SLOVAK TELEKOM
ANNUAL REPORT
2013

CONTENTS

01 INTRODUCTION OF SLOVAK TELEKOM GROUP

FOREWORD OF THE CHAIRMAN OF THE BOARD OF DIRECTORS

Miroslav Majoroš
Chairman of the Board of Directors and CEO

Ladies and Gentlemen,

2013 was an extremely successful year for our economy, and varied in terms of new products in our portfolio. We heavily invested in our customers, implemented a successful acquisition thus extending the Slovak Telekom Group, and introduced new technologies necessary for fast Internet connection.

From a financial perspective, we had one of our most successful years ever. In 2013, we decided to focus on the revenue area and maintain a year-on-year decrease at the lowest possible level. The result was satisfactory; the revenue decreased by a mere one per cent was the best over the past five years. It must not be forgotten that our Company faces new waves of regulations each year, also in the area of interconnection fees in the fixed and mobile networks, and in the roaming segment. Simultaneously, revenues from fixedvoice services in both the fixed and mobile networks have declined. This is the reason why we have been striving to compensate the decline to the highest possible extent through revenues from other areas for several years. Last year, we were extraordinarily successful, which was substantiated by the overall revenues achieved by our Company totalling almost EUR 828 million.

While maintaining a high degree of profitability, we continue trying to maintain the investment rate into the market and for our customers. The investment made last year was dominated by mobile networks (3G network extension and capacity boosting, and the launch of a new generation network: LTE network), and also customer terminal equipment such as smartphones and tablets allowing users to install and run new technologies.

DIGI Slovakia acquisition was a significant milestone last year, and was another important factor to our success in the TV business. Slovak Telekom´s ambitions in this segment have been high for several successive years; since having introduced digital Magio TV on the IPTV platform we were searching for business opportunities to expand. We began to provide TV through satellite at the beginning of 2010. The acquisition of DIGI Slovakia completed the last piece of the puzzle which provided a comprehensive picture of our Company´s TV portfolio; after having completed the acquisition we were able to attract the price sensitive customers through our lucrative offers. In addition to this, DIGI Slovakia brought our own TV channel and our own broadcasting into our telecommunications Group.

In this issue of the Annual Report, gives an overview of activities of all four subsidiaries in our Group: Zoznam and Zoznam Mobile in the on-line field, PosAm Slovensko in the ICT segment, and DIGI Slovakia representing TV segment. 2013 was generally a great year for all four subsidiaries. They enjoyed revenue growth; the revenues generated by Zoznam and Zoznam Mobile exceeded EUR 7 million and those generated by PosAm amounted to more than EUR 36 million. Last year was one of the most fruitful years in the entire existence of the latter. This was the first time the revenues generated by DIGI Slovakia were included in the Group's overall revenues. We have been consolidating them since September 2013; they have amounted to EUR 9.4 million during the four-month period.

The TV segment constitutes one of the most important areas of our Group generating economic growth (along with ICT, mobile data, and on-line segments). We achieved excellent results in Magio digital television: 13 % year-on-year increase in the number of customers (to 198 thousand customers) and the introduction of several new products. A strong content-related offer is also our competitive advantage; since the summer 2013 we have been exclusively broadcasting direct transmissions of prestigious matches of the Champions League and the Premier League. The television offer for the Magio TV and DIGI Slovakia´s customers also included Slovak Sport 2 TV channel and also four TV channels providing their own productions: DIGI Sport, DIGI Sport 2, and DIGI Champions League 1 and 2. We think that the Slovak market and the customers have advanced enough to be able to appreciate premium-quality content and attractive offers. In the TV segment it is also important to offer customers mobile solutions; we have therefore launched a new version of Magio TV Go application, which also makes it possible to watch new sports events via smartphones or on tablets.

The year 2013 was significant for us in terms of investment in mobile networks. The existing 3G network achieved two significant milestones: coverage of more than 80% of the population, which proves that we also want to provide the network in small cities and towns throughout Slovakia, and completing the installation of HSPA+ technology providing the speed of 21 Mbps, confirming the increase in capacity and speed available to customers.

Launching of the fully-fledged commercial operation of 4G (LTE) network in Slovakia was our greatest moment in the technology area. As of 15 November 2013, which was the official start-up date, we covered the first five cities: Nitra, Trnava, Banská Bystrica, Žilina and Prešov. For the following five weeks we extended the coverage to a further 31 Slovak cities and the surrounding areas having thus covered a total of 23.7% of the population. We also supported the start-up of the network with a campaign, a promo event for LTE phones provided under our offer, and by the end of the year increased the support of the devices up to twenty.

We also introduced technological innovations in the fixed network segment; increasing the speed of outgoing data in the spring and the launching of VDSL technology for households in the autumn are a demonstration of the continuing development of broadband access in Slovakia. Moreover, we also achieved a significant milestone in 2013: half a million broadband accesses, which even slightly increased by the year end (513 thousand accesses as of 31 December 2013).

Huge subsidies on mobile hardware (mainly smartphones) demonstrated our efforts to increase the number of users of modern devices and also be able to provide models equipped with the state-of-the-art technologies. Smartphones dominated the sales area, but the sales of tablets also improved in 2013 not only in the business segment, but in that of households as well – as supplements to Internet programmes, and also as gifts given as a part of the services ordered. The combination of the sales of devices and Internet services supported the increase in the share of non-voice services in ARPU (Average Revenues per User) up to 31 per cent.

I am also pleased that the situation on the ICT market improved in 2013. We acquired several new projects, thanks to them we were able to increase our market share in this segment. With the combination of our own activities, we identified new customers for our cloud solutions and date centres, and the activities done by PosAm resulted in a marked year-on-year growth, which we would like to continue achieving in the future.

2013 was a strong year from the viewpoint of our Company´s economic performance. It provided several opportunities to achieve better results in the incoming period. The acquisition of the new subsidiary, launch of new technologies, and gaining of exclusive TV rights have provided a solid foothold for us to build on in the years to come. I believe we will also benefit from the potential of the three promising growth areas bringing customers new services and confirming our position as a leader in the telecommunications market in the forthcoming period.

Miroslav Majoroš
Chairman of the Board of Directors and CEO

MILESTONES IN 2013

REPORT ON COMPANY'S BUSINESS ACTIVITIES AND FINANCIAL REPORT

ACQUISITION

Acquisition of DIGI SLOVAKIA (September): Slovak Telekom Group has got another member since September – DIGI SLOVAKIA company. Slovak Telekom acquired 100% shares in the company. DIGI SLOVAKIA operates as an independent legal entity and as a new subsidiary.

IT AND TECHNOLOGY

First Nationwide Operation of the New Mobile 4G/LTE Network (November): Slovak Telekom launched the fully-fledged nationwide operation of 4G network (LTE) in November. Upon the launch, it covered five towns: Trnava, Nitra, Žilina, Banská Bystrica and Prešov; before Christmas, LTE network was available to as much as 23.7% of the Slovak population.

VDSL Launch (September): Slovak Telekom introduced a service portfolio based on the new VDSL technology in September. VDSL internet portfolio features the same structure as the ADSL plans, though with significantly higher speed.

NFC Payments via MyWallet (December): Slovak Telekom was the first operator in Slovakia to introduce another technological and evolutionary step in mass acceptance of mobile NFC services. With the implementation of the so-called TSM (Trusted Service Manager) infrastructure, it has brought many advantages compared to the personalised solutions previously implemented.

Automatic Speed Increase (May): Slovak Telekom automatically and free-of-charge increased speeds for Magio Internet Optik customers to 100 Mbps/10Mbps. Simultaneously, upload speeds in metallic network (DSL) were increased from 384 kbps to 512 kbps, while general upstream increase concerned all internet plans.

PRODUCTS AND SERVICES

Extension of Magio Television Program Structure (May): Slovak Telekom added 36 new TV channels to the Magio TV programme offer; thereby the number of channels has reached 162. With 39 TV channels in high definition quality, the company prepared the most extensive HD program offer on the Slovak market. Furthermore, Magio TV Go was extended with the Plus alternative.

Exclusive Football Matches (August): Slovak Telekom enriched its offer with new sports channels that offer the most attractive football competitions: the Premier League and the UEFA Champions League.

Re-design of Program Portfolio (March): Slovak Telekom introduced a new program portfolio where customers can use services based on credit while you buy a new discount telephone. Easy Fix contains four programs, the benefits of which include regular recharge as well as the possibility of receiving extra credit, a discount telephone and lower call rates.

New Mobile Insurance Service (June): Slovak Telekom and Generali Slovensko together launched a new service – insurance of hand-sets, tablets and modems.

Summer Campaign with Notebooks and Tablets from 1 euro: Besides the plentiful offer of fixed and mobile internet plans or Magio digital television, customers could choose from a variety of notebooks, tablets and LG television sets with the prices starting at one euro.

New Motoring Magazine (January): The product portfolio was extended with a portal for motoring aficionados, Podkapotou.sk, which throughout the year won the hearts of many of its visitors; at the end of the year 2013, it could boast of its 2nd position on the market.

Mapa.sk Enriched with History Data (May): The leader in the online map segment enhanced the offer with unique layers of historical maps originating from the period of military mapping in the 18th -19th century. In addition, in October a mobile version of the Mapa.sk website was added and customised for all types of mobile devices. The popular map service thus became readily available if needed, with full functionality.

Úschovňa.sk Enhanced with Cloud Solution (July): The high-capacity data transmission was supplemented with a new service Moja Úschovňa – web storage of data that is stored in a cloud and thereby independent of the device from which the user connects.

Upgraded Kariéra.sk with New Design (October): The job portal underwent significant graphic modifications, offered a responsive design and a renewed user environment for its users, improved the method of job offer selection, added new tests for job applicants as a part of the so-called pre-testing as well as a new method of company sub-site creation.

PROMOTION OF CULTURE, ART AND SPORTS

Slovak Telekom – General Partner to SOC (October): Slovak Telekom became the General Partner of the Slovak Olympic Committee and the Slovak Olympic Team. Telekom brand was thus associated with the sports achievements of Slovak representatives at the XXII Olympic Winter Games in Sochi.

SuperStar General Partner (February): For the fifth time, Slovak Telekom became the General Partner to the world-wide successful SuperStar competition.

Music support: Slovak Telekom and Sony sponsored a unique “HLASY” tour of Richard Muller and Fragile in August. With regard to this, the company offered its customers a discount on tickets and developed a special application for smartphones too. Furthermore, the Telekom brand was associated with the European tour of the world-famous band Depeche Mode. As part of the “Music City 2013”, the company brought the best from various music genres to Slovak towns for free.

Magio Beach not only in Bratislava: Slovak Telekom provided the favourite Magio Beach in the summer, this time not only to Bratislava, but also to Košice citizens.

Telekom Night Run (September): Slovak Telekom became the General Partner of the popular sports event.

CORPORATE RESPONSIBILITY ACTIVITIES

New Episodes of OVCE.sk (Sheeplive.eu) with a Commentary for the Visually-impaired (February): On the Safer Internet Day, new episodes of unique children stories about safer internet OVCE.sk (Sheeplive.eu) were presented. Simultaneously, a book called “OVCE.sk 01 Za siedmimi wifinami a siedmimi statusmi”(“Sheeplive.eu 01 Once upon a time, beyond seven wifis and seven statuses”), which is a free sequel to the popular cartoon series on safer internet.

One Euro from Invoice to Good Angels: Slovak Telekom offered its customers the possibility of increasing their invoices for fixed and mobile services by one euro that would go to the sick to the very last cent.

Responsible Enterprise Week on Magio Beach (July): Slovak Telekom prepared an interesting accompanying programme for Magio Beach visitors, in which it also presented activities supported through the Endowment Fund Telekom with the Pontis Foundation.

Slovak Telekom Remembered the International Week of the Hearing-Impaired (September): During this week, the company broadcasted special commercials in sign language; it was a partner of the Open Door Day at the School for Children with Hearing Impairment; it promoted a unique programme Mobile Pedagogue that helps families with hearing-impaired children.

9th Annual Telekom Day Student Conference: More than one hundred students and representatives of Slovak technical universities attended the conference.

AWARDS AND ACHIEVEMENTS

Success in International Competition: Slovak start-up Excalibur won the international competition Telekom Innovation Contest because of an invention that uses a mobile phone as a secure tool of identity verification. Deutsche Telekom will support the product development up to the amount of EUR 500,000.

Zoznam.sk – No. 1 on the Slovak Market (June - July): Zoznam.sk as one of the top players of the Slovak internet market achieved the No. 1 position in June and July and also reached its historical maximum with more than 2.26 mil. real users.

Topky.sk Most Popular Again (December): The news magazine repeatedly won Google surveys and became the most searched-for medium on Slovak internet in 2013.

PosAm Won Citrix EMEA Excellence Award for the year: The factor that contributed the most to winning the Best Networking and Cloud Partner award was the design and successful implementation of an IaaS cloud solution for Slovak Telekom that uses the cutting edge technologies Citrix CloudPlatform and CloudPortal Business Manager.

PosAm Again Shortlisted for IT FIRMA Award: PosAm was once more shortlisted for the prestigious IT FIRMA (IT Company of the year) Award. In the last five years, PosAm was shortlisted for the fourth time, which is the most of all Slovak IT companies. The company also took its place in the Hall of Fame of the National Quality Award of the SR.

Successful Re-certification of Integrated Management System: In-depth audit by an international classification society Det Norske Veritas confirmed PosAm a holder of certifications under ISO 9001, ISO/IEC 20000, ISO/IEC 27001, ISO 14001 and OHSAS 18001.

PosAm Succeeded in the Tender for the Implementation of the Town and Municipality Data Centre (Dátové centrum obcí a miest - DCOM) Project: The main objective of the project was to enable better access to and significantly improve provision of e-services to citizens at regional and local administration levels. A consortium of PosAm and Datalan is to prepare new software applications supporting self-administration jurisdiction implementation and to provide them to municipal authorities in the “software as service” form. The project also comprises provision of necessary IT technology to municipal authorities and subsequent maintenance and care thereof.

A MORE DETAILED REPORT ON THE COMPANY’S BUSINESS ACTIVITIES IS PART OF CHAPTER 03.
A REPORT ON FINANCIAL STANDING IS PART OF FINANCIAL STATEMENTS.

SLOVAK TELEKOM GROUP PROFILE

THE SLOVAK TELEKOM GROUP IS PART OF THE WORLDWIDE DEUTSCHE TELEKOM GROUP OF COMPANIES. THE MAGENTA T IS AN UNMISTAKABLE GRAPHIC SYMBOL OF ALL GROUP COMPANIES, AND ALSO STANDS FOR THE GLOBALLY APPLIED VALUES HONOURED 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).

