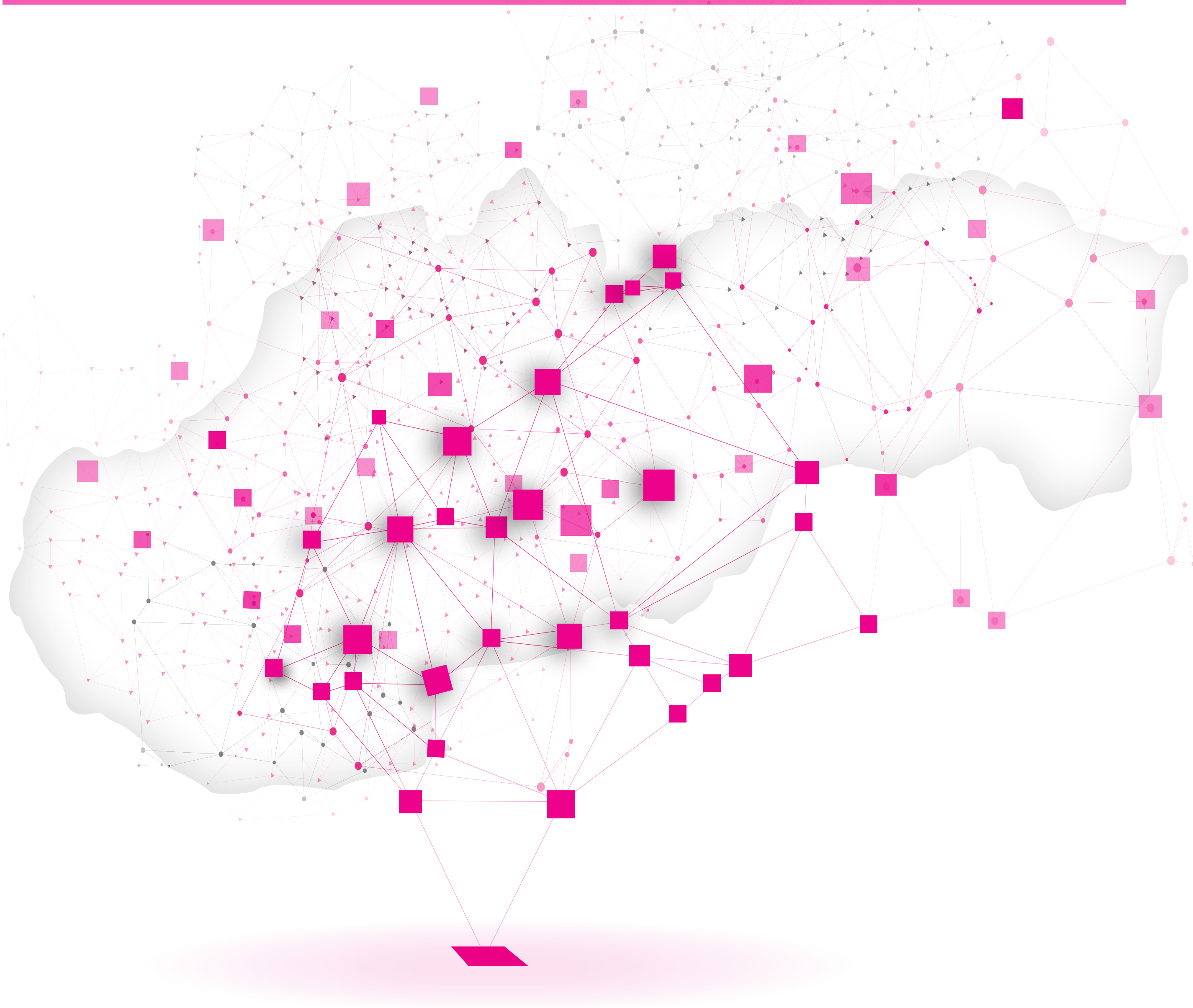
SLOVAK TELEKOM
ANNUAL REPORT 2014



LIFE IS FOR SHARING.

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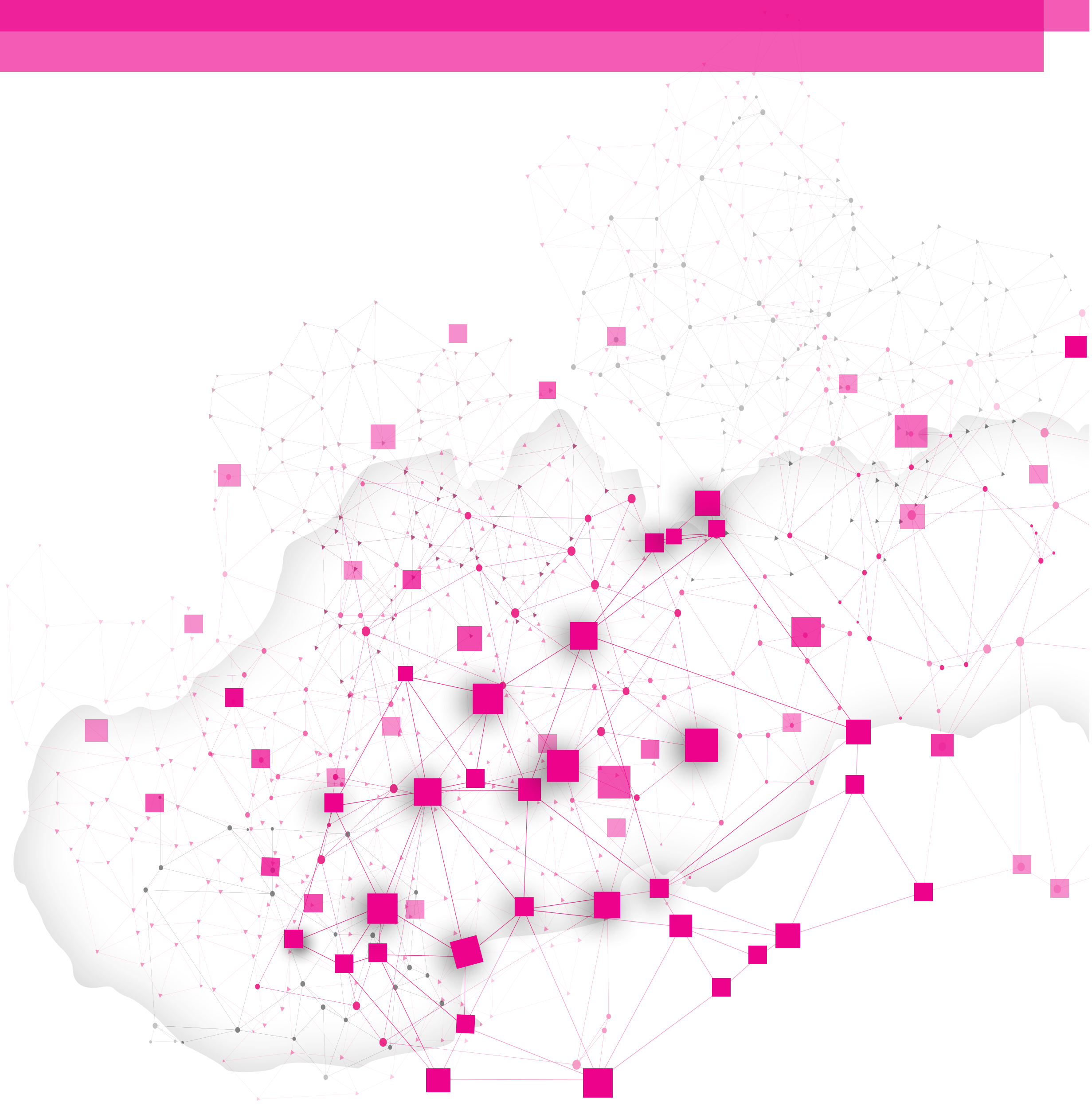
01 INTRODUCTION OF SLOVAK TELEKOM GROUP



FOREWORD OF THE CHAIRMAN OF THE BOARD OF DIRECTORS

Ladies and Gentlemen,

Slovak Telekom is a telecommunications group with a strong position on the Slovak market. Although the year 2014 was challenging, we achieved good financial results and maintained our profitability. Above all, we focused on new products and, as a technology leader, we implemented number of steps aimed at advancing the market. I would like to thank you all for your support and take this opportunity to summarise our last year's steps and achievements.

The development of the fourth generation network, LTE, was our top priority project in 2014. Launched in mid-November 2013, it was 2014 when the network expanded its coverage and speed most considerably. In the course of just twelve months, we almost doubled the network coverage and thus fulfilled our ambition to make it available to a half of Slovakia's population – hitting the mark of 52 %. Moreover, we brought the 4G network with higher speed (150/50 Mbps) to Bratislava and Košice. Being convinced about the network's future potential, we are now in the process of testing the new combinations and we have already run the first live-network test at a speed of 300 Mbps.

The fixed network has not been immune from technological innovation either, quite the contrary. By the end of December 2014, we completed the so-called ALL-IP migration and now all our fixed-line services (voice, internet, TV) are now IP-based, sending the era of analogue voice services into the past. This challenging process took more than two years to accomplish, yet it brings the following benefits for the future: simplified operation, faster fixing of breakdowns and, as we believe, increased customer satisfaction. Thanks to this, Slovak Telekom (being just the second operator in the whole Deutsche Telekom group) has become a full-fledged ALL-IP operator providing services based on state-of-the-art technologies.

Moreover, we have expanded our coverage of the latest broadband technologies across the fixed networks. The VDSL technology is now available to almost half a million households. During the past year, we also tested the installation of optical networks in numerous villages across Slovak regions, including the potential for the sale of services. In addition, our "Smart Offer" and the "Triple-Play" packages for the fixed-line segment have been extremely well received by our customers.

The year 2014 was also full of other new products, such as the launch of a full-mode for the MyWallet payments and, in particular, new solutions in the world of applications. In the B2B segment, Slovak Telekom is the first operator to introduce its own Applications Store. In the mass market segment, we supported the popular applications through bonuses and/or campaigns, including Deezer (music service), Evernote, Wunderlist or Magisto.

Several areas, such as TV or mobile data, recorded a robust year-on-year growth. Our subsidiaries are also performing well: for example, DIGI Slovakia introduced its New DIGI Offer, PosAm had a solid year in the ICT business, and both Zoznam and Zoznam Mobile maintained their strong market positions.

Also the year 2015 will be rich in terms of new services and solutions for our customers across several segments. I am convinced that you will appreciate them and that we will take our services in Slovakia a step further again.

Miroslav Majoroš
Chairman of the Board of Directors and Chief Executive Officer

MILESTONES IN 2014

REPORT ON COMPANY'S BUSINESS ACTIVITIES AND FINANCIAL REPORT

JANUARY

In an auction, Slovak Telekom purchased most of the 800/ 2600 MHz spectrum: This frequency range allows the company to offer the best data services and LTE network in Slovakia. Even before obtaining licence, the company brought the LTE network to 31 Slovak cities and nearby municipalities and offered 20 compatible devices to customers. Already at the beginning of the year, Slovak Telekom operated the biggest Slovak 4G network covering 23.7 % of the population.

PosAm going live with its Register of Financial Statements: Developed for the Ministry of Finance of the Slovak Republic to significantly reduce administrative burden for the corporate and public sectors, the system has been in the pilot operation since May 2013. The register received several awards and positive reactions from the expert community and media.

FEBRUARY

Slovak Telekom launches Deezer: Thanks to exclusive cooperation, the company made the service available for free or with benefits to all customers who gained access to more than 35 million songs.

APRIL

The company puts its Smart Offer on the market: The best value duo-play and triple-play bundles have considerably simplified the complex structured offer for fixed network services. Internet, TV and voice portfolios now include only three plans, making it easier for the customers to make a decision. Out of 1,580 combinations available in the previous offer, the company now provides 63.

MAY

Slovak Telekom completes the 4G/LTE coverage of Slovakia's capital: The fourth-generation network coverage was expanded to the last two boroughs of Bratislava – Petržalka and Staré Mesto – which can now enjoy speeds of 150 Mbps.

DIGI Slovakia launches the sale of its Nová DIGI satellite TV: The innovated service uses the latest DVB-S2 technology with MPEG- 4 video compression and high-quality audio – AAC. This translates into high-quality image in both SD and HD resolutions, Electronic Programme Guide for almost all TV channels, and a brand new type of set-top-box.

JUNE

The Magio Beach opens for the eighth year in a row: The popular Magio Beach on the Danube embankment in Bratislava welcomed more than 200,000 visitors during 92 days.

JULY

The Zoznam.sk portal extends its portfolio of magazines: As a new addition to the popular online TV guide (Telkáč.sk) comes the Telkáč magazine for all fans of television series and movies.

PosAm completes the final phase of data centre technology for the Town and Municipality Data Centre: The key objective of the project is to allow access and considerably improve the provision of e-services to citizens at regional and local government levels.

AUGUST

English Premier League back on DIGI Sport screens after a year-long hiatus: The DIGI Sport broadcasting now offers the full quartet of TV channels: DIGI Sport 1 – 4. DIGI Sport 1 and 2 channels can be watched by viewers in Slovakia and the Czech Republic, whereas DIGI Sport 3 and 4 channels are available only in Slovakia.

SEPTEMBER

Slovak Telekom tests its LTE network in Bratislava at the speed of 300 Mbps: The LTE-Advanced standard, tested by Slovak Telekom in cooperation with Ericsson and Qualcomm, enables to double the theoretical speed of the network by combining individual bands of the frequency spectrum.

International Week of the Hearing-Impaired: On the occasion of the Week of the Hearing-Impaired, twenty-one prominent figures conveyed the message that expressing one's feelings or emotions by sign language is not difficult at all. In the campaign, which comprised a photo roadshow and a series of billboards all over Slovakia, prominent figures of public, social and cultural life encouraged people to enter the world of the Hearing-Impaired.

OCTOBER

New Easy Pecka prepaid card: The revolutionary innovation brought by Easy Pecka are voice calls and SMS messages with a price cap set for each Slovak network. With Easy Pecka, customers pay not more than 50 eurocents per day for voice calls and text messages to any of Slovak mobile network, or for mobile Internet service.

NOVEMBER

Launch of technical upgrades to cable TV DIGI: In the first stage, the upgrades were made in Košice and Brezno. The improvement allows to extend the programme offer and enhance the technical reliability of the service.

DECEMBER

Topky.sk kept breaking records: The news portal Topky.sk became the most searched for Internet medium in Slovakia on Google for a third year in a row.

Successful migration of Magio Sat customers: Slovak Telekom managed to migrate all Magio Sat customers to a new satellite position. Thanks to this change, the customers gained access to a broader package of TV channels without additional charge.

Completed migration of voice call services to IP platforms: The project of transition to an ALL-IP operator took over two years and involved hundreds of employees from all divisions of the company. From December, all fixed-line services are provided on an IP-basis.

Slovak Telekom's 4G network covered 52% of the Slovak population: By the year-end, the 4G/LTE network was available in 84 towns and a large number of municipalities. The company thus confirmed its intention to make the fourth-generation mobile network available not only in big cities, but also in rural areas.

A MORE DETAILED REPORT ON THE COMPANY'S BUSINESS ACTIVITIES IS PART OF CHAPTER 02.
A REPORT ON FINANCIAL STANDING IS PART OF FINANCIAL STATEMENTS.

SLOVAK TELEKOM GROUP PROFILE

THE SLOVAK TELEKOM GROUP IS A PART OF THE GLOBAL GROUP OF DEUTSCHE TELEKOM COMPANIES. THE UNMISTAKEABLE MAGENTA “T” GRAPHIC SYMBOL OF ALL COMPANIES WITHIN THE GROUP ALSO STANDS FOR THE GLOBALLY APPLICABLE VALUES RESPECTED AND UPHELD BY THEIR EMPLOYEES.

VALUES IDENTICAL FOR ALL COMPANIES FORMING THE DEUTSCHE TELEKOM GROUP:

- Customer delight drives our action;
- Respect and integrity guide our behaviour;
- Team together - Team apart;
- Best place to perform and grow;
- I am T - Count on me.

COMPOSITION OF THE GROUP

The Slovak Telekom Group comprises the parent company, Slovak Telekom, a.s. (“Slovak Telekom”), and its subsidiaries: Zoznam, s.r.o. (“Zoznam”), Zoznam Mobile, s.r.o. (“Zoznam Mobile”), Telekom Sec, s.r.o. (“Telekom Sec”), PosAm, spol.s.r.o. (“PosAm”) and DIGI SLOVAKIA, s.r.o. (“DIGI SLOVAKIA”).

As a provider of comprehensive telecommunication services, the Slovak Telekom Group offers its customers fixed network services, internet connection, digital and cable television services, data services, sale of terminal equipment, as well as call centre services, mobile communication services, internet content (Zoznam and Zoznam Mobile), and security services (Telekom Sec).

All the information included in this Annual Report and presented in relation to the Slovak Telekom Group also relates to all companies forming the Group.

ORGANISATIONAL STRUCTURE

As a shareholder, Slovak Telekom exercises its ownership rights by participating at general meetings of its subsidiaries and/or holds general meetings of those companies where it is the sole shareholder. It appoints its representatives to the statutory bodies of its subsidiaries which then submit reports to Slovak Telekom.

Slovak Telekom implements a responsible and transparent model of governance and regularly publishes current and relevant reports on its activities on its website. It also provides information on financial performance on a quarterly basis and publishes its Annual Report and Corporate Social Responsibility Report annually.

Slovak Telekom pays particular attention on a long-term basis to the internal control environment. The management focuses primary attention on the control of internal processes and compliance with standards. The results of the testing of the internal control environment are subject to audit by the company’s internal and external auditors and, once audited, they feed into the statement by the management of Deutsche Telekom AG on the internal control environment within the Deutsche Telekom Group. The first statement of this kind was issued as of 31 December 2006.

Slovak Telekom is a holding company. The principles of corporate governance apply to all its parts, i.e., to the parent company (Slovak Telekom) and its subsidiaries, which in 2014 comprised Zoznam, Zoznam Mobile, Telekom Sec, PosAm and DIGI SLOVKIA. Each of these subsidiaries is a separate legal entity.

SLOVAK TELEKOM, A. S.

Slovak Telekom is the biggest Slovak multimedia operator, offering its products and services under the brand of Telekom.

In the field of the fixed networks, the company is the biggest broadband provider in the country through optical and metallic networks (FTTX, ADSL and VDSL). It offers digital television through state-of-the-art IPTV and DVB-S2 satellite technology. In the field of mobile communications, the company provides internet connectivity via several high-speed data transmission technologies - GPRS/EDGE, UMTS FDD/HSDPA/HSUPA, FLASH-OFDM and LTE. Its customers benefit from roaming services in the networks of mobile operators in destinations all over the world. The company is a leader in the provision of telecommunication services to the most demanding segment of business customers, both in terms of the scope and quality of services. According to a reputable study by Hewitt Associates, the company ranks among the best employers in Slovakia.

Slovak Telekom is part of the transnational group of companies - Deutsche Telekom Group. With 51 % of shares, CMobil B.V. (in March 2015 change of name to Deutsche Telekom Europe B.V.) is a majority shareholder in Slovak Telekom. The Slovak Republic, represented by the Ministry of the Economy, owns 34% of shares, and the National Property Fund of the Slovak Republic owns 15% of shares. Deutsche Telekom AG controls Deutsche Telekom Europe B.V. through a subsidiary, T-Mobile Global Holding Nr. 2 GmbH.

Registered office:
Bajkalská 28, Bratislava 817 62
Legal form:
Joint-stock company

Corporate bodies:
The **General Meeting of shareholders** is the supreme body of the company. The competences of the General Meeting are stipulated in Act No. 513/1991, as amended (hereinafter the “Commercial Code”) and the company’s Articles of Association. The **Board of Directors** is the statutory body of the company authorised to act on its behalf in all matters and represent it vis-à-vis third parties. The Board of Directors strategically manages all activities of the company and decides on all corporate matters, unless these powers are vested by law or Articles of Association with, or delegated by the Board of Directors to, other bodies of the company. The Board of Directors appoints the Executive Management Board of the company and may delegate some of it powers to it. It also approves the Rules of Procedure for the Executive Management Board. The **Supervisory Board** is the controlling body of the company. It oversees the performance of the Board of Directors’ competencies and the company’s overall business conduct and performance. The **Executive Management Board** of Slovak Telekom is responsible for day-to-day management of the company in line with the decisions of the Board of Directors. The Board of Directors may delegate to the Executive Management Board any of its responsibilities provided that the Articles of Association and/or Slovak legislation do not prohibit such delegation. The Executive Management Board is composed of the top-tier managers of the company. Members of the Executive Management Board are accountable for their performance to the Board of Directors.

Structure of shareholders:
- CMobil B.V. (in March 2015 change of name to Deutsche Telekom Europe B.V.) owns 51% of shares;
- The Slovak Republic, represented by the Ministry of the Economy, owns 34% of shares;
- The National Property Fund of the Slovak Republic owns 15% of shares.

ZOZNAM, S. R. O.

One of Slovakia's most visited internet portals, Zoznam.sk, operated by Zoznam, s.r.o., was established in 1997. It specialises in Slovak internet website search and currently offers more than 40 online products. One of the most important products is the news server Topky.sk which, according to a December survey by Google.com, was the most visited Slovak medium for the third year in a row.

Specialised magazines (Môjdom.sk, Dromedár.sk, oPeniazoch.sk, Podkapotou.sk, Feminity.sk, Špuntík.sk, Urobsisám.sk, PC.sk, Androidportal.sk, PlníElánu.sk, Vyšetrenie.sk, Kariérainfo.sk) offer high-quality content. Zoznam's product portfolio also includes the mail.zoznam.sk free-mail service, Pauzicka.sk entertainment portal, Rexík.sk website for children, Free.sk community portal for multimedia content sharing, Kariera.sk job portal and Predpredaj.sk e-ticketing portal. A catalogue of companies (Katalóg firiem), which gives small companies a platform for their professional presentation on the internet, is another important product.

Registered office:
Viedenská cesta 3 – 7, Bratislava 851 01
Legal form:
Limited liability company

Corporate bodies:
The supreme body of Zoznam, s.r.o, is **General Meeting**. Its competences are exercised by Slovak Telekom as the sole shareholder.
The **statutory body** of Zoznam and Zoznam Mobile is the managing director appointed by Slovak Telekom as the sole shareholder.
The **managing director**, responsible for the management, operations and performance of both companies, also acts as the director of Zoznam.

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

ZOZNAM MOBILE, S. R. O.

The company was founded in 2002 when it launched the provision of internet content mobile services, such as the sending of logos, text messages and ring tones. It ranks among the market leaders in the area of mobile technologies and solutions. The company provides high-quality, secure and verified solutions which are tailor-made for specific projects with easy-to-extend functionalities according to the client's needs.

Registered office:
Viedenská cesta 3 – 7, Bratislava 851 01
Legal form:
Limited liability company

Corporate bodies:
The supreme body of Zoznam Mobile is **General Meeting.** The competences of General Meeting are exercised by Slovak Telekom as the sole shareholder.
The **statutory body** of Zoznam and Zoznam Mobile is the managing director appointed by Slovak Telekom as the sole shareholder.
The **managing director**, responsible for the management, operations and performance of both companies, also acts as the director of Zoznam.

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

POSAM, S. R. O.

PosAm has been present on the Slovak IT market since 1990. In 2010, it became a part of the Slovak Telekom Group, which confirmed and strengthened its position as a leading IT company in Slovakia. The main objective of the company is to offer its customers unique solutions using a broad array of information technologies. The Company focuses its efforts on the provision of services and solutions to corporate customers in segments such as banking, insurance, manufacturing, network industries, telecommunications, media, state administration and municipal administration. As part of its portfolio, it offers individualised software development, own application solutions, system integration, consultancy services, outsourcing, and infrastructure solutions. Partnerships with global technology leaders, the innovation potential of management, strong local team, and investments into human resources development guarantee continuous advancement and top-notch performance.

Registered office:
Odborárska 21, Bratislava 831 02
Legal form:
Limited liability company

Corporate bodies:
The supreme body of the company is **General Meeting**. The competences of General Meeting are stipulated in the Commercial Code and the company's Memorandum of Association. The **statutory body** of the company comprises three managing directors. Their powers are defined in the Memorandum.

TELEKOM SEC, S. R. O.

The company was established by a Memorandum of Association dated 22 September 2006.

Registered office:
Bajkalská 28, Bratislava 817 62
Legal form:
Limited liability company

Corporate bodies:
The supreme body of the company is **General Meeting.** Pursuant to Section 132(1) of the Commercial Code, its competences are exercised by Slovak Telekom as the sole shareholder. The competences of General Meeting are stipulated in the Commercial Code and the company's Memorandum of Association.

The **statutory body** of the company comprises two managing directors. Their powers are defined in the Memorandum of Association.

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

DIGI SLOVAKIA, S.R.O.

DIGI SLOVAKIA provides public telecommunication services by means of television cabling, digital satellite television and the internet. Founded in 2006, it became a part of the Slovak Telekom Group in September 2013. During the years of its existence, DIGI SLOVAKIA became an operator with significant market position. The corporate philosophy and business policy focus on customer requirements and on the improvement and extension of services. The services in the company's portfolio are characterised by unbeatable prices, easy installation, unlimited availability of satellite broadcasting and the correspondingly high audio and video quality. Thanks to these parameters, the Digi TV service ranks among the DTH (Direct to Home) market leaders.

In addition to digital satellite TV, the company provides cable TV and internet in ten Slovak towns - Handlová, Komárno, Košice, Prievidza/Bojnice, Ružomberok, Senica, Šaľa, Žiar nad Hronom, Brezno and Bratislava.

Registered office:
Röntgenova 26, Bratislava 851 01
Legal form:
Limited liability company

Corporate bodies:
The company has two managing directors who act jointly on its behalf. When signing on behalf of the company, the director must append his/her signature and corporate seal next to the written or printed name of the company and his/her name and title.

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

CODE OF CONDUCT

The Code of Conduct is the key corporate document for the prevention of unethical behaviour. It defines the corporate culture and principles, requires honest and responsible conduct in business transactions, emphasises secure processing of information and their protection and last, but not least, defines the core requirements for behaviour towards customers, competitors, suppliers and third parties.

Slovak Telekom has been bound by the Code of Conduct since 2006; the Code has been subsequently implemented by its subsidiaries PosAm, Zoznam and DIGI SLOVAKIA. Compliance with the Code is mandatory for all employees of the Slovak Telekom Group companies, which thus become trustworthy partners for their suppliers and customers.

The International Anti-Corruption Day, which Slovak Telekom has been supporting in recent years, represents another ample platform for the presentation of ethical principles. The Anti-Corruption Day was declared by the United Nations in order to raise global awareness of corruption and its negative consequences.

The Ethics Commission, as an independent control tool, oversees the compliance with the principles of ethical business conduct. Any suggestions or complaints can be filed by telephone, postal service or e-mail to the Ethics Line. The line is available to all employees and external partners of the company.

INTEGRATED MANAGEMENT SYSTEM

Slovak Telekom has continued to develop its integrated management system which was put in place in 2004. The auditor, TÜV SÜD Slovakia, confirmed that Slovak Telekom complies with the requirements of all certified standards. In its final report, the auditor confirmed the validity of certificates issued for quality management system under EN ISO 9001 and for environmental management system under EN ISO 14001.

Due to the revision of the ISO/IEC 27001 standard, the existing information security management system has been adjusted and TÜV SÜD Slovakia issued a new certificate of compliance with the requirements of the new standard (ISO/IEC 27001:2013). In 2014, the subject of certification changed and it is currently defined as “Development and provision of ICT services, data services, desktop services and LAN services, including a helpdesk for customers in the business segment and in the state and public administration”. It thus also includes the provision of ICT services, such as data-centre housing.

The integrated management system is complemented by the occupational health and safety management system under the OHSAS 18001 standard, however, it is not certified.

MEMBERSHIP IN AND COOPERATION WITH SLOVAK PROFESSIONAL ASSOCIATIONS; PARTICIPATION IN INTERNATIONAL ORGANISATIONS

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

- 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
- Republiková únia zamestnávateľov / National Union of Employers
- Fórum pre komunikačné technológie / Communications Technologies Forum
- IT Asociácia Slovenska / IT Association of Slovakia
- Slovenská asociácia pre káblové telekomunikácie / Slovak Association for Cable Communications
- Slovenská asociácia pre elektronický obchod / Slovak Association of Electronic Commerce
- Fórum kreatívneho priemyslu / Creative Industry Forum
- Partnerstvá pre prosperitu / Partnerships for Prosperity
- Rada pre reklamu / Slovak Advertising Standard Council
- Business Leaders Forum
- HN klub / HN Club
- Slovenská asociácia finančníkov / Slovak Association of Finance and Treasury
- Združenie pre riadenie a rozvoj ľudských zdrojov / Association for Human Resources Management and Development
- HR Open Forum
- Slovenská asociácia BOZP a OPP / Slovak Association for Health Protection and Safety at Work and Fire Protection
- Spoločnosť pre projektové riadenie / Project Management Association of Slovakia
- Asociácia pre prenositeľnosť čísla / Number Portability Association
- Slovenská asociácia pre vedomostnú spoločnosť / Slovak Association for Knowledge Society
- Slovenská asociácia pre informačnú bezpečnosť / Slovak Association for Information Security
- Slovak Compliance Circle
- itSMF Slovensko / itSMF Slovakia

Zoznam is an active member of IAB Slovakia.

Slovak Telekom is represented in the following international organisations:

- International Telecommunication Union (ITU) where it is a member of the standardization sector

The company is also a member of the following organisations:

- ETNO (European Telecommunications Network Operators Association)
- ETIS (E- and Telecommunications Information Services)
- GSM MOU Association
- FreeMove Alliance

THE COMPANY'S GOVERNING BODIES

EXECUTIVE MANAGEMENT BOARD OF SLOVAK TELEKOM

Ing. Miroslav Majoroš
Chairman of the Board of Directors and Chief Executive Officer
Miroslav Majoroš graduated from the Faculty of Electrical Engineering and Information Technology at the Slovak University of Technology in Bratislava. After graduation in 1983 he worked for the Slovak Television and, in 1993, was appointed as its managing officer. From 1994, he worked as Sales Director of IBM Slovakia for industrial sectors, during 1998-2000 as General Manager of IBM Slovakia and from 2000 to 2002 as General Manager of IBM Czech Republic and Slovakia.

He became the CEO and member of the Board of Directors of Slovak Telekom in 2003. In 2005, he was elected Chairman of the Board of Directors. In 2003 he became a member and, between the summer of 2009 and 30 June 2010, served as Chairman of the Board of Directors in Slovak Telekom's subsidiary T-Mobile Slovensko. As of 1 July 2010, he is the Chairman of the Board of Directors and Chief Executive Officer of Slovak Telekom.

Dr. Robert Hauber
Chief Financial Officer and Deputy CEO
Robert Hauber studied at universities in Stuttgart, Mainzi and Massachusetts. Prior to joining Deutsche Telekom, he worked for Hewlett Packard, Procter & Gamble and DaimlerChrysler. Within Deutsche Telekom, from 2002 to 2005 he served as Vice President, Financial Controlling of T-Mobile International and, from 2005 to 2009, as Senior Vice President, Financial Controlling of T-Mobile International. Between 2009 and 2011 he headed Financial Controlling of the Europe Segment of Deutsche Telekom. In this capacity, he was also member of the Board of Directors of T-Mobile Czech Republic and member of the Supervisory Board of T-Mobile Austria and member of the Supervisory Board of Polska Telefonica Cyfrowa (PTC). Since April 2011, he has been Chief Financial Officer, vice chairman of the Executive Management Board and member of the Board of Directors of Slovak Telekom.

Dipl. Ing. Branimir Marić
Chief Technology and Information Officer
Branimir Marić graduated in electrical engineering and computer technologies from the University of Technology in Zagreb and began his career with Hrvatski Telekom in the field of internet network management and development. Later, he was the Head of the Group for customer IP and data networks, and worked as Director of Technical Research and Product Development. He held the position of Executive Director for Group Network Strategy and Platform Development and, at the same time, was a member of the Croatian T-Com's Executive Board. After the merger of Hrvatski Telekom and T-Mobile Hrvatska in January 2010, Branimir Marić held the post of Operating Director for Service Management and Network Operations Sector for fixed and mobile networks. Since 1 January 2012 he has held the position of Slovak Telekom's Chief Operating Officer for Technology and IT.

Ing. Dušan Švalek
Chief Mass Market Segment Officer
Dušan Švalek completed his university education at the Faculty of International Commerce, University of Economics in Bratislava, and later studied Corporate Economy and Management at the University of Navarra. He began his career with Benckiser and then Johnson & Johnson. He worked in the Boston Consulting Group for six years. He joined T-Mobile Slovensko in 2004 as Director of the Customer Service Division and, from 2007, he was Chief Marketing Officer. From 1 July to 31 December 2010 he held the post of Marketing Director at Slovak Telekom. As of 1 January 2011, he was responsible for marketing strategy for individual segments and for product management and the development of voice and data services in line with Deutsche Telekom's international strategy.
As of 1 October 2012, Dušan Švalek is responsible for the development of corporate strategy in marketing, sale and services to customers in the mass market segment. He is also responsible for the management of Zoznam, s.r.o.

Ing. Ján Adamec
Chief ICT and Corporate Segment Officer

After graduating from the Faculty of Electrical Engineering at the Slovak University of Technology in Bratislava, Ján Adamec joined Slovenské telekomunikácie, a. s., in 1991 and remains employed in the company until now.

In the period from 1991 to 2012, he held several key positions with the focus on care for the corporate segment and key accounts. He participated in establishing the state-of-the-art Data Centre of Slovak Telekom. From January 2012, he worked as the Director for ICT Services and Business Sales.

On 1 October 2012, Ján Adamec was appointed as acting Chief ICT and Corporate Segment Officer. He has held the position of Chief ICT and Corporate Segment Officer since 1 April 2013.

JUDr. Ján Pitoňák
Chief Legal and Corporate Affairs Officer

Ján Pitoňák graduated from the Faculty of Law at Comenius University in Bratislava. He joined the Slovak Telekom Group in August 2000 in EuroTel (later T-Mobile) in the position of Head of Legal Department, then as Executive Director of the Legal, Regulation and Regulatory Affairs Division, where he was responsible for managing the legal and regulatory agenda. In 2001 he also became the company's legal officer. After integration, he held the post of Corporate Service Division Director. Since 1 October 2012, Ján Pitoňák holds the post of Chief Legal and Corporate Affairs Officer of Slovak Telekom. His responsibilities include regulatory and legal affairs, compliance, corporate security and public affairs.

Mgr. Petra Berecová
Chief Human Resources Officer

Petra Berecová graduated from the Faculty of Arts at Comenius University in Bratislava and subsequently from the Faculty of Law. She worked in the automotive industry as human resources director at Yazaki Slovakia. She joined T-Mobile Slovensko in 2005 as a senior manager for remuneration and employee benefits. She managed T-Mobile's Human Resources Division from 2007 and, as member of top management, she participated in the company's business decisions. As of 1 January 2010 she held the post of Executive Vice-President for Human Resources/CHRO of Slovak Telekom and, simultaneously, acted as Human Resources Director of T-Mobile Slovensko. As of 1 July 2010, she was appointed Chief Human Resources Officer of Slovak Telekom.

BOARD OF DIRECTORS OF SLOVAK TELEKOM

Ing. Miroslav Majoroš – Chairman

Ing. Michal Vaverka – Vice-Chairman

Members:

Kerstin Günther

Dr. Robert Hauber

Ing. Martin Mác

Franco Musone Crispino

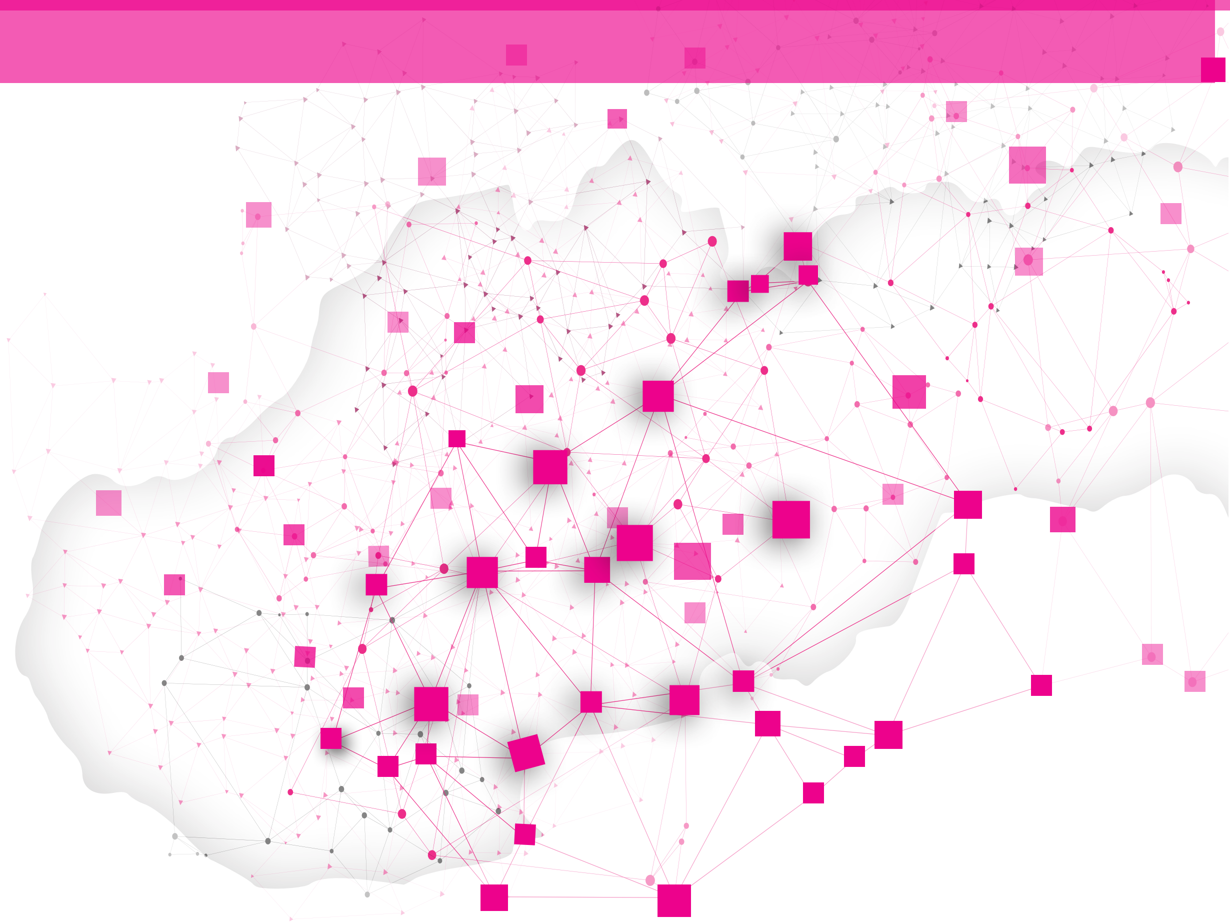
Ing. Miloš Šujanský, PhD., M.B.A.

SUPERVISORY BOARD

- Dr. Hans-Peter Schultz – Chairman
- Ing. Michal Lukačovič –Vice-Chairman

Members:
- Mgr. Martin Habán
- Ing. Denisa Herdová
- Miriam Kvočková
- Ing. Drahoslav Letko
- Cornelia Elisabeth Sonntag
- Ing. Peter Weber
- Tanja Wehrhahn

02 REPORT ON THE COMPANY'S BUSINESS ACTIVITIES



FOREWORD
OF THE CHIEF FINANCIAL OFFICER

Dear Ladies and Gentlemen,

2014 was a year in which Slovak Telekom invested a lot into the future competitiveness of our company. We are the clear number one in the telecommunication sector in Slovakia and our ambition level is not only to defend but even enhance our position.

We are technology leader in our market and we invested a lot to strengthen our technology leadership. In 2014 we invested overall 119 mn EUR Capital Expenditures into our operations. A big part of it we invested into our IP migration of our Fixed network and we are proud that we migrated all of our PSTN customers to ALL- IP by the end of 2014. Doing that, we are among the frontrunners of all European Telecom operators.

At the same time we invested a lot into our mobile network. We were the first operator in Slovakia who launched commercial LTE network and as of the end of the year 2014 we were covering 52 % of the Population with LTE. No other operator had such a big coverage in 2014. We are not only leading in coverage, we are also having the fastest Mobile Data network in Slovakia. In 2014 we provided a speed of up to 150 Mbit/s to our customers and we will continue further to increase this speed in the future.

Further investment priorities were to bring Fiber optics to the base stations where we covered 35 % of them with fiber, and to improve our online capabilities especially by enhancing the quality of our online shop.

Besides our investments in Technology leadership we took a lot of efforts to improve our competitiveness in own Fixed Product Portfolio. We designed our products in the Fixed Business in a way with our "Smart Offer"ʈ. Doing that, we are able to provide attractive packages to our customers to buy additional products or to get new customers for our products while customers could also enjoy our very broad offer of smartphones and other devices.

This "Smart Offer" offering is therefore very well perceived by our customers, which is demonstrated by the fact that - the net increase of the number of our Fixed Broadband accesses is 10 times bigger than a year ago and the IPTV net adds doubled during the year compared to 2013. However, here I have to mention that also a premium and exclusive TV content (Premier League, UEFA Champions League, and so on) were also one of the drivers for the growth.

We were also successful with regards to our business customers where we were able to declare our leading role in local ICT business market (Cloud Services, Mobile Device Management) benefiting also from a very solid utilization of our datacentres which are considered as one of the most modern in Slovakia.

In terms of Financials our reported revenues are on consolidated level decreasing by 5 % to previous year. Ongoing Regulation is one of the key factors for this decline. Business seasonalities are another driver of this decline. Our ongoing efficiency improvements secured our high profitability level which we kept on a consolidated level for Slovak Telekom above 40 % on the adjusted EBITDA-margin.

Our subsidiaries also developed very well in 2014. PosAm reported highest revenues in their history with a year on year growth of 35 % and keeps a profitability level which is far above the industry standard.

Our newly acquired subsidiary Digi also stabilized the business and delivered an EBITDA margin of 32 % which is also compared to industry standard a superior performance.

Zoznam and Zoznam Mobile continued the trend of the last years and delivered again solid financial results.

All in all Slovak Telekom is still in a very solid position. We operated in 2014 in a difficult market conditions. However, instead of any disruptive moves, our business activities were very much focused in supporting a sustainable and profitable environment. We delivered our promises towards the shareholders in terms of financials and at the same time we invested in our future and created the ground for further successes of Slovak Telekom on the market simultaneously with an ongoing increase of our customer's experience for our products and services what is our ultimate target.

Sincerely,

Dr. Robert Hauber
Chief Financial Officer and Deputy CEO

TECHNOLOGY AND NETWORKS

Following the launch of the LTE technology at the end of 2013, Slovak Telekom continued to establish itself throughout 2014 as Slovak market leader in LTE coverage. In April, Slovak Telekom was the first operator to introduce commercial LTE operation at the speed of up to 150/50 Mbps in Bratislava; the coverage of Slovakia's capital was completed by the end of May, i.e., earlier than planned. With LTE coverage extended to Košice in June, Slovak Telekom attained a 35-% coverage of the country's population.

By the year-end, the LTE network covered 52% of the population, making the fast mobile internet available in 84 towns and many municipalities. The company thus confirmed its intention to make the fourth-generation mobile network available not only in big cities, but also in rural areas and tourism destinations, such as the Štrbské Pleso mountain resort.

In 2014, in cooperation with Ericsson and Qualcomm, Slovak Telekom ran the technological test of functionality for the LTE Carrier Aggregation, which belongs to the new generation of what is known as LTE-Advanced standards. This superstructure enables to double the theoretical speed of the network by combining individual bands of the frequency spectrum (such as 20 MHz + 20 MHz, 10 MHz + 10 MHz, or 20 MHz + 10 MHz). In this case, the user terminal receives data from the two channels simultaneously. Apart from achieving higher speed for end-customers, LTE-A CA contributes towards making the frequency spectrum utilization more efficient in real operation.

In 2014, the company completed the migration of the remaining customers and switched off the entire PSTN technology. Without any change on the customer's end, the company has migrated the voice services for all B2B and B2C customers. Voice services now operate in a new regime –migration to the MSAN and VoBB technologies has changed both the analogue and digital transmission into IP-based packet transmission. Along with the internet and TV services, all fixed telecom services operate on IP-basis. The transition lays ground for the introduction of future IP products and services aimed at fostering Slovak Telekom's market position as a leader in technology and innovation.

