-	(4,584)
Net book value at 31 December 2008	652	207	859

	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 related to software which had no future use and were liquidated.

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14. Investments in subsidiaries

As at 31 December 2008 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	3,034	8,565
Zoznam, s. r. o.	Viedenská cesta 3-7, 851 01 Bratislava	Internet portal	116	33	83
Zoznam Mobile, s. r. o.	Viedenská cesta 3-7, 851 01 Bratislava	Mobile content provider	73	16	51
Telekom Sec, s. r. o.	Kukučínova 52, 831 03 Bratislava	Security services	-	-	1
Institute of Next Generation Networks	Poštová 1, 010 08 Žilina	NGN technology research and development	-	(2)	(4)
			11,605		

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.

At the General Meeting of Tower Slovakia on 10 October 2007 its Board of Directors approved its liquidation. The entity was liquidated as of 31 March 2008 and the liquidation process was completed on 5 August 2008. The entity was erased from the Commercial Register on 25 September 2008.

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		

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15. Inventories

	2008	2007
Cables, wires and spare parts	277	220
Other inventory including goods for resale	137	208
	414	428

Inventories with carrying value of SKK 2 million (2007: SKK 4 million) are carried at net realizable value. Inventories are shown net of an allowance of SKK 27 million (2007: SKK 22 million) for slow-moving and obsolete items.

16. Trade and other receivables

	2008	2007
Trade receivables from third parties	1,450	1,606
Trade receivables from related parties (Note 23)	115	84
Other receivables from third parties	92	17
Other receivables from related parties (Note 23)	1	89
Dividends receivable (Note 23)	3,646	-
	5,304	1,796

Trade receivables are net of an allowance of SKK 225 million (2007: SKK 236 million).

In 2008 the Company sold uncollectible receivables with a nominal value of SKK 47 million (2007: SKK 164 million) to a company specializing in the collection of overdue receivables for SKK 9 million (2007: SKK 31 million) and the related allowance was released.

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

	2008	2007
At 1 January	236	343
Charge for the year	75	121
Utilised	(62)	(201)
Reversed	(24)	(27)
At 31 December	225	236

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
2008	1,450	1,160	236	19	11	15	9
2007	1,606	1,244	304	24	14	15	5

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.

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17. Intragroup loan

The Company granted DT AG a short-term loan of SKK 1,500 million on 23 December 2008. The loan bears an interest at a rate of 3.56 % p.a., is not secured and is repayable on 23 March 2009 (Note 23).

18. Cash and cash equivalents

	2008	2007
Cash	5,589	3,602
Short-term deposits	2,504	2,325
	8,093	5,927

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term deposits are made for varying periods of between one day and 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 2008 Slovak Telekom had authorised and issued 26,027,500 ordinary shares (2007: 26,027,500) with a par value of SKK 1,000 per share. All the shares issued were fully subscribed. There were no changes in share capital and share premium during 2008.

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 30 April 2008 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 2007 profit being retained.

In 2008 dividends of SKK 3,000 million were declared and paid (2007: SKK 4,942 million).

Movements in retained earnings and other reserves were as follows:

	Statutory reserve fund	Retained earnings
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
At 1 January 2008	1,436	5,256
Actuarial losses on defined benefit plans	-	(3)
Dividends	-	(3,000)
Profit for the year	-	10,166
Allocation to funds	297	(297)
At 31 December 2008	1,733	12,122

20. Trade and other payables and deferred income

	2008	2007
Non-current		
Deferred income	282	309
	282	309
Current		
Trade payables to third parties	1,369	1,622
Trade and other payables to related parties	82	1,864
Amounts due to employees	411	387
Deferred income	837	840
Other	192	176
	2,891	4,889

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

21. Provisions

	Legal claims	Loyalty program	Termination benefits	Retirement and jubilee benefits	Other	Total
At 1 January 2008	6	32	29	29	31	127
Arising during the year	39	21	101	21	16	198
Reversals	(1)	(13)	(5)	–	(2)	(21)
Utilized	(2)	(8)	(30)	(1)	–	(41)
At 31 December 2008	42	32	95	49	45	263
Non-current	–	–	–	49	18	67
Current	42	32	95	–	27	196
	42	32	95	49	45	263

Legal claims

The provision includes amounts in respect of legal claims brought against the Company. It is the opinion of the Company's management that the outcome of these legal claims will not result in any significant loss beyond the amounts provided at 31 December 2008.

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 with use of these credits by loyalty program participants.

Termination benefits

The restructuring of the Company's operations resulted in a headcount reduction of 74 employees in 2008. The Company expects a further headcount reduction of 227 in 2009 as a result of an ongoing restructuring program. 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 recognized 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.