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

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

ORGANISATIONAL STRUCTURE OF THE COMPANY

As a shareholder in its subsidiaries, Slovak Telekom exercises its rights by participating at general meetings, and, if appropriate, exercises the competence of the general meetings in companies where it is the sole shareholder. It appoints its representatives to the statutory bodies of companies, which then submit reports to Slovak Telekom.

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

Slovak Telekom has long paid particular attention to the internal control environment. The main focus of Company's management in this regard is on the control over internal processes and standards. The results of internal testing of the control environment are the subject of a control performed by the Company's internal and external audit, which will concurrently serve as the basis for the statement by the management of Deutsche Telekom AG on the internal control environment within the Deutsche Telekom Group. This statement was issued for the first time as of 31 December 2006.

Slovak Telekom is a holding company, and the principles of corporate governance have been applied to all its component parts, i.e. to the parent company Slovak Telekom and its subsidiaries, which in 2013 were: Zoznam, Zoznam Mobile, Telekom Sec, PosAm and DIGI SLOVKIA (as of 1 September 2013). All subsidiaries acted as separate legal entities.

SLOVAK TELEKOM, A. S.

Slovak Telekom is the largest Slovak multimedia operator with many years of experience and a responsible approach to doing business. Under the Telekom brand, it offers its products and services to individuals, households and corporate clients via both fixed and mobile telecommunications networks. In the field of the fixed network, the Company is the largest broadband provider in the country via optical and metallic networks (FTTX, ADSL and VDSL). It also offers diginal television in the form of the most advanced IPTV and DVB-S2 satellite technology. In the field of mobile communication the Company provides internet connectivity via several high-speed data transmission technologies - GPRS/EDGE, UMTS FDD/HSDPA/HSUPA, FLASH-OFDM and LTE.

Its customers can use the roaming services on networks of mobile operators in destinations all over the world. The Company is considered the leader in providing telecommunication services to the most demanding segment of business customers, both in service scope and quality.

Slovak Telekom received the EN ISO 9001: 2008 quality management system certificate, the EN ISO 14001: 2004 environmental management system certificate and the ISO / IEC 27001: 2005 information security management certificate. According to a reputable study by Hewitt Associates, the Company ranks among the best employers in Slovakia. Slovak Telekom is also a respected and long-term leader in the field of corporate responsibility and philanthropy.

In 2013, an integral component of the system of governance was the Company's organisational structure, which determines its basic arrangement, divided into corporate bodies and executive management.

Slovak Telekom is part of the transnational group of companies - Deutsche Telekom Group. A majority share in Slovak Telekom is held by CMobil B.V. with 51 % of shares. The Slovak Republic, represented by the Ministry of Economy SR, owns 34% of shares and the National Property Fund of the Slovak Republic owns 15% of shares. Slovak Telekom remains a member of the Deutsche Telekom Group. Deutsche Telekom AG controls CMobil B.V. via a subsidiary - T-Mobile Global Holding Nr. 2 GmbH.

Registered Office:
Bajkalská 28, Bratislava 817 62
Legal form:
Joint-stock company
Incorporated in the Companies Register:
District court of Bratislava I, Section: Sa, Insert No: 2081/B
Date of Incorporation:
1 April 1999
Identification and Tax Information:
Company ID No (IČO): 35 763 469, Tax Payer ID (DIČ): 2020273893, VAT ID No (IČ DPH): SK 2020273893;
Banking Information:
Tatrabanka, a.s., Bank Account Number: 2628740740/1100,
IBAN:SK28 1100 0000 0026 2874 0740

Corporate bodies:
The **General Meeting** is the supreme body of the Company. The General Meeting's scope of authority is defined by Act No. 513/1991 of the Commercial Code as amended (hereinafter "Commercial Code") and the Company's Articles of Association.

The Board of Directors is the statutory body of the Company, authorised to act on behalf of the Company in all matters and represent it vis-à-vis third parties. The Board of Directors strategically governs the activity of the Company and decides on all Company matters, unless these are reserved by legal regulations or the Articles of Association for the competence of other Company bodies, or unless delegated by the Board of Directors to other bodies. The Board of Directors appoints the Company's Executive Management Board and delegates some powers. It 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' competences and the execution of the Company's business operations.

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

Principal business activities of the Company:

- provision of telecommunications services against payment (transmission, processing, creation and mediation of information) for individuals and corporations using voice, graphical, visual, data, information, and multimedia telecommunications services and all combinations thereof;
- establishment, operation, construction, maintenance, and servicing of telecommunications facilities, networks, and information technologies owned by third parties under concluded contracts;
- preparation and updating of information databases for information systems in the telecommunications sector;
- publishing, distribution and sale of directories of subscribers of individual telecommunications services on various media;
- connection of a specific part of the PTN (public telecommunications network) to the international telecommunications network, concluding of international agreements in telecommunications related to the business activities of Slovak Telecom, and proposing prices and tariffs for domestic and international services, including billing and clearing thereof;
- establishment and operation of public mobile telecommunications networks over the frequencies assigned under the License of the Telecommunications Office of the Slovak Republic;
- provision of a public mobile telephone service via the mobile public telecommunications services stated in the previous paragraph;
- provisioning and operation of a public data network with packet switching;
- provision of a public mobile telephone service and full scope of data and multimedia services via the third generation mobile network;
- establishment and operation of a fixed telecommunication network for the purposes of interconnection or connection of facilities of the third generation mobile network;
- establishment and operation of a public mobile telecommunications network, designated as a third generation network and complying with UMTS standards, over the frequencies assigned under the License of the Telecommunications Office of the Slovak Republic;
- information society services;
- consultancy in the area of the public cellular radiotelephone network;
- consultancy in the area of the public packet network for data transmission.

Shareholder Structure:

- CMobil B.V. owns 51% of shares;
- The Slovak Republic, represented by the Ministry of Economy SR, 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 Slovak internet portals, Zoznam.sk – www.zoznam.sk, operated by the Zoznam, s.r.o. company, was established in 1997. It specialises in Slovak internet website search, and also offers internet users everything Slovakia's internet has to offer, all in a well-arranged format. Therefore Zoznam.sk today offers over 40 on-line products. The most important products of the Zoznam.sk portal include the news server Topky.sk, which, according to market research carried out by Google.com in December, once again became the most sought-after medium on Slovakia's internet. Specialised magazines focused on various areas (Môjdom.sk, Dromedár.sk, oPeniazoch.sk, Pokapotou.sk, Feminity.sk, Špuntík.sk, Urobsisám.sk, PC.sk, PlníElánu.sk, Vyšetrenie.sk, Kariérainfo.sk) provide additional 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, and Kariera.sk job portal. A catalogue of companies (Katalóg firiem), giving even small companies opportunities to present themselves on the internet in a professional way along with their contact data, is also an important part of the service portfolio of Zoznam.sk. Thanks to the ticket sale platform Predpredaj.sk, Zoznam.sk has successfully established its position in the e-ticketing segment. After the first year of its existence, Predpredaj.sk shows a severalfold increase in the number of supported events and the number of tickets sold. The portal effectively puts the support of medial partnerships (promotion of events and concerts and sale of tickets) under one roof. A significant change occurred with the Úschovňa.sk service which presented a new feature in July called Moja Úschovňa – a web data storage where the data is stored in a cloud and thereby independent of the equipment through which the user accesses it.

One of past year's priorities for Zoznam.sk was accessibility of web sites through mobile devices, therefore emphasis was put on continuous connectivity of mobile versions of products and responsive design solutions. Zoznam continued searching for new possibilities, technologies and platforms attractive for users also in 2013, as demonstrated by the application via which news items from Topky.sk and Športky.sk portals can also be viewed by owners of TV sets with Smart TV technology.

An independent internet visit audit AIMmonitor showed 2,344,815 RU (real user) visits to the Zoznam.sk portal and its products (excl. Topky.sk) in December 2013. Compared to the previous year, the number of real users regularly visiting the Zoznam.sk internet portal sites increased by nearly 180 000 RU. The visitor ratio of the news portal Topky.sk in the same period was about 1,687,815 real users.

Registered Office:
Viedenská cesta 3 – 7, Bratislava 851 01
Legal Form:
Limited liability company
Incorporated in the Companies Register:
District Court of Bratislava I, Section: Sro, Insert No.24598/B
Date of Incorporation:
1 January 1998
Identification and Tax Information:
Company ID No (IČO): 36 029 076, Tax Payer ID (DIČ): 2020091997, VAT ID No (IČ DPH): SK2020091997
Banking Information:
Tatrabanka, a.s., Bratislava branch, Bank Account Number 2624131673/1100

Corporate bodies:
The **General Meeting** is the supreme body of the Company Zoznam, s.r.o. The competence of the General Meeting is exercised by the sole shareholder, which is Slovak Telekom, a.s.

The statutory body of the companies Zoznam, s.r.o. and Zoznam Mobile s.r.o. is a managing director appointed to this office by the sole shareholder, the Company Slovak Telekom, a.s. The managing director is responsible for the management, operations and results of both companies. He is also the director of Zoznam, s.r.o.

Principal Business Activities of the Company:

- provision of information and advertising services by means of computer technology;
- advertising and promotional activities;
- consulting activity within the relevant scope of business.

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 started to operate mobile internet content services such as the sending of logos, MMS and ringtones. It ranks among the top companies providing mobile technologies and solutions. The Company offers high-quality, secure and proven solutions, tailor-made for projects requiring easily extendible functions based on the client's needs.

Registered Office:
Viedenská cesta 3 – 7, Bratislava 851 01
Legal Form:
Limited liability company
Incorporated in the Companies Register:
District Court of Bratislava I, Section: Sro, Insert No. 27440/B
Date of Incorporation:
30 September 2002
Identification and Tax Information:
Company ID No (IČO): 35 844 621, Tax Payer ID (DIČ): 2020288732, VAT ID No (IČ DPH): SK2020288732
Banking Information:
Tatrabanka, a.s., Bank Account Number 2620748430/1100

Corporate bodies:
The **General Meeting** is the supreme body of the Company Zoznam Mobile, s.r.o. The competence of the General Meeting is exercised by the sole shareholder, which is Slovak Telekom, a.s.
The statutory body of the companies Zoznam, s.r.o. and Zoznam Mobile s.r.o. is a managing director appointed to this office by the sole shareholder, the Company Slovak Telekom, a.s. The managing director is responsible for the management, operations and results of both companies. He is also the director of Zoznam, s.r.o.

Principal Business Activities of the Company:

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

Ownership Structure:
Slovak Telekom, 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 part of the Slovak Telekom Group, which confirmed and strenghtened the leading position of the Company in Slovakia. The main objective of the Company is to bring customers unique solutions using a vast array of information technologies. The Company focuses its efforts on the provision of services and solutions to corporate customers from segments such as banking, insurance, industry, network industries, telecommunications, media, state administration and municipal administration. As part of its portfolio, it offers individual software development, its own application solutions, system integration, consultancy services, outsourcing, and infrastructure solutions. Partnerships with global technology leaders, the innovation potential of management, a strong local team, and investment into employee education guarantees continuous advancement and top performance.

The company is certified by ISO 9001: 2008, ISO/IEC 20000-1: 2011, ISO/IEC 27001: 2005, OHSAS 18001: 2007 and ISO 14001: 2004. PosAm is the holder of the Slovak National Quality Award (Národná cena SR za kvalitu), and was the first Slovakian-based enterprise to receive the “Recognised for Excellence in Europe” award from the European Quality Management Foundation (EFQM). PosAm has been a full EFQM member since 2007.

Registered Office:
Odborárska 21, Bratislava 831 02
Legal Form:
Limited liability company
Incorporated in the Companies Register:
District Court of Bratislava I, Section: Sro, Insert No. 6342/B
Identification and Tax Information: Company ID No (IČO):
31 365 078, Tax Payer ID (DIČ): 2020315440, VAT ID No (IČ DPH): SK2020315440
Date of Incorporation:
3 January 1994

Corporate bodies:
The **General Meeting** is the supreme body of the Company. The General Meeting’s scope of authority is defined by the Commercial Code and Memorandum of Association.
The statutory body of the Company consists of three managing directors. Their powers are stipulated in the Memorandum of Association.

Principal Business Activities of the Company:
- provision of application solutions, services and infrastructure solutions for corporate customers from segments such as banking, insurance, industry, network industries, telecommunications, media, state administration and municipal administration.

TELEKOM SEC, S. R. O.

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

Registered Office:
Kukučínova 52, 831 03 Bratislava
Legal Form:
Limited liability company
Incorporated in the Companies Register:
District Court of Bratislava I, Section: Sro, Insert No. 42889/B
Date of Incorporation:
25 October 2006
Identification and Tax Information:
Company ID No (IČO): 36 691 143, Tax Payer ID (DIČ): 2022269865, VAT ID No (IČ DPH): SK2022269865
Banking Information:
VÚB; Bank Account Number: 2233303757/0200

Corporate bodies:

The **General Meeting** is the supreme body of the Company. Pursuant to Section 132 (1) of the Commercial Code, the competence of the General Meeting is exercised by Slovak Telekom, as the sole shareholder. The General Meeting's scope of authority is defined by the Commercial Code and Memorandum of Association.

The statutory body of the Company consists of two managing directors. The powers of the managing directors are stipulated in the Memorandum of Association.

Principal Business Activities of the Company:

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

Ownership Structure:

Slovak Telekom, a.s. is the sole owner of the Company.

DIGI SLOVAKIA, S.R.O.

DIGI SLOVAKIA provides public telecommunications services by means of a television cabling system, digital satellite television and the internet. It has operated in Slovakia since 2006 and became part of the Slovak Telekom Group in September 2013.

DIGI SLOVAKIA company over several-years of existence, has gained significant market power and is now in a dominant market position. Philosophy and business policy of the company are focused on customer requirements, improving services and expanding service opportunities. The services in their portfolio are characteristic for unbeatable prices, easy installation, unlimited availability of satellite broadcasting and the appropriate level of sound and video quality. These parameters currently position Digi TV service as among the DTH market (Direct to Home) leaders.