The project of transition to ALL-IP took over two years and involved hundreds of employees from all divisions of the company. During migration to IP, the company removed more than 800 tonnes of material from PSTN switches, switched off 51 local bases, and removed more than 6,500 elements from the network. The benefits of changeover to ALL-IP include, in particular, cost reduction and enhanced potential for broadband services. This makes the whole operation simpler, reduces the energy consumption, facilitates the fixing of faults and failures and increases the overall customer satisfaction.

Slovak Telekom successfully completed its project designed to replace older ADSL1 and ADSL2 cards with ADSL2+ and VDSL2 card, thus increasing the speed of internet connection for customers using DSL technology. The company managed to increase its VDSL internet coverage fairly significantly, making it available to almost half a million households by the end of the year. In August, Slovak Telekom began to offer optical internet with speed of up 300 Mbps / 30 Mbps.

Also in 2014, Slovak Telekom managed to migrate all Magio Sat customers to a new satellite position. Thanks to this change, more than 80,000 customers gained access to a broader package of TV programs without any additional charge. The migration has effectively unified access for all DVBS customers across the Slovak Telekom Group and brought about significant cost reduction in the lease of satellite capacity.

PRODUCTS AND SERVICES

Slovak Telekom offers its services to individuals, households and companies and focuses in particular on the needs of two main segments: the mass market (B2C segment) and and corporate customers (B2B segment). At the same time, it launches new services as a part of new business. Slovak Telekom is the biggest provider of whole sale services in both the fixed and mobile segments.

B2C SEGMENT: EASY, HAPPY, SMART OFFER AND A STRONG POSITION IN TV SERVICES

In the area of mobile services, the most important step was the introduction of a new prepaid card, branded as **Easy Pecka,** as of 1 October 2014. The new card, designed to replace the previous profiles of the Easy cards, carries low rates for calls and text messages and introduces "daily caps": for calls to all networks (Telekom, Orange, O2) and for data transmission, the cap is set at 50 cents.

The **Happy** rate plans went through a number of changes and additions in the course of 2014.The 'free minutes' may now be spent to make calls abroad or receive calls while roaming; data transmission in the 4G network is no longer subject to surcharge, and certain plans now carry higher data volumes. The new Happy Profi plan is designed primarily for the subscribers to what has so far been known as the Biznis Star plan (this family of plans is no longer sold).

The area of **mobile internet** has been characterized a boom in 4G coverage and sales of supported terminals – the customers may use data from their Happy plans of Unlimited Mobile Internet also in the LTE network.

Throughout the year, data traffic within the domestic network and through roaming has increased considerably. The trio of Travel & Surf programs has seen very good results both within and outside Europe.

During the year, Slovak Telekom offered tens of new devices on promotion, including such bestsellers as iPhone 6, Sony Xperia Z2, Z3 and Z3 Compact, Samsung Galaxy S5 a Alpha, LG G3 or Huawei Ascend P7.

In fixed network segment, the most important addition was the introduction of **Smart Offer** in April which has changed both the sales philosophy and the structure of fixed services. Having streamlined the portfolio of voice plans as of 1 February (from several groups of plans to three new ones), a similar strategy was chosen for Internet and TV plans. When purchasing the service, customers can choose from three plans based on their needs; these plans are labelled correspondingly as M, L and XL. The plans can be merged into bargain packages consisting of two or three services (triple-play) and, if purchasing a higher number of services at a time, the customers will get a discount on another service or an advantageous price for the entire package. It is possible to merge plans of various sizes (such as Internet XL and TV M).

The launch of the Smart Offer received positive feedback and all services have seen a rise in the number of new activations. Slovak Telekom's fixed line services enjoyed the highest increase, with the activation of TV and Internet plans gaining momentum as well. The Smart package does not depend on technology: the prices of individual plans are the same regardless of the technology used (ADSL, VDSL, optical fibre, IPTV, satellite) and the customers are offered the best available solution. In the summer, the Smart Offer was supplemented with hardware version (providing the option to purchase hardware with a monthly surcharge) which continued to last through Christmas as well.

In TV segment, the Magio Sat satellite TV **customers were successfully migrated** to new satellites Intelsat and Thor in 2014. The migration of customers started in May 2014, bringing more TV channels and a wider portfolio of premium packages to the customers at the same price.

Within the **Magio Sat** plan, a total of 17 new TV channels were introduced. The HD package underwent deep changes and now includes five new sports channels in HD resolution. The number of programs in the Hungarian package has doubled, while keeping the price at the same level. The HBO + CINEMAX premium package now includes HBO in HD resolution, while Jednotka HD and Markíza HD were added to the Magio Sat list.

Throughout the year, there was a continuing trend in bringing more content and **adding new channels in HD resolution.** Slovak Telekom also managed to maintain its leading position in the number of HD programs on Slovakia's IPTV market. A total of five new TV channels were added to its portfolio during the year. The company also launched its online video-on-demand service HBO GO which allows the customers to watch the most recent movies and TV series.

The **partnership with Film Europe** allowed the company to bring exclusive content from Berlinale and movie awards in Venice and Cannes; on top of that, movie fans could enjoy a parallel release of movies presented during the BE2CAN film festival and in Slovak Telekom's video-on-demand service.

Last year, Slovak Telekom also introduced several enhancements to the **Magio GO** service and the company started to offer this service as a standalone product with great success.

B2B SEGMENT: CLOUD, APPSHOP AND NEW ADDITIONS FOR THE CORPORATE CUSTOMERS

With the arrival of cloud services and due to Slovak Telekom's growing focus on ICT services, the segment of B2B services has been undergoing changes over the past few years. The portfolio still includes fixed and mobile voice or data services; however, the share of ICT services, which are also offered through promotions or as new products on the market, is increasing in the overall structure.

During the year, Slovak Telekom launched several new services to attract the customers in new segments. The **Telekom Fleet** service allows the users to keep track of their vehicles with the help of the monitoring, cost-saving and other additional functionalities. **Telekom Drive** is the company's own solution to safe data storage providing safe access, backup and data sharing functions. The portfolio also includes services such as Mobile Device Management System, Network Protector and several M2M solutions.

One of the most important launches of 2014 was own **AppShop** as a follow-up to its existing ICT strategy. After opening the data centre and starting the first cloud services and IaaS solutions, the AppShop is another step ringing the benefits of cloud solutions closer to small and medium-sized companies or entrepreneurs. They can order and use office-oriented, CRM or other types of services over such period of time as they need. The AppShop contains the company's own applications including Telekom Fleet or Telekom Cloud, as well as solutions developed by its partners: Office 365, McAfee Antivirus, Cloud Secretary, Advantage CRM or DriveBizz.

The B2B segment also includes support for start-ups or new opportunities; Slovak Telekom has been actively participating in various competitions, including the Telekom Innovation Contest or Business Wall of Fame in cooperation with other operators within the Deutsche Telekom group.

NEW BUSINESS SEGMENTS: APPLICATIONS, MOBILE PAYMENTS OR REPAIR SERVICES

Last year, Slovak Telekom included in its portfolio several new services which were designed directly by the company or in cooperation with major partners in the respective areas.

The position of mobile applications is growing stronger. During the year, Deezer (music content streaming), Evernote (diary), Wunderlist (notes), Magisto (video editor) were added to the portfolio of applications. Special benefits are offered as well, including a free-of-charge premium version limited to a certain period of time.

A mobile application represents an important tool for communication with customers and for the functioning of a service. This is how Telekom offers its Magio GO for watching TV on smart phones or tablets (available in standard and premium versions) and, in particular, its own Telekom application. In the latter of the two, the customers can view their invoices, change or order services or activate a roaming package from abroad.

The new business segment also introduced number of new services. In May, Slovak Telekom went live with its **MyWallet** service allowing the customers to make payments with their mobile phones using the NFC technology.

Slovak Telekom's new repair service **Pôjdeto** was launched in September; through this platform, the customers can consult or receive repair services in a kiosk, on-line or on-the-spot visit by qualified personnel. The service covers a wide range

WHOLESALE SERVICES: PROMOTING THE DEVELOPMENT OF TELECOMMUNICATION SERVICES IN THE REGION

In 2014, the company managed to accomplish and even surpass its wholesale targets in many areas, as confirmed by a higher- than- expected volume of revenues from the sale of services to wholesale partners (by more than 16%). Such an excellent result can primarily be attributed to innovation and extended range of IP-based services, as well as intensified cooperation with the existing and new partners. Slovak Telekom confirmed the trends in both categories: the provision of domestic and international voice services, as well as the sale of data services and the lease of the company's infrastructure to national and international partners.

DATA SERVICES

In 2014, the company continued to promote the use of the Internet in Slovakia through its wholesale partners. It introduced changes in technical parameters (bandwidth) and in the business terms and conditions for the wholesale broadband access to the Internet through ADSL. The company enjoyed an almost 27 % year-on-year increase in the number of accesses and the year-end total exceeded 111,000 of accesses sold to wholesale partners. The company also registered a considerable increase in the provision of access to the international IP network. The volume of sold IP transit capacity has increased by more than 50 % year-on-year and reached 17 Gbps at the end of the year.

The key driver behind the development of wholesale transport data services were Ethernet-based services. As these services became considerably more popular, the sales of standard transport services provided over SDH has declined. The company reached a more than 27 % year-on-year increase in revenues from the Carrier Ethernet services.

VOICE SERVICES

In the area of wholesale national voice services, Slovak Telekom introduced a new reference bid for interconnecting its voice network with the networks of other operators in Slovakia. It is based on interconnecting the IP-based networks which has considerably simplified the arrangements applicable to voice networks interconnection. Throughout the year, the company has implemented a new mechanism with all fixed operators, the voice networks of which have already been connected to that of Slovak Telekom.

The trends in the international interconnection fees had the highest impact on the results achieved in international wholesale voice services. A steady decline in the fees both in Europe and in other countries of the world resulted in a year-on-year drop (by more than 20 %) in per-minute costs of the termination of international calls abroad. The decline in fees brought a greater pressure on revenues from international transit voice traffic. The company confirmed its position as high-quality provider of voice transit service and, despite a drop in the fees, it managed to exceed the planned revenues from transit in 2014 and to secure a slight, year-on-year increase in revenues from this service.

LEGISLATIVE CONDITIONS AND MARKET REGULATION

LEGISLATIVE CONDITIONS

In 2014, the Regulator issued a new general authorization (No. 1/2014) for the provision of electronic communication networks or services, which introduces new duties regarding the free-of-charge blocking of outgoing calls to a set of numbers, free-of-charge voice notification (prior to connection) of calls being made to a service with a premium rate tariff, and free-of-charge electronic invoices based where the subscriber so chooses. The authorization also introduces certain requirements for cost control by subscribers and increases the level of detail for invoices, as well as a duty to publish specific parameters of the service and make a mandatory set of information readily available through the title page of the company's website.

MARKET REGULATION

In 2014, the Supreme Court of the Slovak Republic dismissed an administrative action filed by Slovak Telekom against the Regulator's decision concerning the method for the calculation of prices for the origination of calls in the fixed network. Hence Slovak Telekom, in line with the applicable method, also in 2014 adjusted the prices for calls origination in the fixed network. For not having a part of the effectively incurred costs taken into account, Slovak Telekom filed administrative actions (end 2013/early 2014) against the decisions of the Regulator on the setting of maximum rates for calls termination in both the mobile and fixed networks. The Supreme Court has not yet ruled on the actions. In 2014, the Regulator refrained from taking further steps for the regulation of prices for calls termination in the mobile and fixed networks.

In 2014, the Regulator initiated a process aimed at issuing a decision on zero retail charges for number portability. Since the market as a whole chose to refrain from imposing such a retail charge, the Regulator did not issue the decision.

Last year, the Supreme Court ruled on two actions filed by Slovak Telekom against the decisions of the Regulator. The court dismissed the action filed in December 2012 concerning the market of physical access and upheld the action by Slovak Telekom against the Regulator's decision concerning the market of wholesale broadband access (June 2013). Therefore, the physical-access market remains regulated based on the latest decisions of the Regulator. Also in 2014, the Regulator imposed a mandatory cost method for the calculation of regulated prices on the markets of wholesale physical access. Since the Supreme Court overruled the Regulator's decision concerning the wholesale broadband market access, the regulation of prices on this particular market is suspended.

As a universal service provider, Slovak Telekom is under obligation to grant the users with health disabilities equal access to the telephone service, operator's service, information service and the list of subscribers, and provide such users with special terminal equipment adequate to the type of their disability at the cost of standard equipment.

The decisions of the Regulator concerning the reimbursement of net costs for the universal service provision, incurred in 2005-2006, 2007-2008 and 2009-2010, have been repealed by the Supreme Court and referred back to the Regulator for further process at the first-instance level of proceedings. The Regulator has yet not decided on the Supreme Court's referral.

COMPETITION

On 17 October 2014, in the proceedings concerning the alleged abuse of a dominant position on the market of broadband access to the internet (initiated on 8 April 2009), the European Commission delivered to Slovak Telekom its decision stating that, between 12 August 2005 and 31 December 2010, the company of Slovak Telekom (and Deutsche Telekom, its parent company) violated Article 102 of the Treaty on the Functioning of the European Union and Article 54 of the European Economic Area Agreement regarding duties to provide access to unbundled local loops through the refusal to supply access and through margin squeeze.

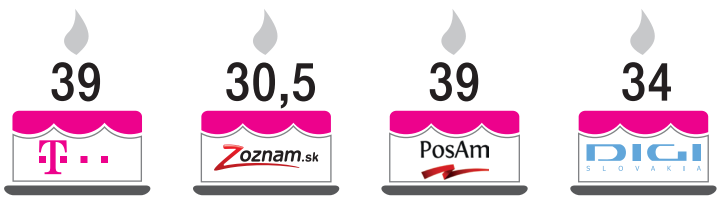
For the breach, the Commission has imposed a fine of EUR 38.84 million for which Deutsche Telekom and Slovak Telekom are jointly and severally liable. On 26 December 2014, Slovak Telekom contested the above decision by an action filed with the General Court of the European Union.

In 2014, Slovak Telekom was not subject of any investigation or intervention by the national anti-monopoly regulator.

HUMAN RESOURCES

Slovak Telekom had 3,081 internal employees in 2014. Zoznam and Zoznam Mobile had a total of 58 internal employees, PosAm had 248 and DIGI Slovakia had 262 internal employees in the same period.

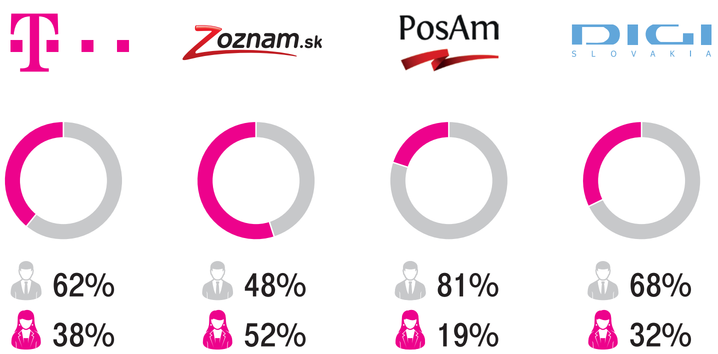
The average age of employees in Slovak Telekom and its affiliated companies was the following in 2014



The average age of internal employees at Slovak Telekom was 39 years, the average age of Zoznam and Zoznam Mobile employees was 30.5 years, the average age of employees at PosAm was 39 years while in DIGI, it was 34 years.

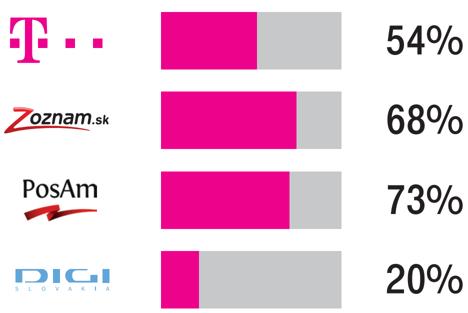
Men made up 62% of the Slovak Telekom full-time staff, women accounted for 38%. Zoznam and Zoznam Mobile had 48% of male and 52% of female employees; the male-female ratio in PosAm was 81% to 19%, while in DIGI Slovakia it was 68% of men and 32% of women.

Representation of men and women in Slovak Telekom and its affiliated companies was the following in 2014



As for the level of education of the Slovak Telekom employees, 54% had a tertiary (university) education while 46% had a completed secondary education. In Zoznam and Zoznam Mobile, 68% of employees had a university degree and 32% secondary education. More than 73% of PosAm employees were university graduates while 27% have completed a secondary education. Twenty percent of DIGI staff had university education, compared to 80% of employees with secondary one.

Percentage of university graduates in Slovak Telekom and its affiliated companies. The remaining employees completed secondary school with a final school leaving exam.



Remuneration and employment benefits

The company continued streamlining its organizational settings and HR processes throughout 2014, which contributed to improvements in the quality of services provided to its employees.

The company continued to pursue a fair and competitive wage policy and remuneration schemes which reflected the existing situation in the IT and telecommunications sector in Slovakia.

Remuneration

- Employees were remunerated based on their individual performance which directly affects their variable salary components/ individual bonuses, as well as extra bonuses.
- The company's wage policy also covered the payment of corporate bonuses depending on the company's financial performance.

Employment benefits / Ambassador programme

The company continued its Ambassador program in 2014. The program is designed to support and encourage to use and promote the company's products and services at home so that they become the "ambassadors" of our products and services.

Education and talent development

In 2014, the company held 1,076 internal and external educational and training courses for a total of 7,500 participants. The average external costs of training per employee amounted to EUR 240. Internal coaches in charge of the front-line development delivered 10,339 coaching hours in total. The company also introduced a new way of employee training and education through online webinars. A total of 1,656 employees took part in 26 webinars organized in 2014.

Last year, the company launched a Lead and Engage development training initiative for all executives in order to improve corporate culture and enhance employee motivation. The first measure implemented was a 180° diagnosis of the leadership style and corporate climate created by the leaders.

The company's talent development efforts continued under the TDrive talent development program in 2014, which saw new talents preparing for leading positions within the organization added to the pool of existing TDrivers. The program preserved its key focus on "on the job" training activities and collaboration with mentors. In addition, the program also provided its participants with individual and group work development activities accompanied by lectures delivered by attractive and interesting speakers.

For the first time ever, the company organized an internal TEDxTelekom conference focused on employees' motivation and engagement. Organizers and speakers at the event were company employees.

Employee incentive competitions, Service Hero (with a robust focus on encouraging pro-customer behavior) and Best Performer (promoting a long-term initiative towards a strong corporate performance), continued as part of internal corporate activities.

The employees also had a chance to participate in regular employee surveys and express their opinion on developments within the organization throughout 2014. The international Pulse survey, designed to monitor an overall climate across the entire Deutsche Telekom group, was organized on a regular, semi-annual basis. An Internal Customer Satisfaction survey examined the situation concerning the cooperation among individual organizational units of the company.

Cooperation with secondary schools and universities

In cooperation with the pedagogical community, Slovak Telekom organized two conferences, Telekom Akadémia (Telekom Academy) and Telekom Day, both of them held under the auspices of the Slovak ministry of education. Telekom Akadémia hosted 40 teachers and representatives of 11 secondary schools specializing in IT and telecommunications. Its goal was to familiarize teachers with the latest technology developments and trends in the telecommunications services so they could further share the knowledge with their students.

Expert student conference Telekom Day celebrated its 10th anniversary in 2014. The conference participants comprised students of technology, management and related fields. The event focused on the most recent IT and ICT innovation and developments and the hottest business topics (big data, LTE technology, optical fibre cables, supervision centers, and start-ups). Eighty university students and 15 university officials participated in the conference.

Slovak Telekom provides students with an opportunity to consult their thesis papers and participate in lectures and excursions directly in the company's technology centers, and/or receive practical training prior to the completion of their university studies in the form of a student internship program; eight students joined the program last year. Secondary technology vocational school students also have a possibility to take part in a practical training program to receive a hands-on experience and increase their chances on the labor market. Over 70 students from 11 secondary schools from all over Slovakia are receiving practical training in Slovak Telekom this academic year.

As part of its long-term cooperation with Slovak tertiary schools, the company also supported the Aj Ty v IT (You Too in IT) project in 2014, designed to promote and raise awareness of IT study programs among the female students. In addition, the company supports Nexteria NGO and its educational projects.

COMMUNICATION

EXTERNAL COMMUNICATION

In 2014, the company's external communication efforts generated several thousand media outputs. Journalists primarily wrote about corporate topics; a number of product-related topics also received strong media publicity. Communication on corporate social responsibility was also covered.

Product and technology innovations were presented at press conferences, promoted through news releases and active management of media relations throughout the year. The launch of **Chytrá ponuka (Smart Offer)** promotion and the new **Easy Pecka** prepaid card won an extraordinary attention from the media.

The media continued paying an increased attention to the **IPTV** segment, primarily focusing on the extension of a program offer and inclusion of new high-definition (HD) TV channels. The migration of Magio Sat (satellite television service) customers to new satellites resulting in a wider program offer was also covered.

The extension of a cloud-based solution for business customers and the **launch of AppShop** also generated media publicity for the company. As a pioneering service in Slovakia, AppShop introduced the possibility to buy and download software and applications online from a single site the way it is known to work for mobile operation systems.

The growth of the state-of-the-art **4G/LTE** network coverage earned a lot of space in the mass media: Slovak Telekom was repeatedly portrayed as a leader on the Slovak telecommunications market in this respect. As usual, journalists showed an enormous interest in a market launch of new smartphones by world's renowned manufacturers. The introduction of a new iPhone 6 and iPhone 6 Plus, as well as of flagship devices of other global brands received extremely broad coverage.

Once again, the media also widely covered the opening of **Magio Beach.** They delivered regular reports on side events organized at Magio Beach, having generated the highest volume of news and media releases since it first opened eight years ago. The beach was also used as an attractive setting for public presentations of the latest products and services. In cooperation with Ericsson and Qualcomm, a public test of 300 Mbit/s LTE network was organized here, as well as a public presentation of the MyWallet NFC mobile payment service.

The fourth edition of **Bažant Kinematograf**, an open-air summer movie theatre, was also a crowd-puller at Magio Beach. Its communication support primarily focused on promoting exclusive premier screenings and signing sessions, such as was the case with Czech movie Zakázané uvoľnenie (Icing). The premier screening, with filmmakers and actors in attendance, was open to the general public.

In addition, Magio Beach hosted an event entitled **Hľadáme spolu siedmy zmysel** (Looking Together for the Seventh Sense). Through workshops, beach volleyball and other activities, Slovak Telekom helped to open a door to the world of the hearing-impaired and tear down stereotypes. For example, participants could learn several basic signs of the sign language.

As part of the International Week of the Hearing-Impaired, Slovak Telekom supported the "Learn a sign to understand each other" campaign. Twenty-one prominent figures of public, social and cultural life, including Adela Banášová, Roman Pomajbo, Juraj Kemka, Jana Žitňanská and Iveta Radičová, joined the initiative intended to show that expressing one's feelings or emotions by sign language is not difficult at all. Through the campaign, comprising a photo roadshow and a series of billboards all over Slovakia, they invited people to enter the world of the hearing-impaired.

In 2014, the media paid an increased attention to other corporate social responsibility topics, too, including, **ovce.sk** project, an awareness-raising campaign promoting a safe usage of the Internet.

INTERNAL COMMUNICATION

The key topic of the 2014 internal communication efforts was a new strategic program known as **Telekom 2018**.

The internal communication built on the "Našim to najlepšie" (The best for our team) concept, taking it further by introducing a „rational" aspect to it; „By reason and heart" became the leitmotif of this redesigned concept. A new strategic programme for the next years was presented to the employees, covering five key initiatives and areas of development: customer experience, innovation, integrated solutions, e-company, and people. The main goal of the communication campaign was to make sure that all employees understand the vision, the new long-term strategy and 2014 objectives. A summer employee survey showed that as much as 89% of the employees had got to understand the new corporate strategy thanks to the activities delivered as part of the communication campaign.

Concerning the form, the 2014 internal communication activities took a **new, comics-based shape**, bringing in **more interactivity and entertainment**. Important messages were communicated by the management to the employees through direct mailing, intranet and at in-person meetings throughout the year. The employees could find all news and important information on the intranet, SMS messages were also sent out. A popular employee magazine promoted the knowledge of new products, services and recent technology trends and gave the employees a chance to learn more about their colleagues.

Over 4,000 employees participated in **competitions** supporting communication on certain segments and products last year. Information was also shared by posters distributed in the corporate premises and short videos. An unconventional form of internal communication was used to promote the launch of a Deezer service: the so-called Deezer Patrol „patrolled" the premises and explained to the employees how the service worked and how they could install it on their mobile phones. As a result, the application saw some 1,800 employee activations over the first six days.

An **original poster competition** also caught employees' attention. At team workshops, they could design their own posters for the new corporate strategy; the best works were chosen by an intranet vote. An intranet application which the employees could use to design their own comics stories on the fulfilment of strategy objectives, including a possibility to vote for the best artworks, was another innovation in the internal communication efforts.

Employees' awareness of **information security on social networks** was promoted by internal communication activities in the form of posters containing fictional "incorrect" statuses posted in meeting rooms and employee kitchenettes.

Traditionally, the company management met with the employees at the Employees' Forum, also available online on the intranet. The aim of the meeting was to present key economic indicators, introduce corporate objectives and strategy and encourage employees' performance in the upcoming period.

MARKETING COMMUNICATION

In 2014, Telekom presented itself as a family-oriented telecommunications operator delivering a whole portfolio of highest-quality services, with the focus on its best 4G network coverage on the Slovak market. The company enhanced its online presence, saw a further growth on social networks and perfected its business-to-customer dialogue.

Campaigns

The company kick-started the year with new online music streaming service Deezer, exclusively brought by Telekom to its customers as a bonus gift to selected products from its portfolio. The music service, offering more than 35 million songs, became the main sponsoring partner of the X-Factor music competition broadcast by TV JOJ in the spring of 2014. A TV campaign starring Slovak rapper Ego was massively acclaimed by the public and became one of the most successful campaigns of the year.

In April 2014, Telekom Slovakia started promoting its Smart Offer (a “smart package” combining fixed-line services - TV, internet and phone land-line - offered at a considerable discount). Two quirky scientists testing various “tips and tricks” starred in the campaign. Customers also joined the campaign, having sent a total of 1,470 tips and tricks which received 138,000 online votes overall. The best of them were then selected to be shown in TV spots.

In June and July, the company’s marketing communication activities focused on the Happy call plans, offering 4G Internet services on mobile devices. Popular Slovak singer Peter Nagy had a cameo appearance in a love story of two young people in a summer campaign.

New benefits, free minutes for outgoing calls to EU countries and free incoming calls abroad, were added later.

Daniela Gudabová, a popular cleaning lady from the Deezer campaign, sung this offer in a TV spot broadcast as part of an autumn campaign.

Opera singing with gifts for all dominated the Christmas holiday season. Individual TV spots promoted free applications for a year, a second calling plan for free, two mobile phones for the price of one or a €200 bonus to a Smart Offer package.

Prestigious awards the company received in 2014:
Telekom Media and Communications Awards – winner of the Best Creative Execution category; Zlatý klinec (Golden Nail) - special award for the Best Client of Two Decades, 3 gold, 7 silver and 5 bronze nails; Effie awards - 2 silver and one bronze Effie; Flema Media Awards - the Grand Prix award, 2 first places; Superbrands Awards - Superbrand of 2014 in B2C and B2B categories.

ONLINE COMMUNICATION

In the online world, Telekom introduced several innovative forms of communication and reinforced its position of a technological leader in this area. In cooperation with DIGI TV, Slovak Telekom launched Dajkoment.sk, a social TV platform enabling Telekom and DIGI TV customers to interact, communicate and comment during live UEFA Champions League broadcasts.

With EASY Pecka, customers had a chance to take part in a New Year countdown. At Tajnapecka.sk, a website available to EASY card holders, customers could upload a photo that then received a one-second slot in a final video. United under the "Let's live it together" motto, several hundreds of customers created an over 12-minute long video of a joint New Year countdown.

EVENTS AND SPONSORSHIP

Magio Beach
Opened every summer for eight years in a row, Magio Beach retained and upheld its status of Telekom's longest-lasting marketing project targeted at the general public. In 2014, the project picked up on a growing trend of new, innovative use of technologies in an everyday life, combining Telekom products and services with fun and relaxation. At the same time, Magio Beach 2014 gave room to innovation and start-ups in order to enlarge the target group of its visitors to include a specific community of young people.

Chytré centrum (Smart Hub) became a home to The Spot start-up and turned into an attractive place for innovation and creativity. At regular workshops, 300 'startupreneurs' discussed their ideas with mentors and successful Slovak businesspeople. Over 18,000 Smart Hub visitors experienced Telekom products such as free Wi-Fi, 4G network or Magio TV on Sony TV devices, and applications like Deezer and MyWallet on Sony Xperia tablets and smartphones.

During the 95 days the beach was opened to the public, Slovak Telekom organized 777 events for sports enthusiasts, children, culture & education lovers, and all visitors looking for new forms of entertainment. Cooperation with professional lecturers from Kids Point boosted the quality and variety of activities for children.

A 95% occupancy rate of volleyball fields, 80% occupancy rate of a football field and a total of 294 sports training exercises prove that Magio Beach fulfilled its ambition to become a centre for active pastime activities and entertainment. Bažant kinematograf, with 27 screenings (including 3 movie premieres) that were seen by 7,500 visitors, along with various live concerts and parties (22 events in total) have already become a tradition.

The beach was visited by 210,400 people in 2014, with a daily average of 2,214 visitors, its website at magioplaz.sk had 56,969 unique visitors and the entire project scored 337 media releases overall.

Electronic Beats
Slovak Telekom again sponsored electronic music festival Electronic Beats in 2014. On 11 April 2014, the unique industrial setting of REFINERY GALLERY saw the performances by headliner FOUR TET, electronic dance project Daphni by Canada's Caribou, London - based duo JUNGLE, I Break Horses from Sweden and domestic DJ Jimmy Pé.

Telekom also supported a unique joint tour of Slovak singer Richard Müller and Fragile vocal group – Hlasy II (Voices II).

CORPORATE SOCIAL RESPONSIBILITY

Also in 2014, Slovak Telekom continued to fulfill its voluntary commitment to doing business based on the principles of ethics and responsibility towards society and the environment. As part of its corporate social responsibility, the company continued its long-standing cooperation with the community of the Hearing-impaired. Through support from the Telekom Endowment Fund, it further developed the project Mobile Teacher within which 'mobile teachers' across Slovakia visit families with hearing-impaired children. They help them to develop their communication skills and overcome fear and provide them will all necessary information. Last year, the program supported 41 families with hearing-impaired children.

In June, on the popular Magio Beach, Slovak Telekom organized an event entitled "Looking Together for the Seventh Sense" which, through creative workshops, beach volleyball and other activities, helped the hearing community open the doors to the world of the Hearing-impaired and tear down the established stereotypes. For example, participants could learn the basics of the sign language. The company continued to disseminate information on the world of the Hearing-impaired also through other activities, such as the Children's Run Rexík, which is a part of the popular event Telekom Night Run 2014.

On the occasion of the Week of the Hearing-Impaired, 21 outstanding personalities from public life and culture showed that it is not all that difficult to express traits or emotion through signs. The campaign "Learn a sign to understand each other" was supported, among others, by Adela Banášová, Roman Pomajbo, Juraj Kemka, Jana Žitňanská and Iveta Radičová. Within the campaign, these personalities encouraged people to enter the world of the Hearing-impaired through a travelling exhibition of photographs and on billboards installed all around Slovakia.

Also in 2014, the cooperation between the Slovak TV and Radio and the Telekom Endowment Fund resulted in the production of a series of 16 stories about the Hearing-impaired. A new program entitled "Voices of the Silent World" was broadcast in the Slovak sign language on the second TV channel immediately after the TV News.

In 2014, Slovak Telekom also continued the training of hearing-impaired entrepreneurs by experienced mentors. On top of that, the company provided training to shop assistants who are able to communicate in the sign language and better accommodate the needs of the Hearing-impaired.

The company also continued to support educational activities for children and young people focusing on Internet safety.

In 2014, Slovak Telekom promoted a multimedia project entitled Nehejtuj.sk which was intended for primary and secondary schools in Slovakia, and for other state-run or private institutions working with children and young people. The outputs of the project include a methodological manual and a DVD containing a selection of movies helping to combat hate speech and intolerance.

A sequel to the popular children book Ovce.sk bearing the title "Once upon a time, beyond seven puckered lips and seven likes" deals with the issue of reputation on the internet, as well as sharing and abuse of photographs through social networks, with one of the stories directly appealing to parents.

More details, including information on other projects undertaken, can be found in the Corporate Responsibility Report for 2014 published by Slovak Telekom every year since 2005. As of 2011, the report is prepared in line with the international Global Reporting Initiative methodology. The Report summarizes activities carried out in social, economic and environmental areas.

DIGI SLOVAKIA

PRODUCTS AND SERVICES

Major advantages of the services provided by DIGI Slovakia include their competitive pricing, easy installation and availability of satellite broadcasting anywhere across Slovakia. Combined with the increasing technical quality of the services, the aforementioned attributes make DIGI Slovakia one of the leaders in the provision of satellite digital TV services in Slovakia.

Installing a satellite TV is easy, customers can order installation sets by phone, online or at sale points in selected Slovak towns and cities. The basic Štandard package costs €9.60 per month. This package offers more than 65 TV channels. The Maxi package (containing over 85 channels) costs €12.90. DIGI Slovakia also offers additional EXTRA packages.

Following the entry of a new owner to the company, DIGI Slovakia extended its portfolio of sports channels. Satellite platforms DIGI and Magio have become the most comprehensive sports broadcasters in Slovakia, offering exclusive sports content to the customers of Slovak Telekom group.

CABLE TV AND INTERNET

DIGI Slovakia provides its cable TV and Internet services in ten Slovak towns: Handlová, Prievidza/Bojnice, Žiar nad Hronom, Ružomberok, Brezno, Šaľa, Senica, Komárno, Košice a Bratislava.

The company provides two **Internet** packages: StartNet 20/10 Mbit/s and BaseNet 40/20 Mbit/s. The company sticks to its "affordable price for a common customer" philosophy in this business segment, as well. The Internet services provided by DIGI Slovakia have no time and data limits, a free installation is offered as part of a promotional package.

Customers could order **cable TV and internet services** through the web, at company's sales points and, of course, via a dedicated phone line.

DIGI SPORT

DIGI Sport was launched on 10 August 2010. Over the four years of its existence, DIGI Sport has seen changes in its logo, studio, as well as its own sports news program. New channels were introduced in 2014. From August 2014, DIGI Sport 4 broadcasts fully-fledged programming; DIGI Sport 5, broadcasting UEFA Champions League matches, was on from September to the year-end on play days of the group stage of the Champions League tournament. DIGI Sport is licensed to air the UEFA Champions League in the Slovak territory.

In addition to the UEFA Champions League (from August 2013), DIGI Sport broadcasts, from August 2014, following a year-long break, the English Premier League, French Ligue 1, Italian Serie A, Slovak Corgoň / Fortuna League, matches of Slovakia's Under 21 national football team (qualification and friendly matches), Spanish Copa del Rey, Italian Coppa Italia, Brasilian Serie A, and South American Copa Libertadores.

In addition to football, DIGI Sport broadcasted European Trophy, Swedish Elitserien, Czech Extraliga, Porsche Super Cup, GT Open and European F3 Open, men's and women's handball Champions League, Davis Cup finals, ATP tournament in St Petersburg, water and winter sports, athletics, volleyball and basketball.

HUMAN RESOURCES

In 2014, DIGI Slovakia had 262 internal employees whose average age was 34 years. Men made up 68% of the DIGI Slovakia full-time staff, women accounted for 32%. Twenty percent of DIGI Slovakia employees had a university degree, secondary school graduates accounted for 80% of the staff.

The company introduced new employee remuneration schemes in 2014, which also reflected employees' individual performance.

In order to remunerate outstanding performance of its employees, the company implemented a Top Employee of the Year program to award employees who made the greatest contribution to achieving the set performance targets throughout the year. The company also extended its portfolio of employment benefits and the range of partners offering discounts to its employees.

As part of a talent development program, DIGI Slovakia primarily focused on developing sales and communication skills and product knowledge of its front-line employees who were in direct contact with the customers. Internal activities also involved employee incentive competitions aimed at sales promotion of the company's products and services.

DIGI Slovakia pays attention to the working and social conditions of its employees and to their safety and protection of health at work, primarily concentrating on prevention and a system of cyclical training of employees. In order to improve health care of its employees, the company launched the Dni zdravia (Health Days) program under which they can undergo preventive medical examinations.

COMMUNICATION

In 2014 communication activities of DIGI Slovakia focused on the specific aspects of a company providing satellite and cable TV services, Internet services and sports programming services via DIGI Sport. The company's communication primarily focused on its portfolio of services. The key communication activities involved satellite TV offer Nová DIGI. The company also communicated its DIGI Sport programming and news.

DIGI Slovakia actively communicated on its website www.digislovakia.sk and through its Facebook profile. Equally, DIGI Sport continued its communication activities on its own website www.digisport.sk and on Facebook.

DIGI Slovakia was also a media partner for a number of events organised in 2014. DIGI Slovakia supported social and cultural events at a regional level; DIGI Sport was a partner to 57 sports events throughout Slovakia. A live broadcast of three UEFA Champions League matches simultaneously was a unique project in the entire Europe. Since the beginning of the 2014/2015 sports season (in August), DIGI Sports airs approximately 120 live broadcasts a month across all its channels.

CORPORATE RESPONSIBILITY

In 2014, DIGI SLOVAKIA supported charity events for children Hodina deťom, Hviezdy deťom and Na bicykli deťom. It also provided support to children home Detský domov Studienka – Centrum sociálnych služieb, community cultural centre MsKS Brezno, an ice arena in Senica, Hospital of St Constantine and Methodius in Bratislava and basketball team MBK Baník Handlová. Through DIGI Sport, the company supported 57 various social, cultural and sports events throughout Slovakia as an advertising and media partner.

POSAM

PRODUCTS AND SERVICES

Software Solutions

PosAm develops comprehensive information systems tailored to the needs of individual clients and implements its own unique solutions. It focuses on the areas of budgeting, sales automation and settlement of insurance claims, management of IT services, workforce management, authorization of persons, signing of documents and automation of processes related to the managed document flow in a company. The company covers all phases of designing a solution: consultation and analysis through architecture design to its development and deployment. With its team of 90 consultants, architects, analysts and programmers on board, PosAm is capable of handling even the most challenging projects in the design of software solutions.

Infrastructure Solutions

PosAm designs, implements, operates and provides servicing of independent or integrated infrastructure components. In doing so, it uses the TOGAF methodology and the progressive technologies of such partners as Cisco Systems, Citrix, Hitachi Data Systems, Hewlett-Packard, IBM, Lenovo, Microsoft, Oracle and VMware. PosAm's infrastructure solutions include the building of data centers and data storages, storing and managing data, designing and implementing core IT infrastructure and the infrastructure of terminal devices, virtualization and building of infrastructure for providing cloud services, application delivery and the implementation of security features for access to the Internet.

Consultancy Services

Expert advisory and consultancy services constitute a natural part of services and solutions. Their significance rises proportionally to the complexity of the task at hand and to the impact of delivered solutions on key business processes. However, consultancy services only represent the first step towards reaching the customer's objectives; PosAm is capable of taking over the responsibility and can handle the remaining phases of the entire process encompassing the draft design, production and delivery of the solution, as well as its integration in the customers' environment while ensuring its smooth operation.

Outsourcing

PosAm provides operating IT services, customer care, and warranty and post-warranty service to leading companies in Slovakia active in the sectors of energy, manufacturing, telecommunication, banking and insurance. The transition to an outsourcing model also includes the optimization of internal processes and the method of their management in the customer's premises, in which case PosAm provides expert consultancy and suggests optimum solutions.

SEGMENTS IN WHICH POSAM IS ACTIVE

Banking

PosAm provides its clients from the banking sector with application and infrastructure solutions and operating services aimed at optimizing internal processes, increasing sales efficiency and reducing operating costs.

In its software solutions, the company focuses on increasing the efficiency of handling clients at branch offices. The aspects of electronic document authorisation and identity management are approached in an innovative manner. They are conducive to reducing the time of handling the customers, reducing the costs of processing paper documents originally available in hard copy, increasing the security, protecting reputation, improving the sales process, as well as improving the prestige.

The purpose of solutions aimed at consolidating and optimizing IT infrastructure is to reduce operating costs, improve quality parameters, enhance security, streamline administration and increase operation efficiency. In its projects in the field of desktop, server or storage infrastructure, it combines top technologies from Hitachi Data Systems, HP, IBM, Bull, Citrix and expertise of its own consultants and specialists.

The services of comprehensive IT support and operation are oriented to optimizing the costs, internal processes and at improving the quality of IT services. Outsourcing is a vehicle for the transition from IT administration to IT management.

Insurance Companies and Financial Institutions

In the insurance and finance sector, PosAm provides software solutions and services aimed at supporting key business processes of its customers.

Software development and services are designed to support mobile sales by sales representatives, management of customer relations and the settlement of insurance claims. This is significantly contributing to a more efficient acquisition of new clients, application of innovative business network management, faster deployment of new insurance products to the market and increasing the satisfaction and loyalty of clients. Technical support of sales representatives makes it possible to provide comprehensive care to clients and better manage the insurance system and its users both in technical and methodological terms. Today, the network entails more than 20,000 users.

Manufacturing

For the manufacturing and network industries segment, the company provides software and infrastructure solutions and takes care of outsourcing services.

The supplied software systems are intended for managing executive employees, authorisation of persons and the signing of documents. When building and transforming IT infrastructure, the company specializes in storage solutions and comprehensive consolidation of IT infrastructure. Outsourcing services include operating IT services and service desk services.

The systems designed for the management of executive employees facilitate the collection, classification and recording of requests. They are also used for planning and managing the servicing operations all the way through to monitoring and enforcing their performance. PosAm's clients are thus able to automate, optimize and increase the efficiency of employee management processes while at the same time improving the quality of provided services.

Recording a handwritten signature using the signature tablet and its use for the authorization of persons or signing documents brings new possibilities in the field of paperless communication. The digitized handwritten signature absolutely eliminates the need for hard copy documents, be it in the office or in the field.

When building and consolidating server, storage and desktop IT infrastructure, the company uses the technology provided by Bull, Citrix, Hitachi Data Systems, IBM, Hewlett-Packard or Microsoft.

Telecomunications and Media

PosAm is present in the telecom segment in particular through its SAP-based application solutions, core IT infrastructure solutions, as well as operation-oriented IT services.

The solutions based on the SAP platform enable a more professional management of corporate processes. In terms of data storage, management and data protection systems, the company primarily uses the technology designed by Hitachi Data Systems.

PosAm also offers cloud solutions using state-of-the-art technology while ensuring the related integration processes.

State Administrations and Local Goverment

In the state administration and local government segment, PosAm has been involved, in the long run, in software development aimed at supporting the main processes in the field of public finance and the provision of operating services, while also being active in the health sector.

In public finance, PosAm's software solutions mostly cover preparation, approval, amendments, monitoring, assessment and consolidation of budgets at all levels of state administration, as well as local government. The preparation of public administration budgets is facilitated by a solution developed by PosAm: the Budget Information System (RIS), which represents an inevitable prerequisite for the functioning of the state treasury.

Information systems designed by PosAm also facilitate the processes of collecting, storing and utilising information in the register of financial statements, coordination, preparation, performance and evaluation of government audits, as well as the management of development aid financing.

In the health sector, the company is implementing solutions for basic health registers and focuses on health terminology as a crucial element for building the eHealth system.

COMMUNICATION

PosAm's communication activities are in line with the specific aspects of a company providing services and solutions for corporate clients. Specialized professional events have played the key role in the mix of communication activities.

The communication activities revolved primarily around IT service management, storage solutions and the use of digitised handwritten signatures for the signing of documents and the identification of persons. eGovernment has become a new important issue that is being addressed by the DCOM project (the Town and Municipality Data Centre). As the largest IT project financed from the European funds in 2013, described as a unique endeavour within the Central and Eastern Europe, DCOM was presented by PosAm at the European Week of Regions and Cities - Open Days in Brussels, the largest event of its kind in Europe.

CORPORATE SOCIAL RESPONSIBILITY

PosAm is fully aware of its mission and responsibility towards society in which it conducts its business. It fosters, whenever possible, wider communities around the brand or supports those who belong to disadvantaged groups in society.