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	Retirement benefits	Jubilee	Total
Present value of the defined benefit obligation			
At 1 January 2008	66	6	72
Interest cost	4	-	4
Current service cost	4	-	4
Benefits paid	(1)	-	(1)
Actuarial losses	3	-	3
At 31 December 2008	76	6	82
Past service cost not recognised in the balance sheet	(33)	-	(33)
Liability recognised in the balance sheet at 31 December 2008	43	6	49

Principal actuarial assumptions used in determining the defined benefit obligation include discount rates of 4.308 % and 4.956 % to calculate the present value of the obligation and interest costs, respectively and an average retirement age of 62 years.

22. Commitments

The Company's capital commitments relate principally to software and were as follows at 31 December:

	2008	2007
Capital expenditures contracted for but not completed due within one year	93	62
Capital expenditures contracted for but not completed due between one and five years	15	9
	108	71

The Company has commitments under operating leases and other purchase contracts relating primarily to outsourcing of real estate management (SKK 736 million), office rental (SKK 384 million), purchasing of media space (SKK 353 million) and IT and network support and maintenance (SKK 270 million).

The aggregate future minimum lease payments under non-cancelable operating leases and other purchase contracts as at 31 December were as follows:

	2008	2007
Operating commitments due within one year	702	285
Operating commitments due between one and five years	878	271
Operating commitments due after five years	163	258
	1,743	814

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23. Related party transactions

	Receivables		Payables		Sales and income		Purchases	
	2008	2007	2008	2007	2008	2007	2008	2007
Deutsche Telekom AG	1,509	30	34	43	91	187	141	166
T-Home Group	16	7	3	14	89	38	35	45
T-Systems Group	17	10	9	31	106	63	70	113
T-Mobile Slovensko	3,727	36	36	53	8,882	735	442	529
DeTelmmobilien-Slovakia	-	89	-	86	32	37	230	346
Tower Slovakia	-	-	-	1,637	828	8	-	1,679
Other	-	2	-	-	-	6	2	54
	5,269	174	82	1,864	10,028	1,074	920	2,932

The Company conducts business with its subsidiaries (T-Mobile Slovensko, Zoznam, Zoznam Mobile, INGN, Telekom Sec) as well as with its ultimate parent, Deutsche Telekom AG and its subsidiaries, associates and joint ventures. Business transactions relate mainly to telephone calls and other traffic in the related parties' networks. Other transactions include data services, management, consultancy and other services.

The Company granted Deutsche Telekom AG a short-term loan of SKK 1,500 million. Interest related to this loan amounted to SKK 12 million (Note 17).

In December 2008 the General Meeting of T-Mobile Slovensko declared a dividend of SKK 8,146 million, of which SKK 4,500 million was paid in 2008 and the remainder of SKK 3,646 million falls due on 15 April 2009 (Note 8, 16).

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 31 December 2007. This liability was effectively forgiven on the liquidation of Tower Slovakia and offset against the receivable from income from Tower Slovakia's liquidation of SKK 1,528 million. The income was subsequently offset against the Company's investment of SKK 700 million giving rise to a gain of SKK 828 million, as disclosed in the other operating income (Note 7).

In September 2006 the facility and real estate management of the Company was outsourced to DeTelmmobilien-Slovakia, s. r. o. ("DTI"), a member of the Deutsche Telekom Group. DTI provided services of SKK 230 million to the Company during the period ending 30 September 2008, when DTI ceased to be a member of Deutsche Telekom Group. During the twelve-month period ending 31 December 2007 the Company purchased services of SKK 346 million.

Compensation of key management personnel

	2008	2007
Short term employee benefits	50	70

Key management personnel, 19 in number (2007: 19), include members of the Board of Directors, Supervisory Board and the Executive Management Board.

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24. Contingencies

Legal and regulatory cases

The Company has been charged by the Anti-Monopoly Office (“AMO”) with abusing its dominant position and violating competition law by 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. The Company received an official “call” on 11 December 2008 confirming that second stage decision would be issued. The Company responded to the call on 29 January 2009 objecting to AMO’s arguments used in both the first stage decision and the call. As management believes it is possible rather than probable that this case will result in an obligation to pay the penalty, a provision has not been made in these financial statements.

On 27 September 2007 the Regional Court in Bratislava overturned the second stage decision of AMO, which had imposed on the Company a penalty of SKK 885 million for not allowing competitors to access local lines (unbundling of local loops) and thus abusing its dominant 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. Subsequently AMO initiated a new proceeding against the Company on this same issue and on 15 August 2008 AMO issued its first stage decision imposing a penalty of SKK 885 million. The decision is not yet effective and enforceable as the Company filed an appeal on 28 August 2008. 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 the 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 on the Company a penalty of SKK 80 million for abusing its dominant position in tendering for 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. Subsequently AMO initiated a new proceeding against the Company on this same issue and on 29 October 2008 AMO issued its first stage decision imposing a penalty of SKK 73 million. The decision is not yet effective and enforceable as the Company filed an appeal on 13 November 2008. 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 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 recognized in the financial statements (Note 21).