In addition to digital satellite television, DIGI SLOVAKIA provides Cable TV and internet in ten Slovak towns and city: 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
Date of Incorporation:
30 October 1996
Incorporated in the Companies Register:
District Court of Bratislava I, Section: Sro, Insert No. 24813/B
Identification and Tax Information:
Company ID No (IČO): 35 701 722, VAT ID No. (IČ DPH): SK2020356503, Tax Payer ID (DIČ): 2020356503
Banking Information:
ING Bank: 9000027060/7300
IBAN: SK9873000000009000027060

Corporate bodies:
The company has two managing directors. The two managing directors always act jointly on behalf of the company. Signing, when acting on behalf of the company: it is executed in a way that the person signing appends his or her signature next to a written or printed business name of the company, his or her name and position and imprints the company seal.

Principal Business Activities of the Company:
- broadcasting of television programme service;
- provision of electronic communications networks and electronic communications services (installation and operation of a public telecommunications network);
- retransmission;
- cabling system installations (building, operation and maintenance of television cabling);
- internet – data processing and related activities;
- operation of a nation-wide digital broadcasting television programme service DIGI Sport under licence No. TD/35, DIGI Sport 2 under licence No. TD/129, DIGI Liga majstrov 1 (DIGI League of Champions 1) under licence No. TD/127 and DIGI Liga majstrov 2 (DIGI League of Champions 2) under licence No. TD/128
- advertising activities;
- marketing activities.

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

CODE OF CONDUCT

The Code of Conduct is a key company document for the prevention of unethical behaviour. Observing the Code of Conduct is obligatory for all employees of Slovak Telekom Group companies, ensuring that the companies act as trustworthy partners for suppliers and customers.

Slovak Telekom employees have kept to its tenets since 2006. In 2011, Slovak Telekom put into effect an updated Code of Conduct, which was subsequently implemented by the subsidiaries PosAm and Zoznam. The current wording of the Code is uniform for all companies within the Deutsche Telekom Group; it brings in joint Guiding Principles and ensures the application of a unified corporate strategy. The current wording defines the corporate culture, accepts observing the principles of honest and responsible conduct in business relations and also stipulates requirements concerning behaviour towards customers, competitors, suppliers and third parties. The Code of Conduct puts emphasis on safe information processing and security.

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

We supported the presentation of ethic priciples in 2013 by joining the International Anti-Corruption Day which was declared ten years ago by the United Nations to increase global awareness regarding corruption and its negative effects.

Supervision of compliance with ethical business conduct and employee behaviour is effected by means of the Ethics line, which is an independent control tool. The line is available to all employees and external partners, to present their comments via telephone, mail or e-mail.

QUALITY POLICY

Slovak Telekom has been continuing in the sustainable development of an integrated management system, which it started to build in 2004. The final report prepared by TÜV SÜD Slovakia recommended issuing EN ISO 9001: 2008 quality management system certificates, EN ISO 14001: 2004 environmental management system certificates and ISO/IEC 27001: 2005 information safety management system certificate. The integrated management system is complemented with the occupational health and safety protection management system in compliance with the OHSAS 18001 standard.

The subject of the certification is “Development and Provision of Data Services, Desktop Services and LAN Services including Helpdesk for Business Segment Clients in Business and State and Public Administration”. In an effort to provide high-quality advanced services to its customers, Slovak Telekom has continuously been improving its internal and customer-related processes.

MEMBERSHIP AND COOPERATION WITH SLOVAK ASSOCIATIONS BY PROFESSION AND INDUSTRY; INVOLVEMENT IN INTERNATIONAL ORGANISATIONS

Slovak Telekom is an active member of the following Slovak organisations:
- Slovenská obchodná a priemyselná komora – SOPK (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 – RÚZ (National Union of Employers)
- Podnikateľská aliancia Slovenska – PAS (Business Alliance of Slovakia) (until 30 June 2013)
- Fórum pre komunikačné technológie – CTF (Communications Technologies Forum)
- IT Asociácia Slovenska – ITAS (IT Association of Slovakia)
- Slovenská asociácia pre káblové telekomunikácie – SAKT (Slovak Association for Cable Communications)
- Slovenská asociácia pre elektronický obchod – SAEC (Slovak Association of Electronic Commerce)
- Fórum kreatívneho priemyslu –CIF (Creative Industry Forum)
- Inštitút pre elektronickú zdravotnú dokumentáciu – Prorec (Institute for Electronic Healthcare Records) (until 30 October 2013)
- Partnerstvá pre prosperitu – PPP (Partnerships for Prosperity)
- Rada pre reklamu – RPR (Slovak Advertising Standards Council – SASC)
- Klub firemných darcov (Corporate Donors Club)
- Business Leaders Forum – BLF
- HN klub (HN Club)
- Medzinárodný klub SR (International Club of SR) (until 30 June 2013)
- Slovenská asociácia finančníkov (Slovak Association of Finance and Treasury)
- Združenie pre riadenie a rozvoj ľudských zdrojov (Slovak 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 – SAKS (Slovak Association for Knowledge Society)
- Slovenská asociácia pre informačnú bezpečnosť – SASIB (Slovak Association for Information Security)
- Slovak Compliance Circle (until 6 December 2013)

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

Slovak Telekom is represented in the following international organisations:
- Slovak Telekom is represented in the International Telecommunications Union (ITU), where it is a member of the standardisation sector.

The Company is also a member of the following organisations:
- ETNO (European Telecommunications Network Operators Association)
- ETIS (E- and Telecommunications Information Services)
- ETSI (European Telecommunications Standards Institute)
- 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

He completed university education at the Faculty of Electronics and Informatics at the Slovak University of Technology in Bratislava and during his professional career supplemented his education through management education programmes at the Harvard Business School and Stanford Graduate School of Business.

After completing his studies in 1983 he worked at the Slovak Television broadcasting company, where he held several positions, in 1993 being appointed to head the company. As of 1994 he worked as Sales Director of IBM Slovakia for industry sectors, over the years 1998-2000 he was the General Manager of IBM Slovakia and from 2000 to 2002 was the General Manager of IBM Czech Republic and Slovakia.

He has been Company President/CEO and a Member of the Board of Directors of Slovak Telekom since 2003. In 2005 he was elected Chairman of the Board of Directors of Slovak Telekom. He was a member of the Board of Directors of the subsidiary T-Mobile Slovensko from 2003, and from the summer of 2009 to 30 June 2010 was the Chairman of the Board. He has held the position of Chairman of the Board of Directors and Chief Executive Officer of Slovak Telekom since 1 July 2010.

Dr. Robert Hauber
Chief Financial Officer and Vice Chairman of the Executive Management Board

He studied at the University of Stuttgart, University of Mainz and at the University of Massachusetts. He holds a Master degree (Dipl. Kfm.) and a doctoral degree (Dr.) – both in business administration. He served Deutsche Telekom for ten years as a senior finance executive in several management positions. Before his career with Deutsche Telekom he worked for Hewlett Packard, Procter & Gamble and DaimlerChrysler, where he was involved in the merger between Daimler-Benz & Chrysler.

Within Deutsche Telekom, Dr. Robert Hauber worked from 2002 to 2005 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 has been Head of Financial Controlling of the Europe Segment of Deutsche Telekom. In this role, he was 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 and Member of the Board of Directors of Slovak Telekom.

Dipl.-Ing. Branimir Marić
Chief Technology and Information Officer

He completed the Technical University in Zagreb, faculty of electrical engineering and computing (field of radio communication).
Branimir Marić 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 he 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.

Under Branimir Marić's lead, Hrvatski Telekom made significant strides forward in improving the quality of mobile and fixed services, consolidating the mobile and fixed segments, and developing tools and applications for operational support systems, which allow increased operational efficiency and customer satisfaction.

Since 1 January 2012 he has held the position of Slovak Telekom's Chief Operating Officer, Technology and IT.

Ing. Dušan Švalek
Chief Mass Market Segment Officer

He completed 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.
His career began with the positions of product and senior brand manager at the companies Benckiser and Johnson & Johnson, respectively. 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, Dušan Švalek is 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 named as Chief Mass Market Segment Officer.

Ing. Ján Adamec
acting Chief ICT and Corporate Segment Officer (until 31 March 2013)
Chief ICT and Corporate Segment Officer (as of 1 April 2013)

After graduating from the Faculty of Electrical Engineering at the Slovak Technical University in Bratislava, Ján Adamec started working in 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. As of 1 October 2012, Ján Adamec was appointed the 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

He completed his university studies at the Faculty of Law, Comenius University in Bratislava.

He started work for the Slovak Telekom Group in August 2000 in EuroTel (later T-Mobile) in the position of Head of Legal Department, then worked as Executive Director of the Legal, Regulation and Regulatory Affairs Division, where he was responsible for managing the legal and regulatory agenda, wholesale relations with carriers operating in the telecommunications sector, and maintaining relations with public institutions. In 2001 he also became the Company's legal officer. In his ten years with T-Mobile he gained practical experience in communication with regulatory authorities, in fields such as telecommunications law, economic competition, economic and technical regulation of the telecom sector and licensing. After the integration he held the post of Director heading the Corporate Service Division.

Since 1 October 2012 Ján Pitoňák has held the position 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

She studied at the Faculty of Philosophy at the Comenius University in Bratislava and subsequently at the Faculty of Law, specializing in international relationships and law approximation. She worked in the automotive industry as human resources director at Yazaki Slovakia. She started with T-Mobile Slovensko in 2005, as a senior manager for compensation and employee benefits. She managed T-Mobile's Human Resources Division from 2007, and as a member of top management she participated in the Company's business decisions. As of 1 January 2010 she assumed the position of the Executive Vice-President for Human Resources/CHRO of Slovak Telekom, while continuing her function as Human Resources Director of T-Mobile Slovensko. As of 1 July 2010 Petra Berecová was appointed as Chief Human Resources Officer of the integrated Slovak Telekom company.

From 1 December 2012 to 30 April 2013 drew Peter Berecová maternity leave.

Ing. Ladislav Petényi
acting Chief Human Resources Officer (until 30 April 2013)

He studied at the Faculty of Electrical Engineering at the Slovak Technical University in Bratislava, and subsequently at the Faculty of Economical Informatics at the University of Economy in Bratislava.

He has been working in the company since 1993, and in his almost 20-year career he worked in several project and managing positions in various areas. He started in technology, continued with strategy, then worked as a project manager for the SAP system implementation. Since 2002 he has led billing, his major achievements being the new billing system implementation, development of the Datawarehouse in revenue assurance, print shop outsourcing, and the implementation of several new payment methods for our customers. Later he steered the Save for Service programme and was responsible for the definition and implementation of saving measures; from May 2009 he was also tasked to manage the Controlling Subunit. He led the integration project from the end of 2009; his responsibility included designing the new integrated company organization, identifying integration synergies and selecting new managers, for which he was later honoured with the "Best Project Manager of the Czech and Slovak Republics" award.
Since July 2011 he has been responsible for managing the company-wide Alexander transformation programme.

As of January 2013 to 30 April 2013, Ladislav Petényi was also appointed acting Chief Human Resources Officer.

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
(as of 29. 4. 2013)

Ing. Miloš Šujanský, PhD., M.B.A.

Other members of the Board of Directors in 2013:

- Dr. Ralph Rentschler (until 29. 4. 2013)

SUPERVISORY BOARD OF SLOVAK TELEKOM

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

Members:
- Mgr. Martin Habán
- Denisa Herdová (as of 18 March 2013)
- Miriam Kvočková (as of 18 March 2013)
- Drahoslav Letko (as of 18 March 2013)
- Cornelia Elisabeth Sonntag
- Ing. Peter Weber
- Tanja Wehrhahn

Other members of the Supervisory Board in 2013:
- Milan Brlej (until 28 February 2013)
- Ing. Ján Hláčik (until 28 February 2013)
- Ing. Július Maličký (until 28 February 2013)

02 TELECOMMUNICATIONS MARKET IN SLOVAKIA

LEGISLATIVE CONDITIONS AND MARKET REGULATION

LEGISLATIVE CONDITIONS

In 2013, new Act No. 402/2013 Coll. on Regulatory Authority for Electronic Communications and Postal Services, Transport Authority and on Amendments to certain Acts was adopted. This Act also amends Act No. 351/2011 Coll. on Electronic Communications, mainly due to the fact that as of 1 January 2014, the regulatory authority for both branches will be the Regulatory Authority for Electronic Communications and Postal Services. Besides this change, in the course of 2013 the legislation mainly focused on consumer issues and the protection of the young against harmful content on the internet.

MARKET REGULATION

In 2013, the regulation in wholesale markets for calls to and from fixed networks was concluded when decisions on the price regulation of interconnection based on the Commission Recommendation of 7 May 2009 on the Regulatory Treatment of Fixed and Mobile Termination Rates in the EU were issued. There was a dramatic drop in the interconnection rates due to the change in the then-current approach to price regulation. Slovak Telekom disagreed with the non-inclusion of a part of effectively used costs in the price of the regulated call origination service, therefore it contested the decision on the method of price calculations of call origination in the fixed network with an administrative action to the Supreme Court of the SR. Due to the non-inclusion of a part of effectively spent costs, Slovak Telekom also started preparing administrative action in late 2013 against the decision on setting maximum rates for call termination.

In 2013, a complex electronic auction of frequency spectrum was successfully held for the first time ever in Slovakia, in which Slovak Telekom obtained frequency ranges 800 and 2600 MHz that are very convenient and standardised for the creation of high-speed mobile data networks.

The Telecommunications Office of the Slovak Republic continued regulating prices of interconnection between mobile networks in 2013 and issued a decision on prices by which it further decreased the regulated price of interconnection.

Towards the end of 2012 the Slovak Telecommunications Office started to regulate next generation optical access networks and with regard to that, in December 2012 Slovak Telekom published three new reference bids. On 28 February 2013, the Telecommunications Office proceeded to further regulate optical networks in the wholesale broadband access market, due to which fact Slovak Telekom published another extended reference bid on 29 April 2013. Both affected relevant wholesale markets, i.e. the market of physical access to fixed access infrastructure and the broadband access market, along with the related retail market for broadband internet access indicated signs of intensifying infrastructure-based competition throughout the year 2013. The market situation was still affected by the fall in prices to their lowest levels, not only in EU countries, but in the entire OECD, hand in hand with the decrease of Slovak Telekom's market shares.

Because of its disagreement with the regulation of such intensively competitive markets, Slovak Telekom turned to the Supreme Court of the Slovak Republic, first with a claim against regulatory decisions imposed on the physical access market (December 2012 and February 2013), and later also with a claim against a regulatory decision imposed on the wholesale broadband access market in June 2013. Furthermore, in mid 2013, the Telecommunications Office started preparatory work for cost methodology for the calculation of regulated prices on both wholesale markets, the draft of which is to be published, and consulted with the concerned enterprises in the first half of 2014.