ZOZNAM, ZOZNAM MOBILE

PRODUCTS AND SERVICES

Thanks to its solid and well-established product portfolio, the Zoznam.sk web portal continued to be one of the stable leaders of the Slovak internet during the last year. In 2014, it was offering more than 40 internet portals, services and magazines that were continuously upgraded in accordance with the current trends and customer needs.

To mark the fifth anniversary of the launch of the **Feminity.sk** lifestyle magazine, the portal has received a new design. The focus was in particular on visual dominance of photographs and on attractive video content. The Feminity TV section is now more noticeable, containing in particular videos compiled by the editorial staff. Other websites redesigned last year were **Free.sk** and **oPeniazoch.sk**, including the user interface of Jednorázová zásielka (one-off file transfer service) on **Úschovňa.sk** web data storage server.

Improvements to the user interface of the **Kariéra.sk** employment portal were also made last year. Following innovative changes in 2013 which were primarily aimed at making the interface more convenient for job seekers, the Zoznam.sk portal focused on improving its services for advertisers. A new addition to the existing portfolio of services is the automatic pre-selection of candidates based on criteria entered in a job advertisement, thus significantly streamlining the entire process.

The strategic development of the **Predpredaj.sk,** e-ticketing product, includes the expansion of its services into brick and mortar shops. The tickets were initially available for collection at the Telekom network of shops, however, the e-ticketing portal is now cooperating with several partners allowing the customers to purchase their tickets directly in their retail networks. This product of Zoznam.sk has therefore found its way to the offline sector. Last year, the portal had exclusive rights to sell tickets for several outstanding events such as popular singer Miroslav Žbirka's Christmas Tour, Peter Nagy's concerts in Bratislava and Košice, concert by Marie Rottrová, as well as the "Hlasy 2/ Voices II" project by singer Richard Müller and the a band Fragile.

The **Topky.sk** news portal introduced an upgraded mobile application for iOS devices. In a survey carried out by Google.com, the Topky.sk news portal became the most searched medium of the Slovak internet for the third year in a row.

The Zoznam.sk portal extended its portfolio of magazines with the new **Telkáč magazine** for all movie and TV fans which broadened the offer of online TV guide Telkáč.sk. The Telkáč magazine brings fresh news about the most recent events in cinematography and TV broadcasting, including information about movie celebrities.

In June, the **AndroidPortal.sk** magazine, which provides mobile technology news with a primary focus on the Android mobile platform, ranked first in the number of visitors for the third month in a row. As revealed by surveys, the portal was visited by 207,893 real users during that month (June 2014, source: AIMmonitor). In November 2013, the number of real users was 73,089 and this figure rose to as many as 256,793 real users in November 2014. In December, the online magazine was redesigned, bringing a modular title and a fresh look to the website.

The tourism magazine Dromedár.sk was the most successful magazine in its market segment. In terms of economics, finance and law, the **oPeniazoch.sk portal** enjoyed the leading position. Sports magazine **Športky.sk** and music porta**l Hudba.sk** were also leaders in their respective segments. In the magazines/lifestyle domain, the leading position was held by **prominenti/topky.sk** and **Feminity.sk**. An overall increase in the number of visitors can be attributed to long-term hard work and effort to provide visitors with relevant and interesting content amidst a fierce competition. (September 2014, Source: AIMmonitor)

HUMAN RESOURCES

As at 31 December 2014, the Zoznam company had 52 employees working on the basis of an employment contract and five people with agreements for work performed outside employment contracts (casual work contracts). At the end of the year, the Zoznam Mobile company was employing 6 people, all of whom were working on the basis of an employment contract.

According to data provided as at the last day of 2014, the average age of an employee in the Zoznam company was 31 years; in the case of Zoznam Mobile's employees, the average age was 30 years.

Of all employees in the Zoznam company in 2014, 57 % were women and 43 % were men; in the Zoznam Mobile company, these figures were 33 % for women and, respectively, 67 % for men in 2014.

COMMUNICATION

In 2014, the external communication strategy focused on media support for key products and on regular communication concerning the developments and innovation in services with all relevant stakeholders.
One of the priorities was to make use of bilateral communication on social networks for the purpose of reinforcing the position of the individual Zoznam.sk products within the active community on Facebook. The products falling under Zoznam.sk had 580,000 followers on Facebook. In 2014, the fan site for Topky.sk was the largest media website of its kind in Slovakia, with its fan base continuously growing to approach the 300,000 mark in December.
Above-the-line communication focused on promoting projects oriented at direct revenues, e-ticketing portal Predpredaj.sk and the employment portal Kariéra.sk in 2014.

The **Predpredaj.sk** product was communicated in two stages. The summer campaign conveyed the message of simplicity and convenience of buying tickets from the comfort of home. The winter campaign was held in the pre-Christmas period, depicting the tickets as an ideal Christmas present. Of the media mix, TV and radio spots were chosen for the campaign. Thanks to such effective campaign, Predpredaj.sk managed to acquire new clients. This resulted in an above-average year-on-year increase in the number of tickets sold.

The **Kariéra.sk** was communicated along the previously defined lines. Its target group comprised employees who are not satisfied with their current jobs. The project entitled "Careerist" (Kariérista) motivated them to set up agents for tracking job offers and to make CVs, allowing them to respond to job offers on the labor market in a more efficient manner. The key incentive for the users included a "Starter kit for new life" (Výbava na nový život") with personal counselling, a new mobile phone, tablet, a car available for one year and a 12-month housing allowance. The prize went to a university graduate and helped her embark on a new career.

The third year of the "TV of the Year" (Telkáč roka) poll was organised by the **Telkáč.sk** portal and proved to be a success. The priority was to preserve maximum confidence and transparency in voting. Hundreds of thousands of voters chose the winners in eleven categories. During the voting period, Telkáč.sk was in the spotlight of media coverage which raised the awareness of this brand as an online TV guide that is part of Zoznam.

Enjoying great popularity, the last year's contest "**Girl of the Summer**" (Dievča leta) was conducted for the first time solely by means of an online poll without having to vote by sending an SMS. The voting was therefore more transparent and, as a result of attracting a higher number of respondents, the results were more relevant than in the past. Even without having to be persuaded by "motorized patrol" to take part in the contest, as many as 906 girls signed up, attempting to make it to the finals and fight for the "Girl of the Summer" title in the second round. The winner receiving the highest number of votes won the Peugeot 108 passenger car as the main prize.

Designed for children, the **Rexík.sk** portal is a brand that is defined as a safe place on the Internet where children can develop their skills and abilities in a playful manner. The objective of the Rexík Night Run for Kids (Večerný detský beh Rexík) organised as part of the Telekom Night Run in Bratislava was to communicate a message that Rexík cares about healthy life style in a safe environment. The kids' run enjoyed great popularity, with as many as 400 runners participating.

CORPORATE RESPONSIBILITY

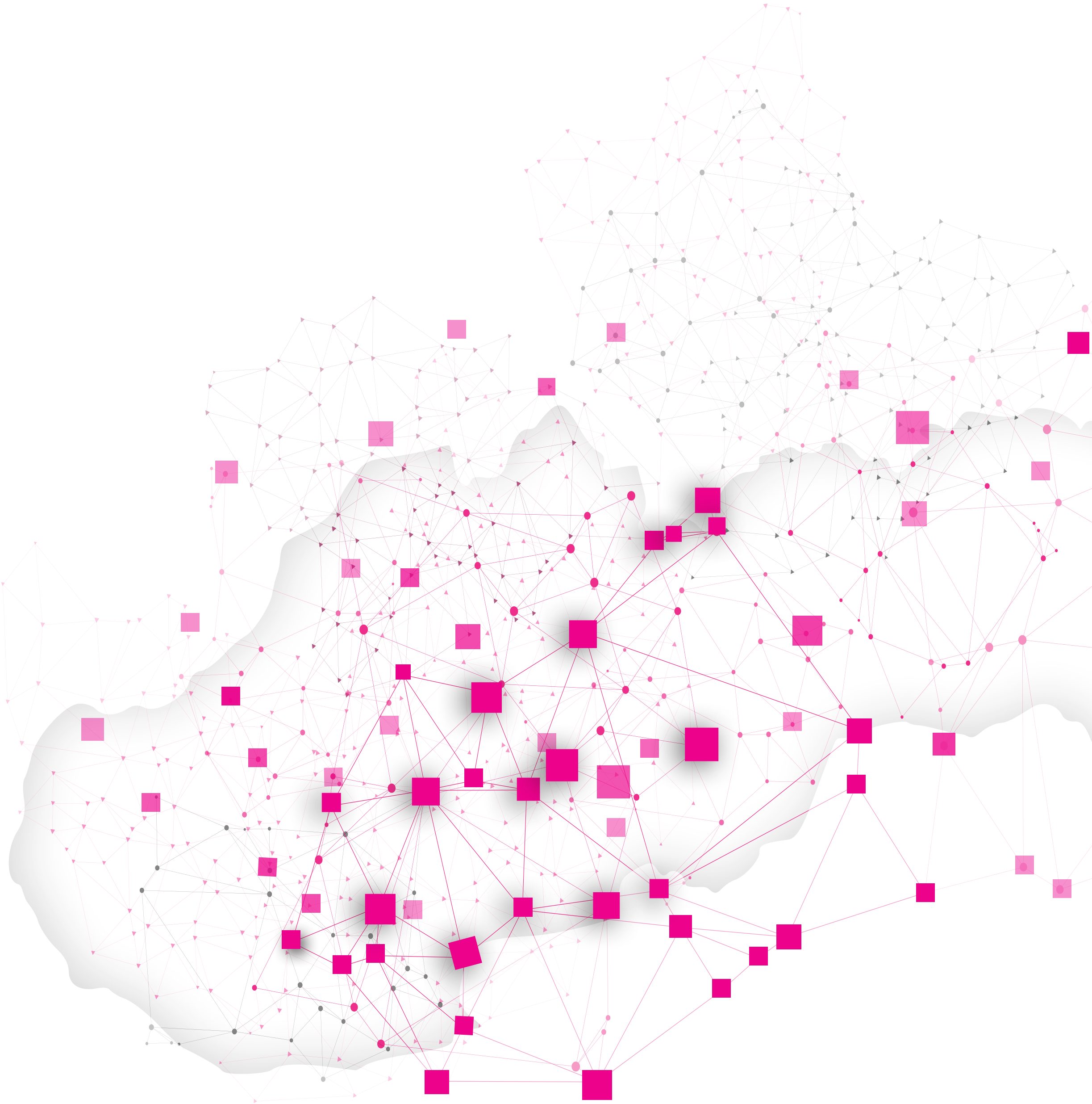
Under the corporate responsibility concept, Zoznam.sk regularly supports non-profit organizations, civic associations, and organizations active in the humanitarian area which are bringing efficient, long-term and effective strategies and activities for the needs of the third sector. In 2014, Zoznam supported the following non-profit organizations by providing free media coverage: Magna Children at Risk (MAGNA Deti v núdzi), You May Wish Civic Association (OZ Želaj si), Pluto Civic Association (OZ Pluto), IPčko.sk, Plamienok Children's Hospice (Detský hospic Plamienok), Smile as a Gift (Úsmev ako dar), A Drop of Hope Foundation (Nadácia kvapka nádeje), eSlovensko Civic Association (OZ eSlovensko), Civic Association OZ Savio, etc.

Last year, Zoznam participated in an educational campaign Safe Internet (Bezpečný internet), offering advice and tips for protecting children against the dangers of the Internet. In a playful manner, it provided information on how to minimise the risks posed by the Internet for children in cooperation with the eSlovensko Civic Association and the Sheeplive.eu project (Ovce.sk).

Continuing its tradition, the Zoznam company supported the GMC (Global Management Challenge) international project by becoming a partner in 2014. The world's biggest strategic management competition attracts more than 500,000 university students every year. Zoznam supported three teams of Slovak students, offering them professional advisory services.

Last year, the company continued to support, through its portal Kariera.sk, the volunteering activities as a means for increasing employment among unemployed people and for developing their competences and skills. Advertisements for volunteer positions were published on the employment portal free of charge.

03 FINANCIAL STATEMENTS



Slovak Telekom, a.s.

CONSOLIDATED FINANCIAL STATEMENTS

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

FOR THE YEARS ENDED 31 DECEMBER 2014, 2013 AND 2012

CONTENTS

INDEPENDENT AUDITOR'S REPORT

INDEPENDENT AUDITOR'S REPORT

To the Shareholders, the Supervisory Board and the Board of Directors of Slovak Telekom, a.s.

We have audited the accompanying consolidated financial statements of Slovak Telekom, a.s. (the "Company") and its subsidiaries (together the "Group"), which comprise the consolidated statements of financial position as at 31 December 2014, 31 December 2013 and 31 December 2012 and the consolidated statements of income, comprehensive income, changes in equity and cash flows for the years then ended, and notes comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2014, 31 December 2013 and 31 December 2012, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

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The company's ID (IČO) No. 35739347.
Tax Identification No. of PricewaterhouseCoopers Slovensko, s.r.o. (DIČ) 2020270021.
VAT Reg. No. of PricewaterhouseCoopers Slovensko, s.r.o. (IČ DPH) SK2020270021.
Spoločnosť je zapísaná v Obchodnom registri Okresného súdu Bratislava 1, pod vložkou č. 16611/B, oddiel: Sro.
The company is registered in the Commercial Register of Bratislava 1 District Court, ref. No. 16611/B, Section: Sro.

pwc

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 36 to these consolidated financial statements, which describe the proceeding of the European Commission against the Company, its results and the potential implications thereof. The ultimate outcome of the matter cannot presently be determined.

PricewaterhouseCoopers Slovensko, s.r.o.
SKAU licence No.: 161

Slovenská komora audítorov
SKAU
Č.licencie 161
PricewaterhouseCoopers Slovensko, s.r.o.

Ing. Štefan Čupil, FCCA
UDVA licence No.: 1088

Bratislava, 4 March 2015

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER

thousands of EUR	Notes	2014	2013	2012
Revenue	**5**	**767,551**	**809,027**	**826,812**
Staff costs	6	(130,077)	(132,439)	(129,755)
Material and equipment		(101,240)	(104,535)	(92,570)
Depreciation, amortization and impairment losses	12,13,14	(194,956)	(236,921)	(236,352)
Interconnection and other fees to operators		(65,741)	(70,516)	(87,007)
Other operating income	7	12,638	10,885	10,489
Other operating costs	8	(218,896)	(206,187)	(181,092)
Operating profit		**69,279**	**69,314**	**110,525**
Financial income	9	2,873	2,630	4,919
Financial expense	10	(1,191)	(1,786)	(1,802)
Net financial result		**1,682**	**844**	**3,117**
Profit before tax		**70,961**	**70,158**	**113,642**
Income tax expense	11	(27,395)	(20,857)	(50,495)
Profit for the year		**43,566**	**49,301**	**63,147**
Basic / diluted earnings per share (EUR)	**28**	**0.50**	**0.57**	**0.73**

The consolidated financial statements on pages 41 to 97 were authorized for issue on behalf of the Board of Directors of the Group on 4 March 2015 and signed on their behalf by:

....
Ing. Miroslav Majoroš
Chairman of the Board of Directors
and Chief Executive Officer

....
Dr. Robert Hauber
Member of the Board of Directors
and Chief Financial Officer

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER

thousands of EUR	Notes	2014	2013	2012
Profit for the year		**43,566**	**49,301**	**63,147**
Other comprehensive income				
Gain on remeasurement of available-for-sale investments	22	86	36	-
Deferred tax income / (expense)	11	8	(8)	-
Net other comprehensive income to be reclassified to profit or loss in subsequent periods		**94**	**28**	**-**
(Loss) / gain on remeasurement of defined benefit plans	29	(1,825)	1,446	(2,131)
Deferred tax income / (expense)	11	402	(310)	373
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods		**(1,423)**	**1,136**	**(1,758)**
Total comprehensive income for the year, net of tax		**42,237**	**50,465**	**61,389**

The accompanying Notes form an integral part of these Consolidated Financial Statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER

thousands of EUR	Notes	2014	2013	2012
ASSETS				
Non-current assets				
Property and equipment	13	792,167	817,646	918,503
Intangible assets	14	404,359	443,016	358,118
Available-for-sale investments	22	32,102	176,633	-
Deferred tax	11	826	918	190
Term deposits	23	-	1,088	-
Trade and other receivables	17	1,725	9,142	9,135
Prepaid expenses and other assets	19	13,172	12,806	14,214
		1,244,351	**1,461,249**	**1,300,160**
Current assets				
Inventories	20	12,109	14,192	14,038
Investments at amortized cost	21	3,120	3,120	74,326
Available-for-sale investments	22	171,965	49,865	-
Term deposits	23	219,596	142,271	105,961
Escrow	24	1,000	13,000	-
Loans	25	150,000	-	-
Trade and other receivables	17	112,107	130,730	110,522
Prepaid expenses and other assets	19	6,545	7,828	9,763
Current income tax receivables		9,986	825	4,002
Cash and cash equivalents	26	93,067	229,084	371,488
		779,495	**590,915**	**690,100**
Assets held for sale	12	8,647	19,772	-
		788,142	**610,687**	**690,100**
TOTAL ASSETS		**2,032,493**	**2,071,936**	**1,990,260**
EQUITY AND LIABILITIES				
Shareholders' equity				
Issued capital	27	864,113	864,113	864,113
Share premium	27	386,139	386,139	386,139
Statutory reserve fund		172,823	172,823	170,634
Other		(1,907)	1,812	634
Retained earnings and profit for the year		187,558	160,392	183,848
		1,608,726	**1,585,279**	**1,605,368**
Non-current liabilities				
Deferred tax	11	115,916	128,288	150,479
Provisions	29	25,751	16,915	18,215
Trade and other payables	30	638	1,088	255
Other liabilities and deferred income	32	3,511	2,810	4,830
		145,816	**149,101**	**173,779**
Current liabilities				
Provisions	29	37,420	34,294	5,243
Trade and other payables	30	128,959	225,230	133,536
Other liabilities and deferred income	32	110,632	73,995	72,198
Current income tax liabilities		940	4,037	136
		277,951	**337,556**	**211,113**
Total liabilities		**423,767**	**486,657**	**384,892**
TOTAL EQUITY AND LIABILITIES		**2,032,493**	**2,071,936**	**1,990,260**

The accompanying Notes form an integral part of these Consolidated Financial Statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER

thousands of EUR	Notes	Issued capital	Share premium	Statutory reserve fund	Other	Retained earnings	Total equity
Year ended 31 December 2012							
At 1 January 2012		864,113	386,139	159,240	2,380	224,095	1,635,967
Profit for the year		-	-	-	-	63,147	63,147
Other comprehensive income		-	-	-	(1,758)	-	(1,758)
Total comprehensive income		-	-	-	(1,758)	63,147	61,389
Transactions with shareholders:							
Allocation to funds	27	-	-	11,394	-	(11,394)	-
Other changes in equity		-	-	-	12	-	12
Dividends	27	-	-	-	-	(92,000)	(92,000)
At 31 December 2012		**864,113**	**386,139**	**170,634**	**634**	**183,848**	**1,605,368**
Year ended 31 December 2013							
At 1 January 2013		864,113	386,139	170,634	634	183,848	1,605,368
Profit for the year		-	-	-	-	49,301	49,301
Other comprehensive income		-	-	-	1,164	-	1,164
Total comprehensive income		-	-	-	1,164	49,301	50,465
Transactions with shareholders:							
Allocation to funds	27	-	-	2,189	-	(2,189)	-
Other changes in equity		-	-	-	14	-	14
Dividends	27	-	-	-	-	(70,568)	(70,568)
At 31 December 2013		**864,113**	**386,139**	**172,823**	**1,812**	**160,392**	**1,585,279**
Year ended 31 December 2014							
At 1 January 2014		864,113	386,139	172,823	1,812	160,392	1,585,279
Profit for the year		-	-	-	-	43,566	43,566
Other comprehensive income		-	-	-	(1,329)	-	(1,329)
Total comprehensive income		-	-	-	(1,329)	43,566	42,237
Transactions with shareholders:							
Other changes in equity		-	-	-	(2,390)	-	(2,390)
Dividends	27	-	-	-	-	(16,400)	(16,400)
At 31 December 2014		**864,113**	**386,139**	**172,823**	**(1,907)**	**187,558**	**1,608,726**

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER

thousands of EUR	Notes	2014	2013	2012
Operating activities				
Profit for the year		**43,566**	**49,301**	**63,147**
Adjustments for:				
Depreciation, amortization and impairment losses	12,13,14	194,956	236,921	236,352
Interest income, net		(2,289)	(2,442)	(4,399)
Income tax expense	11	27,395	20,857	50,495
Gain on disposal of property and equipment and intangible assets	7	(1,248)	(1,160)	(1,113)
Other non-cash items		3,709	7,679	4,586
Movements in provisions		28,164	25,534	(1,415)
Changes in working capital				
Change in trade and other receivables		20,423	(15,944)	(8,050)
Change in inventories		2,506	155	(2,512)
Change in trade and other payables		(1,384)	13,432	13,495
Cash flows from operations		**315,798**	**334,333**	**350,586**
Income taxes paid		(50,844)	(43,936)	(57,437)
Net cash flows from operating activities		**264,954**	**290,397**	**293,149**
Investing activities				
Purchase of property and equipment and intangible assets		(178,273)	(111,949)	(104,462)
Proceeds from disposal of property and equipment and intangible assets		2,718	2,050	1,857
Acquisition of interest in subsidiaries	16.5	1,638	(52,746)	(2,438)
Acquisition of investments at amortized cost		-	-	(70,582)
Proceeds from disposal of investments at amortized cost		-	70,582	78,094
Acquisition of available-for sale investments		(32,937)	(231,465)	-
Proceeds from disposal of available-for sale investments		49,981	1,930	-
Disbursement of loans		(150,000)	-	(140,000)
Repayment of loans		-	-	330,000
Acquisition of term deposits		(423,519)	(207,456)	(136,029)
Termination of term deposits		348,276	169,669	30,000
Interest received		6,569	1,452	5,975
Net cash used in investing activities		**(375,547)**	**(357,933)**	**(7,585)**
Financing activities				
Dividends paid	27	(16,400)	(70,568)	(92,000)
Repayment of finance lease liabilities		(5)	(53)	(109)
Repayment of other financial liabilities		(8,378)	(3,419)	-
Other charges paid		(664)	(788)	(600)
Net cash used in financing activities		**(25,447)**	**(74,828)**	**(92,709)**
Effect of exchange rate changes on cash and cash equivalents		23	(40)	-
Net (decrease) / increase in cash and cash equivalents		(136,017)	(142,404)	192,855
Cash and cash equivalents at 1 January	26	229,084	371,488	178,633
Cash and cash equivalents at 31 December	26	**93,067**	**229,084**	**371,488**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

INDEX TO THE NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

These consolidated financial statements have been prepared for Slovak Telekom, a. s. ("the Company" or "Slovak Telekom") and its subsidiaries DIGI SLOVAKIA, s.r.o. ("DIGI"), PosAm, spol. s r. o. ("PosAm"), Zoznam, s. r. o. ("Zoznam"), Zoznam Mobile, s. r. o. ("Zoznam Mobile") and Telekom Sec, s. r. o. ("Telekom Sec") (together "the Group").

Slovak Telekom is a joint-stock company incorporated on 1 April 1999 in the Slovak Republic. The Company's registered office is located at Bajkalská 28, 817 62 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") gained 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 National Property Fund of the Slovak Republic and the issue of new shares. On 13 December 2013 Deutsche Telekom AG transferred 51% share of Slovak Telekom and voting rights associated with the shares to T-Mobile Global Holding Nr. 2 GmbH, and on 17 December 2013 T-Mobile Global Holding Nr. 2 GmbH transferred 51% share and voting rights associated with the shares to CMobil B.V. The change of the shareholders came into effect by registering in the Central Securities Depository of the Slovak Republic. T-Mobile Global Holding Nr. 2 GmbH became the shareholder of Slovak Telekom on 18 December 2013 and CMobil B.V. became the shareholder of Slovak Telekom on 10 January 2014. The Slovak Republic retains 34% of the shares of the Company through the Ministry of the Economy of the Slovak Republic and the National Property Fund of the Slovak Republic retains 15% of the shares of the Company.

Effective 1 July 2010 Slovak Telekom, a.s. and T-Mobile Slovensko, a.s. ("T-Mobile") have been legally merged. T-Mobile was wound up without liquidation by means of an up-stream merger. Slovak Telekom became a legal successor of T-Mobile and consequently has taken over their assets and liabilities. Since October 2011 the integrated Company operates on the market under one common brand named Telekom replacing brand names T-Com and T-Mobile.

Slovak Telekom is the largest universal multimedia operator in Slovakia offering residential and corporate clientele benefits of comprehensive solutions provided from a single source. Slovak Telekom offers a full-array of data and voice services, and owns and operates the fixed and mobile telecommunications network covering almost the entire territory of the Slovak Republic. In the field of the fixed network, Slovak Telekom systematically invests in the most advanced optical infrastructure, operates the Next Generation Network (NGN) and is the largest broadband provider in the country. As the first multimedia operator in the country, it offers the IPTV (Magio TV) and satellite TV (Magio SAT) via fixed networks and satellite technology DVB-S2. In the field of mobile communication, it provides as the only operator internet connectivity via five technologies for high-speed data transmission - GPRS/ EDGE, Wireless LAN (Wi-Fi), UMTS FDD/HSDPA/HSUPA, FLASH-OFDM and LTE (as the first operator commercially launched services running on the LTE network). Slovak Telekom established and operates public mobile telecommunications networks over frequencies: 900 MHz and 1800 MHz under the standard GSM (Global System for Mobile Communications) to provide voice services. Slovak Telekom also provides wireless broadband internet access and Managed Data Network Services over frequencies 2100 MHz under the standard UMTS (Universal Mobile Telecommunications System), 800 MHz, 1800 MHz and 2600 MHz under standard LTE and 450 MHz under the Flash-OFDM standard. In addition, Slovak Telekom provides Fixed Wireless Access (FWA) over frequencies 26 GHz/28 GHz.

On 30 December 2013 the Telecommunications Office of the Slovak Republic granted to Slovak Telekom the license for the provision of mobile services on 800 MHz and 2600 MHz frequency bands (LTE license) valid until 31 December 2028. The frequency authorization granted by the Telecommunications Office of the Slovak Republic for the provision of mobile services on 900 MHz, 1800 MHz and 450 MHz frequency bands is valid up to 31 December 2025. The UMTS license for 2100 MHz frequency band (including the 28/29 GHz frequency band for backhaul connections) is valid up to 31 August 2026. The 28 GHz frequency licenses granted by the Telecommunications Office of the Slovak Republic is valid until 21 December 2017 and 26 GHz frequency is valid until 23 January 2018.

At 31 December 2014, the Company had the following fully consolidated direct subsidiaries:

Name and registered office	Activity	Share and voting rights
DIGI SLOVAKIA, s.r.o., Röntgenova 26, 851 01 Bratislava	TV services, broadband services and TV channels production	100%
PosAm, spol. s r. o., Odborárska 21, 831 02 Bratislava	IT services, applications and business solutions	51%
Zoznam, s.r.o., Viedenská cesta 3-7, 851 01 Bratislava	Internet portal	100%
Zoznam Mobile, s.r.o., Viedenská cesta 3-7, 851 01 Bratislava	Mobile content provider	100%
Telekom Sec, s.r.o., Bajkalská 28, 817 62 Bratislava	Security services	100%

All subsidiaries are incorporated in the Slovak Republic. Shares in the subsidiaries are not traded on any public market.

On 1 September 2013 the Group acquired 100% share capital and voting rights in DIGI (Note 16). In October 2013 Slovak Telekom increased registered capital of DIGI by EUR 1,000 thousand.

On 29 January 2010 the Group acquired 51% of the share capital and voting rights in PosAm and obtained control of PosAm. The business combination was accounted for as if the acquirer had obtained a 100% interest in the acquiree due to existence of put & call options which, if triggered, may result in the transfer of the residual 49% equity interest in PosAm to Slovak Telekom. The Group concluded that terms of the transaction represent a contractual obligation to purchase the Group's equity instrument. The fair value of such liability (i.e. present value of the redemption amount) has been reclassified from equity (non-controlling interest) to financial liabilities (Note 30). Accordingly, the consideration transferred includes the present value of the liability related to the acquisition of 49% of PosAm under the put & call options.

PosAm directs its business activities towards providing IT services, applications solutions, infrastructure solutions and consulting to corporate customers.

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

Zoznam operates one of the most frequently visited Slovak internet portals, Zoznam.sk, specializes in internet website search and offers on-line products like a news server Topky.sk, specialised magazines, freemail service, job portal or catalogue of companies.

Zoznam Mobile provides mobile internet content services, mobile technologies and tailor-made solutions.

In December 2013 Slovak Telekom increased registered capital of Telekom Sec by EUR 5 thousand.

Members of the Statutory Boards at 31 December 2014

Board of Directors

Chair:	Ing. Miroslav Majoroš
Vice-chair:	Ing. Michal Vaverka
Member:	Dr. Robert Hauber
Member:	Kerstin Günther
Member:	Franco Musone Crispino
Member:	Ing. Miloš Šujanský, PhD., M.B.A.
Member:	Ing. Martin Mác

Supervisory Board

Chair:	Dr. Hans-Peter Schultz
Vice-chair:	Ing. Michal Lukačovič
Member:	Ing. Denisa Herdová
Member:	Miriam Kvočková
Member:	Ing. Peter Weber
Member:	Ing. Drahoslav Letko
Member:	Mgr. Martin Habán
Member:	Cornelia Elisabeth Sonntag
Member:	Tanja Wehrhahn

There were no changes entered in the Commercial Register in 2014.

T-Mobile Global Holding Nr. 2 GmbH with registered office at Landgrabenweg 151, Bonn, Germany was the parent of the Company at 31 December 2013. CMobil B.V. with registered office at Stationsplein 8 K, Maastricht, the Netherlands became the parent of the Company on 10 January 2014.

Deutsche Telekom AG, with its registered office at Friedrich Ebert Allee 140, Bonn, Germany, is the ultimate parent of the group of which the Company is a member and for which the group financial statements are drawn up. The ultimate 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 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 have been prepared under the historical cost convention, except where disclosed otherwise.

The Group's functional currency is the Euro ("EUR"), the financial statements are presented in Euros and all values are rounded to the nearest thousands, except where otherwise indicated.

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

The preparation of financial statements in conformity with International Financial Reporting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 2.20.

Statement of compliance

These financial statements are the ordinary consolidated financial statements of the Group and have been prepared in accordance with International Financial Reporting Standards and IFRIC interpretations as adopted by the European Union ("IFRS"). The consolidated financial statements are available at the Company's registered office and in the public administration information system (the Register) administered by the Ministry of Finance of the Slovak Republic.

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.

Subsidiaries are all entities in which the Company has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity.

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.

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the fair value of the assets transferred, shares issued or liabilities undertaken at the date of acquisition. The excess of the cost of acquisition over the fair value of the net assets and contingent liabilities of the subsidiary acquired is recorded as goodwill. The consideration payable includes the fair value of any asset or liability resulting from a contingent consideration arrangement. If the amount of contingent consideration (a liability) changes as a result of a post-acquisition event (such as meeting an earnings target), the change is recognized in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. Put option on share held in subsidiary by minority shareholders is classified as financial liability. The corresponding amount is reclassified from equity (non- controlling interest). Subsequent measurement of the liability is at amortised cost in accordance with IAS 39.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

Costs directly attributable to the acquisition are expensed.

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

2.2 Property and equipment

Property and equipment is initially measured at historical cost, excluding the costs of day-to-day servicing. The cost of property and equipment acquired in a business combination is their fair value as at the date of acquisition. Following initial recognition, property and equipment is carried at cost less any accumulated depreciation and provision for impairment, where required. The initial estimate of the costs of dismantling and removing the item of property and equipment and restoring the site on which it is located is also included in the costs, if the obligation incurred can be recognized as a provision according to IAS 37.

Historical cost includes all costs directly attributable to bringing the asset into working condition for its use as intended by the management. In case of network, costs comprise all expenditures, including internal costs directly attributable to network construction, and include contractors' fees, materials and direct labour. Costs of subsequent enhancement are included in the asset's carrying amount or recognized 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. The carrying amount of the replaced part is derecognized. Maintenance, repairs and minor renewals are charged to the income statement as incurred.

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

Depreciation is calculated on a straight-line basis from the time the assets are available for use over their estimated useful lives. 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:

Buildings and masts	50 years
Other structures	8 to 30 years
Duct, cable and other outside plant	8 to 50 years
Telephone exchanges and related equipment	4 to 30 years
Radio and transmission equipment	5 to 8 years
Other property and equipment	13 months to 30 years

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

Residual values and useful lives of property and equipment are reviewed and adjusted in accordance with IAS 8, where appropriate, at each financial year-end. For further details on groups of assets influenced by the most recent useful life revisions refer to Note 2.20.

Property and equipment are reviewed for impairment whenever events or circumstances indicate that their carrying amounts may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and its value in use. Impairment losses are reversed if the reasons for recognizing the original impairment loss no longer apply.

2.3 Assets held for sale

Property and equipment are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction, the sale is considered as highly probable, it must be available for immediate sale in its present condition and it must genuinely be sold, not abandoned. When property and equipment meet these criteria, they are measured at the lower of their carrying amount and fair value less costs to sell and are reclassified from non-current to current assets. Property and equipment once classified as held for sale are not depreciated. Impairment of such assets is recognized if fair value less costs of disposal is lower than the carrying amount. If fair value less costs of disposal subsequently increases, the impairment loss previously recognized must be reversed. The reversal of impairment losses is limited to the impairment losses previously recognized for the assets concerned. If the requirements for the classification of assets as held for sale are no longer met, the assets may no longer be shown as held for sale. These assets are to be measured at the lower of the carrying amount that would have applied if the assets had not been classified as held for sale, and the recoverable amount at the date at which the requirements for the classification as held for sale are no longer met.

2.4 Intangible assets

Intangible assets acquired separately are recognized when control over them is assumed and are initially measured at historical cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and provision for impairment, where required. Intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. With the exception of goodwill, intangible assets have a finite useful life and are amortized using the straight-line method over their estimated useful lives. The assets' residual values and useful lives are reviewed and adjusted in accordance with IAS 8, as appropriate, at each financial year-end. For further details on the groups of assets influenced by the most recent useful life revisions refer to Note 2.20.

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

Software	2 to 16 years
Licenses	1 to 22 years
Customer relationships	9 to 13 years

Any gain or loss on derecognition of an intangible asset is measured as the difference between the net disposal proceeds and the carrying amount of the asset and is included within other operating income or expense in the income statement in the period in which the asset is derecognized.

Software and licenses
Development costs directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognized as intangible assets when the following criteria are met:

a) it is technically feasible to complete the software product so that it will be available for use;
b) management intends to complete the software product and use or sell it;
c) there is an ability to use or sell the software product;
d) it can be demonstrated how the software product will generate probable future economic benefits;
e) adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
f) the expenditures attributable to the software product during its development can be reliably measured.

Directly attributable costs capitalized as part of a software product include software development employee costs and an appropriate portion of relevant overheads. Other development expenditures that do not meet recognition criteria and costs associated with maintaining computer software programs are recognized as an expense as incurred.

Acquired software licenses are capitalized on the basis of the costs incurred to acquire and bring to use specific software. Costs comprise all directly attributable costs necessary to create, produce and prepare the software to be capable of operating in a manner intended by the management, including enhancements of applications in use.

Costs associated with the acquisition of long term frequency licenses are capitalized. Useful lives of concessions and licenses are based on the underlying agreements and are amortized on a straight-line basis over the period from availability of the frequency for commercial use until the end of the initial concession or license term. No renewal periods are considered in the determination of useful life. Recurring license fees paid for core frequencies may be subject to change and therefore cannot be reliably estimated over the duration of the license term and are recognized as other operating costs in the period they relate to. Recurring license fees are paid during whole period of granted license.

The Group accounts for content licenses as intangible assets if there is unavoidable obligation to pay for the content rights, there are no doubts that the content will be delivered and the cost can be reliably estimated. Acquired content licenses are shown at historical cost. If there is no fixed price defined in the contract, the Group uses best estimate to assess the fee during the contracted period. The useful lives of content licenses are based on the underlying agreements and are amortized on a straight-line basis over the period from availability for commercial use until the end of the license term which is granted to the Group.

Goodwill
Goodwill arises on the acquisition of subsidiaries and represents an excess of consideration transferred over Group's interest in net fair value of the net identifiable assets acquired, liabilities and contingent liabilities of the acquiree and the fair value of non-controlling interest in the acquiree. Following initial recognition, goodwill is carried at cost less any accumulated impairment losses. Goodwill is not amortized but it is reviewed for impairment annually or more frequently, if events or changes in circumstances indicate that the carrying value may be impaired (Note 15). Carrying value of goodwill is compared to its recoverable amount, which is the higher of value in use and fair value less costs to sell. Any impairment is recognized immediately as an expense and is not subsequently reversed. Fair values less costs to sell of cash-generating units with allocated goodwill tested for impairment are in Level 3 of the fair value hierarchy.

2.5 Impairment of non-financial assets
An impairment loss is the amount by which the carrying amount of an asset or a cash-generating unit exceeds its recoverable amount. Assets that are subject to depreciation or amortization are reviewed for impairment whenever events or circumstances indicate that their carrying amount may not be recoverable. Assets with indefinite useful life or intangible assets not ready to use are not subject to amortization and are tested for impairment annually. Impairment losses for each class of asset are disclosed within depreciation, amortization and impairment losses in the income statement. Reversals of impairment losses are disclosed within other operating income in the income statement.

For the purpose of assessing impairment, assets are grouped into cash-generating units, representing the smallest groups of assets that generate cash inflows that are largely independent of the cash inflows from other assets or groups of assets. The Group determines the recoverable amount of a cash-generating unit on the basis of fair value less costs of disposal. The calculation is determined by reference to discounted cash flows calculations. These discounted cash flows calculations are based on financial budgets approved by management, usually covering a ten or four-year period. 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 of disposal include average revenue per user, customer acquisition and retention costs, churn rates, capital expenditures, market share, growth rates and discount rates. Discount rates reflect risks specific to the cash-generating unit. Cash flows reflect management assumptions and are supported by external sources of information. This is highly judgmental, which carries the inherent risk of arriving at materially different recoverable amounts if estimates used in the calculations proved to be inappropriate.

If carrying amount of a cash-generating unit to which the goodwill is allocated exceeds its recoverable amount, goodwill allocated to this cash-generating unit is reduced by the amount of the difference. If an impairment loss recognized for the cash-generating unit exceeds the carrying amount of the allocated goodwill, the additional amount of the impairment loss is recognized through pro rata reduction of the carrying amounts of 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 fair value less costs to sell.

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 synergies of 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 purposes.

Impairment is determined by assessing the recoverable amount of cash-generating unit to which the goodwill relates. For more details on impairment of goodwill refer to Note 15.

2.6 Inventories

Cost of inventories comprises all the costs of purchase and other costs incurred in bringing the inventories to their present location and condition, including customs, transportation and similar costs. Inventories are stated at the lower of cost and net realizable value. Cost of inventory is determined on the weighted average basis. Net realizable value is the estimated selling price in the ordinary course of business, less estimated selling expenses. An allowance is created against slow-moving and obsolete inventories.

Phone sets are often sold for less than cost in connection with promotions to obtain new subscribers with minimum commitment periods. Such loss on the sale of equipment is recorded upon customer acquisition or retention within material and equipment costs in the income statement. Phone set inventory impairment allowances are recognised immediately when the phone sets are no longer marketable to secure subscriber contractual commitment or if the resale value on a standalone basis (without the subscriber commitment) is lower than cost.

2.7 Cash and cash equivalents

Cash and cash equivalents comprise cash at banks and in hand and short-term deposits with original maturity of three months or less from the date of acquisition.

For the purpose of the statement of cash flows, cash and cash equivalents are net of bank overdrafts. In the statement of financial position, bank overdrafts are included in borrowings in current liabilities.

2.8 Financial assets

The Group classifies its financial assets as: loans and receivables, financial assets at fair value through profit or loss, held-to-maturity investments and available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired. 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. Regular purchases and sales of financial assets are recognized on the trade date – the date on which the Group commits to purchase or sell the asset. When financial assets are recognized, they are initially measured at fair value, plus, in case of investments not held at fair value through profit or loss, directly attributable transaction costs. Financial assets carried at fair value through profit or loss are initially recognized at fair value, and transaction costs are expensed in the income statement.

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized 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.

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Group's loans and receivables are detailed in Note 3.6.

Trade receivables are amounts due from customers for services performed or merchandise sold in the ordinary course of business. Trade and other receivables are included in current assets, except for maturities greater than 12 months after the financial year-end. These are classified as non-current assets. Trade and other receivables are initially recognized at fair value and subsequently measured at amortized cost, using the effective interest rate method, less allowance for impairment. For the purpose of impairment evaluation, trade receivables are grouped together on the basis of similar credit risk characteristics, tested collectively for impairment and written down, if necessary. The amount of impairment loss recognised is the difference between the asset´s carrying amount and present value of estimated future cash flows which are based on the past experience of the collectability of overdue receivables. Allowance for impairment reflects the estimated credit risk.

When a trade receivable for which an allowance was recognized becomes uncollectible or sold, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are recognized within other operating income in the income statement.

Amounts payable to and receivable from the same international telecommunication operators are shown net in the statement of financial position when a legally enforceable right to set-off exists and the Group intends to settle them on a net basis.

Finance lease receivables
Where Group is a lessor in a lease which transfers substantially all the risks and rewards incidental to ownership to the lessee, the assets leased out are presented as a finance lease receivable and carried at the present value of the future lease payments. Finance lease receivables are initially recognized at commencement (when the lease term begins), using a discount rate determined at inception. The difference between the gross receivable and the present value represents unearned finance income which is recognized over the term of the lease using the effective interest rate method.

Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss are financial assets held for trading and financial assets designated upon initial recognition in this category. A financial asset held for trading is classified in this category if acquired principally for the purpose of selling in the short term. Assets in this category are classified as current assets if expected to be settled within 12 months, otherwise they are classified as non-current. Gains or losses arising from changes in the fair value of "financial assets through profit or loss" category are presented in the income statement within financial income or financial expense in the period in which they arise.

Derivatives are also classified as held for trading. Gains or losses on assets held for trading are recognized in the income statement within financial income or financial expense.

The Group does not apply hedge accounting in accordance with IAS 39 for its financial instruments, therefore all gains and losses are recognized in the income statement within financial income or financial expense.

Held-to-maturity investments
Quoted 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 amortized cost using the effective interest rate method, less impairment. 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 recognized in profit or loss when the investments are derecognized or impaired.

Available-for-sale investments
Available-for-sale financial investments include debt securities. Debt securities in this category are those that may be sold in response to needs for liquidity or in response to change in the market conditions. After initial measurement, available-for-sale financial investments are subsequently measured at fair value with unrealized gains or losses recognized in other comprehensive income and credited in the available-for-sale reserve until the investment is derecognized, at which time the cumulative gain or loss is recognized in financial income, or the investment is determined to be impaired, when the cumulative loss is reclassified from the available-for-sale reserve to the income statement in financial expense. Interest earned whilst holding available-for-sale financial investments is reported as interest income using the effective interest rate method.

2.9 Impairment of financial assets

The Group assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the financial asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Impairment losses of financial assets reduce their carrying amount and are recognized in the income statement against allowance accounts. Upon derecognition of a financial asset the net carrying amount includes any allowance for impairment. Any gains or losses on derecognition are calculated as the difference between the proceeds from disposal and the net carrying amount and are presented in the income statement.

If, in a subsequent period, the amount of an impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the reversal of the previously recognized impairment loss is recognized in the income statement.

2.10 Financial liabilities

There are two measurement categories for financial liabilities used by the Group: financial liabilities carried at amortized costs represented by trade and other payables and financial liabilities at fair value through profit or loss. A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are initially measured at fair value. After initial recognition trade and other payables are measured at amortized cost using the effective interest rate 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 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 recognized in profit or loss.

The Group does not apply hedge accounting in accordance with IAS 39 for its financial instruments, therefore all gains and losses are recognized in the income statement within financial income or financial expense.

2.11 Prepaid expenses

The Group has easement rights to use and access technological equipment sited in properties owned by third parties. These easements are presented within prepaid expenses in the statement of financial position. Easements are initially recognized at their net present value and amortized over their expected duration. Amortization of easement rights is presented within other operating costs in the income statement.

2.12 Provisions and contingent liabilities

Provisions for asset retirement obligations, restructuring costs and legal and regulatory claims are recognized 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 the amount has been reliably estimated.