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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	
	2008	2007	2008	2007
Financial assets				
Non-current				
■ Held-to-maturity investments	102	-	103	-
Current				
■ Cash and cash equivalents	8,093	5,927	8,093	5,927
■ Held-to-maturity investments	911	1,020	892	1,015
■ Trade receivables	1,565	1,690	1,565	1,690
Financial liabilities				
Current				
■ Trade payables	1,451	3,486	1,451	3,486

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 995 million as at 31 December 2008 (2007: SKK 1,015 million). 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 2008 and equity as at 31 December 2008 would increase / decrease by SKK 1 million / SKK 2 million (2007: 0.3 million / 0.3 million).

26. Fees paid to auditors

The following table provides a breakdown of auditor's fees expensed in 2008:

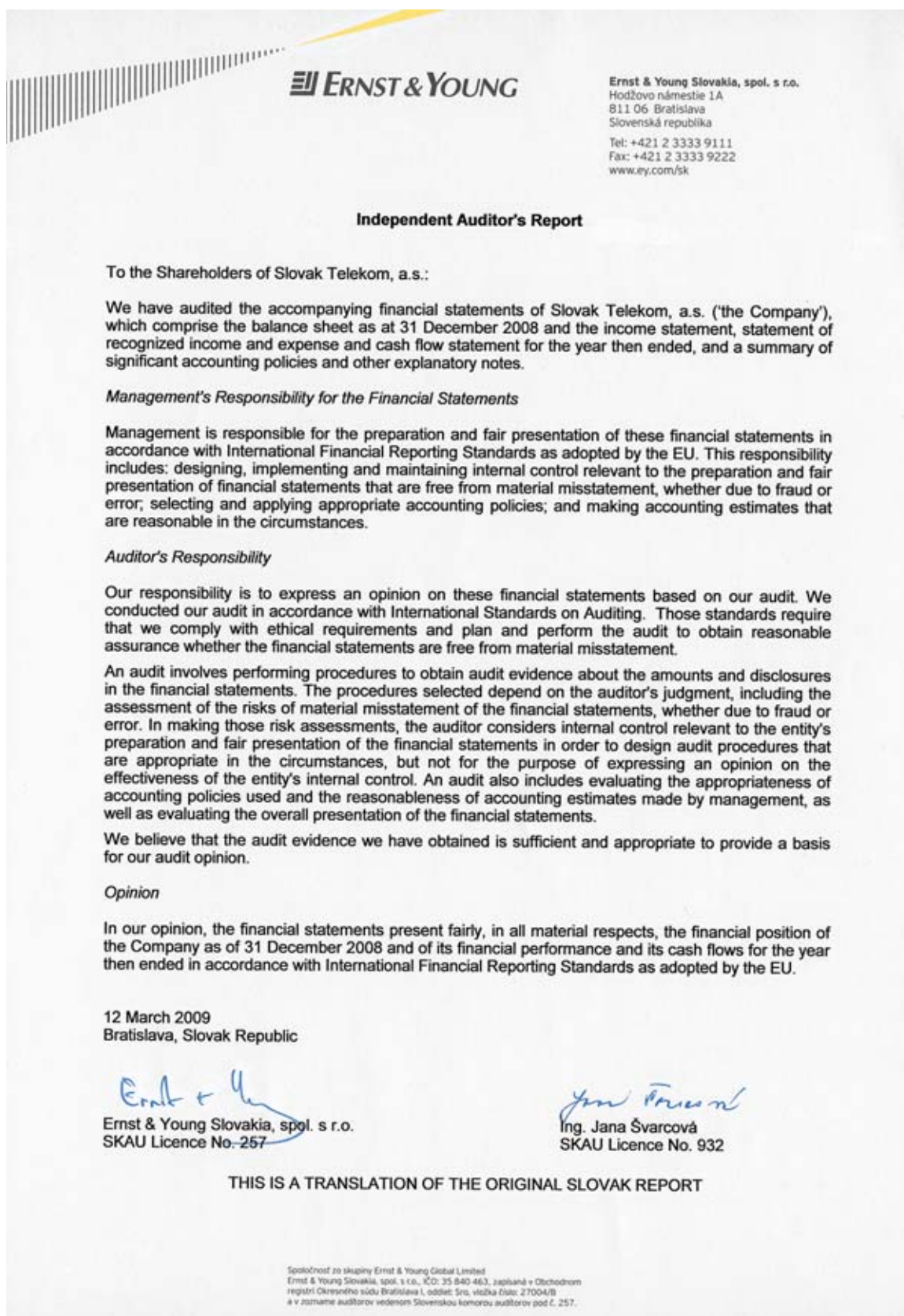
	2008
Assurance services	
Group reporting	5
Statutory reporting	5
Other services	1
	11

27. Events after the balance sheet date

With the introduction of the euro as the legal tender of the Slovak Republic on 1 January 2009, the functional currency of the Company changed from the Slovak Crown to euro. The change in functional currency was implemented prospectively and all assets, liabilities and equity of the Company were converted into euro based on the official conversion rate € 1 = SKK 30.1260. The change did not affect the financial position of the Company as at 31 December 2008.

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