As the universal service provider, Slovak Telekom is obliged to provide equal access to telephone service, information service and subscriber list to those with health impairments, and to provide these subscribers with a special type of terminal equipment appropriate to their impairment. In 2013, Slovak Telekom filed a request for compensation of net costs for the universal service for years 2011 and 2012.

The Supreme Court of the Slovak Republic overturned the decisions of the Slovak Telecommunications Office regarding compensation of net costs for the universal service incurred between 2005 to 2006 and 2007 to 2008, as well as 2009 to 2010 and returned them to the Telecommunications Office of the Slovak Republic for further administrative review at the first instance. The Telecommunications Office of the Slovak Republic has yet not ruled on individual proceedings returned by the Supreme Court of the SR.

ECONOMIC COMPETITION

The European Commission continued proceedings regarding the alleged abuse of the dominant position in the broadband internet access market that commenced on 8 April 2009 also in 2013. With regard to its reply to the Statement of Objections and after subsequent requests for information, on 6 December 2013, Slovak Telekom received the so-called letter of facts which the European Commission can use to substantiate its potential decision under Article 102 of the Treaty on the Functioning of the European Union. The European Commission provided Slovak Telekom a two-month period to comment on the letter of facts, which was subsequently prolonged by two weeks.

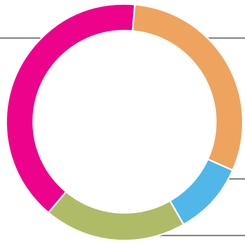
In 2013, Slovak Telekom also acquired controlling interest in DIGI SLOVAKIA – a provider of paid television and internet services. Since it concerned a merger of companies that met the legal so-called turnover criteria, a notification of the merger was provided to the Anti-Monopoly Office of the SR for approval. After reviewing the possible impact of the merger on the retail broadband access market and TV service provision market, the Anti-Monopoly Office of the SR approved the acquisition without imposing any conditions on Slovak Telekom.

With respect to protection of economic competition in 2013, activities of Slovak Telekom were not a subject of investigation or intervention by the national regulatory authority for competition. Again this year, Slovak Telekom continued to defend its interests in court hearings reviewing the legality of the decisions of the national regulator concerning voice portfolio in fixed network. On 11 February 2014 the Supreme Court decided to return the proceeding back to the Regional Court in Bratislava to hear the case again.

TELECOMMUNICATIONS MARKET DEVELOPMENT

The total estimated revenues from sales in Slovakia's telecommunications market in 2013 were EUR 2.06 billion, with a year-on-year decrease of 3.5%. Compared to the previous year, the highest revenue growth was in the internet services segment. In 2013, the Slovak Telekom Group maintained its leading position with its market share of 40.3 % of consolidated revenue.

Market Share of Individual Telecommunications Operators in 2013 (in %)



SOURCE: SLOVAK TELEKOM, A. S., ORANGE SLOVENSKO, A. S., TELEFÓNICA O2, A. S.
AND INTERNAL QUALIFIED ESTIMATE BY SLOVAK TELEKOM, A. S. FOR ALTERNATIVE OPERATORS.

The revenues from fixed network voice services market continued to drop, primarily as a result of the substitution of traditional voice services by mobile voice services and voice services based on IP. Slovak Telekom as the main provider of services in this market aimed to stabilise revenues also through a combination of fixed voice services with broadband internet and television services.

The market for broadband services continued to grow in 2013. However, from the year-on-year perspective the trend slowed, with the total estimated number of customers reaching almost 1 103 thousand, with the year-on-year growth of 4.3 %. The estimated penetration of broadband connections in households increased to approximately 47.2%. The biggest dynamics occurred in connections based on cable technology and optical fibre; whereas metallic-network based connections tended to slightly decrease. In 2013, operators continued to invest in expanding coverage and improving access infrastructure quality. Acquisitions of smaller providers by regional or national players instigated the competition further, which together with better coverage resulted in increasing service availability and higher average access speed for end customers.

Slovak Telekom promotes services based on modern optical fibre technology in the broadband access market. The company continued expanding service accessability based on this technology also in 2013, with the technology available to 362 thousand households by the end of 2013 and a simultaneous increase in the number of customers.

The estimated number of active mobile communication service customers by the end of 2013 was approximately 6.59 million users (including Sky Toll SIM), indicating a penetration of mobile services at the level of 122%. The growth was affected by a highly competitive environment which brought about an overall decrease in market prices and an ever more attractive offer that also included combined voice and data services. Further reasons for the growth included a reduction of wholesale interconnection fees charged among operators and a decrease in revenues from roaming as a result of price regulation.

Continuing customer migration to the invoiced services segment and growing penetration of mobile data services were the main areas of revenue growth in the mobile market. The growth in mobile data services was influenced by the fast-progressing penetration of smartphones and expanding area of mobile higher-speed internet coverage.

Trend in Mobile Service Penetration 2009-2013 (incl.Sky Toll))

Digital and Interactive Content Services

Slovak Telekom operates in the market of paid television, and in the on-line internet service market the Company operates through its subsidiaries Zoznam and Zoznam Mobile.

By enhancing the Magio TV Go product with Magio functionality that enables watching selected TV programs on any device with internet access, Slovak Telekom presents the market with a vision of interactive connection of the online and mobile worlds with the world of television services.

Besides expanding the traditional on-line services, Zoznam a Zoznam mobile focus on developing content for mobile phones.

With the acquisition of DIGI SLOVAKIA, Slovak Telekom strenghtened its position in the paid television market in 2013. The company further enhanced the TV Magio service, whose availability significantly increased after the Magio Lite service was launched; which reaffirmed the company's leading position in the IP TV market. As of 31 December 2013, Magio was used by almost 198,000 customers.

Data and Information-Communication Services

Slovak Telekom retained its leading position on the market of data services for business clients in 2013, although customers aim to significantly optimise their costs in this segment too. For the ICT service market, the Company concentrated on providing comprehensive added value ICT services for big corporations. The majority stake in PosAm has enabled Slovak Telekom to implement its long-term strategy of providing comprehensive communication solutions to business customers.

SLOVAK TELEKOM GROUP STRATEGY

Slovak Telekom's strategy is linked to the global strategy of its parent company Deutsche Telekom, whose vision is to be a global innovative leader connecting people in their lives and work. A long-term ambition of Slovak Telekom is to be the Number 1 player on the Slovak telecommunications and IT services market.

The mid-term strategy of Slovak Telekom is based on four pillars:

1. Customer satisfaction.
2. Growth through innovations focusing on development of new products and services.
3. Integrated solutions with the objective to further exploit the potential offered by synergies from all business areas
4. Trend towards eSociety" with the priority being the on-line sales and customer care.

In the fixed voice segment, Slovak Telekom will focus on fostering customer loyalty by active customer relationship management and supporting customers' positive experience. Expansion of the portfolio with converged fixed-mobile voice services, traffic stimulation within the ST network, and gradual migration to voice services via broadband will require the building of sufficient broadband access coverage.

One of the main objectives in the mobile service segment is to maintain the value of subscribed mobile service customers with the lowest possible decrease in invoiced service value. The Company is interested in a further extension of the scope and number of mobile services used per customer, for example via cross-selling (such as the sale of mobile voice services to fixed voice service or internet service customers).

Development of data networks, sales of intelligent telephones with internet access, optimisation of product portfolio, effective use of integrated customer approach in sales – these are activities through which the Company aims to further improve its standing in the mobile internet market. LTE network development brings high expectations. LTE is a fourth generation network (4G) that should shift the quality of services provided one step forward towards the customers. Late in 2013, Slovak Telekom was the only operator in the market to launch a commercial operation of the LTE network with with almost 24% coverage. The obtaining of frequences can strenghten the Company's leading position even more and thereby significantly increase its share in the mobile data service market, which in the mid-term perspective will constitutea majority of the revenues of mobile operators.

Regarding fixed internet, the Company will focus on maximising optical network usage through a regional customer acquisition model and cross-selling to mobile service customers. The Company intends to exploit the potential of rural areas outside the existing fixed network coverage by expanding coverage, sharing access infrastructure with partners and by offering combined, cost-efficient mobile solutions.

Slovak Telekom's IPTV portfolio will be further enhanced in 2014 with value-added features, including an expanded channel offering (HD and premium packages) and interactive internet and home entertainment features. The Company's goal is to increase the number of customers using TV along with other services.

The Company will also focus on exploring new business areas. Further development of IT services includes managed solutions, cloud solutions and development of customer applications and outsourcing in which Slovak Telekom cooperates with its subsidiary, PosAm.

Slovak Telekom will continue in its efforts to improve the Company's performance through synergies within the Group. Emphasis will be placed on reducing operating costs and more efficient use of capital investments in information technologies and fixed and mobile networks. Further increase in cost efficiency will allow for a gradual decrease in the complexity of infrastructure, system consolidation, and phasing out of outdated or unsupported platforms.

03 REPORT ON THE COMPANY'S BUSINESS ACTIVITIES

TECHNOLOGY AND NETWORKS: LEAN, EFFECTIVE AND CUSTOMER ORIENTED

In 2013 networks and information technologies were focused on continuing the already started initiatives and launching new ones to reach higher flexibility and effectiveness. The Company's attention was primarily focused on the stability of operating systems and technologies as well as innovations concerning products and services. The whole area saw numerous activities impacting the processes, organisation and technologies with the emphasis on the transformation in IP and IT.

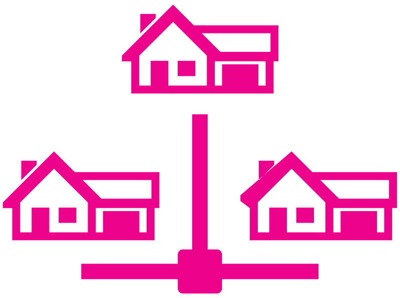
Coverage in 2013

FLASH-OFDM
76,7%

3G
80,7%

4G/LTE
23,7%

Availability of technology in 2013



Optical fibre technology: 362 thousand households
VDSL: 300 thousand households

IT

Completion of the **internal data centres relocation** was an important project that brought the optimisation of data centre portfolio across Slovakia. Through the **IT transformation programme,** the entire IT environment was reviewed from various perspectives: hardware and software, effectiveness of resource management and improving request management. Projects such as Data warehouse consolidation **(OneDWH)** and the upgrade of the **SAP** financial customer system were completed in 2013 and provided for the optimisation of these operating systems in terms of costs and infrastructure. The end of the year was marked by the launch of a new system to manage customer relations, **NG CRM** 1.0 for fixed network products and services, which ranked among the key projects within the Deutsche Telekom Group.

Networks

Continuing activities involved the deployment of high-speed internet **VDSL** technology and the expansion of **mobile 3G coverage** to over 80% of the population, thanks to the construction of 900 mobile base stations equipped with the "DualCarrier" technology (HSPA+ 42 Mbps). Implemented measures helped improve the network performance – specifically the 3G CS call drop indicator. Excellent results were achieved in the voice service reliability and the reliability of mobile internet, compared to 2012.

Slovak Telekom was the first Slovak operator to launch the **LTE technology** in the commercial operation. In record-breaking time more than 330 LTE base stations, covering 23,7% of the population, were erected or optimised. The deployment involved specific functionalities such as "CSFB" voice service functionality, network mobility between 2G/3G and 4G networks and hardware. The firm is thus able to better meet growing customer demands for high-speed mobile internet which is necessary if one wants to use multifunctional mobile applications.

Implementation of the Company's technology strategy embraced under the **network and IP transformation** programme continued. It involved customer migration from the legacy NG voice and ATM network; this step will enable Telekom to turn off and migrate a majority of the network components in 2014 and achieve considerable cuts in operational expenses. Phasing out three PSTN switches in Piešťany, Malacky and Komárno was an outstanding milestone in this regard.

As far as **service platforms** are concerned, the IPTV platform upgrade was completed and a new Magio TV Go application was launched to offer new functionalities and additional TV channels. The Company expanded the IPTV headend with 20 new HD and 20 SD channels and implemented a new satellite headend for 60 SD channels and 8 HD channels.

In order to preserve its competitive edge as an operator and increase customer satisfaction, the **transformation** programme for **service provisioning and fault clearance** (Transformation of technical services) continued successfully. Excellent results were achieved and made visible in the indicators such as provisioning time and fault clearance. Another area was the **cost reduction** in optimising the operation, support contracts and technology maintenance contracts, with improvements achieved in the Company's operational effectiveness, which generated significant year-on-year savings.

PRODUCTS AND SERVICES

The Slovak Telekom Group provides individuals, households and corporate customers with a broad portfolio of services and mobile networks. Customers can use them on various types of technologies and also purchase terminal equipment from the operator. The offer also includes an extended network of shops and call centre services. Moreover, the Group enjoys a strong position in other segments by means of its subsidiaries: on-line and Internet content (Zoznam and Zoznam Mobile), digital television (DIGI Slovakia) and ICT services and solutions (PosAm).

CUSTOMER CARE SERVICES

During the entire 2013, the Company actively optimised internal processes at call centres in order to improve the customer experience.

A new customer system was deployed in September 2013. Its live launch was another step towards streamlined and uniformed services to all customers (fixed and mobile networks) and, at the same time, moved the company closer to its goal to handle customer requests with maximum customer satisfaction.

Call centres operate several toll free numbers where customers can receive any necessary information on the company's services and products. Information and requests concerning product portfolio on the company can be obtained on a toll free number 0800 123 456. In 2013, we continued the process of full harmonisation of care services on the line for fixed and mobile customers.

Customers' technical issues, outages and malfunctions are handled on 0800 123 777, where the main criterion of the contact quality is speed of handling and customer satisfaction with problem solving.

Those who do not prefer communication with call centres can communicate with the company by email or chat on the web site.

WHOLESALE SERVICES: SUPPORT TO THE DEVELOPMENT OF COMMUNICATION IN THE REGION

2013 was a year of growing regulation also in the field of mobile services, decline of wholesale prices and growing cooperation with wholesale partners. The company confirmed this trend in both basic pillars of wholesale services: sale and lease of data services and infrastructure and providing voice services to national as well as international partners. The company exceeded projected revenues from the sale of services to wholesale partners by more than 14%; on the other hand, revenues declined by almost 7% on the year-on-year basis. The biggest credit for exceeding the plan of revenues and moderating negative impacts of the regulation goes to product innovations and new business terms of wholesale products introduced in 2013.