If the effect of the time-value of money is material, provisions are discounted using a risk-adjusted, pre-tax discount rate. Where discounting is used, the increase in the provision due to the passage of time is recognized as a financial expense.

No provision is recognized for contingent liabilities. A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or a present obligation that arises from past events but is not recognized because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Asset retirement obligations

Asset retirement obligations relate to future costs associated with the retirement (dismantling and removal from use) of non-current assets. The obligation is recognized in the period in which it has been incurred and it is considered to be an element of cost of the related non-current asset in accordance with IAS 16. The obligation is measured at present value, and it 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.

2.13 Employee benefit obligations

Retirement and other long-term employee benefits

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

A defined contribution plan is a pension plan under which the Group pays fixed contributions into separate publicly or privately administered entities on a mandatory, contractual or voluntary 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 benefit plans granting certain amounts of pension or jubilee payments that an employee will receive on retirement, usually dependant on one or more factors such as an age, years of service and compensation. These benefits are unfunded. The liability recognized in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The last calculation was prepared on 31 December 2014. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using discount rate of weighted-average yields for high-quality (Bloomberg Aa*) - non-cancellable, non-putable corporate bonds. The currency and term of the bonds are consistent with the currency and estimated term of the benefit obligations. Past service costs are recognized immediately in income statement.

Remeasurement gains and losses arising from experience-based adjustments and changes in actuarial assumptions are recognized in the period in which they occur within other comprehensive income for retirement benefits and within the income statement for jubilee benefits. Current service cost, past service cost and curtailment gain are included within wages and salaries under staff costs. Interest costs are included within financial expense.

Termination benefits

Employee termination benefits are recognized in the period in which is the Group demonstrably committed to a termination without possibility of withdrawal, i.e. the management defines and authorizes a detailed plan listing the number and structure of employees to be discharged and announces it to the trade unions. Expenses related to termination benefits are disclosed within staff costs in the income statement.

2.14 Revenue recognition

Revenue is recognized 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; the revenue can be measured reliably and when specific criteria as stated below have been met. Revenue from rendering of services and from sales of equipment is shown net of value added tax and discounts. Revenue is measured at the fair value of consideration received or receivable.

The Group recognizes revenue as follows:
The Group provides customers with narrow and broadband access to its fixed, mobile and TV distribution networks. Service revenue is recognized when the services are provided in accordance with contractual terms and conditions. Airtime revenue is recognized based upon minutes of use and contracted fees less credits and adjustments for discounts, while subscription and flat rate revenue is recognized in the period they relate to.

Revenue from prepaid cards is recognized when credit is used by a customer or after period of limitation when unused credit elapsed.

Interconnect revenue generated from calls and other traffic that originates in other operators' networks is recognized 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. Revenue from interconnect is recognized gross.

Content revenue is recognized gross or net of the amount due to a content provider. Depending on the nature of relationship with the content provider, gross presentation is used when the Group acts as a principal in the transaction with a final customer. Content revenue is recognized net, if the Group acts as an agent; i.e. the content provider is responsible for service content and the Group does not assume risks and rewards of ownership.

Revenue from multiple revenue arrangements is considered as comprising 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. When separable components have been identified, an amount received or receivable from a customer is allocated to individual deliverables based on each component's fair value. Amount allocable to a delivered item(s) is limited to the amount that is not contingent upon the delivery of additional items or meeting other specified performance conditions (the non-contingent amount). The revenue relating to the item(s) is recognized when risks and rewards are transferred to the customer which occurs on delivery. Revenue relating to the service element is recognized on a straight-line basis over the service period.

Revenue from sales of equipment is recognized when the equipment is delivered and installation is completed. Completion of an installation is a prerequisite for recognizing revenue on such sales of equipment where installation is not simple in nature and functionally constitutes a significant component of the sale.

Revenue from operating leases of equipment is recognized on a straight-line basis over lease period.

IT revenue
Contracts on network services, which consist of installations and operations of communication networks for customers, have an average duration of 2 to 3 years. Revenue from voice and data services is recognized under such contracts when voice and data are used by a customer. Revenue from system integration contracts comprising delivery of customized products and/or services is recognized when the customized complex solution is being delivered and accepted by a customer. Contracts are usually separated into distinct milestones which indicate completion, delivery and acceptance of a defined project phase. Upon completion of a milestone the Group is entitled to issuing an invoice and to a payment.

Revenue from maintenance services (generally a fixed fee per month) is recognized over the contractual period or when the services are provided. Revenue from repairs, which are not part of the maintenance contract but are billed on a basis of time and material used, is recognized when the services are provided.

Revenue from sale of hardware and software is recognized when risks of ownership are substantially transferred to a customer, provided there are no unfulfilled obligations that affect customer's final acceptance of the arrangement.

Interest and dividends
Interest income is recognized using the effective interest rate method. When a loan or receivable is impaired, the Group reduces its carrying amount to a recoverable amount. Recoverable amount is determined as an estimate of future cash flows discounted at the original effective interest rate of the instrument. Dividend income is recognized when the right to receive payment is established.

2.15 Leases
Determination of whether an arrangement is, or contains, a lease is based on the substance of an arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on use of a specific asset or assets and whether it conveys a right to use the asset.

Leases in which significant portion of 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 lease period.

When operating lease is terminated before the lease period has expired, any penalty payment to the lessor is recognized in income statement in the period in which the termination took place.

Lease contracts are analyzed based on the requirements of IFRIC 4, and if they include embedded lease elements, revenue or income attributable to these is recognized in accordance with IAS 17.

Operating lease – the Group as lessor
Assets leased to customers under operating leases are included in property and equipment in the statement of financial position. They are depreciated over their expected useful lives on a basis consistent with similar assets. Rental income is recognized as revenue or other operating income on a straight-line basis over the lease term.

Operating lease – the Group as lessee
Costs of operating leases are charged to the income statement on a straight-line basis over the lease term.

Finance lease – the Group as lessor
Leases of assets where the Group transfers substantially all the risks and rewards of ownership are recognized and disclosed as revenue against finance lease receivable. The revenue equals to the estimated present value of future minimum lease payments receivable and any unguaranteed residual value (net investment in the lease). Costs of asset sold in finance lease transactions are recognized at the commencement of the lease. Each lease receipt is then allocated between lease receivable and interest income.

Finance lease – the Group as lessee
Leases of assets where the Group assumes substantially all the benefits and risks of ownership are classified as finance leases. The finance lease obligations are included in the statement of financial position in trade and other payables.

2.16 Operating profit
Operating profit is defined as a result before income taxes and financial income and expenses. For financial income and expenses refer to Notes 9 and 10 respectively.

2.17 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Executive Management Board that makes strategic and operating decisions.

2.18 Foreign currency translation

Transactions denominated in foreign currencies are translated into functional currency using exchange rates prevailing at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are translated into functional currency using the exchange rates prevailing at the statement of financial position date. All foreign exchange differences are recognized within financial income or expense in the period in which they arise.

2.19 Taxes

Tax expense for the period comprises current and deferred tax. Tax is recognized in the income statement, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, tax is also recognized in other comprehensive income or directly in equity, respectively.

Current income tax

Current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted as of the statement of financial position date. Current income tax includes additional levy imposed by the Slovak government on regulated industries effective from 1 September 2012. The levy of 4.356% per annum is applied on the basis calculated as the profit before tax determined for each relevant legal entity in accordance with the Slovak Accounting Standards reduced by a fixed deduction of EUR 3,000 thousand in each relevant entity.

Current income 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.

Deferred tax

Deferred tax is calculated at the statement of financial position date using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts.

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

Deferred tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Change of the income tax rate from 23% to 22%, effective from 1 January 2014, resulted in the decrease of the deferred tax liability by EUR 5,790 thousand in financial statements for the year 2013 with the effect on the tax expense of EUR 5,767 thousand and the effect on the other comprehensive income of EUR 23 thousand. Change of the income tax rate from 19% to 23%, effective from 1 January 2013, resulted in the increase of the deferred tax liability by EUR 26,351 thousand in financial statements for the year 2012 with the effect on the tax expense of EUR 26,319 thousand and the effect on the other comprehensive income of EUR 32 thousand.

2.20 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 the period and the reported amounts of revenue and expenses for that 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 recognized 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 with similar assets. The Group reviews the estimated remaining useful lives of non-current assets annually. 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 depreciation or amortization period, as appropriate, and are treated as changes in accounting estimates. Management's estimates and judgements are inherently prone to inaccuracy for those assets for which no previous experience exists.

The Group reviewed useful lives of non-current assets during 2014 and changed accounting estimates where appropriate. The table summarizes net increase or (decrease) in depreciation or amortization charge for the following categories of non-current assets:

thousands of EUR	2014	2015	2016	2017	After 2018
Technology	3,191	836	(1,274)	(723)	(2,030)
Cars	(353)	(280)	(21)	382	272
Cables	(303)	(264)	(132)	(28)	727

Customer relationships
The Group maintains record of customer relationships obtained during the acquisition of control of T-Mobile, DIGI and PosAm (Note 14) and regularly evaluates appropriateness of useful lives used to amortize these intangible assets on the basis of churn of customers acquired through the business combinations. No changes to useful lives were necessary in 2014. If the useful lives of customer relationships were shortened by one year, the amortization would increase by EUR 8,149 thousand. If the useful lives of customer relationships were shortened by two years, the amortization would increase by EUR 21,306 thousand.

Activation fees and subscriber acquisition and retention costs
The Group defers activation, non-refundable up-front fees in cases when the delivery of products or rendering of services does not present a separate earnings process and the activation fees are not offset by a delivered product or rendered services. This period is estimated on a basis of an anticipated term of customer relationship under the arrangement which generated the activation fee. The estimated customer relationship period is reassessed at each financial year-end. Costs incurred in direct relation to customer activation (such as SIM card costs and commissions) are deferred to the extent of activation revenue and amortized in the same manner as the activation fees. Other subscriber acquisition costs, which primarily include losses on subsidized handsets and hardware, are expensed as incurred.

Easements
On disposal of certain properties where technological equipment is sited and required for the Group's operations, the Group enters into certain 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 the Group does not retain the significant risks and rewards of ownership of the properties and accounts for easements as a prepaid expense.

Assessment of impairment of goodwill
Goodwill is tested annually for impairment as further described in Note 2.5 using estimates detailed in Note 15.

Estimated impairment of trade and other receivables
The Group calculates impairment for doubtful accounts receivable based on estimated losses resulting from the inability of its customers to make required payments. It is estimated on the basis of the nature of the business (fixed line, mobile, prepaid, etc.), for which the estimate is based on the aging of the accounts receivable balance and the historical write-off experience, customer credit-worthiness as well as changes in the internal and external ratings of customers. These factors are reviewed annually and changes are made to the calculations when necessary.

Asset retirement obligation
The Group enters into lease contracts for land and premises on which mobile communication network masts are sited. The Group is committed by these contracts to dismantle the masts and restore the land and premises to their original condition. Management anticipates the probable settlement date of the obligation to equal useful life of mast, which is estimated to be 50 years. The remaining useful life of masts ranges from 28 to 50 at 31 December 2014. Management's determination of the amount of the asset retirement obligation (Note 29) involves the following estimates (in addition to the estimated timing of crystallisation of the obligation):

a) an appropriate risk-adjusted, pre-tax discount rate commensurate with the Group's credit standing;
b) the amounts necessary to settle future obligations
c) inflation rate.

If the economic useful life of the masts was shortened by 10 years (from 50 years to 40 years) it would cause an increase of asset retirement obligation by EUR 2,722 thousand. If the inflation rate increased by 0.5%, it would cause an increase of asset retirement obligation by EUR 2,759 thousand. If the risk-adjusted, pre-tax discount rate increased by 0.5%, it would cause a decrease of asset retirement obligation by EUR 2,227 thousand. If the amounts necessary to settle future obligations increased by 10%, it would cause an increase of asset retirement obligation by EUR 1,250 thousand.

Provisions and contingent liabilities
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 its ability to reliably estimate such future outflows. If these recognition criteria are met a provision is recorded in the amount of the best estimate of the expenditure required to settle the present obligation at the end of the reporting period. Such judgments and estimates are continually reassessed taking into consideration the developments of the legal cases and proceedings and opinion of lawyers and other subject matter experts involved in resolution of the cases and proceedings. The factors considered for individual cases are described in Notes 29 and 36.

2.21 Restatement of presentation of certain IT hardware delivery transactions

Delivery of some IT hardware where the Group was agent rather than principal were incorrectly presented on the gross basis during the periods ended 31 December 2013 and 31 December 2012. The effect of the IAS 8.42 adjustment on each of the affected financial statement line items for the prior periods and the effect of the restatement on those financial statements is summarised below.

Impact on income statement:

thousands of EUR	2013	2012
Revenue	(18,583)	(11,028)
Material and equipment	14,163	11,028
Other operating costs	4,420	-

The change did not have an impact on profit, other comprehensive income, statement of financial position, retained earnings, cash flow or earnings per share.

2.22 Comparatives

Certain balances included in comparative information have been reclassified in order to conform to the current year presentation. These adjustments, in accordance with IAS 1.38, have been made for the purpose of comparability of data, reported periods and include the following main changes:

a) Interest costs on employee benefits provision in the amount of EUR 284 thousand is presented within financial expense in 2013 comparatives (EUR 375 thousand in 2012 comparatives). In 2013 financial statements these costs were presented within Staff costs, (Note 5).

b) Interest receivable on available-for-sale investments in the amount of EUR 3,451 thousand is presented within Trade and other receivables in 2013 comparatives. In 2013 financial statements this item was presented within Available-for-sale investments, (Note 21).

2.23 Adoption of IFRS during the year

Standards, interpretations and amendments to published standards effective for the Group's accounting period beginning on 1 January 2014

There are no IFRS or IFRIC interpretations that are effective for the first time for the financial year beginning on or after 1 January 2014 that have material impact on the Group.

- IFRS 10 Consolidated Financial Statements, effective for annual periods beginning on or after 1 January 2014

  IFRS 10 replaces all of the guidance on control and consolidation in IAS 27, Consolidated and Separate Financial Statements, and SIC-12, Consolidation - Special Purpose Entities. IFRS 10 changes the definition of control so that the same criteria are applied to all entities to determine control. This definition is supported by extensive application guidance.

- IFRS 11 Joint Arrangements, effective for annual periods beginning on or after 1 January 2014

  IFRS 11 replaces IAS 31, Interests in Joint Ventures, and SIC-13, Jointly Controlled Entities—Non-Monetary Contributions by Ventures. Changes in the definitions have reduced the number of types of joint arrangements to two: joint operations and joint ventures. The existing policy choice of proportionate consolidation for jointly controlled entities has been eliminated. Equity accounting is mandatory for participants in joint ventures.

- IFRS 12 Disclosures of Interests in Other Entities, effective for annual periods beginning on or after 1 January 2014

  IFRS 12 applies to entities that have an interest in a subsidiary, a joint arrangement, an associate or an unconsolidated structured entity. IFRS 12 sets out the required disclosures for entities reporting under the two new standards: IFRS 10, Consolidated Financial Statements, and IFRS 11, Joint Arrangements, and replaces the disclosure requirements currently found in IAS 28, Investments in Associates. IFRS 12 requires entities to disclose information that helps financial statement readers to evaluate the nature, risks and financial effects associated with the entity's interests in subsidiaries, associates, joint arrangements and unconsolidated structured entities. To meet these objectives, the new standard requires disclosures in a number of areas, including significant judgments and assumptions made in determining whether an entity controls, jointly controls, or significantly influences its interests in other entities, extended disclosures on share of non-controlling interests in group activities and cash flows, summarised financial information of subsidiaries with material non-controlling interests, and detailed disclosures of interests in unconsolidated structured entities.

- Amendments to IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements and IFRS 12 Disclosures of Interests in Other Entities, effective for annual periods beginning on or after 1 January 2014

  The amendments clarify the transition guidance in IFRS 10. Entities adopting IFRS 10 should assess control at the first day of the annual period in which IFRS 10 is adopted, and if the consolidation conclusion under IFRS 10 differs from IAS 27 and SIC 12, the immediately preceding comparative period (that is, year 2012 for a calendar year-end entity that adopts IFRS 10 in 2013) is restated, unless impracticable. The amendments also provide additional transition relief in IFRS 10, IFRS 11 and IFRS 12 by limiting the requirement to provide adjusted comparative information only for the immediately preceding comparative period. Further, the amendments will remove the requirement to present comparative information for disclosures related to unconsolidated structured entities for periods before IFRS 12 is first applied.

- Amendments to IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosures of Interests in Other Entities, and IAS 27 Consolidated and Separate Financial Statements, effective for annual periods beginning on or after 1 January 2014

  The amendment introduced a definition of an investment entity as an entity that (i) obtains funds from investors for the purpose of providing them with investment management services, (ii) commits to its investors that its business purpose is to invest funds solely for capital appreciation or investment income and (iii) measures and evaluates its investments on a fair value basis. An investment entity will be required to account for its subsidiaries at fair value through profit or loss, and to consolidate only those subsidiaries that provide services that are related to the entity's investment activities. IFRS 12 was amended to introduce new disclosures, including any significant judgments made in determining whether an entity is an investment entity and information about financial or other support to an unconsolidated subsidiary, whether intended or already provided to the subsidiary.

- IAS 27 (revised 2011) Separate Financial Statements, effective for annual periods beginning on or after 1 January 2014

  IAS 27 (revised 2011) was changed and its objective is now to prescribe the accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements. The guidance on control and consolidated financial statements was replaced by IFRS 10, Consolidated Financial Statements.

- IAS 28 (revised 2011) Associates and Joint Ventures, effective for annual periods beginning on or after 1 January 2014

  The amendment of IAS 28 (revised 2011) resulted from the Board's project on joint ventures. When discussing that project, the IASB decided to incorporate the accounting for joint ventures using the equity method into IAS 28 because this method is applicable to both joint ventures and associates. With this exception, other guidance remained unchanged.

- Amendment to IAS 32 Financial Instruments: Presentation, Offsetting Financial Assets and Financial Liabilities, effective for annual periods beginning on or after 1 January 2014

  The amendment added application guidance to IAS 32 to address inconsistencies identified in applying some of the offsetting criteria. This includes clarifying the meaning of 'currently has a legally enforceable right of set-off' and that some gross settlement systems may be considered equivalent to net settlement.

- Amendment to IAS 36 Impairment of Assets - Recoverable Amount Disclosures for Non-financial Assets, effective for annual periods beginning on or after 1 January 2014

  The amendment removes the requirement to disclose the recoverable amount when a cash-generating unit contains goodwill or indefinite lives intangible assets but there has been no impairment.

- Amendment to IAS 39 Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting, effective for annual periods beginning on or after 1 January 2014

  The amendment will allow hedge accounting to continue in a situation where a derivative, which has been designated as a hedging instrument, is novated (i.e. parties have agreed to replace their original counterparty with a new one) to effect clearing with a central counterparty as a result of laws or regulation, if specific conditions are met.

Standards, interpretations and amendments to published standards that have been published, are not effective for accounting periods starting on 1 January 2014 and which the Group has not early adopted

- Amendments within Annual improvements project 2010 – 2012, effective day has not yet been endorsed. The improvements consist of changes to seven standards:

  IFRS 2 Share-based Payment – Definition of vesting condition

Amends the definitions of 'vesting condition' and 'market condition' and adds definitions for 'performance condition' and 'service condition' (which were previously part of the definition of 'vesting condition').

IFRS 3 Business combinations – Accounting for contingent consideration in a business combination

Amendment clarifies that contingent consideration that is classified as an asset or a liability shall be measured at fair value at each reporting date.

IFRS 8 Operating segment - Aggregation of operating segments

Amendment requires an entity to disclose the judgements made by management in applying the aggregation criteria to operating segments.

IFRS 8 Operating segment - Reconciliation of the total of the reportable segments' assets to the entity's assets

Amendment clarifies that an entity shall only provide reconciliations of the total of the reportable segments' assets to the entity's assets if the segment assets are reported regularly.

IFRS 13 Fair value Measurement – short term receivables and payables

Amendment clarifies issuing IFRS 13 and amending IFRS 9 and IAS 39 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting if the effect of not discounting is immaterial.

IAS 16 Property, Plant and Equipment – revaluation method - proportionate restatement of accumulated depreciation

Amendment clarifies that when an item of property, plant and equipment is revalued the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount.

IAS 24 Related Party Disclosures – Key management personnel

Amendment clarifies that an entity providing key management personnel services to the reporting entity or to the parent of the reporting entity is a related party of the reporting entity.

IAS 38 Intangible Assets – Revaluation method - proportionate restatement of accumulated amortisation

Amendment clarifies that when an intangible asset is revalued the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount.

- Amendments within Annual improvements project 2011 – 2013, effective for annual periods beginning on or after 1 January 2015. The improvements consist of changes to four standards:

IFRS 1 First-time Adoption of IFRS – Meaning of effective IFRSs

Amendment clarifies that an entity, in its first IFRS financial statements, has the choice between applying an existing and currently effective IFRS or applying early a new or revised IFRS that is not yet mandatorily effective, provided that the new or revised IFRS permits early application. An entity is required to apply the same version of the IFRS throughout the periods covered by those first IFRS financial statements. Amendment is not relevant for the Group.

IFRS 3 Business combinations – scope of exception for joint ventures

Amendment clarifies that IFRS 3 excludes from its scope the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself.

IFRS 13 Fair value Measurement – portfolio exception

Amendment clarifies that the scope of the portfolio exception defined in paragraph 52 of IFRS 13 includes all contracts accounted for within the scope of IAS 39, Financial Instruments: Recognition and Measurement, or IFRS 9, Financial Instruments, regardless of whether they meet the definition of financial assets or financial liabilities as defined in IAS 32, Financial Instruments: Presentation.

IAS 40 Investment property - Clarifying the interrelationship of IFRS 3 and IAS 40 when classifying property as investment property or owner-occupied property

Amendment clarifies that determining whether a specific transaction meets the definition of both a business combination as defined in IFRS 3, Business Combinations, and investment property as defined in IAS 40, Investment Property, requires the separate application of both standards independently of each other.

- Amendments within Annual improvements project 2012 – 2014, effective day has not yet been endorsed. The improvements consist of changes to four standards:

IFRS 5 Non-current assets held for sale and discontinued operation – changes in methods of disposal

Add specific guidance in IFRS 5 for cases in which an entity reclassifies an asset from held for sale to held for distribution or vice versa and cases in which held-for-distribution accounting is discontinued.

IFRS 7 Financial Instruments: Disclosures – Servicing contract

Amendment adds additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purpose of determining the disclosures required.

IFRS 7 Financial Instruments: Disclosures – Applicability of the amendments to IFRS 7 to condensed interim financial statements

Amendment clarifies the applicability of the amendments to IFRS 7 on offsetting disclosures to condensed interim financial statements.

IAS 19 Employee benefits – discount rate: Regional market issue

Amendment clarifies that the high quality corporate bonds used in estimating the discount rate for post-employment benefits should be denominated in the same currency as the benefits to be paid. The amendment is not relevant for the Group.

IAS 34 Interim financial reporting - Disclosure of information 'elsewhere in the interim financial report'

Amendment clarifies the meaning of "elsewhere in the interim report".

- IFRS 9 Financial Instruments, effective day has not yet been endorsed

The package of improvements introduced by the Standard IFRS 9 issued in November 2009 and amended in October 2010, December 2011, November 2013 and July 2014 includes a model for classification and measurement, a single, forward-looking "expected loss" impairment model and substantially-reformed approach to hedge accounting.

Classification and Measurement: Classification determines how financial assets and liabilities are accounted for in financial statements and, in particular, how they are measured on an ongoing basis. IFRS 9 introduces an approach for the classification of financial assets, which is driven by cash characteristics and the business model in which an assets is held.

Impairment: Standard introduced a new, expected-loss impairment model that will require more timely recognition of expected credit losses. Specifically, the Standard requires entities to account for expected credit losses from when financial instruments are first recognised and to recognise full lifetime expected losses on a more timely basis.

Hedge accounting: IFRS 9 introduces a substantially-reformed model for hedge accounting, with enhanced disclosures about risk management activity. The new model represents a significant overhaul of hedge accounting that aligns the accounting treatment with risk management activities, enabling entities to better reflect these activities in their financial statements.

- IFRS 14 Regulatory Deferral Accounts, effective day has not yet been endorsed

The aim of this interim Standard is to enhance the comparability of financial reporting by entities that are engaged in rate-regulated activities. IFRS 14 does not provide any specific guidance for rate-regulated activities. The IASB has a project to consider the broad issues of rate regulation and planed to publish a Discussion Paper on this subject in 2014. Pending the outcome of this comprehensive Rate-regulated Activities project, the IASB decided to develop IFRS 14 as an interim measure. IFRS 14 is only applicable by first-time adopters. Insofar, it is not relevant for the Group.

- IFRS 15 Standard on the recognition of revenue from contracts with customers, effective day has not yet been endorsed

The core principle of the new Standard is for companies to recognise revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the company expects to be entitled in exchange for those goods or services. The new Standard will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively (for example, service revenue and contract modifications) and new guidance for multiple-element arrangements. The adoption of the new standard will result in significant changes in the financial statements of the Group, primarily in respect of the timing of revenue recognition and in respect of capitalization of costs of obtaining a contract with a customer and contract fulfilment costs. The timing of revenue recognition and the classification of revenues as either service or equipment revenue will be affected due to the allocation of consideration in multiple element arrangements (solutions for customers that may involve the delivery of multiple services and products occurring at different points in time and/or over different periods of time) no longer being affected by limitation cap methodology. Group's operations and associated systems are complex and the currently estimated time and effort necessary to develop and implement the accounting policies, estimates, judgments and processes to comply with the new standard is expected to span a substantial time. As a result, at this time, it is not possible to make reasonable quantitative estimates of the effects of the new standard.

- Amendment to IFRS 11 Joint Arrangements - Accounting for acquisition of interests in joint operations, effective day has not yet been endorsed

  IFRS 11 amended explicitly requires the acquirer of an interest in a joint operation in which the activity constitutes a business to apply all of the principles on business combinations accounting in IFRS 3.

- Amendments to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets. IAS 16 and IAS 38 both establish the principle for the basis of depreciation and amortisation as being the expected pattern of consumption of the future economic benefits of an asset, effective day has not yet been endorsed

  The IASB has clarified that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The IASB also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption, however, can be rebutted in certain limited circumstances.

- Amendments to IAS 16 Property, Plant and Equipment and IAS 41 Agriculture, effective day has not yet been endorsed

  The standard currently requires all biological assets related to agricultural activity to be measured at fair value less costs to sell. However, there is a subset of biological assets, known as bearer plants, which are used solely to grow produce over several periods. At the end of their productive lives they are usually scrapped. The IASB decided that bearer plants should be accounted for in the same way as property, plant and equipment in IAS 16 Property, Plant and Equipment, because their operation is similar to that of manufacturing. This amendment is not relevant for the Group.

- Amendment to IAS 19 – Defined Benefit Plans: Employee Contributions, effective day has not yet been endorsed

  The amendment allows entities to recognize employee contributions as a reduction in the service cost in the period in which the related employee service is rendered, instead of attributing the contributions to the periods of service, if the amount of the employee contributions is independent of the number of years of service.

- Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures (2011), effective day has not yet been endorsed

  The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

- Amendment to IAS 27 - Separate Financial Statements - Equity Method in Separate Financial Statements, effective day has not yet been endorsed

The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements.

- IFRIC 21 Levies, effective for annual periods beginning on or after 17 June 2014

  The interpretation clarifies the accounting for an obligation to pay a levy that is not income tax. The obligating event that gives rise to a liability is the event identified by the legislation that triggers the obligation to pay the levy. The fact that an entity is economically compelled to continue operating in a future period, or prepares its financial statements under the going concern assumption, does not create an obligation. The same recognition principles apply in interim and annual financial statements. The application of the interpretation to liabilities arising from emissions trading schemes is optional.

- Amendments to IAS 1 – Presentation of Financial Statements: Disclosure Initiative, effective day has not yet been endorsed

  The amendments are designed to further encourage companies to apply professional judgement in determining what information to disclose in their financial statements. For example, the amendments make clear that materiality applies to the whole of financial statements and that the inclusion of immaterial information can inhibit the usefulness of financial disclosures. Furthermore, the amendments clarify that companies should use professional judgement in determining where and in what order information is presented in the financial disclosures.

- Amendments to IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosures of Interests in Other Entities, and IAS 28 Associates and Joint Ventures, effective day has not yet been endorsed

  The amendment introduces clarifications to the requirements when accounting for investment entities.

  The amendment confirms that:

  - the exemption from preparing consolidated financial statements for an intermediate parent entity is available to a parent entity that is a subsidiary of an investment entity, even if the investment entity measures all of its subsidiaries at fair value;
  - a subsidiary that provides services related to the parent's investment activities should not be consolidated if the subsidiary itself is an investment entity;
  - when applying the equity method to an associate or a joint venture, a non-investment entity investor in an investment entity may retain the fair value measurement applied by the associate or joint venture to its interests in subsidiaries;
  - an investment entity measuring all of its subsidiaries at fair value provides the disclosures relating to investment entities required by IFRS 12.

The future implications of standards, interpretations and amendments that are relevant to the Group are being continuously evaluated and will be applied in accordance with the requirements if applicable.

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 minimize potential adverse effects on the performance of the Group.

The Group's financial instruments include cash and cash equivalents, loans, escrow, term deposits, investments at amortized cost and available-for-sale investments. The main purpose of these instruments is to manage the liquidity of the Group.

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

The Group enters also 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 is responsible for financial risk management, in accordance with guidelines approved by the Board of Directors and the Deutsche Telekom Group Treasury. The Treasury works in association with the Group's operating units and with the Deutsche Telekom Group Treasury. 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.

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: foreign currency risk, interest rate risk and other price risk.

3.1.1 Foreign currency risk
Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of change in foreign exchange rates.

The Group is exposed to transactional foreign currency risk arising from international interconnectivity. In addition, the Group is exposed to risks arising from capital and operational expenditures denominated in foreign currencies.

The Group can use forward currency contracts, currency swaps or spot-market trading to eliminate the exposure towards foreign currency risk. 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. Such economic hedge however does not qualify for hedge accounting under the specific rules of IAS 39.

For all planned, but not yet determined, foreign currency denominated cash flows (uncommitted exposure) of the following 12 months (rolling 12 month approach) a hedging ratio of at least 50% is applied. The Group uses term deposits in foreign currencies to hedge these uncommitted exposures (Note 23).

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 250 thousand.

The Group's foreign currency risk relates mainly to the changes in USD foreign exchange rates, with immaterial risk related to financial assets and financial liabilities denominated in other foreign currencies.

The following table details the sensitivity of the Group's profit before tax and equity to a 10% increase/decrease in the EUR against USD, with all other variables held as constant. The 10% change represents management's assessment of the reasonably possible change in foreign exchange rate and is used when reporting foreign currency risk internally in line with treasury policies.

thousands of EUR		2014	2013	2012
Profit before tax	Depreciation of EUR by 10%	373	(639)	406
	Appreciation of EUR by 10%	(306)	523	(332)
Equity	Depreciation of EUR by 10%	291	(492)	329
	Appreciation of EUR by 10%	(238)	402	(269)

3.1.2 Interest rate risk
The Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group entered into a master agreement with DT AG in October 2008 based on which the Group provided loans to DT AG. Currently, there is outstanding loan in amount of EUR 150,000 thousand at fixed interest rate (Note 25). The term deposits outstanding at 31 December 2014 in the amount of EUR 219,596 thousand have been concluded with fixed interest rate (Note 23).

The Group's exposure to the risk of changes in market interest rates relates mainly to the Group's available-for-sale investments. The Group seeks to optimize its exposure towards interest rate risk using a mix of fixed–rate and floating–rate securities. At the end of 2014, the securities portfolio consists of fixed-rate bonds and floated-rate bonds.

The sensitivity of available-for-sale investments to changes in interest rates is detailed in Note 22.

3.1.3 Other price risk
Other price risk arises on financial instruments because of changes in commodity prices or equity prices. The Group is not exposed to such risks.

3.2 Credit risk
Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

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. For credit ratings see Notes 22, 23, 24, 25 and 26. The Group is exposed to concentration of credit risk from holding state bonds in amount of EUR 102,958 thousand issued by the Netherlands, state bonds in amount of EUR 53,051 thousand issued by the Slovak Republic, state bonds in amount of EUR 52,120 thousand issued by Finland and loan receivable in the amount of EUR 150,000 thousand provided to DT AG (Germany).

Further, counterparty credit limits and maximum maturity can be decreased based on recommendation by Deutsche Telekom Group Treasury in order to manage bulk risk steering of Deutsche Telekom Group. Group credit risk steering takes into account various risk indicators including, but not limited to CDS level, rating and negative movement of the share price of the counterparty. The Group establishes an allowance for impairment that represents its estimate of losses incurred in respect of trade and other receivables. Impairment losses are recognized 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.

In respect of financial assets, which comprise cash and cash equivalents, loans, escrow, term deposits, investments at amortized cost, available-for-sale investments, trade and other receivables, the Group's exposure to credit risk arises from the potential default of the counterparty, with a maximum exposure equal to the carrying amount of these financial assets. In April 2012 the Group and Poštová banka, a.s. signed an Agreement about establishment of a right of lien on securities. The Group thus secured its receivables to maximum principal amount of EUR 15,000 thousand. In total, Poštová banka, a.s. pledged 35,000,000 pieces of the state bond SK4120006503 with a nominal value of EUR 17,500 thousand. No other significant agreements reducing the maximum exposure to credit risk had been concluded at 31 December 2014.

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 recognized 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 recognized. The reversal of the impairment loss is recognized in profit or loss.

The table summarises the ageing structure of receivables:

thousands of EUR	Neither past due nor impaired	Past due but not impaired					
		< 30 days	31-90 days	91-180 days	181-365 days	> 365 days	Total
At 31 December 2014							
Trade and other receivables	94,925	252	39	51	65	92	95,424
At 31 December 2013							
Trade and other receivables	121,363	321	80	42	113	134	122,053
At 31 December 2012							
Trade and other receivables	101,320	1,102	124	60	110	232	102,948

No significant individually impaired trade receivables were included in the allowance for impairment losses in 2014, 2013 and 2012.

Trade receivables that are past due as at the statement of financial position 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.

For sensitivity of impairment charge of uncollectible receivables refer to Note 17.

3.3 Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

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 available-for-sale 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 summarizes the maturity profile of the Group's financial liabilities based on contractual undiscounted payments:

thousands of EUR	On demand	Less than 3 months	3 to 12 months	Over 1 year	Total
At 31 December 2014					
Trade and other payables	6,415	106,721	15,823	638	129,597
At 31 December 2013					
Trade and other payables	13,695	196,777	14,644	1,202	226,318
At 31 December 2012					
Trade and other payables	13,007	108,275	12,259	250	133,791

Offsetting financial assets and liabilities
The following financial assets and liabilities are subject to offsetting:

thousands of EUR	Gross amounts	Offsetting	Net amounts
At 31 December 2014			
Current financial assets – Trade receivables	10,686	(5,756)	4,930
Current financial liabilities – Trade payables	9,897	(5,756)	4,141
At 31 December 2013			
Current financial assets – Trade receivables	12,421	(6,210)	6,211
Current financial liabilities – Trade payables	12,831	(6,210)	6,621
At 31 December 2012			
Current financial assets – Trade receivables	4,442	(1,404)	3,038
Current financial liabilities – Trade payables	1,687	(1,404)	283

For the Group's accounting policy on offsetting refer to Note 2.8.

3.4 Capital risk management

The Group manages its capital to ensure its ability to support its business activities on an ongoing basis. It takes into consideration any applicable guidelines of the parent company. No changes were made to the objectives, policies or processes in 2014.

The capital structure of the Group consists of equity attributable to shareholders, comprising issued capital, share premium, statutory reserve fund, retained earnings and other components of equity (Note 27). The management of the Group manages capital measured in terms of shareholder's equity amounting to at 31 December 2014 EUR 1,608,726 thousand (2013: EUR 1,585,279 thousand, 2012: EUR 1,605,368 thousand).

3.5 Fair value

Fair value measurements are analysed by level in the fair value hierarchy as follows: (i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) level two measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) level three measurements are valuations not based on observable market data (that is, unobservable inputs). Management applies judgement in categorising financial instruments using the fair value hierarchy. If a fair value measurement uses observable inputs that require significant adjustment, that measurement is a Level 3 measurement. The significance of a valuation input is assessed against the fair value measurement in its entirety.

3.5.1 Recurring fair value measurements

Recurring fair value measurements are those that the accounting standards require or permit in the statement of financial position at the end of each reporting period.

The levels in the fair value hierarchy into which the recurring fair value measurements are categorised are as follows:

thousands of EUR	At 31 December 2014				At 31 December 2013			
	Level 1	Level 2	Level 3	Carrying value	Level 1	Level 2	Level 3	Carrying value
Non-current assets								
Available-for-sale investments (Note 22)	32,102	-	-	32,065	176,633	-	-	176,583
Current assets								
Available-for-sale investments (Note 22)	171,965	-	-	171,860	49,865	-	-	49,862
Interest receivable on available-for-sale investments (Note 17)	4,063	-	-	4,083	3,451	-	-	3,468

The fair value of available-for-sale investments was established based on quoted unadjusted market values provided by banks who act as depositors of the securities. There were no transfers between fair value hierarchy levels. The Group had no available-for-sale investments at 31 December 2012.

3.5.2 Non-recurring fair value measurements

In 2013 the Group has written down its non-current assets held for sale to fair value less costs to sell. The valuation was performed by external party using the income approach, so called the direct capitalization method. The main inputs of valuation include market prices for the rent of similar real estates, the cost incurred by the ownership and operation of the buildings, capitalization rates in range of 10.5-15% for occupied premises and 11.5-16% for unoccupied premises and intention of establishment of easements rights by the Group. When calculating the fair value using this method, cash flows generated by the real estates are discounted using appropriate capitalization rates to infinity. Valuation applies the period necessary for the rent of unoccupied premises as well as the period of a new rent of occupied premises after its termination. After that period the market prices for the rent are applied. In 2014 the valuation has been adjusted based on the market data from indicative offers from potential buyers in case a lower price was proposed.

The levels in the fair value hierarchy into which the non-recurring fair value measurements are categorised are as follows:

thousands of EUR	At 31 December 2014				At 31 December 2013			
	Level 1	Level 2	Level 3	Carrying value	Level 1	Level 2	Level 3	Carrying value
Assets held for sale (Note 12)	-	-	8,647	8,647	-	-	19,772	19,772

The Group had no assets held for sale at 31 December 2012.

3.5.3 Financial assets and financial liabilities not measured at fair value

The fair value of other financial assets and financial liabilities approximate their carrying amounts at the statement of financial position date. Non-current trade receivables, non-current trade payables and finance lease receivables and payables are discounted unless the effect of discounting was inconsiderable. The main part of finance lease receivables was discounted using interest rates from 2.98% to 3.36%.

3.6 Presentation of financial instruments by measurement category

Presentation of financial instruments by measurement category in accordance with IAS 39 is as follows:

thousands of EUR	2014	2013	2012
Loans and receivables			
Trade and other receivables (Note 17)	113,832	139,872	119,657
Term deposits (Note 23)	219,596	143,359	105,961
Escrow (Note 24)	1,000	13,000	-
Loans (Note 25)	150,000	-	-
Cash and cash equivalents (Note 26)	93,067	229,084	371,488
Financial assets held-to-maturity			
Investments at amortized cost (Note 21)	3,120	3,120	74,326
Available-for-sale financial assets			
Available-for-sale investments (Note 22)	204,067	226,498	-

4. SEGMENT REPORTING

The Group presents segment information for the current and comparative periods in accordance with IFRS 8 Operating segments.

The Group's operating segments are those used by the Executive Management Board to manage the Group's business, allocate resources and make strategic and operating decisions. The Group's activities are concentrated in the Slovak Republic. The Group identifies its segments following the original structure of legal entities. The Group's operating segments are:

- Fixed line business ("Fixed line") - The fixed line segment consists of retail services such as voice, pay TV (except DIGI) and broadband internet rendered to residential and business customers as well as wholesale services provided for other telecommunication operators in Group's fixed network. ICT (Information Communication Technology) revenue (except PosAm), as well as various non-recurring revenue, such as sales of hardware, activation and installation fees relating to fixed line services are also reported within this segment.

- Mobile business ("Mobile") - The mobile segment consists of services provided to residential and business customers such as voice, SMS, MMS and mobile data on the Group's mobile network as well as wholesale services for other telecommunication operators, including termination of incoming voice, SMS and MMS traffic from other mobile operators (domestic as well as international) and national roaming. Non-recurring revenue from sales of subsidised and non-subsidised handsets, activation and prolongation fees charged for mobile services and similar charges are also reported within the mobile segment.

- Other businesses ("Other") – which includes the following:
  - PosAm, the Company's subsidiary engaged in the ICT business; and
  - DIGI, the Company's subsidiary providing satellite TV and broadband services; and
  - Zoznam, consisting of the results of operations of Zoznam and Zoznam Mobile, the Company's subsidiaries engaged in the internet search and portal business.

The main indicators used by the Executive Management Board in their decision making are revenue, direct costs and gross margin. The Executive Management Board separately monitors the operating results of the segments to take decisions on how to allocate the resources, to evaluate the effects of the allocation and to evaluate performance.

Transactions with external parties are reported in a manner consistent with that in the consolidated income statement. Transactions between segments are eliminated upon consolidation.

Consolidated income statement for the year ended 31 December 2014:

thousands of EUR	Fixed line	Mobile	Other	Eliminations	Total revenue / Direct costs	Indirect cost	Total
External revenue	326,357	372,774	68,420	-	767,551	-	767,551
Revenue within Slovak Telekom group	693	282	8,726	(9,701)	-	-	-
Bad debts expenses	(2,031)	(3,966)	(201)	-	(6,198)	-	(6,198)
Content fees	(10,977)	(3,290)	(9,920)	4,239	(19,948)	-	(19,948)
Customer solutions	(12,323)	(125)	(11,871)	295	(24,024)	-	(24,024)
Dealer commissions	(6,380)	(9,739)	(1,264)	17	(17,366)	-	(17,366)
Interconnection and other fees to operators	(32,259)	(33,536)	(490)	623	(65,662)	(79)	(65,741)
Material and equipment	(14,265)	(72,770)	(10,616)	4,261	(93,390)	(7,850)	(101,240)
Other direct costs	(197)	(1,840)	(2,281)	-	(4,318)	-	(4,318)
Subtotal	**(78,432)**	**(125,266)**	**(36,643)**	**9,435**	**(230,906)**	**(7,929)**	**(238,835)**
Gross margin	**248,618**	**247,790**	**40,503**	**(266)**	**536,645**	**(7,929)**	**528,716**
Other indirect costs				266			**(472,075)**
Other operating income							12,638
Operating profit							**69,279**
Net financial income							1,682
Profit before tax							**70,961**
Taxation							(27,395)
Profit for the year							**43,566**

Consolidated income statement for the year ended 31 December 2013:

thousands of EUR	Fixed line	Mobile	Other	Elimina-tions	Total revenue / Direct costs	Indirect cost	Total
External revenue	355,484	414,441	39,102	-	809,027	-	809,027
Revenue within Slovak Telekom group	676	232	7,009	(7,917)	-	-	-
Bad debts expenses	(1,531)	(4,046)	(13)	-	(5,590)	-	(5,590)
Content fees	(9,605)	(2,730)	(3,311)	366	(15,280)	-	(15,280)
Customer solutions	(20,522)	(24)	(5,170)	331	(25,385)	-	(25,385)
Dealer commissions	(6,574)	(11,465)	(1,081)	-	(19,120)	-	(19,120)
Interconnection and other fees to operators	(31,033)	(40,047)	(180)	881	(70,379)	(137)	(70,516)
Material and equipment	(13,148)	(78,809)	(7,297)	2,709	(96,545)	(7,990)	(104,535)
Other direct costs	(117)	(1,956)	(804)	-	(2,877)	-	(2,877)
Subtotal	**(82,530)**	**(139,077)**	**(17,856)**	**4,287**	**(235,176)**	**(8,127)**	**(243,303)**
Gross margin	**273,630**	**275,596**	**28,255**	**(3,630)**	**573,851**	**(8 127)**	**565,724**
Other indirect costs				3,630			**(507,295)**
Other operating income							10,885
Operating profit							**69,314**
Net financial income							844
Profit before tax							**70,158**
Taxation							(20,857)
Profit for the year							**49,301**

Consolidated income statement for the year ended 31 December 2012:

thousands of EUR	Fixed line	Mobile	Other	Elimina-tions	Total revenue / Direct costs	Indirect cost	Total
External revenue	361,016	437,428	28,368	-	826,812	-	826,812
Revenue within Slovak Telekom group	299	152	7,893	(8,344)	-	-	-
Bad debts expenses	(1,215)	(3,327)	-	-	(4,542)	-	(4,542)
Content fees	(12,016)	(1,784)	(30)	-	(13,830)	-	(13,830)
Customer solutions	(11,994)	-	(4,031)	47	(15,978)	-	(15,978)
Dealer commissions	(10,082)	(12,669)	(1,196)	115	(23,832)	-	(23,832)
Interconnection and other fees to operators	(35,560)	(51,636)	-	335	(86,861)	(146)	(87,007)
Material and equipment	(9,566)	(70,337)	(8,164)	6,422	(81,645)	(10,925)	(92,570)
Other direct costs	(169)	(2,215)	(459)	-	(2,843)	-	(2,843)
Subtotal	**(80,602)**	**(141,968)**	**(13,880)**	**6,919**	**(229,531)**	**(11,071)**	**(240,602)**
Gross margin	**280,713**	**295,612**	**22,381**	**(1,425)**	**597,281**	**(11,071)**	**586,210**
Other indirect costs				1,425			**(486,174)**
Other operating income							10,489
Operating profit							**110,525**
Net financial income							3,117
Profit before tax							**113,642**
Taxation							(50,495)
Profit for the year							**63,147**

The numbers from management report for the years 2013 and 2012 were adjusted, for description see Note 2.21.