Data services

Also, thanks to its wholesale activities, the company significantly contributed to the spread of Internet usage in Slovakia. In cooperation with wholesale partners, in 2013, it recorded the highest number of wholesale broadband accesses to the Internet sold since the launch of its sale. The year-on-year increase in the number of accesses exceeded 45% and amounted to the year-end total of more than 87 thousand accesses. The company also achieved significant success in the field of providing access to international IP network. New solutions brought around almost a 20% increase of sold IP transit capacity which exceeded 11 Gbps at the year end.

In 2013, the company also introduced several adaptations of reference offers for providing access to existing access infrastructure of the company. Those innovations opened further possibilities for our wholesale partners to use existing company infrastructure in order to provide their own broadband services to their end users.

Voice services

From the viewpoint of national voice services, the year 2013 was the year for implementing regulatory decisions. A significant decrease of regulated interconnection fees set out by the Telecommunications Authority of the Slovak Republic made it possible for the company to save 36% costs on the termination of calls on mobile networks and almost 20% on the termination of calls on fixed networks in Slovakia.

In 2013, there was a significant decline of interconnection fees as well as in other European countries, which influenced international voice services for the company. Thanks to the decline, the company saved more than 15% costs on the termination of international calls abroad. The termination fees decline led to strong pressure on revenues from international transit voice traffic (hubbing), which the company compensated by extending its business activities. Thanks to adding 23 new business partners and increasing the share of mobile traffic to 90% of the total international transit voice traffic, the company eventually managed surpass the projected revenues from hubbing by 5%.

VOICE SERVICES: INNOVATIONS FOR EASY, EASY FIX AND HAPPY

In 2013, Slovak Telekom continued its gradual enhancing of existing product families. Customers can still make use of the Easy prepaid cards, Easy Fix credit plans and Happy plans. One thing in common for all of them is the enhancement packages, data services and bonuses.

Prepaid cards

In this segment, Slovak Telekom offers two cards - Easy Free and Easy Time.

Easy Free is a prepaid card intended for calls to all networks and for mobile internet connection; moreover, customers receive two bonuses after recharging their credit: calls starting at 9 cents to all networks and free mobile internet connection for 7 or 15 days.

Easy Time is suitable for long calls to fixed and mobile Telekom networks – every call, regardless of the duration is for the same price: 15 cents. Also, this card features cheap calls to all networks (12 cents per minute), SMS (6 cents) and data packages.

Both cards have a simple scheme of mobile internet billing – the default standard is SURF 1 profile, for customers who do not surf the Internet for more than 50 cents per day. If they need more data, they can activate bigger packages – SURF 500 or SURF MAX.

In 2013, Telekom introduced several enhancement packages for services of Easy cards. Unlimited calls to Telekom fixed and mobile networks (for 7 days) or to all Slovak networks (for 7 days). The offer also includes Calls to three numbers on Telekom fixed and mobile networks (for 30 days) and 100 minutes to Slovak networks as well as two SMS packages: for texting to all networks in Slovakia at the weekends or for 7 days (Unlimited SMS to SR).

Fix Plans

Easy Fix still offer a suitable mix of monthly plans (regular credit top up) and style of billing for used services on a credit basis. The standard offer includes the following plans: Fix 0, 9, 12 and 16, with higher plans containing various benefits such as extra credit.

The structure of plans underwent several changes in 2013. In March, new prices for calls to all networks were set as follows: 19 cents per minute for Fix 0, 14 cents per minute for Fix 9 and 9 cents per minute for 12 and 16. That change introduced a transparent uniform scheme for prices of calls in various types of traffic and to various networks.

In mid-October, Slovak Telekom added new features to Fix 9, 12 and 16 plans: 100 MB of data. Customers who opt for these plans have the choice of more benefits, such as evening calls ad extra credit.

Similar to Easy cards, customers can additionally activate packages of unlimited calls (to Telekom networks, to all networks, to their closest ones) or SMS (at weekends or for 7 days) also with Easy Fix plans.

Monthly plans (mobile network)

After introducing Happy plans in August 2012, Slovak Telekom continued in their establishing and launched several innovations too. Thus, at the end of 2013, customers could choose from as many as seven plans.

Every plan contains a certain type of unlimited calls – to the Telekom network at weekends and holidays (Happy XS), unlimited calls to a Telekom network all around the clock (Happy S, M and L). The three top plans even contain unlimited calls to all Slovak networks (Happy XL calls, XL, XXL).
Every Happy plan also features mobile internet connection – starting at 100 MB up to the Unlimited mobile internet alternative. The plans also further contain a certain number of minutes to all networks and/or Unlimited SMS and MMS.

In 2013, the Happy XL calls plan (unlimited calls to Slovakia and 500 MB of data) became a standard feature. Also, the price of the Happy XL was reduced (down to EUR 39.99) and, on 1 December, a new, topmost plan Happy XXL was introduced. In addition to flat calls to Slovakia, it also contains a number of free airtime to the EU and a larger data package. On 15 November, the data volume for Happy S was increased from 100 to 200 MB.

Slovak Telekom also introduced cheaper international calls . The package includes 50 free minutes and the average price per minute of calls after the discount is 5.6 cents.

Happy plans proved themselves also in the sale of high end models of phones to a larger number of customers. A different model of purchasing (instead of a one-off fee, the price is divided into monthly instalments) has expanded the offer of phones affordable to clients.

The portfolio of monthly plans also includes Podľa seba (My choice) plans with a flexible selection of services (My choice 1, 3, 5 and 7, depending on the number of packages): customers can choose their airtime, SMS and/or data. The portfolio also includes lower plans such as the Student plan, Bez záväzkov (No Obligations) and the Program 40 plan.

On 1 July 2013, Slovak Telekom launched rewards for loyalty to existing customers: depending on the number of years they have been using the services, they can receive discounts from 2 to 12%.

Roaming

The offer of roaming voice plans was streamlined, divided into Euro roaming with standard euro tariff prices and Happy roaming with a single price of calls and SMS in Zone 1 (13 cents) and low call prices in holiday destinations.

Discounted phones for mobile plans

During 2013, Slovak Telekom included dozens of global brand devices to promotional offers – with a strong presence of touchscreen devices with increasingly bigger screens and sales continued to be dominated by smartphones (nearly 75 percent of all the phones sold).

In the first half of the year, Slovak Telekom introduced flagships of manufacturers such as Sony Xperia Z, HTC One and Samsung Galaxy S4. In the send half of the year, the following models were added: Sony Xperia Z1, Samsung Galaxy Note 3, HTC One Mini, LG G2, Huawei Ascend P6, Nokia 925 and Apple iPhone 5C and 5S.

Among the biggest bestsellers were mid-range models, such as Sony Xperia L and M, HTC Desire 500, Samsung Galaxy S4 mini. After a few years' absence, the offer was complemented with innovations of the Alcatel brand.

Last year's offer was dominated by devices with the Android operating system, later enriched with innovations running on OS Windows and BlackBerry OS 10.

Monthly plans (fixed network)
Residential voice plans have stayed the same. Through the year they were available in promotional offers with lower monthly fees. We continued in providing discounted offers for calls to mobile networks or presents for promotional prices such as a digital camera or multifunction printer.

During the year, customers could also opt for fixed line flat rate plan Doma Nekonečno (Home Unlimited) with a single monthly fee for calls to fixed and mobile networks.

INTERNET SERVICES: NEW TECHNOLOGIES AND HIGHER SPEED

Several new technologies, such as VDSL and LTE were introduced in 2013 and also included in offers for internet services.

Fixed internet
After a significant acceleration of the ADSL network download speed in 2012, Slovak Telekom increased, in 2013, the upload speed for most plans to 512 or 1024 kbps.

On 1 May 2013, the speed of the optic fibre network increased too and the portfolio was simplified to three plans: Optik 1 and Optik 2 Mini (10/1 Mbps), Optik 2 (40/4 Mbps) and Optik 3 (100/10 Mbps).

In the middle of September, Slovak Telekom launched the VDSL technology and also prepared a new portfolio of services: four Turbo VDSL alternatives with the speed up to 50 Mbps. Turbo 1 VDSL and Turbo 2 Mini VDSL up to 10/1 Mbps, Turbo 2 up to 20/2 Mbps and Turbo 3 up to 50/5 Mbps.

Promotional offers provided customers with several discounts or even a zero monthly fee for the first 6 months or the initial period of use.

Mobile internet
From the viewpoint of technologies, 2013 can be characterised as a period of continuing acceleration of the 3G network and gradual installation of HSPA+ with a maximum download speed of 21 or 42 Mbps. Step by step, HSPA+ extensions were installed to all 3G base stations.

A threesome of Neobmedzený mobilný internet (Unlimited mobile internet) plans form a strong basis of the sale of mobile internet to tablets and notebooks. They include certain volume of data for use with the full speed (2, 5 and 10 GB) and later, customers can download data at a lower speed with no additional costs.

In any case, mobile internet has already found its place in all parts of the portfolio, especially its version for mobile devices such as smartphones and tablets. Prepaid Easy cards feature several surfing options (daily and monthly packages), free mobile data packages were added to Easy Fix credit plans and free data is also included in Happy and Biznis Data plans.

Data roaming
Along with Travel & Surf, a series of plans based on the shared initiative of Deutsche Telekom, Slovak Telekom also launched its own plans for mobile data use abroad last year.

They are ranked depending on the time and data volume of usage. At the beginning of the summer season, we introduced plans

Hodina (Hour) (10 MB for € 2), Deň (Day) (30 MB for € 5), Týždeň (Week) (100 MB for € 15) and Neobmedzený (Unlimited) for € 25 (100 MB at full speed and then slowed down to 64 kbps). Free data can be used in Zone 1.

In December, the offer was extended with a set of Plus plans, with a similar structure extending the use of free data to both, Zone 1 and Zone 2. Hodina Plus (Hour Plus) (5 MB for € 2), Deň Plus (Day Plus) (15 MB for € 5), Týždeň Plus (Week Plus) (50 MB for € 15) and 100 MB Plus (for € 25).

Additional services: insurance and antivirus

Since 2011, Slovak Telekom has been providing a successful service Navigácia Sygic GPS (Sygic GPS Navigation). it makes it possible to download one of two map packages to a phone or tablet (four countries Slovakia, Czech Rep., Hungary, Austria or the whole Europe) and use it for a low monthly fee (€1.39 for four countries, € 2.39 for the whole Europe). The service can be used without any contract period and, moreover, there is an option of 14-days testing operation.

In 2013, Slovak Telekom extended its portfolio of additional services with several innovations. At the end of May, the operator incorporated mobile phone insurance to the portfolio of additional services. When purchasing a new phone, tablet or modem, customers could opt for this service and thus get insured against several risks: water, fire, floods, construction defect or a direct lighting strike. The service costs from 0.99 EUR to 2.49 per month, depending on the price of the device.

On 1 August 2013, Slovak Telekom launched the ESET Mobile Security – Telekom edition. This service serves as an antivirus program on mobile devices and offers extended possibilities such as antiphishing, anti-theft with remote localisation of lost phone or filtering of text messages and calls. The price of the service is € 1 per month.

Promotional devices: modems, tablets, notebooks

In the course of 2013, Slovak Telekom marketed new modems for mobile internet, also for the higher speed of 3G networks (HSPA+ 21 and 42 Mbps extension) and the first modem for 4G network: Huawei E3276 Rotator.

The offer also featured more tablets: the long-awaited Sony Xperia Tablet Z came in June, followed by Samsung Galaxy Tab 3 in the autumn. There were also tablets of other brands (ZTE, Acer, Asus) included in promotional offers for fixed and mobile internet in the course of the year.

Our deals still contain preferred notebooks to k internet plans. Slovak Telekom alternated a range of notebooks of various categories and brands such as Acer, HP and Lenovo throughout the year.

BUSINESS SOLUTIONS AIMED AT DATA AND VOICE CONVERGENCE, A BREAKTHROUGH YEAR FOR CLOUD

Mobile networks

Also in 2013, Telekom further developed Biznis Star plans, which became popular among business clients. In addition to the benefit of "unlimited calls", calls to the EU countries included in free airtime and free data for the internet on mobile phones starting with the lowest Biznis Star 1 plan, customers greatly welcomed the function of data sharing and the offer of promotional devices (smartphone and tablet) combined with Unlimited mobile internet.

The most sought after plan was Biznis Star 3, which includes the benefit of "unlimited calls to all Slovak networks, unlimited SMS/MMS, unlimited internet on mobile phone" and 250 minutes for calls to the EU and received roaming calls. At the beginning of the year, Telekom even lowered the price for this unlimited plan.

As a part of rewarding loyal customers, the company set the price depending on the number of years customers had been using services of Telekom. In October, Telekom launched a favourable offer for customer who opted for the Biznis Star plan without purchasing a promotional mobile phone. Those customers could receive "unlimited calls" of the higher plan for the whole contract period.

In April 2013, Telekom introduced a refreshed portfolio of the Firma (Firm) solution with the innovation Firemný internet (Company Internet). Firma (Firm plan) is a solution that enables sharing the package for mobile voice and data. This service has been enhanced with the Firemný internet service for a discounted price. During the winter campaign, the offer was extended with the Balík zdieľaných dát pre celú firmu (Shared data package for the whole company), which provides customers with a higher level of flexibility and trust in the use of mobile data, either on voice SIM cards or in 3G devices. Thus, with the Firma plan, customers set the usage of mobile data depending on the needs of any particular company.

Last year, the company cast a brand new look at data roaming. From now on, Telekom customers can surf abroad without any worries and keep control of their expenses. When travelling abroad, customers can opt for one of the new favourable packages of Internet abroad for one hour, one day or one week in EU countries and as well as 30 other most visited countries in the world on their phone. There is also an innovation for business customers – fee portal for managing data roaming of their employees thanks to which, they can set individual settings, limits and permission for each employee.

Fixed networks

In 2013, the company presented to customers new calls packages in the fixed voice containing favourable packages of calls to fixed and mobile networks. Thus, customers do not need to limit themselves when making calls to mobile networks in Slovakia and abroad. Regarding the internet access over a fixed line, we continued developing the Firemný internet (company internet) service, providing professional access to the Internet for business customers. It contains features necessary for running a business, such as higher Internet accessibility, up to 99%. Thanks to mobile backup, customers are provided with a reliable connection without the risk of connectivity outage. Its advantages are: professional Wi-Fi router, free fixed IP addresses and a large number of additional services such as managing access to selected groups of Internet sites (Company control) and data prioritisation.

ICT

In the field of ICT solutions provisioning, 2013 came with the marked development of cloud products and individual solutions provided primarily on the TelekomCloud infrastructure. Thus, it was not only providing the basic infrastructure in the form of virtual servers; in the course of the year, the company successfully launched new cloud products.

The company responded to the growing demand for transmitting an increasingly larger volume of data and introduced a secure tool for sharing corporate documents on Telekom Drive. It is a solution of storage area for sharing company documents, access to documents from any device (PC, smartphone or tablet) and thus enables secure sharing of documents with colleagues as well as external partners. Its advantage is that it also provides automatic backup of important documents or encoding of the area with password.

Telekom Fleet represents a new generation system for management, the controlling and monitoring of vehicle fleet and fuel balance. The solution is based on a GPS monitoring system, the system of fuel flow and balance monitoring combined with Telekom mobile data services.

AnalyzeNET is another innovating tool for analysing traffic on customers' LAN/WAN networks. We also intensified cooperation with other important vendors of information systems where we became the main suppliers of the cloud infrastructure. The volume of provided computing capacity in TelekomCloud multiplied several times compared to the beginning of 2013.

Almost 90% of banking sector customers use the Telekom's mobile device management system and we also increased the occupancy of the state-of-the-art data centre in Bratislava. As a part of the Christmas campaign, Telekom presented a unique offer for business customers – one selected ICT service for free for the whole of 2014 as a benefit with the contract on Firm mobile voice services plan.

MAGIO TV: EXCLUSIVE SPORT AND MOST HD CHANNELS ON THE MARKET

The continuing trend on the TV market is extending the content and adding channels with high definition (HD), whereby 2013 was of key importance. Telekom focused on adding new channels and, at the moment, it is HD number one on the Slovak IPTV market. At the end of 2013, Telekom customers could watch as many as 39 channels in high definition. In May, the company launched a new product Magio TV Najviac (Magio TV Most), providing customers with 34 new TV channels, some of them brand new on the Slovak market.

The second important step to make the content offer of Magio TV more attractive was acquiring exclusive rights for broadcasting TV channels offering live broadcast of the Premiere League and the Champions League, on TV and on the Internet. Thanks to the acquisition of DIGI Slovakia, the Magio TV portfolio was enhanced with the two new TV channels Digi League of Champions 1 and 2. All these channels are also available in HD. As an expression of gratitude, the channels were provided for free until the end of the year.

In addition to improving the video signal and channel portfolio, there has been a gradual increase in the content on demand use observed there. Customers are getting used to the fact that they can find their favourite programs and shows in the 7 days' TV archive. From the viewpoint of the archive content, the most sought after ones are Slovak series and news. On 31 December 2013, the number of Magio TV exceeded 198 000. More than 90% of them regularly watch classical broadcast, which still has its substantiation, especially the news, live sport and cultural broadcasts.

Watching TV outside the living room on mobile devices such as tablets and mobile phones is gaining in popularity. Last year, Telekom introduced Magio TV Go Plus, a paid variant of TV for the road with the archive and recording feature. The basic free version of TV Go was also made available to Magio Sat customers. In November, the company launched a long awaited new version of Magio TV Go applications, containing upgrades based on customer feedback, such as setting options, parental lock, individual change of TV channels order, improved timeshift function etc.

ZOZNAM.SK

Zoznam.sk Internet portal was one of the stable leaders of Slovak internet also in the last year. In 2013, it was offering almost 50 internet portals, services and magazines that were continuously developed in line with current trends and customer requirements. In the peak period, Zoznam ranked first in the market out of 8 online segments (July 2013, source: AIMmonitor). The most successful market magazines were: tourism magazine Dromedár.sk, sport magazine Športky.sk, popular news magazine Topky.sk, music portal Hudba.sk, living portal Môjdom.sk, games platform Pauzička.sk, children portal Rexík.sk as well as online service Mapa.sk. The overall increase in the number of visitors was a result of a long-term work ad effort to provide visitors with relevant and interesting content. Zoznam sets its goal to continue the strategy of organic growth, which was also reflected in the development of individual products and entry to the new segments of online markets.

In January 2013, the product portfolio was completed with **Podkapotou.sk,** a portal for motorsport enthusiast, which quickly drew the attention of many visitors. At the end of 2013, it was market number two (November 2013, source: AIMmonitor). Podkapotou.sk portal prepares for its fans news from the world of cars, technological news, new model releases, tests as well as opinions on current events in the world of motorsport.

An important shift was observed with the **Úschovňa.sk** service, which presented an innovation in July titled Moja Úschovňa (My storage) – web data cloud storage. That makes data independent on the device users use for connection. Simultaneously with high volume data transfers, Úschovňa provides a safe and user friendly tool for file management, backing up, fast sharing and viewing without the need of downloading.

In November, Zoznam broadened its portfolio of magazine with an innovation in the segment of webs for mothers – **Špuntík.sk.** The magazine is prepared by internal editorial staff, articles are intended not only for women, but also for men planning, awaiting or upbringing children. It provides practical and current information, opinions of physicians and experts as well as curiosities from everyday life.

In a survey carried out by Google.com, the **Topky.sk** news portal became, again, the most searched medium on the Slovak internet in 2013. Topky.sk dominated the online segment of popular news during the almost entire year.

We also recorded success with a platform for the online sale of tickets **Predpredaj.sk,** which multiplied the number of supported events as well as the number of tickets sold by several times. Predpredaj.sk participated in the promotion of several top events of the last year – music concerts (national tour of Richard Müller & Fragile - Voices, dance concert of Armin Van Buuren, Depeche Mode concert), sport events (Telekom Night Run running competition, Tennis Classic tennis tournament), cultural events (fashion show of Lýdia Eckhardt) and many others. In 2013, Predpredaj.sk also spread its activities to brick and mortar shops.

Online TV channel **Telkáč.sk** enhanced its offer in 2013 by an exclusive online series on professional environment V haji, ladies show Evita for Feminity and stand-up comedy show Silné reči (Strong Words). Telkáč.sk thus provides its users with more entertaining and unique content which was also reflected in the increase of visitors by as much as 44% on the year on year basis (December 2013, source: AIMmonitor).

One of last year's priorities for **Zoznam.sk** was the availability of websites on mobile devices. Therefore, it placed stress on the continuous additions of mobile versions of products and responsive design solutions. Several products for the company's portfolio underwent visual modifications. The Kariéra.sk employment portal introduced a responsive design and innovated user environment in October. Redesign also refreshed Vyšetrenie.sk, magazine on health and healthy lifestyle. The main page changed significantly as well as all its subsections. Also, Predpredaj.sk portal underwent redesigning. In October, the Mapa.sk service and the Catalogue of companies at the Zoznam portal presented their mobile version. On the occasion of the traditional contest Dievča leta (Girl of the Summer), Zoznam launched a unique application for smartphones offering the feature to check the latest and updated rank of competing girls and their full galleries. Also, in 2013, Zoznam was looking for new possibilities, technologies and platforms that were attractive for users. It has been proven also by an application thanks to which owners of TV sets with the Smart TV technology can view news on Topky.sk and Športky.sk portals.

POSAM

Software solutions

PosAm focuses on the development of comprehensive information systems on the basis of the needs of individual clients and the implementation of its own innovative solutions. It provides professional services covering all stages of developing solutions: ranging from consultations and analyses, through architecture proposals up to development and deployment of the solution.
The company specialises in the field of budgeting, sales automation and liquidation of insurance events, management of IT services, workforce management, authorisation of persons, signing documents and automation of processes related to document flows in companies. Among PosAm clients are companies from the following segments: public administration, insurance, banking, telecommunications, manufacturing and network industries.

Infrastructure solutions

PosAm designs, implements, operates and provides servicing of independent or integrated infrastructure components with the main focus on the consolidation of information systems. Infrastructure solutions include the building of data centres and data storages, storing and managing data, designing and implementing core IT infrastructure and the infrastructure of terminal devices, virtualisation and building of infrastructures for providing cloud services, application delivery and implementation of security features for access to the Internet. For the purposes of designing, implementing and managing of corporate infrastructure, PosAm uses the TOGAF methodology and the progressive technologies of partners, such as Cisco Systems, Citrix, Hitachi Data Systems, Hewlett-Packard, IBM, Lenovo, Microsoft, Oracle and VMware.

Consultancy services

Expert consultancy forms a natural part of high value added services and solutions. Thus, consultancy services form an integral part of the professional services of PosAm. Their importance grows proportionally with the complexity of the issue and depending on the impact of the delivered solution to the company's business operation. Deep knowledge of technologies, processes and the environment make it possible to cast new insights on customers' activities and move their business ahead.

However, consultancy services only constitute the first step to reaching customer goals; PosAm is afterwards able to take over the responsibility and also provide other stages of the entire process encompassing the draft design, production and delivery of the solution as well as its integration in the customers' environment and possible operation.

Outsourcing

PosAm provides operating IT services, customer care, and warranty and after-warranty service to top companies in Slovakia in energy, manufacturing, telecommunication, banking and the insurance sectors. Part of the transformation process outsourcing model is the optimising of internal processes and the method of management for the customer, where the company provides expert consultancy and proposes optimum solutions. This is the way how clients receive high quality and efficient services that enable them focus on their own business and strategic development, leaving the routine activities to PosAm.

Segments in which PosAm is active

Banking

PosAm also provides clients from the banking sector with application and infrastructure solutions and operating services aimed at optimising 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. In an innovative manner, it deals with the authorisation of electronic documents and identity management. Further added value is the reducing the time of customer handling, reducing costs on processing originally paper documents, increasing security, protecting reputation, improving the sales process as well as improving prestige.
The purpose of the solutions aimed at consolidation and optimisation of 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 consultants and specialists.

Insurance companies and financial institutions

In the insurance and finance sector, PosAm provides software solutions and services aimed at supporting key business processes for the customers.
For commercial insurance companies, it provides software development and services supporting mobile sales by sales representatives, management of customer relations and liquidation of insurance events.
A specific part is taken by software deliveries for a betting agency in the field of online services, where the number of customers strongly exceeds dozens of thousands of users per day.

Manufacturing

For the manufacturing and network industries segment, the company provides software solutions, builds infrastructure solutions and provides outsourcing services.
The provided software systems are intended for managing executive employees, authorisation of persons and signing documents.
When building and transforming IT infrastructure, the company specialises in storage solutions and the comprehensive consolidation of IT infrastructure. Outsourcing services focus on operating IT services and service desk services.

Recording a handwritten signature using the signature tablet and its use for the authorisation of persons or signing documents introduces new possibilities in the field of paperless communication.
Building and consolidation of server, storage and desktop IT infrastructure is based on solutions by Bull, Citrix, Hitachi Data Systems, IBM, Hewlett-Packard, and Microsoft. The company provides comprehensive professional services covering consultations, draft architecture, delivery, implementation and the integration of the solution.

Telecommunications and media
Application solutions on SAP platform, solutions for core IT infrastructure as well as services oriented on operation are areas of PosAm activities in the telecommunications sector.
Thanks to SAP platform based solutions, customers receive professional services and powerful solutions supporting a broad range of corporate processes. For the purposes of solutions for data storage, management and protection, the company uses primary systems and the software of leading global company Hitachi Data Systems.
The company provides cloud solutions requiring not only mastering high end technologies, but also ensuring related integration processes.

State administration and local government
In the segment of state administration and local government, PosAm has been involved, in the long run, in the development of software and solutions aimed at supporting main processes in the field of public finance, providing operating services and it has also been active in the health sector.
In public finance, software solutions of PosAm mostly cover creating, approving, modifications, monitoring, assessment and consolidation of budgets at all levels of state administration as well as local government. Preparing budgets in public administration is provided for by a solution of PosAm – budget information system (RIS), which is an inevitable precondition of state treasury functioning.
Information systems of PosAm also ensure processes of collecting, storing and the utilisation of information in the register of accounting closings, coordination, preparation, execution and evaluation of government audits and possibly also the management of development aid financing.
In the health sector, the company implements solutions for basic health registers and deals with health terminology as the inevitable precondition of eHealth build-up.

DIGI SLOVAKIA

Satellite television
A big advantage of services provided by DIGI SLOVAKIA is its unrivalled low price, simple installation and accessibility of satellite broadcast anywhere in the country. The above attributes, combined with the appropriate technical quality rank DIGI SLOVAKIA to leaders in providing satellite television services.

Service installation in simple, a client can obtain the installation set also on the phone, on the web site as well as at sales points in selected towns. As a part of the special offer, the installation is provided to DIGI customers free of charge. Also, the system of payments for services is comfortable for clients who can pre-register their interest on the Internet at website www.digislovakia.sk.

The company offers two program packages – basic package (more than 48 channels) and extra package (variety of channels also in other languages).

After the accession of the new owner to the company, the package of channels was extended in the sport segment. Satellite platforms DIGI and Magio thus became the most comprehensive broadcasters of sport programs in Slovakia. They offer exclusive sport content customers can watch exclusively in the offer of the Telekom Group.

Cable television and the Internet

DIGI SLOVAKIA provides Cable TV and internet services in 10 Slovak towns and city: Handlová, Prievidza/Bojnice, Žiar nad Hronom, Ružomberok, Brezno, Šaľa, Senica, Komárno, Košice and Bratislava.

The composition of channels is suitably selected in order to contain all channel genres and clients do not need to order specialised channel packages. The cable television is not subject to a minimum contract duration, similar to satellite TV.

DIGI SLOVAKIA offers Internet connection in 2 speeds: StartNet 20/10 Mbps and BaseNet 40/20 Mbps. Also, in this case, the provider adheres to the low price philosophy. Internet connection is time and data unlimited, not with a minimum contract duration; activation and installation are provided free of charge.

Customers can order cable television and internet connection on the web, at sales points and, of course, on customer line 0850 700 800.

DIGI Sport

DIGI has been broadcasting sport channel Sport 1 since 10 August 2010. In the course of the 3 years, the channel went through the change of logo, modifications to the broadcasting studio, change of its own news program. From the viewpoint of accession of the new owner, the year of 2013 was of crucial importance for the service. As the new owner of the broadcasting licence for the UEFA Champions League, it launched three new channels at the end of August: DIGI Sport 2, DIGI Liga majstrov 1 (DIGI League of Champions 1) and DIGI Liga majstrov 2 (DIGI League of Champions 2). All three new channels are only broadcast in the territory of Slovakia, DIGI Sport 1 also broadcasts to the territory of the Czech Republic. Running the three channels makes it possible to broadcast three matches of the UEFA Champions League live, which is a unique service throughout Europe.

Along with the UEFA Champions League, DIGI Sport broadcast French Ligue 1, Italian Serie A, domestic Corgoň league, matches of Slovak 21-year football representation (qualification and friendly matches), Spanish Copa del Rey, Italian Coppa Italia, Brazilian top league Serie A, South African Copa Libertadores and the Audi Cup 2013 tournament.