5. REVENUE

thousands of EUR	2014	2013	2012
Fixed line business			
Service revenue	276,060	293,984	314,899
Terminal equipment	11,314	11,336	11,466
Systems solutions / IT	21,809	26,252	12,769
Other	17,174	23,912	21,882
	326,357	**355,484**	**361,016**
Mobile business			
Service revenue	332,767	364,498	397,644
Terminal equipment	24,860	33,344	22,681
Other	15,147	16,599	17,103
	372,774	**414,441**	**437,428**
Other businesses			
Service revenue	23,423	9,075	-
System solutions / IT	34,424	24,224	22,805
Other	10,573	5,803	5,563
	68,420	**39,102**	**28,368**
	767,551	**809,027**	**826,812**

6. STAFF COSTS

thousands of EUR	2014	2013	2012
Wages and salaries	100,890	102,583	103,623
Defined contribution pension costs	13,453	13,091	14,009
Other social security contributions	15,734	16,765	12,123
	130,077	**132,439**	**129,755**

	2014	2013	2012
Number of employees at period end	3,649	3,890	3,835
Average number of employees during the period	3,741	3,800	3,893

Number of employees does not include expatriates working for the Group at 31 December 2014: 1 (2013: 1, 2012: 2).

7. OTHER OPERATING INCOME

thousands of EUR	2014	2013	2012
Gain on disposal of property and equipment and intangible assets, net	1,248	1,160	1,113
Income from material sold, net	836	557	681
Income from rental of premises	2,447	2,795	2,480
Reversal of impairment of property and equipment (Note 13)	2,456	51	553
Income from marketing activities	3,451	3,660	2,608
Other	2,200	2,662	3,054
	12,638	**10,885**	**10,489**

8. OTHER OPERATING COSTS

thousands of EUR	2014	2013	2012
Repairs and maintenance	21,371	22,750	25,472
Installation services	4,916	3,703	3,114
Marketing costs	20,747	22,362	23,070
Energy	16,282	17,410	18,029
Printing and postage	4,569	4,630	4,926
Logistics	2,349	2,822	3,301
Rentals and leases	18,627	18,614	18,160
IT services	7,345	8,516	8,518
Dealer commissions	17,366	19,120	23,832
Frequency and other fees to Telecommunications Office (Note 35)	2,773	2,454	3,507
Content fees	19,948	15,280	13,830
Legal and regulatory claims	42,335	26,073	-
Consultancy	3,046	4,045	9,157
Bad debts expenses	6,198	5,590	4,542
Services related to delivery of solutions for customers	24,024	25,385	15,978
Fees paid to DT AG group	4,163	4,440	4,682
Other	20,010	20,228	19,110
Own work capitalized	(17,173)	(17,235)	(18,136)
	218,896	**206,187**	**181,092**

9. FINANCIAL INCOME

thousands of EUR	2014	2013	2012
Interest on term deposits and bank accounts	979	732	1,108
Interest on loans	45	-	1,806
Interest on available-for-sale investments and investments at amortized cost	561	314	1,016
Decrease of put option liability	-	649	-
Foreign exchange gains, net	402	-	-
Other	886	935	989
	2,873	**2,630**	**4,919**

10. FINANCIAL EXPENSE

thousands of EUR	2014	2013	2012
Increase of put option liability	91	-	470
Dividends paid to minority owners of PosAm	573	599	580
Foreign exchange losses, net	-	446	88
Interest costs on employee benefits provision	243	284	375
Interest cost on other non-current provisions	194	268	238
Bank charges and other financial expense	90	189	51
	1,191	**1,786**	**1,802**

11. TAXATION

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

thousands of EUR	2014	2013	2012
Current tax expense	36,102	47,485	35,715
Deferred tax (income) / expense	(11,191)	(29,733)	12,662
Other income tax	2,484	3,105	2,118
Income tax expense reported in the income statement	**27,395**	**20,857**	**50,495**

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

thousands of EUR	2014	2013	2012
Profit before income tax	70,961	70,158	113,642
Income tax calculated at the statutory rate of 22% (2013: 23%, 2012: 19%)	15,611	16,136	21,592
Effect of income not taxable and expenses not tax deductible:			
Cost related to legal and regulatory claims	9,270	5,966	(195)
Other tax non-deductible items, net	(234)	975	509
Tax charge in respect of prior years	264	442	152
Other income tax	2,484	3,105	2,118
Effect of change in tax rate	-	(5,767)	26,319
Income tax at the effective tax rate of 39% (2013: 30%, 2012: 44%)	**27,395**	**20,857**	**50,495**

Deferred tax assets (liabilities) for the year ended 31 December are attributable to the following items:

thousands of EUR	1 January 2014	Through income statement	Through statement of comprehensive income	Through equity	31 December 2014
Difference between carrying and tax value of fixed assets	(141,552)	10,363	-	-	(131,189)
Allowance for investments at amortized cost	2,269	-	-	-	2,269
Staff cost accruals	3,339	(222)	-	-	3,117
Allowance for bad debts	2,491	(66)	-	-	2,425
Termination benefits	616	(26)	-	-	590
Retirement benefit obligation	1,667	(139)	402	679	2,609
Other	3,800	1,281	8	-	5,089
Net deferred tax liability	**(127,370)**	**11,191**	**410**	**679**	**(115,090)**

thousands of EUR	1 January 2013	Through business combination	Through income statement	Through statement of comprehensive income	31 December 2013
Difference between carrying and tax value of fixed assets	(162,343)	(7,017)	27,808	-	(141,552)
Allowance for investments at amortized cost	2,372	-	(103)	-	2,269
Staff cost accruals	1,057	5	2,277	-	3,339
Allowance for bad debts	2,578	185	(272)	-	2,491
Termination benefits	644	-	(28)	-	616
Retirement benefit obligation	2,003	-	(26)	(310)	1,667
Other	3,400	331	77	(8)	3,800
Net deferred tax liability	**(150,289)**	**(6,496)**	**29,733**	**(318)**	**(127,370)**

thousands of EUR	1 January 2012	Through income statement	Through statement of comprehensive income	31 December 2012
Difference between carrying and tax value of fixed assets	(148,921)	(13,422)	-	(162,343)
Allowance for investments at amortized cost	1,960	412	-	2,372
Staff cost accruals	2,213	(1,156)	-	1,057
Allowance for bad debts	2,493	85	-	2,578
Termination benefits	436	208	-	644
Retirement benefit obligation	1,329	301	373	2,003
Other	2,490	910	-	3,400
Net deferred tax liability	**(138,000)**	**(12,662)**	**373**	**(150,289)**

Deferred tax asset of EUR 826 thousand is recognized in respect of subsidiaries DIGI and PosAm and deferred tax liabilities of EUR 115,916 thousand in respect of other entities within the Group. The Group offsets deferred tax assets and deferred tax liabilities if, and only if, those relate to income taxes levied by the same taxation authority on the same taxable entity.

thousands of EUR	2014	2013	2012
Deferred tax asset to be settled within 12 months	726	983	257
Deferred tax asset to be settled after more than 12 months	148	38	42
Deferred tax liability to be settled after more than 12 months	(48)	(103)	(109)
Net deferred tax asset	**826**	**918**	**190**

thousands of EUR	2014	2013	2012
Deferred tax asset to be settled within 12 months	10,778	10,405	8,639
Deferred tax asset to be settled after more than 12 months	5,872	4,359	4,598
Deferred tax liability to be settled within 12 months	(2,989)	(1,782)	(969)
Deferred tax liability to be settled after more than 12 months	(129,577)	(141,270)	(162,747)
Net deferred tax liability	**(115,916)**	**(128,288)**	**(150,479)**

12. ASSETS HELD FOR SALE

thousands of EUR	2014	2013	2012
At 1 January	19,772	-	-
Net transfer (to) / from property and equipment (Note 13)	(8,501)	19,772	-
Impairment charge	(1,697)	-	-
Assets sold	(927)	-	-
At 31 December	**8,647**	**19,772**	**-**

Assets held for sale at 31 December 2014 and 2013 comprise buildings and related land which are planned to be sold within one year. During the year 2014, based on recent development on real estate market the Group has changed its selling strategy from portfolio based strategy introduced in 2013 to the individual asset sale approach introduced in 2014. The Group started negotiation with potential buyers for those buildings classified as held for sale and as of 31 December 2014 these negotiations are still ongoing. In case a lower price from potential buyers' indicative offers was proposed, the valuation of assets held for sale has been adjusted and impairment charge recognized. During 2014, the management have decided to continue to use certain buildings and related land previously designated for sale. Those buildings and land were reclassified to property and equipment.

13. PROPERTY AND EQUIPMENT

thousands of EUR	Land and buildings	Duct, cable and other outside plant	Telephone exchanges and related equipment	Radio and trans-mission equipment	Other	Construction in progress including advances	Total
At 1 January 2014							
Cost	122,253	994,528	1,060,574	348,320	340,636	67,005	2,933,316
Accumulated depreciation	(57,087)	(506,453)	(1,002,984)	(302,165)	(246,553)	(428)	(2,115,670)
Net book value	**65,166**	**488,075**	**57,590**	**46,155**	**94,083**	**66,577**	**817,646**
Additions	4,572	9,831	8,515	4,414	6,872	44,447	78,651
Depreciation charge	(4,035)	(33,476)	(28,540)	(18,123)	(29,865)	-	(114,039)
Impairment charge	(17)	(6)	(60)	-	(156)	-	(239)
Reversal of impairment	1,805	171	25	21	434	-	2,456
Disposals	(355)	(23)	(83)	-	(172)	(176)	(809)
Transfers	1,906	2,834	12,853	5,433	17,275	(40,301)	-
Transfers from assets held for sale (Note 12)	8,501	-	-	-	-	-	8,501
At 31 December 2014							
Cost	152,417	1,006,902	870,870	342,623	339,090	70,975	2,782,877
Accumulated depreciation	(74,874)	(539,496)	(820,570)	(304,723)	(250,619)	(428)	(1,990,710)
Net book value	**77,543**	**467,406**	**50,300**	**37,900**	**88,471**	**70,547**	**792,167**

Property and equipment, excluding motor vehicles, is locally insured to a limit of EUR 26,035 thousand (2013: EUR 26,200 thousand, 2012: EUR 26,035 thousand). Any loss exceeding local limit is insured by DT AG Global Insurance Program up to EUR 700,000 thousand. Each motor vehicle is insured to a limit of EUR 5,000 thousand (2013 and 2012: EUR 5,000 thousand) for damage on health and expenses related to death and EUR 1,000 thousand (2013 and 2012: EUR 1,000 thousand) for damage caused by destroyed, seized or lost items, lost profits.

The reversal of impairment charge relates mainly to the land and buildings which were transferred from assets held for sale. The recoverable amount of assets was determined by reference to their value in use.

thousands of EUR	Land and buildings	Duct, cable and other outside plant	Telephone exchanges and related equipment	Radio and trans-mission equipment	Other	Construction in progress including advances	Total
At 1 January 2013							
Cost	182,548	987,141	1,145,742	363,930	350,298	64,601	3,094,260
Accumulated depreciation	(79,732)	(475,550)	(1,059,073)	(309,449)	(251,310)	(643)	(2,175,757)
Net book value	**102,816**	**511,591**	**86,669**	**54,481**	**98,988**	**63,958**	**918,503**
Acquisition through business combination	154	1,929	63	-	2,744	157	5,047
Additions	522	8,112	6,324	4,065	7,400	39,458	65,881
Depreciation charge	(4,864)	(32,893)	(39,787)	(22,799)	(30,053)	-	(130,396)
Impairment charge	(16,654)	(5)	(2,285)	(616)	(1,218)	-	(20,778)
Reversal of impairment	-	-	1	-	-	50	51
Disposals	(404)	(3)	(76)	(42)	(328)	(37)	(890)
Transfers	3,368	(656)	6,681	11,066	16,550	(37,009)	-
Transfers to assets held for sale (Note 12)	(19,772)	-	-	-	-	-	(19,772)
At 31 December 2013							
Cost	122,253	994,528	1,060,574	348,320	340,636	67,005	2,933,316
Accumulated depreciation	(57,087)	(506,453)	(1,002,984)	(302,165)	(246,553)	(428)	(2,115,670)
Net book value	**65,166**	**488,075**	**57,590**	**46,155**	**94,083**	**66,577**	**817,646**

thousands of EUR	Land and buildings	Duct, cable and other outside plant	Telephone exchanges and related equipment	Radio and trans-mission equipment	Other	Construction in progress including advances	Total
At 1 January 2012							
Cost	183,047	976,989	1,252,651	315,108	310,564	56,778	3,095,137
Accumulated depreciation	(75,769)	(444,223)	(1,109,410)	(260,559)	(199,682)	(1,337)	(2,090,980)
Net book value	**107,278**	**532,766**	**143,241**	**54,549**	**110,882**	**55,441**	**1,004,157**
Additions	392	9,909	9,878	2,776	13,537	35,317	71,809
Depreciation charge	(5,042)	(32,303)	(53,614)	(32,011)	(33,558)	-	(156,528)
Impairment charge	(524)	-	(4)	-	(375)	-	(903)
Reversal of impairment	80	-	8	-	89	376	553
Disposals	(127)	(5)	(51)	(7)	(290)	(105)	(585)
Transfers	759	1,224	(12,789)	29,174	8,703	(27,071)	-
At 31 December 2012							
Cost	182,548	987,141	1,145,742	363,930	350,298	64,601	3,094,260
Accumulated depreciation	(79,732)	(475,550)	(1,059,073)	(309,449)	(251,310)	(643)	(2,175,757)
Net book value	**102,816**	**511,591**	**86,669**	**54,481**	**98,988**	**63,958**	**918,503**

14. INTANGIBLE ASSETS

thousands of EUR	Customer relationships	Licenses	Goodwill	Software	Internally developed intangible assets	Other	Total
At 1 January 2014							
Cost	447,621	144,806	112,970	508,907	4,447	81,610	1,300,361
Accumulated amortization	(330,883)	(69,374)	(3,000)	(451,759)	(1,424)	(905)	(857,345)
Net book value	**116,738**	**75,432**	**109,970**	**57,148**	**3,023**	**80,705**	**443,016**
Additions	-	9,294	-	17,532	573	12,925	40,324
Amortization charge	(23,647)	(16,855)	-	(37,887)	(486)	(22)	(78,897)
Impairment charge	-	-	-	-	-	(84)	(84)
Transfers	-	62,511	-	13,480	337	(76,328)	-
At 31 December 2014							
Cost	447,621	216,600	112,970	518,746	5,357	17,306	1,318,600
Accumulated amortization	(354,530)	(86,218)	(3,000)	(468,473)	(1,910)	(110)	(914,241)
Net book value	**93,091**	**130,382**	**109,970**	**50,273**	**3,447**	**17,196**	**404,359**

On 30 December 2013 the Telecommunications Office of the Slovak Republic granted the license for the provision of mobile services on 800 MHz and 2600 MHz frequency bands (LTE license). Acquisition cost of the license is EUR 62,522 thousand (Notes 1, 35) and the license is valid until 31 December 2028. The license was put in use in March 2014.

Significant part of customer relationships was recognized at the acquisition of T-Mobile in December 2004. Net book values of those customer relationships at 31 December 2014 and remaining useful lives are: EUR 57,584 thousand and 3 years for post-paid business customers, EUR 1,462 thousand and 1 year for DNS customers.

The remaining part of customer relationships was recognized at acquisition of subsidiaries DIGI and PosAm with total net book value at 31 December 2014 of EUR 34,045 thousand.

Net book value of the category Other includes intangible assets in progress of EUR 17,196 thousand (2013: EUR 80,684 thousand, 2012: EUR 28,041 thousand).

For cost and impairment of goodwill refer to Note 15.

thousands of EUR	Customer relationships	Licenses	Goodwill	Software	Internally developed intangible assets	Other	Total
At 1 January 2013							
Cost	418,322	135,309	84,349	461,123	3,818	29,406	1,132,327
Accumulated amortization	(287,649)	(62,554)	(3,000)	(418,872)	(1,053)	(1,081)	(774,209)
Net book value	**130,673**	**72,755**	**81,349**	**42,251**	**2,765**	**28,325**	**358,118**
Acquisition through business combination	29,299	3,663	28,621	7	-	-	61,590
Additions	-	5,812	-	27,364	464	75,416	109,056
Amortization charge	(43,234)	(6,820)	-	(35,057)	(371)	(265)	(85,747)
Disposals	-	-	-	-	-	(1)	(1)
Transfers	-	22	-	22,583	165	(22,770)	-
At 31 December 2013	-						
Cost	447,621	144,806	112,970	508,907	4,447	81,610	1,300,361
Accumulated amortization	(330,883)	(69,374)	(3,000)	(451,759)	(1,424)	(905)	(857,345)
Net book value	**116,738**	**75,432**	**109,970**	**57,148**	**3,023**	**80,705**	**443,016**

thousands of EUR	Customer relationships	Licenses	Goodwill	Software	Internally developed intangible assets	Other	Total
At 1 January 2012							
Cost	423,381	133,379	84,349	427,133	3,733	35,892	1,107,867
Accumulated amortization	(256,166)	(55,322)	(3,000)	(385,245)	(715)	(2,982)	(703,430)
Net book value	**167,215**	**78,057**	**81,349**	**41,888**	**3,018**	**32,910**	**404,437**
Additions	-	1,838	-	16,324	76	14,532	32,770
Amortization charge	(36,542)	(7,140)	-	(34,619)	(338)	(282)	(78,921)
Disposals	-	-	-	(135)	-	(33)	(168)
Transfers	-	-	-	18,793	9	(18,802)	-
At 31 December 2012							
Cost	418,322	135,309	84,349	461,123	3,818	29,406	1,132,327
Accumulated amortization	(287,649)	(62,554)	(3,000)	(418,872)	(1,053)	(1,081)	(774,209)
Net book value	**130,673**	**72,755**	**81,349**	**42,251**	**2,765**	**28,325**	**358,118**

15. IMPAIRMENT OF GOODWILL

For impairment testing, the goodwill acquired in business combinations has been allocated to individual cash-generating units, as of 31 December 2014, 2013 and 2012:

	T-Mobile	DIGI	PosAm	Zoznam & Zoznam Mobile	Total
		(since 1 September 2013)			
Goodwill allocated to cash-generating units	73,313	28,621	6,368	4,668	112,970
Impairment	-	-	-	(3,000)	(3,000)
	73,313	**28,621**	**6,368**	**1,668**	**109,970**

Mobile telecommunication business (T-Mobile)

The goodwill was recognized at the acquisition of T-Mobile in December 2004. The Group has an implemented policy to make the impairment test based on a 10-year cash flow projection on reasonable and supportable assumptions that present the management's best estimate on market participants' assumptions and expectations. The Group uses 10 year cash flow projections as the payback period of its investments in the telecommunications operations often exceeds 5 years. Cash flows beyond the ten-year period are extrapolated using a 2% growth rate (2013: 2%, 2012: 2%). This growth rate does not exceed the long-term average growth rate for the market in which the cash-generating unit operates. The Group uses discount rate of 6.93% (2013: 7.11%, 2012: 6.94%). Further key assumptions on which management has based its determination of the recoverable amount of cash-generating unit include the development of revenue, customer acquisition and retention costs, churn rates, capital expenditures and market share. The recoverable amount of the cash-generating unit based on fair value less costs of disposal calculation exceeded its carrying value. Management believes that any reasonably possible change in the key assumptions on which the cash-generating unit's recoverable amount is based would not cause its carrying amount to exceed its recoverable amount.

TV business (DIGI)

The Group acquired DIGI on 1 September 2013. The recoverable amount of the cash-generating unit was determined using cash flows projections based on the four-year financial plans that have been approved by management and are also used for internal purposes. Cash flows beyond the four-year period are extrapolated using a 1.5% growth rate (2013: 1.5%). This growth rate does not exceed the long-term average growth rate for the market in which the cash-generating unit operates. The Group uses discount rate of 7.12% (2013: 7.40%). Further key assumptions on which management has based its determination of the recoverable amount of the cash-generating unit include the development of revenue, customer acquisition and retention costs, capital expenditure and market share. The recoverable amount of the cash-generating unit based on fair value less costs of disposal calculation exceeded its carrying value. Management believes that any reasonably possible change in the key assumptions on which the cash-generating unit's recoverable amount is based would not cause its carrying amount to exceed its recoverable amount.

IT solutions business (PosAm)

The recoverable amount of the cash-generating unit was determined using cash flows projections based on the four-year financial plans that have been approved by management and are also used for internal purposes. Cash flows beyond the four-year period are extrapolated using a 1.5% growth rate (2013: 1.5%, 2012: 2%). This growth rate does not exceed the long-term average growth rate for the market in which the cash-generating unit operates. The Group uses discount rate of 7.68% (2013: 7.98%, 2012: 7.72%). Further key assumptions on which management has based its determination of the recoverable amount of the cash-generating unit include the development of revenue from sale of hardware and software licenses, IT services and software solutions, customer acquisition and retention costs, capital expenditure and market share. The recoverable amount of the cash-generating unit based on fair value less costs of disposal calculation exceeded its carrying value. Management believes that any reasonably possible change in the key assumptions on which the cash-generating unit's recoverable amount is based would not cause its carrying amount to exceed its recoverable amount.

Online business (Zoznam and Zoznam Mobile)

The recoverable amount of the cash-generating unit was determined using cash flows projections based on the four-year financial plans that have been approved by management and are also used for internal purposes. Cash flows beyond the four-year period are extrapolated using a 1.5% growth rate (2013: 1.5%, 2012: 2%). This growth rate does not exceed the long-term average growth rate for the market in which the cash-generating unit operates. The Group uses discount rate of 8.15% (2013: 8.81%, 2012: 8.22%). Further key assumptions on which management has based its determination of the recoverable amount of the cash-generating unit include the development of revenue from banner advertising, priority listing, e-commerce, content, application development and /or new products launch, other IT services, customer acquisition and retention costs, capital expenditure and market share. In 2011, the carrying value of the cash generating unit exceeded its recoverable amount based on fair value less costs of disposal calculation by

EUR 3,000 thousand and the Group allocated impairment to goodwill in the same amount. In 2014, 2013 and 2012, the recoverable amount of the cash-generating unit based on fair value less costs of disposal calculation exceeded its carrying value.

16. BUSINESS COMBINATIONS

16.1 Subsidiary acquired

On 1 September 2013, the Group acquired 100% share and voting rights in DIGI SLOVAKIA, s.r.o., an unlisted company with its registered seat at Röntgenova 26, 851 01 Bratislava, Slovak Republic, which specializes in offering TV services (via satellite and cable network), broadband services and TV channels production.

The Group acquired DIGI because it expects to increase its share on TV market and to extend the range of TV channels and services that can be offered to its customers.

16.2 Consideration transferred

thousands of EUR	**31 December 2014**
Consideration paid in cash	
Net payments from the escrow account (see below)	50,362
Contingent consideration	1,000
	51,362

During 2013 the Group paid to a separately established escrow account EUR 53,000 thousand in relation to the acquisition of DIGI. Cash and cash equivalents acquired during the acquisition amounted to EUR 254 thousand resulting in the net cash outflow related to the acquisition of EUR 52,746 thousand in 2013.

The Group paid first part of the consideration in the amount of EUR 40,000 thousand from the escrow account to the former owner of DIGI in September 2013.

Second part of the consideration was contracted in the amount of EUR 5,000 thousand and was subject to adjustments based on audited financial statements and working capital movements of DIGI as of 31 August 2013. The Group adjusted the amount of the consideration based on the audited financial statements of DIGI to the amount of EUR 3,362 thousand, which was paid in February 2014. As a result the amount of EUR 1,638 thousand was released from the escrow account to the Group.

Third part of the consideration in the amount of EUR 5,000 thousand was conditional on the delivery of the migration database. The consideration was paid in March 2014 from the escrow account.

Fourth part of the consideration was contracted in the amount of EUR 3,000 thousand and should have been payable net of any indemnity payments by the former owner of DIGI to the Group in August 2014. During 2014 the Group signed an amendment to the contract. Following this amendment part of the consideration in the amount of EUR 2,000 thousand was paid in September 2014 from the escrow account. Remaining part of the consideration in the amount of EUR 1,000 thousand shall be payable, net of any indemnity payments by the former owner of DIGI to the Group, on 31 August 2015. Consequently the net cash outflow related to the acquisition as of 31 December 2014 is EUR 51,108 thousand.

For balances of escrow account, provisions and payables refer to Notes 24, 29 and 30 respectively.

Acquisition-related costs of EUR 1,031 thousand have been recognized as an expense in the prior years, under other operating costs in the income statement.

16.3 Assets acquired and liabilities assumed at the date of acquisition

The table summarizes the amount of assets acquired and liabilities assumed recognized as at the acquisition date together with values recognized in business combination:

thousands of EUR	Net book value (before goodwill calculation)	Values recognized in business combination	Fair value of net assets
Non-current assets			
Property and equipment	3,291	1,755	5,046
Customer relationships	-	29,299	29,299
Other intangible assets	3,670	-	3,670
Deferred tax	646	-	646
	7,607	**31,054**	**38,661**
Current assets			
Inventories	240	-	240
Trade and other receivables	2,828	-	2,828
Prepaid expenses and other assets	281	-	281
Cash and cash equivalents	254	-	254
	3,603	**-**	**3,603**
Non-current liabilities			
Deferred tax	-	7,142	7,142
Other liabilities	23	-	23
	23	**7,142**	**7,165**
Current liabilities			
Trade payables	7,709	-	7,709
Income tax liability	423	-	423
Other liabilities	2,162	-	2,162
Deferred income	2,064	-	2,064
	12,358	**-**	**12,358**
NET ASSETS	**(1,171)**	**23,912**	**22,741**

The fair value of receivables acquired is EUR 2,828 thousand, of which trade receivables amount to EUR 2,801 thousand. The gross contractual amount for trade receivables is EUR 3,819 thousand, of which EUR 1,018 thousand is expected to be non-collectable.

In the business combination the Group recognized new intangible assets from customer relationships acquired in the fair value of EUR 29,299 thousand and the fair value adjustment to value of property and equipment in the amount of EUR 1,755 thousand. The deferred tax liability related to assets amounted to EUR 7,142 thousand.

The key drivers for valuation of customer relationships were attrition rates, value of the revenue per customer and EBITDA margins of the customer base. Useful life of customer relationships was estimated to 15 years.

The fair value adjustment to value of property and equipment was assessed based on technical useful lives of devices and considering expected replacement of devices, the useful life was estimated to 2 years.

16.4 Goodwill arising on acquisition

thousands of EUR	1 September 2013
Consideration transferred	51,362
Less fair value of identifiable net assets acquired	(22,741)
Goodwill arising on acquisition	**28,621**

Goodwill arose in the acquisition of DIGI because the consideration paid for the combination effectively included amounts in relation to the benefit from the expected synergies, revenue growth and future market development. These benefits are not recognized separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

None of the goodwill recognized is expected to be deductible for income tax purposes.

16.5 Net cash outflow on acquisition of subsidiary

thousands of EUR	
Consideration paid in cash to escrow account during 2013	53,000
Less cash and cash equivalent balances acquired	(254)
Net cash outflow on acquisition of subsidiary in year 2013	52,746
Payment received from escrow account during year 2014	(1,638)
	51,108

The cash outflow of EUR 2,438 thousand in 2012 related to acquisition of PosAm, which was acquired in 2010.

16.6 Impact of acquisition on the results of the Group

From the date of acquisition, DIGI has contributed EUR 9,075 thousand of revenue (net of intercompany revenue) and EUR 1,531 thousand to the profit before tax of the Group (net of intercompany revenues and expenses) for the year 2013. If the combination had taken place at the beginning of the year 2013, contribution to the revenue of the Group for the year 2013 would have been EUR 27,795 thousand and the profit before tax of the Group for the year 2013 would have been by EUR 1,621 thousand lower.

17. TRADE AND OTHER RECEIVABLES

thousands of EUR	2014	2013	2012
Non-current			
Trade receivables	730	7,667	6,228
Finance lease receivables (Note 18)	995	1,475	2,907
	1,725	**9,142**	**9,135**
Current			
Trade receivables	105,676	125,064	108,804
Other receivables	190	190	116
Interest receivable on available-for-sale investments	4,063	3,451	-
Finance lease receivables (Note 18)	2,178	2,025	1,602
	112,107	**130,730**	**110,522**

Trade receivables are net of an allowance of EUR 20,685 thousand (2013: EUR 22,383 thousand, 2012: EUR 22,717 thousand). If the allowance percentage increases by 1% in each relevant ageing group, the charge for the period would be by EUR 217 thousand higher.

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

thousands of EUR	2014	2013	2012
At 1 January	22,383	22,717	22,549
Additions from business combinations	-	1,239	-
Charge for the year, net	5,082	5,508	4,865
Utilised	(6,780)	(7,081)	(4,697)
At 31 December	**20,685**	**22,383**	**22,717**

18. FINANCE LEASE – THE GROUP AS LESSOR

The Group has entered into several finance lease agreements as lessor. The main part of the finance lease receivables relate to the contract with the terms as follows:

a) he Group leases terminal equipment (PCs, routers) to the customer. The non-cancellable lease period is 53 months from May 2011 until September 2015 and it covers the major part of the economic life of the leased assets;
b) Ownership of the assets will be transferred to the lessee at the end of the lease period for its residual value (if any) in a case that lessee will request such ownership transfer at least one month before the end of the period;

c) The present value of the minimum lease payments amounts to all of the fair value of the leased assets

thousands of EUR	2014	2013	2012
Gross investment in the lease			
Not later than 1 year	2,259	2,102	1,716
Later than 1 year and not later than 5 years	995	1,497	2,987
Unearned finance income	(81)	(99)	(194)
Present value of minimum lease payments	**3,173**	**3,500**	**4,509**

thousands of EUR	2014	2013	2012
Present value of minimum lease payments			
Not later than 1 year (Note 17)	2,178	2,025	1,602
Later than 1 year and not later than 5 years (Note 17)	995	1,475	2,907
	3,173	**3,500**	**4,509**

Minimum lease payments receivable are at the statement of financial position date not past due and from creditworthy customers; therefore the Group does not create any allowance for uncollectible minimum lease payments receivable.

19. PREPAID EXPENSES AND OTHER ASSETS

thousands of EUR	2014	2013	2012
Non-current			
Easements	9,764	9,654	9,801
Subscriber acquisition costs	1,719	1,473	1,885
Other prepaid expenses	1,689	1,679	2,528
	13,172	**12,806**	**14,214**
Current			
Subscriber acquisition costs	1,901	2,654	3,202
Other prepaid expenses	3,482	4,233	3,922
Other assets	1,162	941	2,639
	6,545	**7,828**	**9,763**

20. INVENTORIES

thousands of EUR	2014	2013	2012
Materials	3,260	2,388	2,329
Goods	8,849	11,804	11,709
	12,109	**14,192**	**14,038**

Inventories are net of an allowance of EUR 1,930 thousand (2013: EUR 2,352 thousand, 2012: EUR 2,422 thousand) The write-down of inventories in amount of EUR 186 thousand (2013: EUR 200 thousand, 2012: EUR 357 thousand) was recognized in cost of material and equipment.

21. INVESTMENTS AT AMORTIZED COST

thousands of EUR	2014	2013	2012
State bonds	-	-	41,227
State treasury bill	-	-	29,979
Bank bond	3,120	3,120	3,120
	3,120	**3,120**	**74,326**

The bank bond is net of impairment and the amount of EUR 3,120 thousand approximates the fair value of the bond.

In 2012 the Group held state bonds and state treasury bill with short term maturity of up to 1 year. The Group held these investments till maturity.

If the interest rates of state bonds and state treasury bill 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 2012 would increase/decrease by EUR 50 thousand/ EUR 66 thousand.

22. AVAILABLE-FOR-SALE INVESTMENTS

thousands of EUR	2014	2013	2012
At 1 January	226,498	-	-
Additions	32,661	229,415	-
Disposals	(49,861)	-	-
Amortisation of premium paid	(5,321)	(2,969)	-
Remeasurement recognised in other comprehensive income	90	52	-
At 31 December	**204,067**	**226,498**	**-**
Non-current	32,102	176,633	-
Current	171,965	49,865	-

For interest receivable on available-for-sale investments refer to Note 17.

Available-for-sale investments are measured at fair value. In 2014 the Group recognized unrealized gain of EUR 86 thousand (2013: EUR 36 thousand) in other comprehensive income and reclassified EUR 3 thousand from other comprehensive income to income statement (2013: EUR 0).

Available-for-sale investments comprise of state bonds. Credit quality of non-current available-for-sale investments is as follows: rating A2: EUR 32,102 thousand (2013: rating A2: EUR 19,980 thousand, rating AAA: EUR 156,653 thousand). Credit quality of current available-for-sale investments is as follows: rating AAA: EUR 151,963 thousand, rating A2: EUR 20,002 thousand (2013: rating A2: EUR 49,865 thousand).

If the interest rates of available-for-sale 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 2014 would increase/decrease by vEUR 283 thousand/ EUR 377 thousand (2013: EUR 219 thousand/ EUR 293 thousand).

23. TERM DEPOSITS

thousands of EUR	2014	2013	2012
Non-current	-	1,088	-
Current	219,596	142,271	105,961
	219,596	**143,359**	**105,961**

Term deposits include deposits at banks with original maturity more than 3 months from the date of acquisition. Short-term deposits with original maturity of three months or less from the date of acquisition are presented as cash and cash equivalents.

Credit quality of current term deposits is as follows: rating A2: EUR 156,608 thousand, rating A3: EUR 62,988 thousand (2013: rating A2: EUR 129,971 thousand, rating A3: EUR 12,300 thousand, 2012: rating A2: EUR 105,961 thousand).
Credit quality of non-current term deposits in 2013 was as follows: rating A2: EUR 1,088 thousand.

24. ESCROW

thousands of EUR	2014	2013	2012
Escrow	1,000	13,000	-
	1,000	**13,000**	**-**

The escrow represents the remaining deposit for the purchase price of DIGI (Note 16). It is expected to be settled within one year. During 2014 the Group signed an amendment to the purchase contract with former owner of DIGI regarding postponement of indemnity payment of EUR 1,000 thousand by one year.

Credit quality of escrow is as follows: rating A2: EUR 1,000 thousand (2013 rating A3: EUR 13,000 thousand).

25. LOANS

thousands of EUR	2014	2013	2012
Loans to Deutsche Telekom AG	150,000	-	-
	150,000	**-**	**-**

The loans granted to Deutsche Telekom AG were not secured. Deutsche Telekom AG has rating BAA1. Loans were provided in November 2014 with interest rate of 0.18% and are repayable in May 2015. The commercial terms of the loans are strictly based on the current financial market conditions.

26. CASH AND CASH EQUIVALENTS

thousands of EUR	2015	2013	2012
Cash and cash equivalents	93,067	229,084	371,488
	93,067	**229,084**	**371,488**

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

Credit quality of cash at banks is as follows: rating A2: EUR 29,001 thousand, rating A3: EUR 35,425 thousand, rating BAA1: EUR 27,354 thousand, rating BAA2: EUR 607 thousand and rating BAA3: EUR 5 thousand (2013: rating A2: EUR 14,153 thousand, rating A3: EUR 187,879 thousand, rating BAA1: EUR 26,111 thousand and rating BAA3: EUR 447 thousand, 2012: rating A2: EUR 94,652 thousand, rating A3: EUR 201,562 thousand, rating BAA1: EUR 73,893 thousand, rating BAA2: EUR 2 thousand and rating BAA3: EUR 957 thousand).

27. SHAREHOLDERS' EQUITY

On 1 April 1999, Slovak Telekom became a joint-stock company with 20,717,920 ordinary shares authorized, issued and fully paid at a par value of EUR 33.20 per share. Deutsche Telekom AG acquired 51% of Slovak Telekom through a privatization agreement effective from 4 August 2000, by which the Company issued 5,309,580 new ordinary shares with a par value of EUR 33.20 per share. The shares were issued at a premium totalling EUR 386,139 thousand. All the newly issued shares were subscribed and fully paid by Deutsche Telekom AG. The privatization transaction also involved the purchase by Deutsche Telekom AG of 7,964,445 existing ordinary shares from the National Property Fund of the Slovak Republic. By acquiring 51% share of Slovak Telekom, Deutsche Telekom obtained 51% of the total voting rights associated with the shares. On 13 December 2013 Deutsche Telekom AG transferred 51% share of Slovak Telekom and voting rights associated with the shares to T-Mobile Global Holding Nr. 2 GmbH, and on 17 December 2013 T-Mobile Global Holding Nr. 2 GmbH transferred 51% share and voting rights associated with the shares to CMobil B.V. The change of the shareholders came into effect by registering in the Central Securities Depository of the Slovak Republic. T-Mobile Global Holding Nr. 2 GmbH became the shareholder of Slovak Telekom on 18 December 2013 and CMobil B.V. became the shareholder of Slovak Telekom on 10 January 2014.

As of 31 December 2014, Slovak Telekom had authorized and issued 26,027,500 ordinary shares (2013 and 2012: 26,027,500) with a par value of EUR 33.20 per share. All the shares issued were fully subscribed.

The Extraordinary General Meeting held on 9 February 2015 approved the transformation of the form of shares of Slovak Telekom, a.s. from physical registered shares to book-entered registered shares and the change of nominal value of shares of Slovak Telekom, a.s. from the current nominal value of EUR 33.20 to a new nominal value of EUR 10.00, whereby the current amount of registered capital of Slovak Telekom, a.s. shall remain unaltered. The change came into effect by registering in the Commercial register of the Slovak Republic in February 2015. Total number of shares after the change is 86,411,300.

The structure of shareholders of the Company at 31 December 2014, 2013 and 2012 (before any effect of change in number of shares):

Shareholder' name	Number of shares acquired	Value of acquired shares in EUR	Acquired share	Acquired voting rights
CMobil B.V. (2013: T-Mobile Global Holding Nr. 2 GmbH, 2012: Deutsche Telekom AG)	13,274,025	440,697,630	51%	51%
Ministry of the Economy of the Slovak Republic	8,849,350	293,798,420	34%	34%
National Property Fund of the Slovak Republic	3,904,125	129,616,950	15%	15%
	26,027,500	**864,113,000**		

The new number of shares acquired after the change (value of acquired shares in EUR, acquired share in % and acquired voting rights in % remain unchanged):

Shareholder' name	Number of shares acquired
CMobil B.V.	44,069,763
Ministry of the Economy of the Slovak Republic	29,379,842
National Property Fund of the Slovak Republic	12,961,695
	86,411,300

In December 2009, the Board of Directors of Slovak Telekom approved the concept of the integration of Slovak Telekom with its 100% subsidiary T-Mobile. T-Mobile ceased to exist with effect from 1 July 2010 and was wound up without liquidation as of 30 June 2010 on the basis of a merger agreement concluded between Slovak Telekom and T-Mobile (Note 1).

Due to the change in the functional currency of the Company from the Slovak Crown to EUR as at 1 January 2009, there was an increase in the share capital of the Company of EUR 158 thousand. The statutory reserve fund of the Company was used to cover the increase in share capital.

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. In 2013, after the distribution of 2012 statutory profit, the statutory reserve fund reached the level required by the Slovak law and the Articles of Association of Slovak Telekom, a.s.

Financial statements of the Group for the year ended 31 December 2013 were authorized for issue on behalf of the Board of Directors of Slovak Telekom on 20 March 2014.

On 30 April 2014, the Ordinary General Meeting of Slovak Telekom approved distribution of the prior year profit in the form of dividends with the remaining part of the 2013 profit being retained.

On the basis of this proposed appropriation, total dividends of EUR 16,400 thousand were paid in May 2014
(2013: EUR 70,568 thousand, 2012: EUR 92,000 thousand).

Dividend per share calculated based on new number of shares for the years 2014, 2013 and 2012 are: EUR 0.19 per share, EUR 0.82 per share and EUR 1.06 per share. Dividend per share calculated based on former number of shares for the years 2014, 2013 and 2012 are: EUR 0.63 per share, EUR 2.71 per share and EUR 3.53 per share.

Approval of the 2014 profit distribution will take place at the Annual General Meeting scheduled for 31 March 2015.

28. EARNINGS PER SHARE

Earnings per share are calculated in accordance with IAS 33.64 based on new number of shares (as described in Notes 27 and 38) as follows:

thousands of EUR	2014	2013	2012
Profit attributable to the owners of the parent (profit for the year)	43,566	49,301	63,147
Number of ordinary shares issued	86,411,300	86,411,300	86,411,300
Basic / diluted earnings per share (EUR)	**0.50**	**0.57**	**0.73**

The calculation of basic earnings per share is based on the time-weighted number of all ordinary shares outstanding. There are currently no diluted shares. Diluted earnings per share equal to basic earnings per share for all the years presented.

29. PROVISIONS

thousands of EUR	Legal and regulatory claims	Asset retirement obligation	Acquisition of subsidiary	Termination benefits	Employee benefits	Other	Total
	(Note 36)						
At 1 January 2014	27,026	8,154	3,000	2,800	7,806	2,423	51,209
Arising during the year	29,305	63	-	2,680	5,422	1,817	39,287
Reversals	(327)	-	-	-	(1,344)	(69)	(1,740)
Utilised	(117)	-	(2,000)	(2,800)	(46)	(1,445)	(6,408)
Transfer to current liabilities, net	(23,742)	-	-	-		-	(23,742)
Interest impact	-	4,308	-	-	251	6	4,565
At 31 December 2014	**32,145**	**12,525**	**1,000**	**2,680**	**12,089**	**2,732**	**63,171**
Non-current	-	12,525	-	-	12,089	1,137	25,751
Current	32,145	-	1,000	2,680	-	1,595	37,420
	32,145	**12,525**	**1,000**	**2,680**	**12,089**	**2,732**	**63,171**

Analysis of total provisions:

thousands of EUR	2014	2013	2012
Non-current	25,751	16,915	18,215
Current	37,420	34,294	5,243
	63,171	**51,209**	**23,458**

Asset retirement obligation

The Group is subject to obligations for dismantlement, removal and restoration of assets associated with its cell site operating leases (Note 2.20). 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.

Acquisition of subsidiary

The Group recognized the provision related to unpaid part of the purchase price for the acquisition of DIGI (Note 16). Remaining part of the purchase price in the amount of EUR 1,000 thousand shall be payable, net of any indemnity payments by the former owner of DIGI to the Group, on 31 August 2015.

Termination benefits

The restructuring of the Group's operations resulted in headcount reduction of 510 employees in 2014. The Group expects a further headcount reduction of 241 employees in 2015 as a result of an ongoing restructuring program. A detailed formal plan that specifies the number of staff involved and their locations and functions was defined and authorized by management and announced to the trade unions. The amount of compensation to be paid for terminating employment was calculated by reference to the collective agreement. The termination payments are expected to be paid within twelve months of the statement of financial position date and are recognized in full in the current period. In 2014 the Group recognized an expense resulting from termination benefits in amount of EUR 4,446 thousand (2013: EUR 5,408 thousand, 2012: EUR 6,057 thousand) in staff costs.

Retirement and jubilee benefits

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

thousands of EUR	Retirement benefits	Jubilee	Total
Present value of the defined benefit obligation			
At 1 January 2014	7,577	229	7,806
Interest costs	244	7	251
Current service cost	491	19	510
Benefits paid	(28)	(18)	(46)
Remeasurement of defined benefit plans	1,825	(4)	1,821
Other movements	3,087	-	3,087
Curtailment gain	(1,340)	-	(1,340)
At 31 December 2014	**11,856**	**233**	**12,089**

Remeasurement of defined benefit plans related to retirement benefits in amount of EUR 1,825 thousand consists of experience adjustments (EUR (261) thousand) and change in financial assumptions (EUR 2,086 thousand).

The curtailment gain in amount of EUR 1,340 thousand resulted mainly from a reduction in the number of participants covered by the retirement and jubilee benefit plans that occurred in 2014 or was announced for 2015. There were no special events causing any new past service cost during 2014 other than the curtailment mentioned above.

Principal actuarial assumptions used in determining the defined benefit obligation and the curtailment effect in 2014 include the discount rate of 1.84%. The expected expense for 2014 has been determined based on the discount rate as at the beginning of the accounting period of 3.25%. Average retirement age is 62 years. The expected growth of nominal wages over the long term is 2.2% with minor adjustments for the first two years. The weighted average duration of the defined benefit obligation is 13.4 years

The sensitivity analysis for the significant actuarial assumptions as at 31 December 2014 is as follows:

thousands of EUR **Change of actuarial assumption**	**Change of employee benefits provision**
Discount rate change +100 bp / -100 bp	(1,418) / 1,711
Salary change +0.50% / -0.50%	798 / (733)
Change in life expectation +1 year / -1 year	14 / (15)

30. TRADE AND OTHER PAYABLES

thousands of EUR	2014	2013	2012
Non-current			
Trade payables	-	-	250
Financial payables	325	1,088	-
Finance lease	313	-	5
	638	**1,088**	**255**
Current			
Trade payables	73,110	100,631	76,537
Uninvoiced deliveries	36,945	97,612	44,784
Put option	11,603	11,512	12,161
Payable for DIGI acquisition	-	8,362	-
Financial payables	6,251	6,411	-
Finance lease	313	5	53
Other payables	737	697	1
	128,959	**225,230**	**133,536**

31. FINANCE LEASE – THE GROUP AS LESSEE

In 2014 the Group has entered into new finance lease agreement as lessee. The non-cancellable lease period is 24 months ending December 2016.

Until 2014 the Group leased vehicles under finance leases. Net book value of vehicles was EUR 5 thousand at 31 December 2013 (2012: EUR 79 thousand). The average lease term was 4 years. The leases terminated during 2014 and the group purchased vehicles for its residual value at the end of the lease terms.

thousands of EUR	2014	2013	2012
Minimum lease payments			
Not later than one year	313	5	53
Later than one year and not later than three years	313	-	5
	626	**5**	**58**

32. OTHER LIABILITIES AND DEFERRED INCOME

thousands of EUR	2014	2013	2012
Non-current			
Deferred income	3,511	2,810	4,830
	3,511	**2,810**	**4,830**
Current			
Deferred income	36,635	36,616	36,936
Amounts due to employees	22,479	23,876	17,760
Other tax liabilities	9,110	9,919	10,829
Liability for legal and regulatory claims (Note 36)	38,838	-	-
Other liabilities	3,570	3,584	6,673
	110,632	**73,995**	**72,198**

Amounts due to employees include social fund liabilities:

thousands of EUR	2014	2013	2012
At 1 January	75	320	221
Additions from business combinations	-	23	-
Additions	1,585	1,486	1,708
Utilisation	(1,503)	(1,754)	(1,609)
At 31 December	**157**	**75**	**320**

33. COMMITMENTS

The Group's purchase commitments were as follows:

thousands of EUR	2014	2013	2012
Acquisition of property and equipment	14,557	15,274	10,717
Acquisition of intangible assets	1,833	1,309	14,943
Purchase of services and inventory	62,677	97,306	74,425
	79,067	**113,889**	**100,085**

34. OPERATING LEASE – THE GROUP AS LESSEE

The future minimum operating lease payments were as follows:

thousands of EUR	2014	2013	2012
Operating lease payments due within one year	12,433	12,923	10,613
Operating lease payments due between one and five years	24,675	23,065	12,378
Operating lease payments due after five years	18,943	19,831	5,951
	56,051	**55,819**	**28,942**

During 2013 the Group has entered into an operating lease contract for the period of 10 years. The Group has an option to extend the lease term for the next 2 years and the Group has a right to exercise the option repeatedly, maximum five times. Since 2015 rental payments shall increase annually by the portion contingent on the index of the consumer prices increase in the Eurozone, maximum 3.5% annually.

35. RELATED PARTY TRANSACTIONS

thousands of EUR	DT AG	Other entities in DT AG group	Other shareholders of the Company	Total
Receivables				
At 31 December 2014	155,264	2,157	5	157,426
At 31 December 2013	3,296	3,899	5	7,200
At 31 December 2012	2,196	5,109	2	7,307
Payables				
At 31 December 2014	7,285	2,358	-	9,643
At 31 December 2013	6,756	4,745	-	11,501
At 31 December 2012	8,105	4,411	5	12,521
Sales and income				
Year ended 31 December 2014	4,359	10,639	52	15,050
Year ended 31 December 2013	4,551	22,510	54	27,115
Year ended 31 December 2012	5,720	13,174	58	18,952
Purchases				
Year ended 31 December 2014	6,981	10,464	7	17,452
Year ended 31 December 2013	6,171	16,798	11	22,980
Year ended 31 December 2012	6,536	13,536	14	20,086
Commitments				
At 31 December 2014	4,431	442	-	4,873
At 31 December 2013	3,807	13,620	-	17,427
At 31 December 2012	6,179	21,007	-	27,186

The Group conducts business 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, other services and purchases of fixed assets. The Group purchased fixed assets in amount of EUR 1,191 thousand (2013: EUR 7,265 thousand, 2012: EUR 1,220 thousand) from related parties.

In 2014 the Group granted Deutsche Telekom AG a short-term loan of EUR 150,000 thousand. Interest related to the loan amounted to EUR 45 thousand (Notes 9, 25).

The Slovak Government has significant influence over the financial and operating policy decisions of the Group through 49% of the shares of the Slovak Telekom. The shares are owned by the Slovak Republic through the Ministry of the Economy of the Slovak Republic (34%) and by the National Property Fund of the Slovak Republic (15%). Therefore the Slovak Government and the companies controlled or jointly-controlled by the Slovak Government are classified as related parties of the Group ("Slovak Government related entities").

In 2014 the Group paid to the Telecommunications Office of the Slovak Republic a fee of EUR 62,522 thousand for the granted license for the provision of mobile services on 800 MHz and 2600 MHz frequency bands (LTE license). In 2013 the Group paid to the Telecommunications Office of the Slovak Republic a fee of EUR 970 thousand for the prolongation of the license for the provision of mobile services under the frequencies of 900 MHz, 1800 MHz and 450 MHz (Notes 1, 14). The Group also incurred expenses of EUR 2,773 thousand (2013: EUR 2,454 thousand, 2012: EUR 3,507 thousand) with respect to other frequency and telecommunication equipment related fees to the Telecommunications Office (Note 8).

During 2013 the Group has entered into a contract for the period of 2 years with the Slovak Government related entity on development, implementation and support of software solution of municipalities portal. The total value of the contract was approximately EUR 38,225 thousand. In 2014, the Group recognized revenue related to this contract of EUR 15,852 thousand (2013: EUR 3,904 thousand).

During 2010 the Group has entered into a contract for the period of 5 years with the Slovak Government related entity on establishment and delivery of communication system, lease of terminal equipment, delivery of internet connectivity and other telecommunications services. The total value of the contract was approximately EUR 23,859 thousand. In 2014, the Group recognized revenue related to this contract of EUR 5,353 thousand (2013: EUR 5,287 thousand, 2012: EUR 5,351 thousand).

During 2001 the Group has signed a master agreement with the Slovak Government related entity on providing services of communications infrastructure. The contract amount depends on actual services provided during the financial period. In 2014, the Group recognized revenue related to this contract of EUR 10,284 thousand (2013: EUR 9,784 thousand, 2012: EUR 8,940 thousand).

During 2014 the Group purchased electricity and electricity distribution services from the Slovak Government related entities for EUR 7,981 thousand (2013: EUR 8,315 thousand, 2012: EUR 8,614 thousand).

During 2014 the Group purchased postal and cash collection services for EUR 4,381 thousand (2013: 4,745 thousand, 2012: EUR 5,413 thousand) and leased space for EUR 1,909 thousand (2013: EUR 2,448 thousand, 2012: EUR 1,938 thousand) from the Slovak Government related entity.

The Group routinely provides telecommunication and other electronic communication services to the Slovak Government and its related entities as part of its normal business activities. The Group also purchases services and goods from the Slovak Government related entities in the normal course of business.

Deutsche Telekom as the ultimate parent company controlling Slovak Telekom is a related party to the Federal Republic of Germany. Slovak Telekom had no individually significant transactions with the Federal Republic of Germany or entities that it controls, jointly controls or where Federal Republic of Germany can exercise significant influence in either 2014, 2013 or 2012.

Compensation of key management personnel

The key management personnel, 21 in number (2013: 21, 2012: 21) include members of the Executive Management Board, Board of Directors and Supervisory Board.

thousands of EUR	2014	2013	2012
Short term employee benefits	2,967	2,193	2,578
Defined contribution pension plan benefits	63	58	45
Share matching plan	18	14	12
	3,048	**2,265**	**2,635**

thousands of EUR	2014	2013	2012
Executive Management Board	2,950	2,167	2,533
Board of Directors	54	55	57
Supervisory Board	44	43	45
	3,048	**2,265**	**2,635**

The benefits of Executive Management Board include amount of EUR 71 thousand (2013: EUR 70 thousand, 2012: EUR 90 thousand) for private spending of members charged to the Group.

36. CONTINGENCIES

Legal and regulatory cases

On 9 May 2012 the Company has received a Statement of Objections ("SO") issued by the European Commission ("Commission"), addressed to DT AG as well. In the SO, the Commission preliminary accused the Company of ongoing refusal to supply and margin squeeze for unbundled local loops and wholesale broadband access. The Commission alleged on a preliminary basis that the Company implemented a strategy designed to exclude competitors from retail broadband access markets in the Slovak Republic. On 6 September 2012 the Company sent the response to SO inclusive several Annexes, rebutting all Commission's accusations. On 6 and 7 November 2012 the oral hearing took place. On 6 December 2013 the Company received a Letter of Facts, with which the Commission has continued its investigation. On 16 September 2014 State of Play meeting with the Commission took place, where the Company was informed about latest Commission's view on alleged abuse. On 17 October 2014 the Commission sent an infringement decision to the Company in case AT 39.523 (hereinafter "the Decision"). The Decision found the Company (and DT AG, as parental company) liable for breach of competition law (margin squeeze and refusal to deal) in relation to ULL for the period 12 August 2005 – 31 December 2010 and imposed a fine of EUR 38,838 thousand on DT AG and the Company, jointly and severally. On 26 December 2014 the Company filed an appeal against the Decision to the General Court of the European Union. The competitors that would have been harmed by the Company anti-competitive conduct during the infringement period may decide to lodge actions in damages before the Slovak courts. As of the date of these financial statements the Company is not aware of any such action.

In 1999, a lawsuit was brought against Company for compensation of damages and loss of profit allegedly caused by switch-off of the Radio CD International ("CDI") broadcasting in 1996. Radio CDI was a program of Slovak Radio directed to the territory of Austria and broadcasted by Company. In 1996, the broadcasting of the Radio CDI was switched off, based on the request of the Council for Radio and Television Broadcasting stating that Radio CDI broadcasting violated the law. In 2011, the first instance court decided that Company is obliged to pay the plaintiff the amount of EUR 32,179 thousand of the principal and 17.6% late interest since 4 September 1996 until fully paid. Company filed an appeal against that judgment as it is of the opinion that the first instance court did not deal with a number of proofs and assertions provided by Company. Additionally, Company believes that serious errors were committed in the matter at issue on the part of the first instance court, which errors prove the incorrectness of the judgement and should be sufficient enough to consider that whilst the loss in this lawsuit is possible, it is not likely. During 2012 the Regional Court made a decision on trial costs, when the Company is obliged to pay the plaintiff of EUR 3,652 thousand. The Company appealed to the Supreme Court against the decision on additional trial costs. Such appeal has a suspensive effect, i.e. the Company is not obliged to pay at least until the decision of the Supreme Court on the appeal. The case is currently pending at the Supreme Court. Both parties of the dispute agreed to commence further negotiations of settlement agreement's details. The settlement agreement is subject to approval by Board of Directors of the Company and the competent court.

In 2009, the Anti-Monopoly Office ("AMO") imposed on Company a penalty of EUR 17,453 thousand for abusing its dominant position and violating competition law by price squeeze and tying practices on several relevant markets (voice, data and network access services). Company filed an administrative complaint to the Regional Court in Bratislava in 2009. In January 2012, the Regional Court cancelled the challenged AMO decision. The Regional Court's judgment, however, is not final as it was cancelled by the Supreme Court in February 2014 upon AMO's appeal. The Supreme Court referred the case back to the Regional Court for further proceedings.

In 2013, two companies filed actions against Company seeking damages allegedly resulting from an unfair conduct of Company. The companies contend that they incurred lost profit amounting to EUR 62,236 thousand plus interest as a consequence of the said conduct. In 2014 both companies increased their claim against the Company by EUR 16,507 thousand. Both proceedings are pending before the first instance District Court Bratislava II.

In 2005, the former supplier brought a lawsuit against Company for compensation of damages in total amount of EUR 2,310 thousand. The supplier alleges that by ceasing cooperation with him Company breached the contract between the Company and the supplier. In addition, another company contends that by breaching the said contract Company caused damages not only to the supplier but to the supplier's shareholders as well. Therefore, in 2013, this company, which the supplier's shareholders ceded their claims to, brought three lawsuits against Company and Deutsche Telekom AG, one of which has been dismissed by the court in 2014. As of 31 December 2014, there are two lawsuits, where the plaintiff is seeking damages in total amount of EUR 6,857 thousand plus interest. All the above lawsuits are still pending at the first instance.

The Group is involved in legal and regulatory proceedings in the normal course of business.

As at 31 December 2014, the Group recognized provision for known and quantifiable risks related to proceedings against the Group, which represent the best estimate of the amounts, which are more likely than not to be paid. The actual amounts of penalties, if any, are dependent on a number of future events the outcome of which is uncertain, and, as a consequence, the amount of provision may change at a future date.

37. AUDIT FEES

In 2014 the Group obtained from the audit company PricewaterhouseCoopers Slovensko, s.r.o. audit services in amount of EUR 286 thousand (2013: EUR 279 thousand, 2012: EUR 287 thousand), other assurance services in amount of EUR 62 thousand (2013: EUR 64 thousand, 2012: EUR 64 thousand), tax advisory services in amount of EUR 5 thousand (2013: EUR 0, 2012: EUR 3 thousand) and other non-audit services in amount of EUR 54 thousand (2013: EUR 4 thousand, 2012: EUR 9 thousand).

38. EVENTS AFTER THE REPORTING PERIOD

The Extraordinary General Meeting held on 9 February 2015 approved the transformation of the form of shares of Slovak Telekom, a.s. from physical registered shares to book-entered registered shares and the change of nominal value of shares of Slovak Telekom, a.s. from the current nominal value of EUR 33.20 to a new nominal value of EUR 10.00, whereby the current amount of registered capital of Slovak Telekom, a.s. shall remain unaltered. For details refer to Notes 27 and 28 .

CMobil B.V., the parent company of the Company, changed its name to Deutsche Telekom Europe B.V. in March 2015.

The liability for legal and regulatory claims (Note 32) in the amount of EUR 38,838 thousand was paid by the Group in January 2015.

There were no other events, which have occurred subsequent to the year-end, which would have a material impact on the financial statements at 31 December 2014.

Slovak Telekom, a.s.

SEPARATE FINANCIAL STATEMENTS

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

FOR THE YEAR ENDED 31 DECEMBER 2014

CONTENTS

INDEPENDENT AUDITOR'S REPORT

INDEPENDENT AUDITOR'S REPORT

To the Shareholders, the Supervisory Board, and the Board of Directors of Slovak Telekom, a.s.

We have audited the accompanying separate financial statements of Slovak Telekom, a.s. (the "Company"), which comprise the statement of financial position of the Company standing alone as at 31 December 2014 and the statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and notes comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these separate financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of separate financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these separate financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the separate financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the separate financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the separate financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the separate financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the separate financial statements.

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

Opinion

In our opinion, the separate financial statements present fairly, in all material respects, the financial position of the Company standing alone as at 31 December 2014, its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 34 to these separate financial statements, which describe the proceeding of the European Commission against the Company, its results and the potential implications thereof. The ultimate outcome of the matter cannot presently be determined.

PricewaterhouseCoopers Slovensko, s.r.o.
SKAU licence No.: 161

Slovenská komora audítorov
SKAU
Č.licencie 161
PricewaterhouseCoopers Slovensko, s.r.o.

Ing. Štefan Čupil, FCCA
UDVA licence No.: 1088

Bratislava, 4 March 2015

Our report has been prepared in the Slovak and in the English language. In all matters of interpretation of information, views or opinions, the Slovak language version of our report takes precedence over the English language version.

INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER

thousands of EUR	Notes	2014	2013
Revenue	**5**	**700,106**	**770,833**
Staff costs	6	(113,149)	(118,668)
Material and equipment		(93,904)	(99,885)
Depreciation, amortization and impairment losses	12, 13, 14	(185,585)	(232,091)
Interconnection and other fees to operators		(65,875)	(71,218)
Other operating income	7	15,454	10,873
Other operating costs	8	(192,940)	(193,290)
Operating profit		**64,107**	**66,554**
Financial income	9	3,618	2,597
Financial expense	10	(521)	(1,172)
Net financial result		**3,097**	**1,425**
Profit before tax		**67,204**	**67,979**
Income tax expense	11	(26,522)	(20,293)
Profit for the year		**40,682**	**47,686**

The financial statements on pages 98 to 146 were authorized for issue on behalf of the Board of Directors of the Company on 4 March 2015 and signed on their behalf by:

Ing. Miroslav Majoroš
Chairman of the Board of Directors
and Chief Executive Officer

Dr. Robert Hauber
Member of the Board of Directors
and Chief Financial Officer

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER

thousands of EUR	Notes	2014	2013
Profit for the year		**40,682**	**47,686**
Other comprehensive income			
Gain on remeasurement of available-for-sale investments	22	86	36
Deferred tax income / (expense)	11	8	(8)
Net other comprehensive income to be reclassified to profit or loss in subsequent periods		**94**	**28**
(Loss) / gain on remeasurement of defined benefit plans	28	(1,825)	1,446
Deferred tax income / (expense)	11	402	(310)
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods		**(1,423)**	**1,136**
Total comprehensive income for the year, net of tax		**39,353**	**48,850**

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER

thousands of EUR	Notes	2014	2013
ASSETS			
Non-current assets			
Property and equipment	13	782,658	809,455
Intangible assets	14	330,276	364,175
Investments in subsidiaries	16	69,098	69,098
Available-for-sale investments	22	32,102	176,633
Term deposits	23	-	1,088
Trade and other receivables	17	1,725	9,142
Prepaid expenses and other assets	19	13,059	12,628
		1,228,918	**1,442,219**
Current assets			
Inventories	20	11,761	13,557
Investments at amortized cost	21	3,120	3,120
Available-for-sale investments	22	171,965	49,865
Term deposits	23	219,596	142,271
Escrow	24	1,000	13,000
Loans	25	150,000	-
Trade and other receivables	17	104,285	112,323
Prepaid expenses and other assets	19	5,762	6,475
Current income tax receivable		9,453	783
Cash and cash equivalents	26	82,664	222,221
		759,606	**563,615**
Assets held for sale	12	8,647	19,772
		768,253	**583,387**
TOTAL ASSETS		**1,997,171**	**2,025,606**
EQUITY AND LIABILITIES			
Shareholders' equity			
Issued capital	27	864,113	864,113
Share premium	27	386,139	386,139
Statutory reserve fund	27	172,823	172,823
Other		(1,908)	1,812
Retained earnings and profit for the year		186,242	161,960
		1,607,409	**1,586,847**
Non-current liabilities			
Deferred tax	11	108,432	119,942
Provisions	28	25,673	16,741
Trade and other payables	29	638	1,087
Other liabilities and deferred income	30	3,407	2,691
		138,150	**140,461**
Current liabilities			
Provisions	28	35,556	34,011
Trade and other payables	29	111,698	195,110
Current income tax liability		934	3,646
Other liabilities and deferred income	30	103,424	65,531
		251,612	**298,298**
Total liabilities		**389,762**	**438,759**
TOTAL EQUITY AND LIABILITIES		**1,997,171**	**2,025,606**

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER

thousands of EUR	Notes	Issued capital	Share premium	Statutory reserve fund	Other	Retained earnings	Total equity
Year ended 31 December 2013							
At 1 January 2013		**864,113**	**386,139**	**170,634**	**634**	**187,031**	**1,608,551**
Profit for the year		-	-	-	-	47,686	47,686
Other comprehensive income		-	-	-	1,164	-	1,164
Total comprehensive income		-	-	-	1,164	47,686	48,850
Transactions with shareholders:							
Allocation to funds	27	-	-	2,189	-	(2,189)	-
Other changes in equity		-	-	-	14	-	14
Dividends	27	-	-	-	-	(70,568)	(70,568)
At 31 December 2013		**864,113**	**386,139**	**172,823**	**1,812**	**161,960**	**1,586,847**
Year ended 31 December 2014							
At 1 January 2014		864,113	386,139	172,823	1,812	161,960	1,586,847
Profit for the year		-	-	-	-	40,682	40,682
Other comprehensive income		-	-	-	(1,329)	-	(1,329)
Total comprehensive income		-	-	-	(1,329)	40,682	39,353
Transactions with shareholders:							
Other changes in equity		-	-	-	(2,391)	-	(2,391)
Dividends	27	-	-	-	-	(16,400)	(16,400)
At 31 December 2014		**864,113**	**386,139**	**172,823**	**(1,908)**	**186,242**	**1,607,409**

The accompanying Notes form an integral part of these Separate Financial Statements

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER

thousands of EUR	Notes	2014	2013
Operating activities			
Profit for the year		**40,682**	**47,686**
Adjustments for:			
Depreciation, amortization and impairment losses	12, 13, 14	185,585	232,091
Interest income, net		(2,377)	(1,800)
Income tax expense	11	26,522	20,293
Gain on disposal of property and equipment and intangible assets	7	(1,240)	(1,152)
Dividend income from subsidiaries	9,33	(597)	(623)
Other non-cash items		3,604	7,112
Movements in provisions		28,637	25,630
Changes in working capital:			
Change in trade and other receivables		8,731	(8,784)
Change in inventories		2,225	349
Change in trade and other payables		7,958	9,023
Cash flows from operations		**299,730**	**329,825**
Income taxes paid		(48,326)	(42,220)
Net cash flows from operating activities		**251,404**	**287,605**
Investing activities			
Purchase of property and equipment and intangible assets		(171,135)	(111,735)
Proceeds from disposal of property and equipment and intangible assets		2,707	2,028
Acquisition of interest in subsidiaries	16	1,638	(53,000)
Increase of issued capital in subsidiaries	16	-	(1,005)
Dividends received	9,33	597	623
Proceeds from disposal of investments at amortized cost		-	70,582
Acquisition of available-for sale investments		(32,937)	(231,465)
Proceeds from disposal of available-for sale investments		49,981	1,930
Disbursement of loans	25	(150,000)	-
Acquisition of term deposits		(423,519)	(207,456)
Termination of term deposits		348,276	169,669
Interest received		6,559	1,444
Net cash used in investing activities		**(367,833)**	**(358,385)**
Financing activities			
Dividends paid	27	(16,400)	(70,568)
Repayment of other financial liabilities		(6,668)	(1,809)
Other charges paid		(83)	(174)
Net cash used in financing activities		**(23,151)**	**(72,551)**
Effect of exchange rate changes on cash and cash equivalents		23	(40)
Net decrease in cash and cash equivalents		(139,557)	(143,371)
Cash and cash equivalents at 1 January	26	222,221	365,592
Cash and cash equivalents at 31 December	26	**82,664**	**222,221**

NOTES TO THE FINANCIAL STATEMENTS

INDEX TO THE NOTES TO THE FINANCIAL STATEMENTS

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 Bajkalská 28, 817 62 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") gained 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 National Property Fund of the Slovak Republic and the issue of new shares. On 13 December 2013 Deutsche Telekom AG transferred 51% share of Slovak Telekom and voting rights associated with the shares to T-Mobile Global Holding Nr. 2 GmbH, and on 17 December 2013 T-Mobile Global Holding Nr. 2 GmbH transferred 51% share and voting rights associated with the shares to CMobil B.V. The change of the shareholders came into effect by registering in the Central Securities Depository of the Slovak Republic. T-Mobile Global Holding Nr. 2 GmbH became the shareholder of Slovak Telekom on 18 December 2013 and CMobil B.V. became the shareholder of Slovak Telekom on 10 January 2014.
The Slovak Republic retains 34% of the shares of the Company through the Ministry of the Economy of the Slovak Republic and the National Property Fund of the Slovak Republic retains 15% of the shares of the Company.

Effective 1 July 2010 Slovak Telekom, a.s. and T-Mobile Slovensko, a.s. ("T-Mobile") have been legally merged. T-Mobile was wound up without liquidation by means of an up-stream merger. Slovak Telekom became a legal successor of T-Mobile and consequently has taken over their assets and liabilities. Since October 2011 the integrated Company operates on the market under one common brand named Telekom replacing brand names T-Com and T-Mobile.

The Company is the largest universal multimedia operator in Slovakia offering residential and corporate clientele benefits of comprehensive solutions provided from a single source. Slovak Telekom offers a full-array of data and voice services, and owns and operates the fixed and mobile telecommunications network covering almost the entire territory of the Slovak Republic. In the field of the fixed network, Slovak Telekom systematically invests in the most advanced optical infrastructure, operates the Next Generation Network (NGN) and is the largest broadband provider in the country. As the first multimedia operator in the country, it offers the IPTV (Magio TV) and satellite TV (Magio SAT) via fixed networks and satellite technology DVB-S2. In the field of mobile communication, it provides as the only operator internet connectivity via five technologies for high-speed data transmission - GPRS/ EDGE, Wireless LAN (Wi-Fi), UMTS FDD/HSDPA/HSUPA, FLASH-OFDM and LTE (as the first operator commercially launched services running on the LTE network). Slovak Telekom established and operates public mobile telecommunications networks over frequencies: 900 MHz and 1800 MHz under the standard GSM (Global System for Mobile Communications) to provide voice services. Slovak Telekom also provides wireless broadband internet access and Managed Data Network Services over the frequencies 2100 MHz under the standard UMTS (Universal Mobile Telecommunications System), 800 MHz, 1800 MHz and 2600 MHz under standard LTE and 450 MHz under the Flash-OFDM standard. In addition, Slovak Telekom provides Fixed Wireless Access (FWA) over frequencies 26 GHz/28 GHz.

On 30 December 2013 the Telecommunications Office of the Slovak Republic granted to Slovak Telekom the license for the provision of mobile services on 800 MHz and 2600 MHz frequency bands (LTE license) valid until 31 December 2028. The frequency authorization granted by the Telecommunications Office of the Slovak Republic for the provision of mobile services on 900 MHz, 1800 MHz and 450 MHz frequency bands is valid up to 31 December 2025. The UMTS license for 2100 MHz frequency band (including the 28/29 GHz frequency band for backhaul connections) is valid up to 31 August 2026. The 28 GHz frequency licenses granted by the Telecommunications Office of the Slovak Republic is valid until 21 December 2017 and 26 GHz frequency is valid until 23 January 2018.

Members of the Statutory Boards at 31 December 2014

Board of Directors

Chair:	Ing. Miroslav Majoroš
Vice-chair:	Ing. Michal Vaverka
Member:	Dr. Robert Hauber
Member:	Kerstin Günther
Member:	Franco Musone Crispino
Member:	Ing. Miloš Šujanský, M.B.A., PhD.
Member:	Ing. Martin Mác

Supervisory Board

Chair:	Dr. Hans-Peter Schultz
Vice-chair:	Ing. Michal Lukačovič
Member:	Ing. Denisa Herdová
Member:	Miriam Kvočková
Member:	Ing. Peter Weber
Member:	Ing. Drahoslav Letko
Member:	Mgr. Martin Habán
Member:	Cornelia Elisabeth Sonntag
Member:	Tanja Wehrhahn

There were no changes entered in the Commercial Register in 2014.

T-Mobile Global Holding Nr. 2 GmbH with registered office at Landgrabenweg 151, Bonn, Germany was the parent of the Company at 31 December 2013. CMobil B.V. with registered office at Stationsplein 8 K, Maastricht, the Netherlands became the parent of the Company on 10 January 2014.

Deutsche Telekom AG, with its registered office at Friedrich Ebert Allee 140, Bonn, Germany, is the ultimate parent of the group of which the Company is a member and for which the group financial statements are drawn up. The ultimate 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 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 have been prepared under the historical cost convention, except where disclosed otherwise.

The Company's functional currency is the Euro ("EUR"), the financial statements are presented in Euros and all values are rounded to the nearest thousands, except where otherwise indicated.

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

The preparation of financial statements in conformity with International Financial Reporting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the separate financial statements are disclosed in Note 2.21.

Statement of compliance

These financial statements are the ordinary separate financial statements of the Company and have been prepared in accordance with International Financial Reporting Standards and IFRIC interpretations as adopted by the European Union ("IFRS"). These financial statements should be read together with the consolidated financial statements in order to obtain full information on the financial position, results of operations and changes in financial position of the Company and its subsidiaries.

The consolidated financial statements for the year ended 31 December 2014 have been prepared in compliance with International Financial Reporting Standards and IFRIC interpretations as adopted by the European Union. The consolidated financial statements are available at the Company's registered office and in the public administration information system (the Register) administered by the Ministry of Finance of the Slovak Republic.

2.2 Property and equipment

Property and equipment is initially measured at historical cost, excluding the costs of day-to-day servicing. Following initial recognition, property and equipment is carried at cost less any accumulated depreciation and provision for impairment, where required. The initial estimate of the costs of dismantling and removing the item of property and equipment and restoring the site on which it is located is also included in the costs, if the obligation incurred can be recognized as a provision according to IAS 37.

Historical cost includes all costs directly attributable to bringing the asset into working condition for its use as intended by the management. In case of network, costs comprise all expenditures, including internal costs directly attributable to network construction, and include contractors' fees, materials and direct labour. Costs of subsequent enhancement are included in the asset's carrying amount or recognized 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. The carrying amount of the replaced part is derecognized. All other maintenance, repairs and minor renewals are charged to the income statement as incurred.

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

Depreciation is calculated on a straight-line basis from the time the assets are available for use over their estimated useful lives. 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:

Buildings and masts	50 years
Other structures	8 to 30 years
Duct, cable and other outside plant	8 to 50 years
Telephone exchanges and related equipment	4 to 30 years
Radio and transmission equipment	5 to 8 years
Other property and equipment	13 months to 30 years

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

Residual values and useful lives of property and equipment are reviewed and adjusted in accordance with IAS 8, where appropriate, at each financial year-end. For further details on groups of assets influenced by the most recent useful life revisions refer to Note 2.21.

Property and equipment are reviewed for impairment whenever events or circumstances indicate that their carrying amounts may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and its value in use. Impairment losses are reversed if the reasons for recognizing the original impairment loss no longer apply.

2.3 Assets held for sale

Property and equipment are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction, the sale is considered as highly probable, it must be available for immediate sale in its present condition and it must genuinely be sold, not abandoned. When property and equipment meet these criteria, they are measured at the lower of their carrying amount and fair value less costs to sell and are reclassified from non-current to current assets. Property and equipment once classified as held for sale are not depreciated. Impairment of such assets is recognized if fair value less costs of disposal is lower than the carrying amount. If fair value less costs of disposal subsequently increases, the impairment loss previously recognized must be reversed. The reversal of impairment losses is limited to the impairment losses previously recognized for the assets concerned. If the requirements for the classification of assets as held for sale are no longer met, the assets may no longer be shown as held for sale. These assets are to be measured at the lower of the carrying amount that would have applied if the assets had not been classified as held for sale, and the recoverable amount at the date at which the requirements for the classification as held for sale are no longer met.

2.4 Intangible assets

Intangible assets acquired separately are recognized when control over them is assumed and are initially measured at historical cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and provision for impairment, where required. Intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. With the exception of goodwill, intangible assets have a finite useful life and are amortized using the straight-line method over their estimated useful lives. The assets' residual values and useful lives are reviewed and adjusted in accordance with IAS 8, as appropriate, at each financial year-end. For further details on the groups of assets influenced by the most recent useful life revisions refer to Note 2.21.

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

Software	2 to 16 years
Licenses	1 to 22 years
Customer relationships	9 to 13 years

Any gain or loss on derecognition of an intangible asset is measured as the difference between the net disposal proceeds and the carrying amount of the asset and is included within other operating income or costs in the income statement in the period in which the asset is derecognized.

Software and licenses
Development costs directly attributable to the design and testing of identifiable and unique software products controlled by the Company are recognized as intangible assets when the following criteria are met:

a) it is technically feasible to complete the software product so that it will be available for use;
b) management intends to complete the software product and use or sell it;
c) there is an ability to use or sell the software product;
d) it can be demonstrated how the software product will generate probable future economic benefits;
e) adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
f) the expenditures attributable to the software product during its development can be reliably measured.

Directly attributable costs capitalized as part of a software product include software development employee costs and an appropriate portion of relevant overheads. Other development expenditures that do not meet recognition criteria and costs associated with maintaining computer software programs are recognized as an expense as incurred. Acquired software licenses are capitalized on the basis of the costs incurred to acquire and bring to use specific software. Costs comprise all directly attributable costs necessary to create, produce and prepare the software to be capable of operating in a manner intended by the management, including enhancements of applications in use.

Costs associated with the acquisition of long term frequency licenses are capitalized. Useful lives of concessions and licenses are based on the underlying agreements and are amortized on a straight-line basis over the period from availability of the frequency for commercial use until the end of the initial concession or license term. No renewal periods are considered in the determination of useful life. Recurring license fees paid for core frequencies may be subject to change and therefore cannot be reliably estimated over the duration of the license term and are recognized as other operating costs in the period they relate to. Recurring license fees are paid during whole period of granted license.

The Company accounts for content licenses as intangible assets if there is unavoidable obligation to pay for the content rights, there are no doubts that the content will be delivered and the cost can be reliably estimated. Acquired content licenses are shown at historical cost. If there is no fixed price defined in the contract, the Company uses best estimate to assess the fee during the contracted period. The useful lives of content licenses are based on the underlying agreements and are amortized on a straight-line basis over the period from availability for commercial use until the end of the license term which is granted to the Company.

Goodwill
The goodwill previously recognized through the acquisition of the fully owned subsidiary T-Mobile was separately recognized in the statement of financial position of the integrated company Slovak Telekom as at 1 July 2010. Following initial recognition, goodwill is carried at cost less any accumulated impairment losses. Goodwill is not amortized but it is reviewed for impairment annually or more frequently, if events or changes in circumstances indicate that the carrying value may be impaired (Note 15). Carrying value of goodwill is compared to its recoverable amount, which is the higher of value in use and fair value less costs to sell. Any impairment is recognized immediately as an expense and is not subsequently reversed. Fair values less costs to sell of cash-generating units with allocated goodwill tested for impairment are in Level 3 of the fair value hierarchy.

2.5 Investments in subsidiaries
Investments in subsidiaries are carried at cost less any accumulated impairment losses. Cost of an investment in a subsidiary is based on cost attributed to the acquisition of the investment, representing fair value of the consideration given. Dividends received from subsidiaries are recognized as income when the right to receive dividend is established.

2.6 Impairment of non-financial assets
An impairment loss is the amount by which the carrying amount of an asset or a cash-generating unit exceeds its recoverable amount. Assets that are subject to depreciation or amortization are reviewed for impairment, whenever events or circumstances indicate that their carrying amount may not be recoverable. Assets with indefinite useful life or intangible assets not ready to use are not subject

to amortization and are tested for impairment annually. Impairment losses for each class of asset are disclosed within depreciation, amortization and impairment losses in the income statement. Reversals of impairment losses are disclosed within other operating income in the income statement.

For the purpose of assessing impairment, assets are grouped into cash generating units, representing the smallest groups of assets that generate cash inflows that are largely independent of the cash inflows from other assets or groups of assets. The Company determines the recoverable amount of a cash-generating unit on the basis of fair value less costs of disposal. The calculation is determined by reference to discounted cash flows calculations. These discounted cash flows calculations are based on financial budgets approved by management, usually covering a ten-year period. 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 of disposal include average revenue per user, customer acquisition and retention costs, churn rates, capital expenditures, market share, growth rates and discount rates. Discount rates used reflect risks specific to the cash-generating unit. Cash flows reflect management assumptions and are supported by external sources of information. This is highly judgmental, which carries the inherent risk of arriving at materially different recoverable amounts if estimates used in the calculations proved to be inappropriate.

Investments in subsidiaries are tested for impairment if impairment indicators exist. The Company considers, as minimum, the following indicators of impairment: the carrying amount of the investment in the separate financial statements exceeds the carrying amounts of the investee's net assets in the consolidated financial statements, including associated goodwill or; the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared.

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 fair value less costs to sell.

2.7 Inventories

Cost of inventories comprises all the costs of purchase and other costs incurred in bringing the inventories to their present location and condition, including customs, transportation and similar costs. Inventories are stated at the lower of cost and net realizable value. Cost of inventory is determined on the weighted average basis. Net realizable value is the estimated selling price in the ordinary course of business, less estimated selling expenses. An allowance is created against slow-moving and obsolete inventories.

Phone sets are often sold for less than cost in connection with promotions to obtain new subscribers with minimum commitment periods. Such loss on the sale of equipment is recorded upon customer acquisition or retention within material and equipment costs in the income statement. Phone set inventory impairment allowances are recognised immediately when the phone sets are no longer marketable to secure subscriber contractual commitment or if the resale value on a standalone basis (without the subscriber commitment) is lower than cost.

2.8 Cash and cash equivalents

Cash and cash equivalents comprise cash at banks and in hand and short-term deposits with original maturity of three months or less from the date of acquisition.

For the purpose of the statement of cash flows, cash and cash equivalents are net of bank overdrafts. In the statement of financial position, bank overdrafts are included in borrowings in current liabilities.

2.9 Financial assets

The Company classifies its financial assets as: loans and receivables, financial assets at fair value through profit or loss, held-to-maturity investments and available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired. 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. Regular purchases and sales of financial assets are recognized on the trade date – the date on which the Company commits to purchase or sell the asset. When financial assets are recognized, they are initially measured at fair value, plus, in case of investments not held at fair value through profit or loss, directly attributable transaction costs. Financial assets carried at fair value through profit or loss are initially recognized at fair value, and transaction costs are expensed in the income statement.

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized 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.

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Company's loans and receivables are detailed in Note 3.6.

Trade receivables are amounts due from customers for services performed or merchandise sold in the ordinary course of business. Trade and other receivables are included in current assets, except for maturities greater than 12 months after the financial year-end. These are classified as non-current assets. Trade and other receivables are initially recognized at fair value and subsequently measured at amortized cost, using the effective interest rate method, less allowance for impairment. For the purpose of impairment evaluation, trade receivables are grouped together on the basis of similar credit risk characteristics, tested collectively for impairment and written down, if necessary. The amount of impairment loss recognised is the difference between the asset´s carrying amount and present value of estimated future cash flows which are based on the past experience of the collectability of overdue receivables. Allowance for impairment reflects the estimated credit risk.

When a trade receivable for which an allowance was recognized becomes uncollectible or sold, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are recognized within other operating income in the income statement.

Amounts payable to and receivable from the same international telecommunication operators are shown net in the statement of financial position when a legally enforceable right to set-off exists and the Company intends to settle them on a net basis.

Finance lease receivables
Where Company is a lessor in a lease which transfers substantially all the risks and rewards incidental to ownership to the lessee, the assets leased out are presented as a finance lease receivable and carried at the present value of the future lease payments. Finance lease receivables are initially recognized at commencement (when the lease term begins), using a discount rate determined at inception. The difference between the gross receivable and the present value represents unearned finance income which is recognized over the term of the lease using the effective interest rate method.

Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss are financial assets held for trading and financial assets designated upon initial recognition in this category. A financial asset held for trading is classified in this category if acquired principally for the purpose of selling in the short term. Assets in this category are classified as current assets if expected to be settled within 12 months, otherwise they are classified as non-current. Gains or losses arising from changes in the fair value of "financial assets through profit or loss" category are presented in the income statement within financial income or financial expense in the period in which they arise.

Derivatives are also classified as held for trading. Gains or losses on assets held for trading are recognized in the income statement within financial income or financial expense.

The Company does not apply hedge accounting in accordance with IAS 39 for its financial instruments, therefore all gains and losses are recognized in the income statement within financial income or financial expense.

Held-to-maturity investments
Quoted 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 held-to-maturity investments are measured at amortized cost using the effective interest rate method, less impairment. 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 recognized in profit or loss when the investments are derecognized or impaired.

Available-for-sale investments
Available-for-sale financial investments include debt securities. Debt securities in this category are those that may be sold in response to needs for liquidity or in response to change in the market conditions. After initial measurement, available-for-sale financial investments are subsequently measured at fair value with unrealized gains or losses recognized in other comprehensive income and credited in the available-for-sale reserve until the investment is derecognized, at which time the cumulative gain or loss is recognized in financial income, or the investment is determined to be impaired, when the cumulative loss is reclassified from the available-for-sale reserve to the income statement in financial expense. Interest earned whilst holding available-for-sale financial investments is reported as interest income using the effective interest rate method.

2.10 Impairment of financial assets
The Company assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the financial asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Impairment losses of financial assets reduce their carrying amount and are recognized in the income statement against allowance accounts. Upon derecognition of a financial asset the net carrying amount includes any allowance for impairment. Any gains or losses on derecognition are calculated as the difference between the proceeds from disposal and the net carrying amount and are presented in the income statement.

If, in a subsequent period, the amount of an impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the reversal of the previously recognized impairment loss is recognized in the income statement.

2.11 Financial liabilities

There are two measurement categories for financial liabilities used by the Company: financial liabilities carried at amortized costs represented by trade and other payables and financial liabilities at fair value through profit or loss. A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are initially measured at fair value. After initial recognition trade and other payables are measured at amortized cost using the effective interest rate 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 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 recognized in profit or loss.

The Company does not apply hedge accounting in accordance with IAS 39 for its financial instruments, therefore all gains and losses are recognized in the income statement within financial income or financial expense.

2.12 Prepaid expenses

The Company has easement rights to use and access technological equipment sited in properties owned by third parties. These easements are presented within prepaid expenses in the statement of financial position. Easements are initially recognized at their net present value and amortized over their expected duration. Amortization of easement rights is presented within other operating costs in the income statement.

2.13 Provisions and contingent liabilities

Provisions for asset retirement obligations, restructuring costs and legal and regulatory claims are recognized when: the Company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

If the effect of the time-value of money is material, provisions are discounted using a risk-adjusted, pre-tax discount rate. Where discounting is used, the increase in the provision due to the passage of time is recognized as a financial expense.

No provision is recognized for contingent liabilities. A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or a present obligation that arises from past events but is not recognized because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Asset retirement obligations

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

2.14 Employee benefit obligations

Retirement and other long-term employee benefits

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

A defined contribution plan is a pension plan under which the Company pays fixed contributions into separate publicly or privately administered entities on a mandatory, contractual or voluntary 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 benefit plans granting certain amounts of pension or jubilee payments that an employee will receive on retirement, usually dependant on one or more factors such as an age, years of service and compensation. These benefits are unfunded. The liability recognized in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The last calculation was prepared on 31 December 2014. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using discount rate of weighted-average yields for high-quality (Bloomberg Aa*) - non-cancellable, non-putable corporate bonds. The currency and term of the bonds are consistent with the currency and estimated term of the benefit obligations. Past service costs are recognized immediately in income statement.

Remeasurement gains and losses arising from experience-based adjustments and changes in actuarial assumptions are recognized in the period in which they occur within other comprehensive income for retirement benefits and within the income statement for jubilee benefits. Current service cost, past service cost and curtailment gain are included within wages and salaries under staff costs. Interest costs are included within financial expense.