In addition to football, DIGI Sport brought to its viewers the European Trophy ice hockey tournament, Swedish ice hockey league Elitserien, motorsport Porsche Super Cup, GT Open and European F3 Open, men's and women's handball Champions League, tennis finals of the Davis Cup, ATP tournament from St. Petersburg, single broadcasts of water, winter sports, athletics, volleyball and basketball.

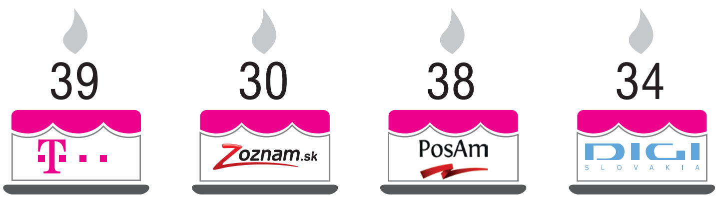
DIGI Sport has its own news broadcast; the show is called MIX Zóna (MIX Zone) and editors prepare magazines, reports and programs by themselves.

After the accession of Slovak Telekom to DIGI SLOVAKIA, in the period from September until the end of 2013, DIGI SLOVAKIA started providing its customers with an increased choice of channels in the segment of satellite and cable television as well as Kaon HD boxes and the company prepared investments for the technical development of the provided services.

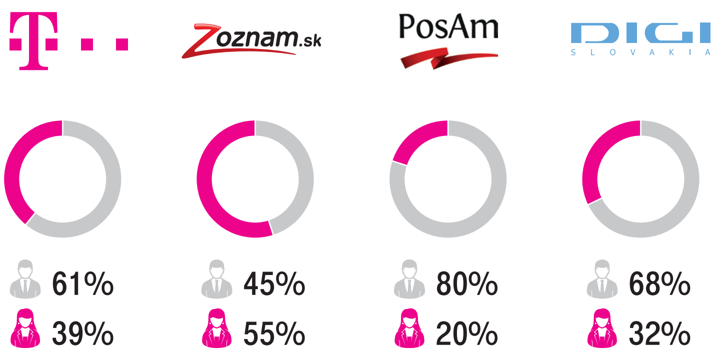
HUMAN RESOURCES

Slovak Telekom had 3,312 internal employees in 2013. In the same period, Zoznam and Zoznam Mobile had a total of 61 internal employees, PosAm 257 and DIGI 260 internal employees.

The average age of employees in Slovak Telekom and its affiliated companies was the following in 2013



Representation of men and women in Slovak Telekom and its affiliated companies was the following in 2013:



Remuneration and Employee Benefits

In 2013 the Company streamlined the HR processes, which contributed to the improvement of services provided to its employees, The Company concurrently continued to strive towards a fair and competitive wages policy and remuneration scheme which strongly reflected the situation in the information technologies and telecommunications sectors in Slovakia.

Remuneration

- The employees continued to be paid based on their individual performance, which was also reflected in variable salary components, the individual part of bonuses and also extra bonuses.
- As a part of the wages policy, corporate bonuses, depending on the Company's financial performance, were also paid.

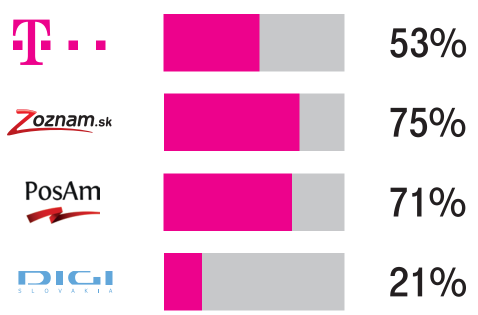
Employee benefits

- The Company provided its employees with optional benefits which could be selected from a diversified portfolio of prevailingly health- and wellness-related products and services.
- In 2013 the Company increased the value of meal vouchers to EUR 4 paying employees the entire value of them.
- Portfolio of partners providing discounts to the Company's employees was extended.

Ambassador

In 2013 the Ambassador programme, whose primary aim was to inform employees on the products and services provided by the Company, this was implemented so as to be agents and ambassadors for the Company's products among their friends.

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



Education and Development

1,086 internal and external educational activities were organised in 2013, with a total of 9,140 participants. The average educational costs totalled EUR 215 per employee. Internal trainers ensuring frontline development trained 13,555 hours.

The employees, predominantly the frontline ones, also intensively studied and improved themselves through e-learning courses (focused on fixed and mobile product areas, work in internal systems, PC and language skills, and legislation). A total of 104 new e-learning training courses were launched and 113 e-tests were given. The e-learning students totalled more than 53,000 people, and 12,000 e-tests were given to verify the knowledge gained.

Managers had an opportunity to develop their managerial skills under the Leading Right programme and a free follow-up programme titled "Management" addressing topics which the managers were most interested in. The aim was to provide the managers with fundamental coaching skills in managing their subordinates and concurrently teach them how to solve current management-related situations.

Talent development was marked by the TDrive talent programme in 2013. The programme was meant to identify and develop talents for 17 strategic areas within Telekom. After completing the selection process, 34 employees were involved in the programme; they had an opportunity to develop their talents mainly thanks to "on the job" coaching tools under the auspices of a mentor coming from a particular professional area. The programme offered the participants both the individual and collective development activities related to lessons given by interesting speakers. The programme was one of the factors which helped almost 20% of "T-Drivers" move forward with their careers during the year.

Motivation contests: Service Hero, strongly fostering the customer-friendly attitude, and Best Performers, supporting a long-term initiative linked to an excellent corporate performance, continued to be held as part of the internal activities.

With a view to supporting customer-oriented behaviour and enhancing the employee engagement, internal T-Conference was organised for employees on the theme of "Extra Mile" customer-orientation enhancement.

The "Day with a Top Management Member" platform promoted close contact and communication between the employees and the top Management. The employees had an opportunity to get to know the opinions of individual members of the top Management on the topics falling under the sphere of their responsibilities and to meet them on an individual basis under the "Doors Open Days" programme or at informal evening meetings.

The Company's employees could also engage in regularly held employee researches and express their opinion on the current situation within the Company in 2013. Pulse, an international biannual survey which was run throughout the entire Deutsche Telekom Group, was held on a regular basis. The Best Employer Slovakia survey results placed Slovak Telekom at number 6 among the best Slovak employers in the large company category. The survey outcome suggests that the employees:

- Perceive the help, furtherance, regular feedback, and appreciation on the part of their direct superiors very positively;
- Appreciate the co-operation of their colleagues;
- Enjoy the work they do; and
- Highly appreciate the benefits provided.

Employee Care

Slovak Telekom gives ongoing attention to working and social conditions of employees, as well as to health and safety protection at work. Individual activities were undertaken in this field in 2013 in compliance with the health and safety management system in line with OHSAS 18001 international standards. They were based on prevention, thorough check-ups, a cyclical education system, and an overall increase of employee OHSAS awareness.

In order to foster employees' attention to their own health, relevant activities were carried out under Health. The Health Programme was mainly focused on employees' sound working conditions, occupational injury prevention, healthy nutrition, and physical activity. Health Days held in June and July, and a Week of Health in September, were pivotal events in the programme, during which employees could get vital functions examined (BMI, blood pressure, or body fat), medical tests carried out, blood pressure done (cholesterol), and take part in interesting lectures on diverse themes regarding risk factors of cardiovascular diseases, healthy nutrition, anti-stress safety, etc. Sports Day was held to support the physical activity.

Flexible forms of work (Home Office, Telework, and flexible working hours) were utilised in the endeavour to improve working conditions. All employees were given access to catering (either on the Company's own premises or in public restaurants). A children's camp took place at the Training Centre in Hrabiny during the holidays. The Company made contributions to the supplementary pension insurance of its employees, enabled them to draw on benefits for wellness and relaxation, and provided severance payments beyond the scope of the Labour Code to employees whose employment was terminated due to organisational reasons.

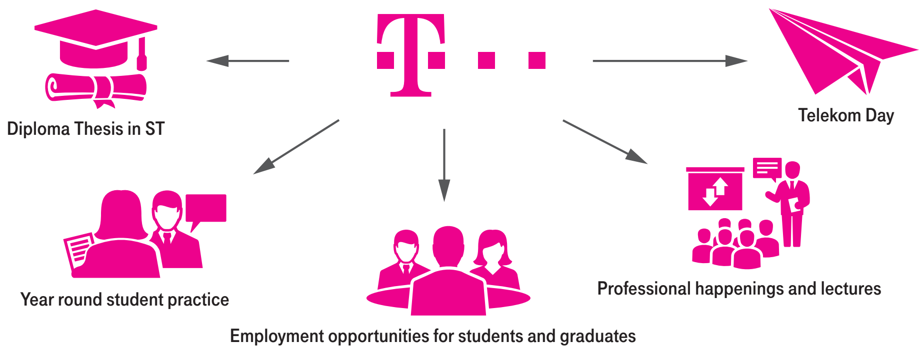
Co-Operation with High Schools and Universities

Slovak Telekom enhanced its relationships with students through **Národné dni kariéry** (National Career Days) and **Dni príležitostí** (Opportunity Days) events in 2013.

The **Odborná stáž v Slovak Telekome** (Technical Internship at Slovak Telekom), programme offered 9 motivated students an opportunity to work on actual professional projects for six to twelve months. Based on consultations with Slovak Telekom's employees, students succeeded in writing 15 Bachelor's and Diploma theses in 2013.

The **Aj Ty v IT** (You are also a part of IT) project was also supported as part of a long-term co-operation with universities whose aim is to enhance public consciousness among the female-students on the IT branch study thus increasing the interest in the study.

Other traditional programmes provided for students by the Company in 2013 were as follows:



COMMUNICATION

EXTERNAL COMMUNICATION

Communication with the media in 2013 resulted thousands of media outputs, with all areas witnessing an increase and change for positive polarity of articles. The promotion of various products was very intense, but communication of corporate responsibility-related topics also witnessed a significant increase. The number of negative outputs decreased and concurrently there was a marked increase in positive publicity.

Corporate and product-related releases were presented to the media via press releases and in-person meetings in minor or major forums all year round. Media representatives could try out the services presented on the spot and concurrently could keep and test them later. Locations for the press conferences were chosen purposively laying emphasis on the authenticity of the presentation of the topic itself. The press conference on the DIGI Television acquisition was held in the company´s television studio, the 4G/LTE presentation took place on the spot with real network operation, and current news from the corporate responsibility area was presented in the School for the Hearing-Impaired with which Slovak Telekom has established a long-term co-operation.

Product communication retained primacy in the number of media outputs. The main event of the year was the launch of the 4G/LTE mobile network into commercial operation. The press conference on the service introduction which was held in Nitra produced over 90 media outputs. The media representatives invited had an opportunity to test the service on the spot in real time.
The media also paid particular attention to the IP TV field over the past year mainly focusing on consistently extended content-related offer and the adding of high definition channels. The exclusive inclusion of sports channels witnessed a strong media response. Besides, the channels were made available to all Magio digital television customers for free until Easter the following year. The Magio Service ranked first in another area: at the 2013 year-end, Telekom was the number one in Slovakia's IP TV market offering 39 high definition channels, which is the highest number of HD channels throughout Slovakia.

The media reflected the DIGI SLOVAKIA acquisition in several time waves. They mainly focused on it in May when the acquisition was announced and in September when DIGI SLOVAKIA became a part of the Slovak Telekom Group. The Slovak Telekom Group also won the exclusive broadcasting licence for the UEFA Champions League and introduced three new programmes: DIGI Sport 2, DIGI Champions League (Liga majstrov) 1 and DIGI Champions League (Liga majstrov) 2.

Telekom has been building its position in Slovakia´s ICT market for a long time as well. It also presented itself as an all-round service provider to the public this year. After opening a state-of-the-art data centre and subsequently launching its own Cloud computing solution, the media presented the Company as a strong player in the market paying close attention to ICT topics introduced by Telekom.

In the mobile communication area, the media mainly focused on the flat-rate Happy calling plans which cover not only voice plans, but mobile internet as well. Loyal customers could use special discounts from invoices depending on the number of years of being a Telekom´s customer. At the year-end customers received gifts: higher flat-rate plans at the price of lower ones for several months. Journalists were also traditionally interested in the introduction of new smartphones produced by preeminent global manufacturers.

In addition to the product releases, Telekom also came out with brand communication innovations: communication of its brand. The Telekom brand´s public commitment reads: "Life is for Sharing". The motto, meaning sharing of pleasant emotions in a collective way, covered several projects in the course of the year. The popular Magio Beach was for the first time opened not only in Bratislava, but in Košice as well. The beach season was initiated in the metropolis of eastern Slovakia as the Bratislava premises were temporarily closed due to long-lasting floods. The media showed great interest in the press conference on the occasion of the Košice beach opening ceremony and the post flood reconstruction of the Bratislava beach. They also informed on accompanying events during the summer on a regular basis, which generated hitherto the highest number of media outputs from the very first year of the Bratislava beach. Open-air summer movies, which were introduced in co-operation with the popular Bažant Kinematograf, were a blockbuster. Thousands of movie spectators enjoyed proven, classic, word cinema movies and the inland cinematic novelties during the summer. A beach hockey tournament was held which became a subject of high interest to the media and the general public. It was participated by hockey legend Peter Bondra. Both the Bratislava and Košice beaches prepared for their visitors a rich accompanying programme for all summer traditionally providing language courses, fitness training, dance shows, concerts, and programmes for mothers with children. Corporate responsibility area presentations deserved special attention. The CR week on the beach provided advice in the area of internet safety, or the disclosing of secrets of sign language. The beach visitors were thus included in the word of the disadvantaged for whom the social integration itself is a crucial factor.

In 2013, the media generally paid more attention to corporate responsibility-related topics. They presented the general public projects beneficial to society with which the Telekom brand has been associated with for a couple of years. OVCE.sk, fairytales about safe internet, was one of the most popular ones. They were published last year as a standard book and also in a format accessible to blind people. In co-operation with eSlovensko a non-profit organisation Telekom prepared popular fairytales on the dangers of the internet. In September, Telekom honoured the International Week of the Hearing-Impaired. During that week, it broadcasted a commercial

spot in sign language featuring hearing-impaired actors from the Silent Sparks Theatre (Divadlo Tiché iskry). With the help of the media, Doors Open Day took place at the school for the hearing impaired students. The media attention was enormously captured by the Mobile Teacher Project (Mobilný pedagóg) which is supported by Telekom through its Endowment Fund. With the support of the Fund, several tens of teachers throughout Slovakia can devote their time to hearing-impaired pre-school children in their homes.