Termination benefits

Employee termination benefits are recognized in the period in which is the Company demonstrably committed to a termination without possibility of withdrawal, i.e. the management defines and authorizes a detailed plan listing the number and structure of employees to be discharged and announces it to the trade unions. Expenses related to termination benefits are disclosed within staff costs in the income statement.

2.15 Revenue recognition

Revenue is recognized 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 Company; the revenue can be measured reliably and when specific criteria as stated below have been met. Revenue from rendering of services and from sales of equipment is shown net of value added tax and discounts. Revenue is measured at the fair value of consideration received or receivable.

The Company recognizes revenue as follows:
The Company provides customers with narrow and broadband access to its fixed, mobile and TV distribution networks. Service revenue is recognized when the services are provided in accordance with contractual terms and conditions. Airtime revenue is recognized based upon minutes of use and contracted fees less credits and adjustments for discounts, while subscription and flat rate revenue is recognized in the period they relate to.

Revenue from prepaid cards is recognized when credit is used by a customer or after period of limitation when unused credit elapsed.

Interconnect revenue generated from calls and other traffic that originates in other operators' networks is recognized 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. Revenue from interconnect is recognized gross.

Content revenue is recognized gross or net of the amount due to a content provider. Depending on the nature of relationship with the content provider, gross presentation is used when the Company acts as a principal in the transaction with a final customer. Content revenue is recognized net if the Company acts as an agent, i.e. the content provider is responsible for service content and the Company does not assume risks and rewards of ownership.

Revenue from multiple revenue arrangements is considered as comprising 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. When separable components have been identified, an amount received or receivable from a customer is allocated to individual deliverables based on each component's fair value. Amount allocable to a delivered item(s) is limited to the amount that is not contingent upon the delivery of additional items or meeting other specified performance conditions (the non-contingent amount). The revenue relating to the item(s) is recognized when risks and rewards are transferred to the customer which occurs on delivery. Revenue relating to the service element is recognized on a straight-line basis over the service period.

Revenue from sales of equipment is recognized when the equipment is delivered and installation is completed. Completion of an installation is a prerequisite for recognizing revenue on such sales of equipment where installation is not simple in nature and functionally constitutes a significant component of the sale.

Revenue from operating leases of equipment is recognized on a straight-line basis over lease period.

IT revenue

Contracts on network services, which consist of installations and operations of communication networks for customers, have an average duration of 2 to 3 years. Revenue from voice and data services is recognized under such contracts when voice and data are used by a customer. Revenue from system integration contracts comprising delivery of customized products and/or services is recognized when the customized complex solution is being delivered and accepted by a customer. Contracts are usually separated into distinct milestones which indicate completion, delivery and acceptance of a defined project phase. Upon completion of a milestone the Company is entitled to issuing an invoice and to a payment.

Revenue from maintenance services (generally a fixed fee per month) is recognized over the contractual period or when the services are provided. Revenue from repairs, which are not part of the maintenance contract but are billed on a basis of time and material used, is recognized when the services are provided.

Revenue from sale of hardware and software is recognized when risks of ownership are substantially transferred to a customer, provided there are no unfulfilled obligations that affect customer's final acceptance of the arrangement.

Interest and dividends
Interest income is recognized using the effective interest rate method. When a loan or receivable is impaired, the Company reduces its carrying amount to a recoverable amount. The recoverable amount is determined as an estimate of future cash flows discounted at the original effective interest rate of the instrument. Dividend income is recognized when the right to receive payment is established.

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

Leases in which significant portion of 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 lease period.

When operating lease is terminated before the lease period has expired, any penalty payment to the lessor is recognized in income statement in the period in which the termination took place.

Lease contracts are analyzed based on the requirements of IFRIC 4 and if they include embedded lease elements, revenue or income attributable to these is recognized in accordance with IAS 17.

Operating lease – the Company as lessor
Assets leased to customers under operating leases are included in property and equipment in the statement of financial position. They are depreciated over their expected useful lives on a basis consistent with similar assets. Rental income is recognized as revenue or other operating income on a straight-line basis over the lease term.

Operating lease – the Company as lessee
Costs of operating leases are charged to the income statement on a straight-line basis over the lease term.

Finance lease – the Company as lessor
Leases of assets where the Company transfers substantially all the risks and rewards of ownership are recognized and disclosed as revenue against finance lease receivable. The revenue equals to the estimated present value of future minimum lease payments receivable and any unguaranteed residual value (net investment in the lease). Cost of assets sold in finance lease transactions are recognized at the commencement of the lease. Each lease receipt is then allocated between lease receivable and interest income.

Finance lease – the Company as lessee
Leases of assets where the Company assumes substantially all the benefits and risks of ownership are classified as finance leases. The finance lease obligations are included in the statement of financial position in trade and other payables.

2.17 Operating profit
Operating profit is defined as a result before income taxes and financial income and expenses. For financial income and expenses refer to Notes 9 and 10 respectively.

2.18 Segment reporting
Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Executive Management Board that makes strategic and operating decisions.

2.19 Foreign currency translation
Transactions denominated in foreign currencies are translated into functional currency using exchange rates prevailing at the date

of transaction. Monetary assets and liabilities denominated in foreign currencies are translated into functional currency using the exchange rates prevailing at the statement of financial position date. All foreign exchange differences are recognized within financial income or expense in the period in which they arise.

2.20 Taxes

Tax expense for the period comprises current and deferred tax. Tax is recognized in the income statement except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, tax is also recognized in other comprehensive income or directly in equity respectively.

Current income tax

Current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted as of the statement of financial position date. Current income tax includes additional levy imposed by the Slovak government on regulated industries effective from 1 September 2012. The levy of 4.356% per annum is applied on the basis calculated as the profit before tax determined in accordance with the Slovak Accounting Standards reduced by a fixed deduction of EUR 3,000 thousand.

Current income 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.

Deferred tax

Deferred tax is calculated at the statement of financial position date using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts.

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

Deferred tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Change of the income tax rate from 23% to 22%, effective from 1 January 2014, resulted in the decrease of the deferred tax liability by EUR 5,452 thousand in financial statements for the year 2013 with the effect on the tax expense of EUR 5,429 thousand and the effect on the other comprehensive income of EUR 23 thousand.

2.21 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 the period and the reported amounts of revenue and expenses for that 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 recognized 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 with similar assets. The Company reviews the estimated remaining useful lives of non-current assets annually. 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 depreciation or amortization period, as appropriate, and are treated as changes in accounting estimates. Management's estimates and judgements are inherently prone to inaccuracy for those assets for which no previous experience exists.

The Company reviewed useful lives of non-current assets during 2014 and changed accounting estimates where appropriate. The table summarizes net increase or (decrease) in depreciation or amortization charge for the following categories of non-current assets:

thousands of EUR	2014	2015	2016	2017	After 2018
Technology	3,191	836	(1,274)	(723)	(2,030)
Cars	(353)	(280)	(21)	382	272

Customer relationships

The Company maintains record of customer relationships obtained during the acquisition of control of T-Mobile and recognized at the merger (Notes 1, 14) and regularly evaluates appropriateness of useful lives used to amortize these intangible assets on the basis of churn of customers acquired through the business combination. No changes to useful lives were necessary in 2014. If the useful lives of customer relationships were shortened by one year, the amortization would increase by EUR 7,860 thousand. If the useful lives of customer relationships were shortened by two years, the amortization would increase by EUR 20,657 thousand.

Activation fees and subscriber acquisition and retention costs
The Company defers activation; non-refundable up-front fees in cases when the delivery of products or rendering of services does not present a separate earnings process and the activation fees are not offset by a delivered product or rendered services. This period is estimated on a basis of an anticipated term of customer relationship under the arrangement which generated the activation fee. The estimated customer relationship period is reassessed at each financial year-end. Costs incurred in direct relation to customer activation (such as SIM card costs and commissions) are deferred to the extent of activation revenue and amortized in the same manner as the activation fees. Other subscriber acquisition costs, which primarily include losses on subsidized handsets and hardware, are expensed as incurred.

Assessment of impairment of goodwill
The 2010 legal merger with T-Mobile led to recognition of goodwill. Goodwill is tested annually for impairment as further described in Note 2.6 using estimates detailed in Note 15.

Asset retirement obligation
The Company enters into lease contracts for land and premises on which mobile communication network masts are sited. The Company is committed by these contracts to dismantle the masts and restore the land and premises to their original condition. Management anticipates the probable settlement date of the obligation to equal useful life of mast, which is estimated to be 50 years. The remaining useful life of masts ranges from 28 to 50 at 31 December 2014. Management's determination of the amount of the asset retirement obligation (Note 28) involves the following estimates (in addition to the estimated timing of crystallisation of the obligation):

a) an appropriate risk-adjusted, pre-tax discount rate commensurate with the Company's credit standing;
b) the amounts necessary to settle future obligations;
c) inflation rate.

If the economic useful life of the masts was shortened by 10 years (from 50 years to 40 years) it would cause an increase of asset retirement obligation by EUR 2,722 thousand. If the inflation rate increased by 0.5%, it would cause an increase of asset retirement obligation by EUR 2,759 thousand. If the risk-adjusted, pre-tax discount rate increased by 0.5%, it would cause a decrease of asset retirement obligation by EUR 2,227 thousand. If the amounts necessary to settle future obligations increased by 10%, it would cause an increase of asset retirement obligation by EUR 1,250 thousand.

Provisions and contingent liabilities
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 its ability to reliably estimate such future outflows. If these recognition criteria are met a provision is recorded in the amount of the best estimate of the expenditure required to settle the present obligation at the end of the reporting period. Such judgments and estimates are continually reassessed taking into consideration the developments of the legal cases and proceedings and opinion of lawyers and other subject matter experts involved in resolution of the cases and proceedings. The factors considered for individual cases are described in Notes 28 and 34.

Estimated impairment of trade and other receivables
The Company calculates impairment for doubtful accounts receivable based on estimated losses resulting from the inability of its customers to make required payments. It is estimated on the basis of the nature of the business (fixed line, mobile, prepaid, etc.), for which the estimate is based on the aging of the accounts receivable balance and the historical write-off experience, customer credit-worthiness as well as changes in the internal and external ratings of customers. These factors are reviewed annually and changes are made to the calculations when necessary.

Easements
On disposal of certain properties where technological equipment is sited and required for the Company's operations, the Company enters into certain 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 the Company does not retain the significant risks and rewards of ownership of the properties and accounts for easements as a prepaid expense.

2.22 Restatement of presentation of certain IT hardware delivery transactions
Delivery of some IT hardware where the Company was agent rather than principal were incorrectly presented on the gross basis during the period ended 31 December 2013. The effect of the IAS 8.42 adjustment on each of the affected financial statement line items for the prior period and the effect of the restatement on those financial statements is summarised below.

Impact on income statement:

thousands of EUR	2013
Revenue	(11,677)
Material and equipment	7,257
Other operating costs	4,420

The change did not have an impact on profit, other comprehensive income, statement of financial position, retained earnings, cash flow or earnings per share.

2.23 Comparatives

Certain balances included in comparative information have been reclassified in order to conform to the current year presentation. These adjustments, in accordance with IAS 1.38, have been made for the purpose of comparability of data, reported periods and include the following main changes:

a) Interest costs on employee benefits provision in the amount of EUR 284 thousand is presented within financial expense in 2013 comparatives. In 2013 financial statements these costs were presented within Staff costs, (Note 5).

b) Interest receivable on available-for-sale investments in the amount of EUR 3,451 thousand is presented within Trade and other receivables in 2013 comparatives. In 2013 financial statements this item was presented within Available-for-sale investments, (Note 21).

Reclassification of balances had no impact on balances in the statement of financial position as of 1 January 2013; therefore no opening statement of financial position as at 1 January 2013 is presented in these financial statements.

2.24 Adoption of IFRS during the year

Standards, interpretations and amendments to published standards effective for the Company's accounting period beginning on 1 January 2014

There are no IFRS or IFRIC interpretations that are effective for the first time for the financial year beginning on or after 1 January 2014 that have material impact on the Company.

- IFRS 10 Consolidated Financial Statements, effective for annual periods beginning on or after 1 January 2014

  IFRS 10 replaces all of the guidance on control and consolidation in IAS 27, Consolidated and Separate Financial Statements, and SIC-12, Consolidation - Special Purpose Entities. IFRS 10 changes the definition of control so that the same criteria are applied to all entities to determine control. This definition is supported by extensive application guidance.

- IFRS 11 Joint Arrangements, effective for annual periods beginning on or after 1 January 2014

  IFRS 11 replaces IAS 31, Interests in Joint Ventures, and SIC-13, Jointly Controlled Entities—Non-Monetary Contributions by Ventures. Changes in the definitions have reduced the number of types of joint arrangements to two: joint operations and joint ventures. The existing policy choice of proportionate consolidation for jointly controlled entities has been eliminated. Equity accounting is mandatory for participants in joint ventures.

- IFRS 12 Disclosures of Interests in Other Entities, effective for annual periods beginning on or after 1 January 2014

  IFRS 12 applies to entities that have an interest in a subsidiary, a joint arrangement, an associate or an unconsolidated structured entity. IFRS 12 sets out the required disclosures for entities reporting under the two new standards: IFRS 10, Consolidated Financial Statements, and IFRS 11, Joint Arrangements, and replaces the disclosure requirements currently found in IAS 28, Investments in Associates. IFRS 12 requires entities to disclose information that helps financial statement readers to evaluate the nature, risks and financial effects associated with the entity's interests in subsidiaries, associates, joint arrangements and unconsolidated structured entities. To meet these objectives, the new standard requires disclosures in a number of areas, including significant judgments and assumptions made in determining whether an entity controls, jointly controls, or significantly influences its interests in other entities, extended disclosures on share of non-controlling interests in group activities and cash flows, summarised financial information of subsidiaries with material non-controlling interests, and detailed disclosures of interests in unconsolidated structured entities.

- Amendments to IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements and IFRS 12 Disclosures of Interests in Other Entities, effective for annual periods beginning on or after 1 January 2014

The amendments clarify the transition guidance in IFRS 10. Entities adopting IFRS 10 should assess control at the first day of the annual period in which IFRS 10 is adopted, and if the consolidation conclusion under IFRS 10 differs from IAS 27 and SIC 12, the immediately preceding comparative period (that is, year 2012 for a calendar year-end entity that adopts IFRS 10 in 2013) is restated, unless impracticable. The amendments also provide additional transition relief in IFRS 10, IFRS 11 and IFRS 12 by limiting the requirement to provide adjusted comparative information only for the immediately preceding comparative period. Further, the amendments will remove the requirement to present comparative information for disclosures related to unconsolidated structured entities for periods before IFRS 12 is first applied.

- Amendments to IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosures of Interests in Other Entities, and IAS 27 Consolidated and Separate Financial Statements, effective for annual periods beginning on or after 1 January 2014

  The amendment introduced a definition of an investment entity as an entity that (i) obtains funds from investors for the purpose of providing them with investment management services, (ii) commits to its investors that its business purpose is to invest funds solely for capital appreciation or investment income and (iii) measures and evaluates its investments on a fair value basis. An investment entity will be required to account for its subsidiaries at fair value through profit or loss, and to consolidate only those subsidiaries that provide services that are related to the entity's investment activities. IFRS 12 was amended to introduce new disclosures, including any significant judgments made in determining whether an entity is an investment entity and information about financial or other support to an unconsolidated subsidiary, whether intended or already provided to the subsidiary.

- IAS 27 (revised 2011) Separate Financial Statements, effective for annual periods beginning on or after 1 January 2014

  IAS 27 (revised 2011) was changed and its objective is now to prescribe the accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements. The guidance on control and consolidated financial statements was replaced by IFRS 10, Consolidated Financial Statements.

- IAS 28 (revised 2011) Associates and Joint Ventures, effective for annual periods beginning on or after 1 January 2014

  The amendment of IAS 28 (revised 2011) resulted from the Board's project on joint ventures. When discussing that project, the IASB decided to incorporate the accounting for joint ventures using the equity method into IAS 28 because this method is applicable to both joint ventures and associates. With this exception, other guidance remained unchanged.

- Amendment to IAS 32 Financial Instruments: Presentation, Offsetting Financial Assets and Financial Liabilities, effective for annual periods beginning on or after 1 January 2014

  The amendment added application guidance to IAS 32 to address inconsistencies identified in applying some of the offsetting criteria. This includes clarifying the meaning of 'currently has a legally enforceable right of set-off' and that some gross settlement systems may be considered equivalent to net settlement.

- Amendment to IAS 36 Impairment of Assets - Recoverable Amount Disclosures for Non-financial Assets, effective for annual periods beginning on or after 1 January 2014

  The amendment removes the requirement to disclose the recoverable amount when a cash-generating unit contains goodwill or indefinite lives intangible assets but there has been no impairment.

- Amendment to IAS 39 Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting, effective for annual periods beginning on or after 1 January 2014

  The amendment will allow hedge accounting to continue in a situation where a derivative, which has been designated as a hedging instrument, is novated (i.e. parties have agreed to replace their original counterparty with a new one) to effect clearing with a central counterparty as a result of laws or regulation, if specific conditions are met.

Standards, interpretations and amendments to published standards that have been published, are not effective for accounting periods starting on 1 January 2014 and which the Company has not early adopted

- Amendments within Annual improvements project 2010 – 2012, effective day has not yet been endorsed. The improvements consist of changes to seven standards:

IFRS 2 Share-based Payment – Definition of vesting condition
Amends the definitions of 'vesting condition' and 'market condition' and adds definitions for 'performance condition' and 'service condition' (which were previously part of the definition of 'vesting condition').

IFRS 3 Business combinations – Accounting for contingent consideration in a business combination
Amendment clarifies that contingent consideration that is classified as an asset or a liability shall be measured at fair value at each reporting date.

IFRS 8 Operating segment - Aggregation of operating segments
Amendment requires an entity to disclose the judgements made by management in applying the aggregation criteria to operating segments.

IFRS 8 Operating segment - Reconciliation of the total of the reportable segments' assets to the entity's assets
Amendment clarifies that an entity shall only provide reconciliations of the total of the reportable segments' assets to the entity's assets if the segment assets are reported regularly.

IFRS 13 Fair value Measurement – short term receivables and payables
Amendment clarifies issuing IFRS 13 and amending IFRS 9 and IAS 39 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting if the effect of not discounting is immaterial.

IAS 16 Property, Plant and Equipment – revaluation method - proportionate restatement of accumulated depreciation
Amendment clarifies that when an item of property, plant and equipment is revalued the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount.

IAS 24 Related Party Disclosures – Key management personnel
Amendment clarifies that an entity providing key management personnel services to the reporting entity or to the parent of the reporting entity is a related party of the reporting entity.

IAS 38 Intangible Assets – Revaluation method - proportionate restatement of accumulated amortisation
Amendment clarifies that when an intangible asset is revalued the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount.

- Amendments within Annual improvements project 2011 – 2013, effective for annual periods beginning on or after 1 January 2015. The improvements consist of changes to four standards:

  IFRS 1 First-time Adoption of IFRS – Meaning of effective IFRSs

  Amendment clarifies that an entity, in its first IFRS financial statements, has the choice between applying an existing and currently effective IFRS or applying early a new or revised IFRS that is not yet mandatorily effective, provided that the new or revised IFRS permits early application. An entity is required to apply the same version of the IFRS throughout the periods covered by those first IFRS financial statements. – Not relevant for the Company.

  IFRS 3 Business combinations – scope of exception for joint ventures
  Amendment clarifies that IFRS 3 excludes from its scope the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself.

  IFRS 13 Fair value Measurement – portfolio exception
  Amendment clarifies that the scope of the portfolio exception defined in paragraph 52 of IFRS 13 includes all contracts accounted for within the scope of IAS 39, Financial Instruments: Recognition and Measurement, or IFRS 9, Financial Instruments, regardless of whether they meet the definition of financial assets or financial liabilities as defined in IAS 32, Financial Instruments: Presentation.

  IAS 40 Investment property - Clarifying the interrelationship of IFRS 3 and IAS 40 when classifying property as investment property or owner-occupied property

  Amendment clarifies that determining whether a specific transaction meets the definition of both a business combination as defined in IFRS 3, Business Combinations, and investment property as defined in IAS 40, Investment Property, requires the separate application of both standards independently of each other.

- Amendments within Annual improvements project 2012 – 2014, effective day has not yet been endorsed. The improvements consist of changes to four standards:

  IFRS 5 Non-current assets held for sale and discontinued operation – changes in methods of disposal
  Add specific guidance in IFRS 5 for cases in which an entity reclassifies an asset from held for sale to held for distribution or vice versa and cases in which held-for-distribution accounting is discontinued.

IFRS 7 Financial Instruments: Disclosures – Servicing contract
Amendment adds additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purpose of determining the disclosures required.

IFRS 7 Financial Instruments: Disclosures – Applicability of the amendments to IFRS 7 to condensed interim financial statements
Amendment clarifies the applicability of the amendments to IFRS 7 on offsetting disclosures to condensed interim financial statements.

IAS 19 Employee benefits – discount rate: Regional market issue
Amendment clarifies that the high quality corporate bonds used in estimating the discount rate for post-employment benefits should be denominated in the same currency as the benefits to be paid. The amendment is not relevant for the Company.

IAS 34 Interim financial reporting - Disclosure of information 'elsewhere in the interim financial report'
Amendment clarifies the meaning of "elsewhere in the interim report".

- IFRS 9 Financial Instruments, effective day has not yet been endorsed

The package of improvements introduced by the Standard IFRS 9 issued in November 2009 and amended in October 2010, December 2011, November 2013 and July 2014 includes a model for classification and measurement, a single, forward-looking "expected loss" impairment model and substantially-reformed approach to hedge accounting.

Classification and Measurement: Classification determines how financial assets and liabilities are accounted for in financial statements and, in particular, how they are measured on an ongoing basis. IFRS 9 introduces an approach for the classification of financial assets, which is driven by cash characteristics and the business model in which an assets is held.

Impairment: Standard introduced a new, expected-loss impairment model that will require more timely recognition of expected credit losses. Specifically, the Standard requires entities to account for expected credit losses from when financial instruments are first recognised and to recognise full lifetime expected losses on a more timely basis.

Hedge accounting: IFRS 9 introduces a substantially-reformed model for hedge accounting, with enhanced disclosures about risk management activity. The new model represents a significant overhaul of hedge accounting that aligns the accounting treatment with risk management activities, enabling entities to better reflect these activities in their financial statements.

- IFRS 14 Regulatory Deferral Accounts, effective day has not yet been endorsed

The aim of this interim Standard is to enhance the comparability of financial reporting by entities that are engaged in rate-regulated activities. IFRS 14 does not provide any specific guidance for rate-regulated activities. The IASB has a project to consider the broad issues of rate regulation and planed to publish a Discussion Paper on this subject in 2014. Pending the outcome of this comprehensive Rate-regulated Activities project, the IASB decided to develop IFRS 14 as an interim measure. IFRS 14 is only applicable by first-time adopters. Insofar, it is not relevant for the Company.

- IFRS 15 Standard on the recognition of revenue from contracts with customers, effective day has not yet been endorsed

The core principle of the new Standard is for companies to recognise revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the company expects to be entitled in exchange for those goods or services. The new Standard will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively (for example, service revenue and contract modifications) and new guidance for multiple-element arrangements. The adoption of the new standard will result in significant changes in the financial statements of the Company, primarily in respect of the timing of revenue recognition and in respect of capitalization of costs of obtaining a contract with a customer and contract fulfilment costs. The timing of revenue recognition and the classification of revenues as either service or equipment revenue will be affected due to the allocation of consideration in multiple element arrangements (solutions for customers that may involve the delivery of multiple services and products occurring at different points in time and/or over different periods of time) no longer being affected by limitation cap methodology. Company's operations and associated systems are complex and the currently estimated time and effort necessary to develop and implement the accounting policies, estimates, judgments and processes to comply with the new standard is expected to span a substantial time. As a result, at this time, it is not possible to make reasonable quantitative estimates of the effects of the new standard.

- Amendment to IFRS 11 Joint Arrangements -Accounting for acquisition of interests in joint operations, effective day has not yet been endorsed

IFRS 11 amended explicitly requires the acquirer of an interest in a joint operation in which the activity constitutes a business to apply all of the principles on business combinations accounting in IFRS 3.

- Amendments to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets. IAS 16 and IAS 38 both establish the principle for the basis of depreciation and amortisation as being the expected pattern of consumption of the future economic benefits of an asset, effective day has not yet been endorsed

  The IASB has clarified that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The IASB also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption, however, can be rebutted in certain limited circumstances.

- Amendments to IAS 16 Property, Plant and Equipment and IAS 41 Agriculture, effective day has not yet been endorsed

  The standard currently requires all biological assets related to agricultural activity to be measured at fair value less costs to sell. However, there is a subset of biological assets, known as bearer plants, which are used solely to grow produce over several periods. At the end of their productive lives they are usually scrapped. The IASB decided that bearer plants should be accounted for in the same way as property, plant and equipment in IAS 16 Property, Plant and Equipment, because their operation is similar to that of manufacturing. This amendment is not relevant for the Company.

- Amendment to IAS 19 – Defined Benefit Plans: Employee Contributions, effective day has not yet been endorsed

  The amendment allows entities to recognize employee contributions as a reduction in the service cost in the period in which the related employee service is rendered, instead of attributing the contributions to the periods of service, if the amount of the employee contributions is independent of the number of years of service.

- Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures (2011), effective day has not yet been endorsed

  The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

- Amendment to IAS 27 - Separate Financial Statements - Equity Method in Separate Financial Statements, effective day has not yet been endorsed

  The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements.

- IFRIC 21 Levies, effective for annual periods beginning on or after 17 June 2014

  The interpretation clarifies the accounting for an obligation to pay a levy that is not income tax. The obligating event that gives rise to a liability is the event identified by the legislation that triggers the obligation to pay the levy. The fact that an entity is economically compelled to continue operating in a future period, or prepares its financial statements under the going concern assumption, does not create an obligation. The same recognition principles apply in interim and annual financial statements. The application of the interpretation to liabilities arising from emissions trading schemes is optional.

- Amendments to IAS 1 – Presentation of Financial Statements: Disclosure Initiative, effective day has not yet been endorsed

  The amendments are designed to further encourage companies to apply professional judgement in determining what information to disclose in their financial statements. For example, the amendments make clear that materiality applies to the whole of financial statements and that the inclusion of immaterial information can inhibit the usefulness of financial disclosures. Furthermore, the amendments clarify that companies should use professional judgement in determining where and in what order information is presented in the financial disclosures.

- Amendments to IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosures of Interests in Other Entities, and IAS 28 Associates and Joint Ventures, effective day has not yet been endorsed

  The amendment introduces clarifications to the requirements when accounting for investment entities.

The amendment confirms that:

- the exemption from preparing consolidated financial statements for an intermediate parent entity is available to a parent entity that is a subsidiary of an investment entity, even if the investment entity measures all of its subsidiaries at fair value;
- a subsidiary that provides services related to the parent's investment activities should not be consolidated if the subsidiary itself is an investment entity;
- when applying the equity method to an associate or a joint venture, a non-investment entity investor in an investment entity may retain the fair value measurement applied by the associate or joint venture to its interests in subsidiaries;
- an investment entity measuring all of its subsidiaries at fair value provides the disclosures relating to investment entities required by IFRS 12.

The future implications of standards, interpretations and amendments that are relevant to the Company are being continuously evaluated and will be applied in accordance with the requirements if applicable.

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, loans, escrow, term deposits, investments at amortized cost and available-for-sale investments. The main purpose of these instruments is to manage the liquidity of the Company.

The Company holds financial assets which represent its investment in subsidiaries. These financial assets are deemed to be long-term.

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

The Company enters also into derivative transactions. The purpose is to manage the foreign currency risk arising from the Company's operations. The Company does not perform speculative trading with the derivative instruments.

The main risks arising from the Company's financial instruments are market risk, credit risk and liquidity risk. The Treasury is responsible for financial risk management, in accordance with guidelines approved by the Board of Directors and the Deutsche Telekom Group Treasury. The Treasury works in association with the Company's operating units and with the Deutsche Telekom Group Treasury. 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.

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: foreign currency risk, interest rate risk and other price risk.

3.1.1 Foreign currency risk

Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of change in foreign exchange rates.

The Company is exposed to transactional foreign currency risk arising from international interconnectivity. In addition, the Company is exposed to risks arising from capital and operational expenditures denominated in foreign currencies.

The Company can use forward currency contracts, currency swaps or spot-market trading to eliminate the exposure towards foreign currency risk. It is the Company's policy to negotiate the terms of the hedge derivatives to match the terms of the hedged item to maximize hedge effectiveness. Such economic hedge however does not qualify for hedge accounting under the specific rules of IAS 39.

For all planned, but not yet determined, foreign currency denominated cash flows (uncommitted exposure) of the following 12 months (rolling 12 month approach) a hedging ratio of at least 50% is applied. The Company uses term deposits in foreign currencies to hedge these uncommitted exposures (Note 23).

Short-term cash forecasts are prepared on a rolling basis to quantify the Company's expected exposure. The Company's risk management policy requires the hedging of every cash flow denominated in foreign currency exceeding the equivalent of EUR 250 thousand.

The Company's foreign currency risk relates mainly to the changes in USD foreign exchange rates, with immaterial risk related to financial assets and financial liabilities denominated in other foreign currencies.

The following table details the sensitivity of the Company's profit before tax and equity to a 10% increase/decrease in the EUR against USD, with all other variables held as constant. The 10% change represents management's assessment of the reasonably possible change in foreign exchange rate and is used when reporting foreign currency risk internally in line with treasury policies.

thousands of EUR		2014	2013
Profit before tax	Depreciation of EUR by 10%	475	(637)
	Appreciation of EUR by 10%	(389)	521
Equity	Depreciation of EUR by 10%	371	(491)
	Appreciation of EUR by 10%	(303)	401

3.1.2 Interest rate risk

The Company's income and operating cash flows are substantially independent of changes in market interest rates. The Company entered into a master agreement with DT AG in October 2008 based on which the Company can provide loans to DT AG. Currently, there is outstanding loan in amount of EUR 150,000 thousand at fixed interest rate (Note 25). The term deposits outstanding at 31 December 2014 in the amount of EUR 219,596 thousand have been concluded with fixed interest rate (Note 23).

The Company's exposure to the risk of changes in market interest rates relates mainly to the Company's available-for-sale investments. The Company seeks to optimize its exposure towards interest rate risk using a mix of fixed–rate and floating–rate securities. At the end of 2014, the securities portfolio consists of fixed-rate bonds and floated-rate bonds.

The sensitivity of available-for-sale investments to changes in interest rates is detailed in Note 22.

3.1.3 Other price risk

Other price risk arises on financial instruments because of changes in commodity prices or equity prices. The Company is not exposed to such risks.

3.2 Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

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 the credit ratings assigned to these institutions by reputable rating agencies and these limits are reviewed on a regular basis. For credit ratings see Notes 22, 23, 24, 25 and 26. The Company is exposed to concentration of credit risk from holding state bonds in amount of EUR 102,958 thousand issued by the Netherlands, state bonds in amount of EUR 53,051 thousand issued by the Slovak Republic, state bonds in amount of EUR 52,120 thousand issued by Finland and loan receivable in the amount of EUR 150,000 thousand provided to DT AG (Germany).

Further, counterparty credit limits and maximum maturity can be decreased based on recommendation by Deutsche Telekom Group Treasury in order to manage bulk risk steering of Deutsche Telekom Group. Group credit risk steering takes into account various risk indicators including, but not limited to CDS level, rating and negative movement of the share price of the counterparty.

The Company establishes an allowance for impairment that represents its estimate of losses incurred in respect of trade and other receivables. Impairment losses are recognized 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.

In respect of financial assets, which comprise cash and cash equivalents, loans, escrow, term deposits, investments at amortized cost, available-for-sale investments, trade and other receivables, the Company's exposure to credit risk arises from the potential default of the counterparty, with a maximum exposure equal to the carrying amount of these financial assets. In April 2012 the Company and Poštová banka, a.s. signed an Agreement about establishment of a right of lien on securities. The Company thus secured its receivables to maximum principal amount of EUR 15,000 thousand. In total, Poštová banka, a.s. pledged 35,000,000 pieces of the state bond SK4120006503 with a nominal value of EUR 17,500 thousand. No other significant agreements reducing the maximum exposure to credit risk had been concluded at 31 December 2014.

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 recognized 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 recognized. The reversal of the impairment loss is recognized in profit or loss.

The table summarises the ageing structure of receivables:

thousands of EUR	Neither past due nor impaired	Past due but not impaired					Total
		< 30 days	31-90 days	91-180 days	181-365 days	> 365 days	
At 31 December 2014							
Trade and other receivables	92,234	225	8	42	63	78	**92,650**
At 31 December 2013							
Trade and other receivables	106,769	200	34	38	101	129	**107,271**

No significant individually impaired trade receivables were included in the allowance for impairment losses in 2014 and 2013.

Trade receivables that are past due as at the statement of financial position 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.

For sensitivity of impairment charge of uncollectible receivables refer to Note 17.

3.3 Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

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 available-for-sale 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 summarizes the maturity profile of the Company's financial liabilities (including issued financial guarantee) based on contractual undiscounted payments:

thousands of EUR					
At 31 December 2014	**On demand**	**Less than 3 months**	**3 to 12 months**	**Over 1 year**	**Total**
Trade and other payables	4,814	102,669	4,215	638	112,336
Financial guarantee commitment	-	-	-	-	-
At 31 December 2013	**On demand**	**Less than 3 months**	**3 to 12 months**	**Over 1 year**	**Total**
Trade and other payables	13,161	180,408	1,502	1,126	196,197
Financial guarantee commitment	-	250	-	-	250

The Company has granted credit limit to subsidiary DIGI SLOVAKIA, s.r.o. in amount of EUR 5,000 thousand with interest rate 1M Euribor + 1% margin. The limit was not used as at 31 December 2014.

Offsetting financial assets and liabilities
The following financial assets and liabilities are subject to offsetting:

thousands of EUR	Gross amounts	Offsetting	Net amounts
At 31 December 2014			
Current financial assets – Trade receivables	10,686	(5,756)	4,930
Current financial liabilities – Trade payables	9,897	(5,756)	4,141
At 31 December 2013			
Current financial assets – Trade receivables	12,421	(6,210)	6,211
Current financial liabilities – Trade payables	12,831	(6,210)	6,621

For the Company's accounting policy on offsetting refer to Note 2.9.

3.4 Capital risk management
The Company manages its capital to ensure its ability to support its business activities on an ongoing basis. It takes into consideration any applicable guidelines of the parent company. No changes were made to the objectives, policies or processes in 2014.

The capital structure of the Company consists of equity attributable to shareholders, comprising issued capital, share premium, statutory reserve fund, retained earnings and other components of equity (Note 27). The management of the Company manages capital measured in terms of shareholder's equity amounting to at 31 December 2014 EUR 1,607,409 thousand (2013: EUR 1,586,847 thousand).

3.5 Fair value
Fair value measurements are analysed by level in the fair value hierarchy as follows: (i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) level two measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) level three measurements are valuations not based on observable market data (that is, unobservable inputs). Management applies judgement in categorising financial instruments using the fair value hierarchy. If a fair value measurement uses observable inputs that require significant adjustment, that measurement is a Level 3 measurement. The significance of a valuation input is assessed against the fair value measurement in its entirety.

3.5.1 Recurring fair value measurements
Recurring fair value measurements are those that the accounting standards require or permit in the statement of financial position at the end of each reporting period.

The levels in the fair value hierarchy into which the recurring fair value measurements are categorised are as follows:

thousands of EUR	At 31 December 2014				At 31 December 2013			
	Level 1	Level 2	Level 3	Carrying value	Level 1	Level 2	Level 3	Carrying value
Non-current assets								
Available-for-sale investments (Note 22)	32,102	-	-	32,065	176,633	-	-	176,583
Current assets								
Available-for-sale investments (Note 22)	171,965	-	-	171,860	49,865	-	-	49,862
Interest receivable on available-for-sale investments (Note 17)	4,063	-	-	4,083	3,451	-	-	3,468

The fair value of available-for-sale investments was established based on quoted unadjusted market values provided by banks who act as depositors of the securities. There were no transfers between fair value hierarchy levels.

3.5.2 Non-recurring fair value measurements
In 2013 the Company has written down its non-current assets held for sale to fair value less costs to sell. The valuation was performed by external party using the income approach, so called the direct capitalization method. The main inputs of valuation include market prices for the rent of similar real estates, the cost incurred by the ownership and operation of the buildings, capitalization rates in range of 10.5-15% for occupied premises and 11.5-16% for unoccupied premises and intention of establishment of easements rights by the Company. When calculating the fair value using this method, cash flows generated by the real estates are discounted using appropriate capitalization rates to infinity. Valuation applies the period necessary for the rent of unoccupied premises as well as the period of anew rent of occupied premises after its termination. After that period the market prices for the rent are applied.
In 2014 the valuation has been adjusted based on the market data from indicative offers from potential buyers in case a lower price was proposed.

The levels in the fair value hierarchy into which the non-recurring fair value measurements are categorised are as follows:

thousands of EUR	At 31 December 2014				At 31 December 2013			
	Level 1	Level 2	Level 3	Carrying value	Level 1	Level 2	Level 3	Carrying value
Assets held for sale (Note 12)	-	-	8,647	8,647	-	-	19,772	19,772

3.5.3 Financial assets and financial liabilities not measured at fair value

The fair value of other financial assets and financial liabilities approximate their carrying amounts at the statement of financial position date. Non-current trade receivables, non-current trade payables and finance lease receivables and payables are discounted unless the effect of discounting was inconsiderable. The main part of finance lease receivables was discounted using interest rates from 2.98% to 3.36%.

3.6 Presentation of financial instruments by measurement category

Presentation of financial instruments by measurement category in accordance with IAS 39 is as follows:

thousands of EUR	2014	2013
Loans and receivables		
Trade and other receivables (Note 17)	106,010	121,465
Term deposits (Note 23)	219,596	143,359
Escrow (Note 24)	1,000	13,000
Loans (Note 25)	150,000	-
Cash and cash equivalents (Note 26)	82,664	222,221
Financial assets held-to-maturity		
Investments at amortized cost (Note 21)	3,120	3,120
Available-for-sale financial assets		
Available-for-sale investments (Note 22)	204,067	226,498

4. SEGMENT REPORTING

The Company presents segment information for the current and comparative periods in accordance with IFRS 8 Operating segment.

The Company's operating segments are those used by the Executive Management Board to manage the Company's business, allocate resources and make strategic and operating decisions. The Company's activities are concentrated in the Slovak Republic. The Company identifies its segments following the nature of services provided in each segment. The Company's operating segments are:

- Fixed line business including ICT business and Magio TV
- Mobile business

The main indicators used by the Executive Management Board in their decision making are revenue, direct costs and gross margin. The Executive Management Board separately monitors the operating results of the segments to take decisions on how to allocate the resources, to evaluate the effects of the allocation and to evaluate performance.

Income statement for the year ended 31 December 2014:

thousands of EUR	Fixed line	Mobile	Total Revenue / Direct costs	Indirect costs	Total
Revenue	**327,050**	**373,056**	**700,106**	**-**	**700,106**
Bad debts expenses	(2,031)	(3,966)	(5,997)	-	(5,997)
Content fees	(10,977)	(3,290)	(14,267)	-	(14,267)
Customer solutions	(12,323)	(125)	(12,448)	-	(12,448)
Dealer commissions	(6,380)	(9,739)	(16,119)	-	(16,119)
Interconnection and other fees to operators	(32,259)	(33,536)	(65,795)	(80)	(65,875)
Material, goods and equipment	(14,265)	(72,770)	(87,035)	(6,869)	(93,904)
Other direct costs	(197)	(1,840)	(2,037)	-	(2,037)
Total direct costs	**(78,432)**	**(125,266)**	**(203,698)**	**(6,949)**	**(210,647)**
Gross margin	**248,618**	**247,790**	**496,408**	**(6,949)**	**489,459**
Indirect costs					(440,806)
Other operating income					15,454
Operating profit					**64,107**
Net financial income, net					3,097
Profit before tax					**67,204**
Taxation					(26,522)
Profit for the year					**40,682**

Income statement for the year ended 31 December 2013:

thousands of EUR	Fixed line	Mobile	Total Revenue / Direct costs	Indirect costs	Total
Revenue	**356,160**	**414,673**	**770,833**	**-**	**770,833**
Bad debts expenses	(1,531)	(4,046)	(5,577)	-	(5,577)
Content fees	(9,605)	(2,730)	(12,335)	-	(12,335)
Customer solutions	(20,522)	(24)	(20,546)	-	(20,546)
Dealer commissions	(6,574)	(11,465)	(18,039)	-	(18,039)
Interconnection and other fees to operators	(31,033)	(40,047)	(71,080)	(138)	(71,218)
Material, goods and equipment	(13,148)	(78,809)	(91,957)	(7,928)	(99,885)
Other direct costs	(117)	(1,956)	(2,073)	-	(2,073)
Total direct costs	**(82,530)**	**(139,077)**	**(221,607)**	**(8,066)**	**(229,673)**
Gross margin	**273,630**	**275,596**	**549,226**	**(8,066)**	**541,160**
Indirect costs					(485,479)
Other operating income					10,873
Operating profit					**66,554**
Net financial income, net					1,425
Profit before tax					**67,979**
Taxation					(20,293)
Profit for the year					**47,686**

The numbers from management report for the year 2013 were adjusted, for description see Note 2.22.

5. REVENUE

thousands of EUR	2014	2013
Fixed line business		
Service revenue	276,683	294,824
Terminal equipment	11,316	11,337
Systems solutions / IT	21,671	26,284
Other	17,380	23,715
	327,050	**356,160**
Mobile business		
Service revenue	333,036	364,700
Terminal equipment	24,871	33,375
Other	15,149	16,598
	373,056	**414,673**
	700,106	**770,833**

6. STAFF COSTS

thousands of EUR	2014	2013
Wages and salaries	88,238	92,219
Defined contribution pension costs	11,837	11,793
Other social security contributions	13,074	14,656
	113,149	**118,668**

	2014	2013
Number of employees at period end	3,081	3,312
Average number of employees during the period	3,178	3,399

Number of employees does not include expatriates working for the Company at 31 December 2014: 1 (2013: 1)

7. OTHER OPERATING INCOME

thousands of EUR	2014	2013
Gain on disposal of property and equipment and intangible assets, net	1,240	1,152
Income from material sold, net	813	557
Income from rental of premises	2,447	2,795
Reversal of impairment of property and equipment (Note 13)	2,456	51
Income from marketing activities	3,451	3,660
Other	5,047	2,658
	15,454	**10,873**

8. OTHER OPERATING COSTS

thousands of EUR	2014	2013
Repairs and maintenance	21,666	22,997
Installation services	4,879	3,679
Marketing costs	18,765	21,224
Energy	15,904	17,175
Printing and postage	4,034	4,434
Logistics	2,348	2,822
Rentals and leases	17,203	17,492
IT services	7,301	8,436
Dealer commissions	16,119	18,039
Frequency and other fees to Telecommunications Office (Note 33)	2,773	2,454
Content fees	14,267	12,335
Legal and regulatory claims	42,335	26,073
Consultancy	2,762	3,733
Bad debts expenses	5,997	5,577
Services related to delivery of solutions for customers	12,448	20,546
Fees paid to DT AG group	4,163	4,440
Other	15,418	16,579
Own work capitalized	(15,442)	(14,745)
	192,940	**193,290**

9. FINANCIAL INCOME

thousands of EUR	2014	2013
Dividends from subsidiaries (Note 33)	597	623
Interest on term deposits and bank accounts	969	725
Interest on loans	45	-
Interest on available-for-sale investments and investments at amortized cost	561	314
Interest from finance lease	89	124
Foreign exchange gains, net	561	-
Other	796	811
	3,618	**2,597**

10. FINANCIAL EXPENSE

thousands of EUR	2014	2013
Foreign exchange losses, net	-	446
Interest costs on employee benefits provision	243	284
Interest cost on other non-current provisions	194	268
Bank charges and other financial expense	84	174
	521	**1,172**

11. TAXATION

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

thousands of EUR	2014	2013
Current tax expense	34,459	45,970
Deferred tax income	(10,421)	(28,782)
Other income tax	2,484	3,105
Income tax expense reported in the income statement	**26,522**	**20,293**

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

thousands of EUR	2014	2013
Profit before income tax	67,204	67,979
Income tax calculated at the statutory rate of 22% (2013: 23%)	14,785	15,635
Effect of income not taxable and expenses not tax deductible:		
Dividends	(131)	(143)
Cost related to legal and regulatory claims	9,270	5,966
Other tax non-deductible items, net	(149)	717
Tax charge in respect of prior years	263	442
Other income tax	2,484	3,105
Effect of change in tax rate	-	(5,429)
Income tax at the effective tax rate of 39% (2013: 30%)	**26,522**	**20,293**

Deferred tax assets (liabilities) for the year ended 31 December are attributable to the following items:

thousands of EUR	1 January 2014	Through income statement	Through statement of comprehensive income	Through equity	31 December 2014
Difference between carrying and tax value of fixed assets	(133,225)	9,444	-	-	(123,781)
Allowance for investments at amortized cost	2,270	-	-	-	2,270
Staff cost accruals	3,059	(219)	-	-	2,840
Allowance for bad debts	2,323	55	-	-	2,378
Termination benefits	609	(34)	-	-	575
Retirement benefit obligation	1,667	(139)	402	679	2,609
Other	3,355	1,314	8	-	4,677
Net deferred tax liability	**(119,942)**	**10,421**	**410**	**679**	**(108,432)**

thousands of EUR	1 January 2013	Through income statement	Through statement of comprehensive income	31 December 2013
Difference between carrying and tax value of fixed assets	(160,156)	26,931	-	(133,225)
Allowance for investments at amortized cost	2,373	(103)	-	2,270
Staff cost accruals	888	2,171	-	3,059
Allowance for bad debts	2,573	(250)	-	2,323
Termination benefits	644	(35)	-	609
Retirement benefit obligation	2,003	(26)	(310)	1,667
Other	3,269	94	(8)	3,355
Net deferred tax liability	**(148,406)**	**28,782**	**(318)**	**(119,942)**

thousands of EUR	2014	2013
Deferred tax asset to be settled within 12 months	10,771	10,403
Deferred tax asset to be settled after more than 12 months	5,872	4,359
Deferred tax liability to be settled within 12 months	(2,989)	(1,783)
Deferred tax liability to be settled after more than 12 months	(122,086)	(132,921)
Net deferred tax liability	**(108,432)**	**(119,942)**

12. ASSETS HELD FOR SALE

thousands of EUR	2014	2013
At 1 January	19,772	-
Net transfer (to)/from property and equipment (Note 13)	(8,501)	19,772
Impairment charge	(1,697)	-
Assets sold	(927)	-
At 31 December	**8,647**	**19,772**

Assets held for sale at 31 December 2014 and 2013 comprise buildings and related land which are planned to be sold within one year. During the year 2014, based on recent development on real estate market the Company has changed its selling strategy from portfolio based strategy introduced in 2013 to the individual asset sale approach introduced in 2014. The Company started negotiation with potential buyers for those buildings classified as held for sale and as of 31 December 2014 these negotiations are still ongoing. In case a lower price from potential buyers' indicative offers was proposed, the valuation of assets held for sale has been adjusted and impairment charge recognized. During 2014, the management have decided to continue to use certain buildings and related land previously designated for sale. Those buildings and land were reclassified to property and equipment.

13. PROPERTY AND EQUIPMENT

thousands of EUR	Land and buildings	Duct, cable and other outside plant	Telephone exchanges and related equipment	Radio and trans-mission equipment	Other	Capital work in progress including advances	Total
At 1 January 2014							
Cost	122,067	992,401	1,060,488	348,320	332,872	64,881	2,921,029
Accumulated depreciation	(57,059)	(506,189)	(1,002,937)	(302,165)	(242,796)	(428)	(2,111,574)
Net book value	**65,008**	**486,212**	**57,551**	**46,155**	**90,076**	**64,453**	**809,455**
Additions	4,561	9,706	8,386	4,414	3,303	43,505	73,875
Depreciation charge	(4,010)	(33,090)	(28,467)	(18,123)	(26,893)	-	(110,583)
Impairment charge	(17)	(6)	(60)	-	(156)	-	(239)
Reversal of impairment	1,805	171	25	21	434	-	2,456
Disposals	(355)	(23)	(83)	-	(170)	(176)	(807)
Transfers	1,906	2,836	12,852	5,433	15,151	(38,178)	-
Transfers from assets held for sale (Note 12)	8,501	-	-	-	-	-	8,501
At 31 December 2014							
Cost	152,220	1,004,650	870,655	342,623	325,516	70,032	2,765,696
Accumulated depreciation	(74,821)	(538,844)	(820,451)	(304,723)	(243,771)	(428)	(1,983,038)
Net book value	**77,399**	**465,806**	**50,204**	**37,900**	**81,745**	**69,604**	**782,658**

Property and equipment, excluding motor vehicles, is locally insured to a limit of EUR 25,000 thousand (2013: EUR 25,000 thousand). Any loss exceeding local limit is insured by DT AG Global Insurance Program up to EUR 700,000 thousand. Each motor vehicle is insured to a limit of EUR 5,000 thousand (2013: EUR 5,000 thousand) for damage on health and expenses related to death and EUR 1,000 thousand (2013: EUR 1,000 thousand) for damage caused by destroyed, seized or lost items, lost profits.

The reversal of impairment charge relates mainly to the land and buildings which were transferred from assets held for sale. The recoverable amount of assets was determined by reference to their value in use.

thousands of EUR	Land and buildings	Duct, cable and other outside plant	Telephone exchanges and related equipment	Radio and trans-mission equipment	Other	Capital work in progress including advances	Total
At 1 January 2013							
Cost	182,529	987,141	1,145,742	363,931	346,312	64,629	3,090,284
Accumulated depreciation	(79,713)	(475,550)	(1,059,072)	(309,449)	(248,948)	(644)	(2,173,376)
Net book value	**102,816**	**511,591**	**86,670**	**54,482**	**97,364**	**63,985**	**916,908**
Additions	509	7,914	6,301	4,064	6,300	37,495	62,583
Depreciation charge	(4,856)	(32,628)	(39,740)	(22,799)	(28,639)	-	(128,662)
Impairment charge	(16,654)	(5)	(2,285)	(616)	(1,218)	-	(20,778)
Reversal of impairment	-	-	1	-	-	50	51
Disposals	(404)	(3)	(77)	(42)	(313)	(36)	(875)
Transfers	3,369	(657)	6,681	11,066	16,582	(37,041)	-
Transfers to assets held for sale (Note 12)	(19,772)	-	-	-	-	-	(19,772)
At 31 December 2013							
Cost	122,067	992,401	1,060,488	348,320	332,872	64,881	2,921,029
Accumulated depreciation	(57,059)	(506,189)	(1,002,937)	(302,165)	(242,796)	(428)	(2,111,574)
Net book value	**65,008**	**486,212**	**57,551**	**46,155**	**90,076**	**64,453**	**809,455**

14. INTANGIBLE ASSETS

thousands of EUR	Software	Licenses	Internally developed intangible assets	Goodwill	Customer relation-ships	Intangibles under construction	Total
At 1 January 2014							
Cost	505,958	141,143	3,633	73,313	406,622	79,987	1,210,656
Accumulated amortization	(449,662)	(68,710)	(1,190)	-	(326,919)	-	(846,481)
Net book value	**56,296**	**72,433**	**2,443**	**73,313**	**79,703**	**79,987**	**364,175**
Additions	16,971	9,170	136	-	-	12,890	39,167
Amortization charge	(37,312)	(14,824)	(273)	-	(20,657)	-	(73,066)
Transfers	13,326	62,511	10	-	-	(75,847)	-
At 31 December 2014							
Cost	515,574	212,813	3,779	73,313	406,622	17,030	1,229,131
Accumulated amortization	(466,293)	(83,523)	(1,463)	-	(347,576)	-	(898,855)
Net book value	**49,281**	**129,290**	**2,316**	**73,313**	**59,046**	**17,030**	**330,276**

On 30 December 2013 the Telecommunications Office of the Slovak Republic granted the license for the provision of mobile services on 800 MHz and 2600 MHz frequency bands (LTE license). Acquisition cost of the license is EUR 62,522 thousand (Notes 1, 33) and the license is valid until 31 December 2028. The license was put in use in March 2014.

Goodwill and customer relationships were recognized at the merger of Slovak Telekom with T-Mobile on 1 July 2010. Goodwill and customer relationships arose on the Slovak Telekom's acquisition of the controlling interest in T-Mobile at 31 December 2004. Net book values of customer relationships at 31 December 2014 and remaining useful lives are: EUR 57,584 thousand and 3 years for post-paid business customers, EUR 1,462 thousand and 1 year for DNS customers.

thousands of EUR	Software	Licenses	Internally developed intangible assets	Goodwill	Customer relationships	Intangibles under construction	Total
At 1 January 2013							
Cost	458,700	135,309	3,486	73,313	406,622	27,492	1,104,922
Accumulated amortization	(417,011)	(62,554)	(906)	-	(285,375)	-	(765,846)
Net book value	**41,689**	**72,755**	**2,580**	**73,313**	**121,247**	**27,492**	**339,076**
Additions	26,988	5,812	138	-	-	74,812	107,750
Amortization charge	(34,667)	(6,156)	(284)	-	(41,544)	-	(82,651)
Transfers	22,286	22	9	-	-	(22,317)	-
At 31 December 2013							
Cost	505,958	141,143	3,633	73,313	406,622	79,987	1,210,656
Accumulated amortization	(449,662)	(68,710)	(1,190)	-	(326,919)	-	(846,481)
Net book value	**56,296**	**72,433**	**2,443**	**73,313**	**79,703**	**79,987**	**364,175**

15. IMPAIRMENT OF GOODWILL

thousands of EUR	2014	2013
T-Mobile goodwill	73,313	73,313
	73,313	**73,313**

The goodwill previously recognized at the acquisition of T-Mobile was separately recognized in the statement of the financial position of the Company on the merger on 1 July 2010. The Company has an implemented policy to make the impairment test based on a 10-year cash flow projection on reasonable and supportable assumptions that present the management's best estimate on market participants' assumptions and expectations. The Company uses 10 year cash flow projections as the payback period of our investments in the telecommunications operations often exceeds 5 years. Cash flows beyond the ten-year period are extrapolated using a 2% growth rate. This growth rate does not exceed the long-term average growth rate for the market in which the cash-generating unit operates. The Company uses discount rate of 6.93%. Further key assumptions on which management has based its determination of the recoverable amount of cash-generating unit include the development of revenue, customer acquisition and retention costs, churn rates, capital expenditures and market share. The recoverable amount of the cash-generating unit based on fair value less costs of disposal calculation exceeded its carrying value. Management believes that any reasonably possible change in the key assumptions on which the cash-generating unit's recoverable amount is based would not cause its carrying amount to exceed its recoverable amount.

16. INVESTMENTS IN SUBSIDIARIES

At 31 December 2014 the Company held the following investments in fully consolidated direct subsidiaries:

Name and registered office	Activity	Share and voting rights	Cost of investment	Cost of investment	Profit / (loss)	Profit / (loss)	Net assets	Net assets
thousands of EUR			2014	2013	2014	2013	2014	2013
DIGI SLOVAKIA, s.r.o. („DIGI") Röntgenova 26, 851 01 Bratislava (since 1 September 2013)	TV services, broadband services and TV channels production	100%	52,362	52,362	4,325	(3,247)	5,243	917
PosAm, spol. s r.o. ("PosAm") Odborárska 21, 831 02 Bratislava	IT services, applications and business solutions	51%	12,968	12,968	2,492	2,340	10,941	9,619
Zoznam, s.r.o. ("Zoznam") Viedenská cesta 3-7, 851 01 Bratislava	Internet portal	100%	2,346	2,346	21	80	2,214	2,193
Zoznam Mobile, s.r.o. ("Zoznam Mobile") Viedenská cesta 3-7, 51 01 Bratislava	Mobile content provider	100%	1,410	1,410	29	75	487	458
Telekom Sec, s.r.o. ("Telekom Sec") Bajkalská 28, 817 62 Bratislava	Security services	100%	12	12	(3)	(2)	1	4
			69,098	**69,098**				

Financial data for subsidiaries are based on their separate financial statements. At the date of authorization of these separate financial statements for issue, the approved financial statements of subsidiaries for the year ended 31 December 2014 were not available. The table is prepared based on their non-approved financial statements. The table presents loss of DIGI for the year ended 31 December 2013, of which profit for the 4 months starting 1 September 2013 was EUR 1,088 thousand.

All subsidiaries are incorporated in the Slovak Republic. Shares in the subsidiaries are not traded on any public market

On 1 September 2013 the Company acquired 100% share and voting rights in DIGI for the price of EUR 51,362 thousand. The Company paid part of the purchase price in amount of EUR 40,000 thousand in 2013 and of EUR 10,362 thousand in 2014. Remaining part of the purchase price in the amount of EUR 1,000 thousand shall be payable, net of any indemnity payments by the former owner of DIGI to the Company, on 31 August 2015. The Company established the escrow account in the bank to cover related payments. For balances of escrow account, provisions and payables refer to Notes 24, 28 and 29. In October 2013 the Company increased registered capital of DIGI by EUR 1,000 thousand.

Cost of investment in Zoznam and Zoznam Mobile is net of impairment of EUR 1,562 thousand and EUR 938 thousand respectively. In December 2013 the Company increased registered capital of Telekom Sec by EUR 5 thousand.

17. TRADE AND OTHER RECEIVABLES

thousands of EUR	2014	2013
Non-current		
Trade receivables	730	7,667
Finance lease receivables (Note 18)	995	1,475
	1,725	**9,142**
Current		
Trade receivables	97,874	106,674
Other receivables	170	173
Interest receivable on available-for-sale investments	4,063	3,451
Finance lease receivables (Note 18)	2,178	2,025
	104,285	**112,323**

Trade receivables are net of an allowance of EUR 19,821 thousand (2013: EUR 21,027 thousand). If the allowance percentage increases by 1% in each relevant ageing group, the charge for the period would be by EUR 211 thousand higher.

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

thousands of EUR	2014	2013
At 1 January	21,027	22,563
Charge for the year, net	5,555	5,544
Utilised	(6,761)	(7,080)
At 31 December	**19,821**	**21,027**

18. FINANCE LEASE – THE COMPANY AS LESSOR

The Company has entered into several finance lease agreements as lessor. The main part of the finance lease receivables relate to the contract with the terms as follows:

a) The Company leases terminal equipment (PCs, routers) to the customer. The non-cancellable lease period is 53 months from May 2011 until September 2015 and it covers the major part of the economic life of the leased assets;
b) Ownership of the assets will be transferred to the lessee at the end of the lease period for its residual value (if any) in a case that lessee will request such ownership transfer at least one month before the end of the period;
c) The present value of the minimum lease payments amounts to all of the fair value of the leased assets.

thousands of EUR	2014	2013
Gross investment in the lease		
Not later than 1 year	2,259	2,102
Later than 1 year and not later than 5 years	995	1,497
Unearned finance income	(81)	(99)
Present value of minimum lease payments	**3,173**	**3,500**

thousands of EUR	2014	2013
Present value of minimum lease payments		
Not later than 1 year (Note 17)	2,178	2,025
Later than 1 year and not later than 5 years (Note 17)	995	1,475
	3,173	**3,500**

Minimum lease payments receivable are at the statement of financial position date not past due and from creditworthy customers; therefore the Company does not create any allowance for uncollectible minimum lease payments receivable.

19. PREPAID EXPENSES AND OTHER ASSETS

thousands of EUR	2014	2013
Non-current		
Easements	9,764	9,654
Subscriber acquisition costs	1,719	1,473
Other prepaid expenses	1,576	1,501
	13,059	**12,628**
Current		
Subscriber acquisition costs	1,902	2,654
Other prepaid expenses	2,893	3,137
Other assets	967	684
	5,762	**6,475**

20. INVENTORIES

thousands of EUR	2014	2013
Materials	2,960	2,185
Goods	8,801	11,372
	11,761	**13,557**

Inventories are net of an allowance of EUR 1,907 thousand (2013: EUR 2,335 thousand). The write-down of inventories in amount of EUR 180 thousand (2013: EUR 195 thousand) was recognized in cost of material and equipment.

21. INVESTMENTS AT AMORTIZED COST

thousands of EUR	2014	2013
Bank bond	3,120	3,120
	3,120	**3,120**

The bank bond is net of impairment and the amount of EUR 3,120 thousand approximates the fair value of the bond.

22. AVAILABLE-FOR-SALE INVESTMENTS

thousands of EUR	2014	2013
At 1 January	**226,498**	**-**
Additions	32,661	229,415
Disposals	(49,861)	-
Amortisation of premium paid	(5,321)	(2,969)
Remeasurement recognised in other comprehensive income	90	52
At 31 December	**204,067**	**226,498**
Non-current	32,102	176,633
Current	171,965	49,865

For interest receivable on available-for-sale investments refer to Note 17.

Available-for-sale investments are measured at fair value. In 2014 the Company recognized unrealized gain of EUR 86 thousand (2013: EUR 36 thousand) in other comprehensive income and reclassified EUR 3 thousand from other comprehensive income to income statement (2013: EUR 0).

Available-for-sale investments comprise of state bonds. Credit quality of non-current available-for-sale investments is as follows: rating A2: EUR 32,102 thousand (2013: rating A2: EUR 19,980 thousand, rating AAA: EUR 156,653 thousand). Credit quality of current available-for-sale investments is as follows: rating AAA: EUR 151,963 thousand, rating A2: EUR 20,002 thousand (2013: rating A2: EUR 49,865 thousand).

If the interest rates of available-for-sale 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 2014 would increase/decrease by EUR 283 thousand/ EUR 377 thousand (2013: EUR 219 thousand/ EUR 293 thousand).

23. TERM DEPOSITS

thousands of EUR	2014	2013
Non-current	-	1,088
Current	219,596	142,271
	219,596	**143,359**

Term deposits include deposits at banks with original maturity more than 3 months from the date of acquisition. Short-term deposits with original maturity of three months or less from the date of acquisition are presented as cash and cash equivalents.

Credit quality of current term deposits is as follows: rating A2: EUR 156,608 thousand, rating A3: EUR 62,988 thousand (2013:rating A2: EUR 129,971 thousand, rating A3: EUR 12,300 thousand). Credit quality of non-current term deposits in 2013 was as follows: rating A2: EUR 1,088 thousand.

24. ESCROW

thousands of EUR	2014	2013
Escrow	1,000	13,000
	1,000	**13,000**

The escrow represents the remaining deposit for the purchase price of DIGI (Note 16). It is expected to be settled within one year. During 2014 the Company signed an amendment to the purchase contract with former owner of DIGI regarding postponement of indemnity payment of EUR 1,000 thousand by one year.

Credit quality of escrow is as follows: rating A2: EUR 1,000 thousand (2013 rating A3: EUR 13,000 thousand).

25. LOANS

thousands of EUR	2014	2013
Loans to Deutsche Telekom AG	150,000	-
	150,000	**-**

The loans granted to Deutsche Telekom AG were not secured. Deutsche Telekom AG has rating BAA1. Loans were provided in November 2014 with interest rate of 0.18% and are repayable in May 2015. The commercial terms of the loans are comparable with those valid in current banking environment.

26. CASH AND CASH EQUIVALENTS

thousands of EUR	2014	2013
Cash and cash equivalents	82,664	222,221
	82,664	**222,221**

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term investments are made for varying periods between one day and three months, and earn interest at the respective rates.

Credit quality of cash at banks is as follows: rating A2: EUR 27,797 thousand, rating A3: EUR 30,930 thousand, rating BAA1: EUR 22,671 thousand, rating BAA2: EUR 607 thousand and rating BAA3: EUR 5 thousand (2013: rating A2: EUR 14,099 thousand, rating A3: EUR 181,092 thousand, rating BAA1: EUR 26,106 thousand and rating BAA3: EUR 447 thousand).

27. SHAREHOLDERS' EQUITY

On 1 April 1999, Slovak Telekom became a joint-stock company with 20,717,920 ordinary shares authorized, issued and fully paid at a par value of EUR 33.20 per share. Deutsche Telekom AG acquired 51% of Slovak Telekom through a privatization agreement effective from 4 August 2000, by which the Company issued 5,309,580 new ordinary shares with a par value of EUR 33.20 per share. The shares were issued at a premium totalling EUR 386,139 thousand. All the newly issued shares were subscribed and fully paid by Deutsche Telekom AG. The privatization transaction also involved the purchase by Deutsche Telekom AG of 7,964,445 existing ordinary shares from the National Property Fund of the Slovak Republic. By acquiring 51% share of Slovak Telekom, Deutsche Telekom obtained 51% of the total voting rights associated with the shares. On 13 December 2013 Deutsche Telekom AG transferred 51% share of Slovak Telekom and voting rights associated with the shares to T-Mobile Global Holding Nr. 2 GmbH, and on 17 December 2013 T-Mobile Global Holding Nr. 2 GmbH transferred 51% share and voting rights associated with the shares to CMobil B.V. The change of the shareholders came into effect by registering in the Central Securities Depository of the Slovak Republic. T-Mobile Global Holding Nr. 2 GmbH became the shareholder of Slovak Telekom on 18 December 2013 and CMobil B.V. became the shareholder of Slovak Telekom on 10 January 2014.

As of 31 December 2014, Slovak Telekom had authorized and issued 26,027,500 ordinary shares (2013: 26,027,500) with a par value of EUR 33.20 per share. All the shares issued were fully subscribed.

The Extraordinary General Meeting held on 9 February 2015 approved the transformation of the form of shares of Slovak Telekom, a.s. from physical registered shares to book-entered registered shares and the change of nominal value of shares of Slovak Telekom, a.s. from the current nominal value of EUR 33.20 to a new nominal value of EUR 10.00, whereby the current amount of registered capital of Slovak Telekom, a.s. shall remain unaltered. The change came into effect by registering in the Commercial register of the Slovak Republic in February 2015. Total number of shares after the change is 86,411,300.

The structure of shareholders of the Company at 31 December 2014 and 31 December 2013 (before any effect of change in number of shares):

Shareholder' name	Number of shares acquired	Value of acquired shares in EUR	Acquired share	Acquired voting rights
CMobil B.V. (2013: T-Mobile Global Holding Nr. 2 GmbH)	13,274,025	440,697,630	51%	51%
Ministry of the Economy of the Slovak Republic	8,849,350	293,798,420	34%	34%
National Property Fund of the Slovak Republic	3,904,125	129,616,950	15%	15%
	26,027,500	**864,113,000**		

The new number of shares acquired after the change (value of acquired shares in EUR, acquired share in % and acquired voting rights in % remain unchanged):

Shareholder' name	Number of shares acquired
CMobil B.V.	44,069,763
Ministry of the Economy of the Slovak Republic	29,379,842
National Property Fund of the Slovak Republic	12,961,695
	86,411,300

In December 2009, the Board of Directors of Slovak Telekom approved the concept of the integration of Slovak Telekom with its 100% subsidiary T-Mobile. T-Mobile ceased to exist with effect from 1 July 2010 and was wound up without liquidation as of 30 June 2010 on the basis of a merger agreement concluded between Slovak Telekom and T-Mobile (Note 1).

Due to the change in the functional currency of the Company from the Slovak Crown to EUR as at 1 January 2009, there was an increase in the share capital of the Company of EUR 158 thousand. The statutory reserve fund of the Company was used to cover the increase in share capital.

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. In 2013, after the distribution of 2012 statutory profit, the statutory reserve fund reached the level required by the Slovak law and the Articles of Association of Slovak Telekom, a.s.

Financial statements of the Company for the year ended 31 December 2013 were authorized for issue on behalf of the Board of Directors of the Company on 20 March 2014.

On 30 April 2014, the Ordinary General Meeting of Slovak Telekom approved distribution of the prior year profit in the form of dividends with the remaining part of the 2013 profit being retained.

On the basis of this proposed appropriation, total dividends of EUR 16,400 thousand were paid in May 2014 (2013: EUR 70,568 thousand).

Dividend per share calculated based on new number of shares for the years 2014 and 2013 are: EUR 0.19 per share and EUR 0.82 per share. Dividend per share calculated based on former number of shares for the years 2014 and 2013 are: EUR 0.63 per share and EUR 2.71 per share.

Approval of the 2014 profit distribution will take place at the Annual General Meeting scheduled for 31 March 2015.

28. PROVISIONS

thousands of EUR	Legal and regulatory claims	Asset retirement obligation	Acquisition of subsidiary	Termination benefits	Employee benefits	Other	Total
	(Note 34)						
At 1 January 2014	27,026	8,154	3,000	2,768	7,806	1,998	50,752
Arising during the year	29,305	63	-	2,613	5,422	1,712	39,115
Reversals	(12)	-	-	-	(1,344)	-	(1,356)
Utilised	(117)	-	(2,000)	(2,768)	(46)	(1,216)	(6,147)
Transfer to current liabilities	(25,700)	-	-	-	-	-	(25,700)
Interest impact	-	4,308	-	-	251	6	4,565
At 31 December 2014	**30,502**	**12,525**	**1,000**	**2,613**	**12,089**	**2,500**	**61,229**
Non-current	-	12,525	-	-	12,089	1,059	25,673
Current	30,502	-	1,000	2,613	-	1,441	35,556
	30,502	**12,525**	**1,000**	**2,613**	**12,089**	**2,500**	**61,229**

Analysis of total provisions:

thousands of EUR	2014	2013
Non-current	25,673	16,741
Current	35,556	34,011
	61,229	**50,752**

Asset retirement obligation

The Company is subject to obligations for dismantlement, removal and restoration of assets associated with its cell site operating leases (Note 2.21). 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.

Acquisition of subsidiary

The Company recognized the provision related to unpaid part of the purchase price for the acquisition of DIGI (Note 16). Remaining part of the purchase price in the amount of EUR 1,000 thousand shall be payable, net of any indemnity payments by the former owner of DIGI to the Company, on 31 August 2015.

Termination benefits

The restructuring of the Company's operations resulted in headcount reduction of 497 employees in 2014. The Company expects a further headcount reduction of 231 employees in 2015 as a result of an ongoing restructuring program. A detailed formal plan that specifies the number of staff involved and their locations and functions was defined and authorized by management and announced to the trade unions. The amount of compensation to be paid for terminating employment was calculated by reference to the collective agreement. The termination payments are expected to be paid within twelve months of the statement of financial position date and are recognized in full in the current period. In 2014 the Company recognized an expense resulting from termination benefits in amount of EUR 4,383 thousand (2013: EUR 5,317 thousand) in staff costs.

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.

thousands of EUR	Retirement benefits	Jubilee	Total
Present value of the defined benefit obligation			
At 1 January 2014	7,577	229	7,806
Current service cost	491	19	510
Interest cost	244	7	251
Benefits paid	(28)	(18)	(46)
Remeasurement of defined benefit plans	1,825	(4)	1,821
Other movements	3,087	-	3,087
Curtailment gain	(1,340)	-	(1,340)
At 31 December 2014	**11,856**	**233**	**12,089**

Remeasurement of defined benefit plans related to retirement benefits in amount of EUR 1,825 thousand consists of experience adjustments (EUR (261) thousand) and change in financial assumptions (EUR 2,086 thousand).

The curtailment gain in amount of EUR 1,340 thousand resulted mainly from a reduction in the number of participants covered by the retirement and jubilee benefit plans that occurred in 2014 or was announced for 2015. There were no special events causing any new past service cost during 2014 other than the curtailment mentioned above.

Principal actuarial assumptions used in determining the defined benefit obligation and the curtailment effect in 2014 include the discount rate of 1.84%. The expected expense for 2014 has been determined based on the discount rate as at the beginning of the accounting period of 3.25%. Average retirement age is 62 years. The expected growth of nominal wages over the long term is 2.2% with minor adjustments for the first two years. The weighted average duration of the defined benefit obligation is 13.4 years.

The sensitivity analysis for the significant actuarial assumptions as at 31 December 2014 is as follows:

thousands of EUR

Change of actuarial assumption	Change of employee benefits provision
Discount rate change +100 bp / -100 bp	(1,418) / 1,711
Salary change +0.50% / -0.50%	798 / (733)
Change in life expectation +1 year / -1 year	14 / (15)

29. TRADE AND OTHER PAYABLES

thousands of EUR	2014	2013
Non-current		
Financial payables	325	1,087
Finance lease	313	-
	638	**1,087**
Current		
Trade payables	69,787	88,013
Uninvoiced deliveries	35,554	93,691
Payables for DIGI acquisition	-	8,362
Financial payables	5,320	4,358
Finance lease	313	-
Other payables	724	686
	111,698	**195,110**

30. OTHER LIABILITIES AND DEFERRED INCOME

thousands of EUR	2014	2013
Non-current		
Deferred income	3,407	2,691
	3,407	**2,691**
Current		
Deferred income	33,243	32,803
Amounts due to employees	20,002	21,406
Other tax liabilities	8,262	8,247
Liability for legal and regulatory claims (Note 34)	38,838	-
Other liabilities	3,079	3,075
	103,424	**65,531**

Amounts due to employees include social fund liabilities:

thousands of EUR	2014	2013
At 1 January	38	300
Additions	1,507	1,429
Utilisation	(1,437)	(1,691)
At 31 December	**108**	**38**

31. COMMITMENTS

The Company's purchase commitments were as follows:

thousands of EUR	2014	2013
Acquisition of property and equipment	14,585	15,288
Acquisition of intangible assets	1,882	1,310
Purchase of services and inventory	62,840	97,656
Guarantee to subsidiary	-	250
	79,307	**114,504**

In December 2012 the Company provided financial guarantee to its subsidiary PosAm to a maximum amount of EUR 639 thousand. The guarantee would be called on and a payment would be required to be made to reimburse the holder IBM Slovensko, s.r.o for a loss it would incur if PosAm would fail to make a payment when due in accordance with the terms of the contract between PosAm and IBM Slovensko, s.r.o. At 31 December 2014 there is no outstanding guarantee (2013: EUR 250 thousand). The guarantee was recognized as a commitment, not a liability, based on conditions set in the Letter of guarantee. For maturity analysis see Note 3.3.

32. OPERATING LEASE – THE COMPANY AS LESSEE

The future minimum operating lease payments were as follows:

thousands of EUR	2014	2013
Operating lease payments due within one year	12,146	11,937
Operating lease payments due between one and five years	24,528	22,917
Operating lease payments due after five years	18,943	19,831
	55,617	**54,685**

During 2013 the Company has entered into an operating lease contract for the period of 10 years. The Company has an option to extend the lease term for the next 2 years and the Company has a right to exercise the option repeatedly, maximum five times. Since 2015 rental payments shall increase annually by the portion contingent on the index of the consumer prices increase in the Eurozone, maximum 3.5% annually.

33. RELATED PARTY TRANSACTIONS

thousands of EUR	Receivables		Payables		Sales and income		Purchases		Commitments	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
DT AG	155,264	3,296	7,410	6,756	4,359	4,551	6,981	6,171	4,431	3,807
Subsidiaries	3,654	95	5,272	2,219	4,687	1,643	8,089	6,421	241	616
Other entities in DT AG group	2,157	3,881	2,233	4,745	10,507	22,441	10,464	16,798	442	13,620
Other shareholders of the Company	5	5	-	-	52	54	7	11	-	-
	161,080	**7,277**	**14,915**	**13,720**	**19,605**	**28,689**	**25,541**	**29,401**	**5,114**	**18,043**

The Company conducts business with its subsidiaries (DIGI, PosAm, Zoznam, Zoznam Mobile, 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, other services and purchases of fixed assets. The Company purchased fixed assets in amount of EUR 5,239 thousand (2013: EUR 11,119 thousand) from related parties.

In 2014 the Company granted Deutsche Telekom AG a short-term loan of EUR 150,000 thousand. Interest related to the loan amounted to EUR 45 thousand (Note 25).

In March 2014 the General meeting of PosAm declared a dividend of EUR 597 thousand (2013: EUR 623 thousand), which was paid in 2014 (Note 9). There was no dividend declared by other subsidiaries in 2014 and 2013.

The Slovak Government has significant influence over the financial and operating policy decisions of the Company through 49% of the shares of the Company. The shares are owned by the Slovak Republic through the Ministry of the Economy of the Slovak Republic (34%) and by the National Property Fund of the Slovak Republic (15%). Therefore the Slovak Government and the companies controlled or jointly-controlled by the Slovak Government are classified as related parties of the Company ("Slovak Government related entities").

In 2014 the Company paid to the Telecommunications Office of the Slovak Republic a fee of EUR 62,522 thousand for the granted license for the provision of mobile services on 800 MHz and 2600 MHz frequency bands (LTE license). In 2013 the Company paid to the Telecommunications Office of the Slovak Republic a fee of EUR 970 thousand for the prolongation of the license for the provision of mobile services under the frequencies of 900 MHz, 1800 MHz and 450 MHz (Notes 1, 14). The Company also incurred expenses of EUR 2,773 thousand (2013: EUR 2,454 thousand) with respect to other frequency and telecommunication equipment related fees to the Telecommunications Office (Note 8).

During 2010 the Company has entered into a contract for the period of 5 years with the Slovak Government related entity on establishment and delivery of communication system, lease of terminal equipment, delivery of internet connectivity and other telecommunications services. The total value of the contract was approximately EUR 23,859 thousand. In 2014, the Company recognized revenue related to this contract of EUR 5,353 thousand (2013: EUR 5,287 thousand).

During 2001 the Company has signed a master agreement with the Slovak Government related entity on providing services of communications infrastructure. The contract amount depends on actual services provided during the financial period. In 2014, the Company recognized revenue related to this contract of EUR 10,284 thousand (2013: EUR 9,784 thousand).

During 2014 the Company purchased electricity and electricity distribution services from the Slovak Government related entities for EUR 7,828 thousand (2013: EUR 8,239 thousand).

During 2014 the Company purchased postal and cash collection services for EUR 3,945 thousand (2013: EUR 4,587 thousand) and leased space for EUR 1,909 thousand (2013: EUR 2,448 thousand) from the Slovak Government related entity.

The Company routinely provides telecommunication and other electronic communication services to the Slovak Government and its related entities as part of its normal business activities. The Company also purchases services and goods from the Slovak Government related entities in the normal course of business.

Deutsche Telekom as the parent company controlling Slovak Telekom is a related party to the Federal Republic of Germany. Slovak Telekom had no individually significant transactions with the Federal Republic of Germany or entities that it controls, jointly controls or where Federal Republic of Germany can exercise significant influence in either 2014 or 2013.

Compensation of key management personnel

The key management personnel, 21 in number (2013: 21) include members of the Executive Management Board, Board of Directors and Supervisory Board.

thousands of EUR	**2014**	**2013**
Short term employee benefits	2,967	2,193
Defined contribution pension plan benefits	63	58
Share matching plan	18	14
	3,048	**2,265**

thousands of EUR	**2014**	**2013**
Executive Management Board	2,950	2,167
Board of Directors	54	55
Supervisory Board	44	43
	3,048	**2,265**

The benefits of Executive Management Board include amount of EUR 71 thousand (2013: EUR 70 thousand) for private spending of members charged to the Company.

34. CONTINGENCIES

Legal and regulatory cases

On 9 May 2012 the Company has received a Statement of Objections ("SO") issued by the European Commission ("Commission"), addressed to DT AG as well. In the SO, the Commission preliminary accused the Company of ongoing refusal to supply and margin squeeze for unbundled local loops and wholesale broadband access. The Commission alleged on a preliminary basis that the Company implemented a strategy designed to exclude competitors from retail broadband access markets in the Slovak Republic. On 6 September 2012 the Company sent the response to SO inclusive several Annexes, rebutting all Commission's accusations. On 6 and 7 November 2012 the oral hearing took place. On 6 December 2013 the Company received a Letter of Facts, with which the Commission has continued its investigation. On 16 September 2014 State of Play meeting with the Commission took place, where the Company was informed about latest Commission's view on alleged abuse. On 17 October 2014 the Commission sent an infringement decision to the Company in case AT 39.523 (hereinafter "the Decision"). The Decision found the Company (and DT AG, as parental company) liable for breach of competition law (margin squeeze and refusal to deal) in relation to ULL for the period 12 August 2005– 31 December 2010 and imposed a fine of EUR 38,838 thousand on DT AG and the Company, jointly and severally. On 26 December 2014 the Company filed an appeal against the Decision to the General Court of the European Union. The competitors that would have been harmed by the Company anti-competitive conduct during the infringement period may decide to lodge actions in damages before the Slovak courts. As of the date of these financial statements the Company is not aware of any such action.

In 1999, a lawsuit was brought against Company for compensation of damages and loss of profit allegedly caused by switch-off of the Radio CD International ("CDI") broadcasting in 1996. Radio CDI was a program of Slovak Radio directed to the territory of Austria and broadcasted by Company. In 1996, the broadcasting of the Radio CDI was switched off, based on the request of the Council for Radio and Television Broadcasting stating that Radio CDI broadcasting violated the law. In 2011, the first instance court decided that Company is obliged to pay the plaintiff the amount of EUR 32,179 thousand of the principal and 17.6% late interest since 4 September 1996 until fully paid. Company filed an appeal against that judgment as it is of the opinion that the first instance court did not deal with a number of proofs and assertions provided by Company. Additionally, Company believes that serious errors were committed in the matter at issue on the part of the first instance court, which errors prove the incorrectness of the judgement and should be sufficient enough to consider that whilst the loss in this lawsuit is possible, it is not likely. During 2012 the Regional Court made a decision on trial costs, when the Company is obliged to pay the plaintiff of EUR 3,652 thousand. The Company appealed to the Supreme Court against the decision on additional trial costs. Such appeal has a suspensive effect, i.e. the Company is not obliged to pay at least until the decision of the Supreme Court on the appeal. The case is currently pending at the Supreme Court. Both parties of the dispute agreed to commence further negotiations of settlement agreement's details. The settlement agreement is subject to approval by Board of Directors of the Company and the competent court.

In 2009, the Anti-Monopoly Office ("AMO") imposed on Company a penalty of EUR 17,453 thousand for abusing its dominant position and violating competition law by price squeeze and tying practices on several relevant markets (voice, data and network access services). Company filed an administrative complaint to the Regional Court in Bratislava in 2009. In January 2012, the Regional Court cancelled the challenged AMO decision. The Regional Court's judgment, however, is not final as it was cancelled by the Supreme Court in February 2014 upon AMO's appeal. The Supreme Court referred the case back to the Regional Court for further proceedings.

In 2013, two companies filed actions against Company seeking damages allegedly resulting from an unfair conduct of Company. The companies contend that they incurred lost profit amounting to EUR 62,236 thousand plus interest as a consequence of the said conduct. In 2014 both companies increased their claim against the Company by EUR 16,507 thousand. Both proceedings are pending before the first instance District Court Bratislava II.

In 2005, the former supplier brought a lawsuit against Company for compensation of damages in total amount of EUR 2,310 thousand. The supplier alleges that by ceasing cooperation with it Company breached the contract between the Company and the supplier. In addition, another company contends that by breaching the said contract Company caused damages not only to the supplier but to the supplier's shareholders as well. Therefore, in 2013, this company, which the supplier's shareholders ceded their claims to, brought three lawsuits against Company and Deutsche Telekom AG, one of which has been dismissed by the court in 2014. As of 31 December 2014, there are two lawsuits, where the plaintiff is seeking damages in total amount of EUR 6,857 thousand plus interest. All the above lawsuits are still pending at the first instance.

The Company is involved in legal and regulatory proceedings in the normal course of business.

As at 31 December 2014, the Company recognized provision for known and quantifiable risks related to proceedings against the Company, which represent the Company's best estimate of the amounts, which are more likely than not to be paid. The actual amounts of penalties, if any, are dependent on a number of future events the outcome of which is uncertain, and, as a consequence, the amount of provision may change at a future date.

35. AUDIT FEES

In 2014 the Company obtained from the audit company PricewaterhouseCoopers Slovensko, s.r.o. audit services in amount of EUR 221 thousand (2013: EUR 212 thousand), other assurance services in amount of EUR 62 thousand (2013: EUR 64 thousand), tax advisory services in amount of EUR 5 thousand (2013: EUR 0) and other non-audit services in amount of EUR 50 thousand (2013: EUR 2 thousand).

36. EVENTS AFTER THE REPORTING PERIOD

The Extraordinary General Meeting held on 9 February 2015 approved the transformation of the form of shares of Slovak Telekom, a.s. from physical registered shares to book-entered registered shares and the change of nominal value of shares of Slovak Telekom, a.s. from the current nominal value of EUR 33.20 to a new nominal value of EUR 10.00, whereby the current amount of registered capital of Slovak Telekom, a.s. shall remain unaltered. For details refer to Note 27.

CMobil B.V., the parent company of the Company, changed its name to Deutsche Telekom Europe B.V. in March 2015.

The liability for legal and regulatory claims (Note 30) in the amount of EUR 38,838 thousand was paid by the Company in January 2015.

There were no other events, which have occurred subsequent to the year-end, which would have a material impact on the financial statements at 31 December 2014.

INDEPENDENT AUDITOR'S REPORT (ADDENDUM)

Report on Verifying Consistency of the Annual Report with the Financial Statements, as required by § 23 of Act No. 540/2007 Coll. (Addendum to the Auditor's Report)

To the Shareholders, the Supervisory Board, and the Board of Directors of Slovak Telekom, a.s.:

We have audited the separate financial statements of Slovak Telekom, a.s. ("the Company") at 31 December 2014, on which we issued the Independent Auditor's Report on 4 March 2015 and on which we expressed an unqualified audit opinion and emphasis of matter paragraph as follows:

"Opinion
In our opinion, the separate financial statements present fairly, in all material respects, the financial position of the Company standing alone as at 31 December 2014, its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Emphasis of Matter
Without qualifying our opinion, we draw attention to Note 34 to these separate financial statements, which describe the proceeding of the European Commission against the Company, its results and the potential implications thereof. The ultimate outcome of the matter cannot presently be determined."

We have also audited the consolidated financial statements of the Company and its subsidiaries (together "the Group") at 31 December 2014, 31 December 2013 and 31 December 2012, on which we issued the Independent Auditor's Report on 4 March 2015 and on which we expressed an unqualified audit opinion and emphasis of matter paragraph as follows:

"Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2014, 31 December 2013 and 31 December 2012, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Emphasis of Matter
Without qualifying our opinion, we draw attention to Note 36 to these consolidated financial statements, which describe the proceeding of the European Commission against the Company, its results and the potential implications thereof. The ultimate outcome of the matter cannot presently be determined."

In accordance with the Act No. 431/2002 Coll. on Accounting, as amended, we also verified whether accounting information included in the Annual Report at 31 December 2014 is consistent with the audited financial statements referred to above.

Management's Responsibility for the Annual Report

The Company's management is responsible for the preparation, accuracy, and completeness of the Annual Report in accordance with the Slovak Accounting Act.

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The company's ID (IČO) No. 35739347.
Tax Identification No. of PricewaterhouseCoopers Slovensko, s.r.o. (DIČ) 2020270021.
VAT Reg. No. of PricewaterhouseCoopers Slovensko, s.r.o. (IČ DPH) SK2020270021.
Spoločnosť je zapísaná v Obchodnom registri Okresného súdu Bratislava 1, pod vložkou č. 16611/B, oddiel: Sro.
The company is registered in the Commercial Register of Bratislava 1 District Court, ref. No. 16611/B, Section: Sro.

Auditor's Responsibility for Verifying Consistency of the Annual Report with the Financial Statements

Our responsibility is to express an opinion on whether the accounting information presented in the Annual Report is consistent, in all material respects, with the information in the Company's separate financial statements and in the Group's consolidated financial statements. We conducted the verification in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements, and plan and perform the verification to obtain reasonable assurance whether the accounting information presented in the Annual Report is consistent, in all material respects, with the Company's separate financial statements and the Group's consolidated financial statements.

The scope of work includes performing procedures to verify that the accounting information presented in the Annual Report is consistent with the Company's separate and the Group's consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement in the Annual Report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Group's preparation and fair presentation of the Annual Report in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's and the Group's internal control. We did not verify those data and information in the annual report that were not derived from the Company's separate or the Group's consolidated financial statements.

We believe that the verification performed provides sufficient and appropriate basis for our opinion.

Opinion

In our opinion, the accounting information presented in the annual report prepared for the year ended on 31 December 2014 is consistent, in all material respects, with the audited financial statements referred to above.

PricewaterhouseCoopers Slovensko, s.r.o.
SKAU licence No. 161

Slovenská komora audítorov
SKAU
Č.licencie 161
PricewaterhouseCoopers Slovensko s.r.o.

Ing. Štefan Čupil, FCCA
UDVA licence No. 1088

Bratislava, 23 March 2015

Our report has been prepared in the Slovak and in the English languages. In all matters of interpretation of information, views or opinions, the Slovak language version of our report takes precedence over the English language version.

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