Telekom has also been supporting musical events for a long time. The Company´s brand was also associated with the Music City 2013 event in 2013 which brought a variety of different music genres to four Slovak cities for free. It was concurrently a partner to the summer tour of Depeche Mode, legendary music band preparing several thematic events and gifts for all the fans of the legend, such as collectibles exposition or photo contest. The Telekom brand also joined with the legend of the domestic scene: Richard Müller. A special music application containing content unique for collectors was created for the joint tour with Fragile vocal band.

INTERNAL COMMUNICATION

Slovak Telekom continued in Alexander, the internal transformation programme, in 2013 expanding the focus of the projects which had already been launched - on revenues, new business opportunities, customers and customer handling quality level; the customers were the key priority of the Company´s communication line. The employees were encouraged to become ambassadors of the Company and its brand, and to help enhance the positive customer experience. The internal communication also furthered other corporate activities, international projects, and corporate responsibility-related initiatives throughout the year.

Internal Campaigns

The core campaign was communication focused on supporting the internal programme: Customer (Zákazník), and shaping employees' personal attitudes to personal responsibilities towards customer satisfaction in 2013. The Company prepared a special portal on the intranet devoted to that programme. The employees could thus obtain topical information at any time. Stories could be found there, feedback from customers, current status of customer satisfaction, or examples of the most advantageous mix from the offer on an ongoing basis. The portal had over 9,500 visitors.

The slogan of the campaign: "The best for our people" ("Našim to najlepšie") was a commitment not only to the customers, but to the relevant employees not to perceive the customers through the numbers in the system, but as the employees´ "family". And everybody wants to provide the best care for his or her family members. The employees thus appeared on the posters along with their relatives having the possibility to enter the latter´s photos in the contest and vote for them. The logo of the programme, heart marked with the words: "The best for our people" ("Našim to najlepšie") was placed on all communication carriers for the campaign. The employees were allowed to test the products and services in a more intensive way throughout the year whereby they were better motivated to be a Telekom ambassador and share their experience with the products and also with their family members and friends. Concurrently, an internal address was created for the intention of finding solutions to customers´ problems which the employees came across from their friends and which were not solved to the latter´s satisfaction. The best outcomes of the Customer (Zákazník) programme were published on the in-house posters along with their leaders as bearers of good news in the second half of the year. 7 internal videos for the Customer (Zákazník) programme were made which received over 8,100 reported views. It was the most "clicked" campaign of the year, which was also reflected in the awareness of the programme among employees (94% of the employees out of 1,800 respondents knew their external and internal customers and knew how to enhance their satisfaction, and 88% of the employees were of the opinion that their managers clearly communicated the significance of the customer-oriented behaviour).

A sub-page was created containing an overview of the Christmas offer and also a comparison with its competitors with a view to supporting the sale of Christmas products. The good news was also the primacy in putting in operation the 4G network in selected locations throughout Slovakia, which was communicated not only through in-house posters, but as top news on the intranet.
In order to enhance the corporate responsibility strategy and environmentally friendly behaviour – when plastic water barrels were removed from almost all buildings - the Internal Communication prepared a campaign: "We are all for water, drink water from your home's taps," ("Sme 100% za vodu, nápoj z nášho vodovodu") in spring. In addition to a thematic poster campaign, intranet and direct communication, the employees could participate in a competition. 100 of them were awarded a stylish water jug to join thus the company-whole initiative and support it.

Electronic Communication

Traditional communication channels for announcing important Company milestones included direct mails and messages from executive directors. All current Company news items were available on the internet. There were more than 230 news items in 2013. An intranet application – the Company dashboard – was used to announce operational information. Another intranet application: Employees' messages was used for employee' advertising. The electronic communication also used sending of SMSs to employees.

A total of 50 articles relating to the said area, aimed at enhancing Company products awareness among employees, were published on the intranet, each having an average of almost 1,000 views. Communication of some products (such as the Christmas campaign, exclusive sports channels on Magio TV, LTE launch, or Telekom application) were also supported by competitions, posters on the premises, or video speeches of the Mass-Market Segment Executive Director.

The employees used the Lync communication tool to send messages through the "instant messaging", organising video conferences, or sharing of documents or desktops. Over 1,200 employees on average used this platform, sending each other 34,000 messages and performing nearly 850 audio and video conversations per day. The employees were also allowed to install a mobile version of Lync and send each other messages directly from their mobile phones.

New Intranet Design

In November the Company changed the Intranet design in such a manner so as to make it possible for the employees to find all important information in the fastest possible way and concurrently make it visually interesting and attractive for them. The new design enabled it to display all topical information immediately on the basic display without the necessity to scroll down the screen. A new possibility to send feedback to the author of the article and more space for images, photos and new folders were added there.

Employee Newsletter

The employee newsletter has long been a favourite communication tool with Slovak Telekom. Most of the employees who participated in the surveys performed throughout the year positively evaluated the design and content of the newsletter. Its main role was to support awareness of products, new trends in the technologies area, current Company news items, getting the employees to know each other, and let their families know about Company life. An electronic version of the newsletter was accessible to all employees on the intranet. 1,300 employees, inclusive of the colleagues taking maternity leave or parental leave preferred to get a hard copy at their home address.

Employee Events

In the summer the Company moved to a new home in the Capital City. The Internal Communication prepared a sub-page on the intranet publishing all interesting and operative information related to the moving several months in advance. Video from the "backstage" of the moving event received over 1,850 views. The employees could ask about news items beforehand in a Hot chair meeting with the project team. On the day on which the solemn opening ceremony of the new building was held the employees in Bratislava and also across Slovakia symbolically took a bite on an apple to manifest health. By wearing white outfits at work and collectively releasing balloons they expressed connectedness with the new home. A contest, race to the top of the building, was also run, which has established a new tradition.

It has become a tradition for Company top management to meet managers at the Managers´ forums held on a regular basis and with employees at the Employees´ forums. Employees could watch the forums on-line on the intranet (and later on video). Almost 1,400 of them took advantage of such an opportunity. The goal of the meetings was to present all key economic indicators, Company goals and strategy, and motivate employees for the upcoming period.

The Company also continued its scheme of informal "A day with..." meetings. On a given date, a selected management member met and talked with employees either through a collective discussion, one-to-one meeting, or during an offline evening meeting. Other informal meetings included the opening of Magio Beach and an invitation to a first drink for employees, or Christmas party as a token of appreciation for their hard work on achieving corporate goals throughout the year.

MARKETING COMMUNICATION

Telekom also presented itself as a family- and community-oriented operator in 2013 always astonishing its customers by giving them extras. It was continuously innovating its products and services, enhancing customer satisfaction, and increasing its growth rate in the social networks.

The Company fulfilled the international vow of the brand: "Life is for Sharing" ("Zažime to spolu") through a campaign which was co-created by the customers themselves. They could sing the well-known hit by Miro Žbirka in the commercial spot. Over 300 couples participated in the Happy duets casting. The flat-rate Happy calling plans were very attractive. Telekom provided EUR 150 bonus to the customer himself or herself and another EUR 150 to a friend of his or hers whom he or she had brought in.

The Company was the general partner of the SuperStar musical project for the fifth time. The project returned to television in the spring along with the popular Mobbies. Telekom then gave over 150,000 pcs of the popular cuddly figures to both its loyal customers and new ones.

The Magio Go Service was introduced by Telekom through a campaign with the well-known Slovak hockey player Peter Bondra. The Digi TV acquisition added exclusive sports programmes to Magio TV and Magio Sat. Telekom presented them under the football fan conception because that was the only way how the customers could enjoy live transmissions from the Premier League and all matches of the UEFA Champions League.

Hawaiian style summer campaign advised customers of the possibility to call EU countries - which also included - Croatia, a popular holiday destination at domestic rates. The Telekom´s summer campaign again brought a lot of TV sets, notebooks, tablets and mobile phones starting at one euro.

The Easy customers recharged their phones trying to win new mobile phones. Loyal customers were rewarded according to a simple rule: the longer they were Telekom customers, the higher discount they gained. They could also gain extraordinary discounts through purchasing services at: www.telekom.sk.

Free Consumption control mobile application became the customers' favourite one. It allows the customer to get an overview of the minutes and data used and SMSs sent. The application had over 100,000 downloads in less than 6 months.

On the occasion of the International week of the Hearing-Impaired the Company also prepared a campaign this year to remind the public they live here with us. A silent-film style commercial featuring hearing-impaired actors showed people that the Hearing-Impaired can also be stars for us today and not only 100 years ago.

Telekom also continued to develop the Telekom Benefit loyalty plan. From among many partner offers, customers preferred two cinema tickets for the price of one, discounts on fuel, drugstore's, and tickets to musical events. Inclusion of weekend discounts to the ZOOs in Bratislava and Spišská Nová Ves were an interesting new item in the portfolio of advantages.

The Company continued to communicate the business and ICT solutions whereby it enables its customers to carry out business activities in a smooth manner. This is for example the case of TelekomCloud, data centre, management of mobile devices, or new portal for data roaming in a smooth manner and under control.

At Christmas, Telekom came up with real beards and real offers. On top of unlimited calls, internet and SMSs, the flat-rate Happy calling plans for customers also provided flat-rates for their friends for free until Easter, or discounts on branded headsets, or new smartphones. Customers were also provided 4 times faster Magio internet for free until Easter, and discounts up to EUR 144 for 2 years on calls, TV, and internet packages. As many as 500 men decided to start growing beards in a Facebook contest thus changing themselves to a realistic Santa Claus.

On Telekom SK Facebook page, several successful contests were again advertised; the customer care teams were successfully even more closely linked to fans´ questions. The success can also be substantiated by an 82.5 % increase of fans compared to the previous year. At year-end 2013 Telekom had over 130 thousand fans. Twitter also reported an increased user interest upon having included lifestyle topics to the PR content.
An account was added to Instagram photo network in the summer. In the autumn, a regular update of content and job offers were launched on LinkedIn network mainly intended for business clients; it had 2,200 subscribers at the close of the year. The Company also communicates via Google+. It has the most subscribers among all the operators on YouTube: 2,103, which testifies to its popularity and attractiveness of its content.

In 2013, Telekom was awarded the following prestigious awards: Telekom Media Awards – Most Effective Campaign (Easy); Golden Nail – bronze in print category; and Effie – bronze for flat-rate Happy calling plans campaign featuring Eva Máziková.

ZOZNAM.SK

External communication /Public relations/

Fundamental pillar of external communication was the conception of a strong media support of key products and regular communication of the continuous development of the individual portfolio elements in 2013. The current situation and market power distribution, mainly in association with the official measurement of attendance of websites and determining metrics, was one of the hot topics this year. When being posed questions by journalist the Top Management declared its clear target which is primarily focused on sustainable growth of revenues and profitability.
Active work with social networks and the solidifying of the position of the single products as a part of the online community of their users constituted increasingly a strong part of the external communication. The fan sites of the Zoznam product portfolio cumulatively reached more than 380,000 fans on the Facebook social network.

Marketing communication and media partnerships

Zoznam successfully continued in the **TV of the Year (Telkáč roka)** project which achieved record-breaking numbers. Nearly 400,000 votes in transparent voting on the Facebook social network ensured relevant output in thirteen categories in the polls: best actor, presenter, serial, amusing programme, and reality show. The Telkáč.sk online TV programme thus became the main focus of the TV professionals and also many viewers who took an active part in the poll outcome.

Summer Girl (Dievča leta) project, a well-established summer project, again took up its strong position in the word of online women's beauty contests. The project was promoted through road shows in dedicated Slovak towns and cities, a campaign in the Slovak media, and for the first time also through a special mobile application. A unique mobile application for smartphones provided an opportunity to watch the latest girls registered or currently the most successful ones and their complete galleries.

The Kariéra.sk portal prepared the **Be a Careerist (Buď kariérista)** campaign for its users at the close of the year offering as a prize an ideal background for a one-year life change: new apartment, car, personal advisory, or technological equipment. The campaign was intended to motivate the users to move forward with their careers and improve their living conditions also with the aid of the Kariéra.sk portal. Double-digit percentage increase in the number of CVs and agents activated, registered on a daily basis, was reported, which also started to reflect in revenues. The Kariéra.sk portal actively engaged in the volunteering support as the first business portal from among the long-running activities in Slovakia and incorporated such a kind of activity into its offer.

The Predpredaj.sk Service, aimed at promoting concerts from the portal's offer in an innovative and unique way, launched the project: **The biggest jukebox in Slovakia (Najväčší jukebox na Slovensku)** - a specially modified public transport bus in Bratislava plays the passengers songs of their choice. A new communication channel was thus created for the organisers where they could promote the events organised by them for free.

Úschovňa.sk installed a new service: **My Storage (Moja úschovňa)** through a simple, educative, enjoyable, animated video. It explains the single functionalities of cloud solution and its practical application in everyday life making thus the service understandable for potential inexperienced users who encountered the sharing and storing of documents, music, and videos in individual data storages for the first time. The video is available on the main page of Úschovňa.sk.

POSAM

PosAm communication activities take into account the specific features of the Company offering services and solutions for corporate clients. The Company's representatives primarily concentrated on specialised professional events where they could present their competencies in a highly focused way through personal meetings and presentations. In 2013, they mainly focused on the topics related to IT service management, storage solutions, application support, communication and knowledge exchange in a corporate environment, field employee management, IT security, using of digitalised signatures in signing documents, and the identification of persons.
Last year, a significantly greater emphasis was placed on the development and evaluation of content publishing /ALEBO / and publishing of valuable technical content. The launch of a new company website was part of that move; this involved the web's responsive forms for mobile devices and for a more active use of social networks.

TCO MAGAZÍN

Outsourcing: Hľadanie spoločných záujmov

Uplynulé dva roky sa na slovenskom trhu niesli v znamení veľkých outsourcingových projektov. Pri tomto type kontraktov sa obe zúčastnené strany často až príliš zameriavajú na náklady a stráca sa v nich to kľúčové, čo dáva dlhodobej spolupráci zmysel: spoločný záujem zákazníka a poskytovateľa.

Na prvý pohľad sa pri type kontraktov, ktoré tvrdo sledujú náklady, vytráca spoločný záujem. Zákazník sa snaží ušetriť, poskytovateľ, naopak, zarobiť. Ale ak unikne spoločný záujem, vzťah sa oboch strán dostáva do nevyváženej pozície: „dojná krava" na jednej a „výpalník" na druhej strane. Obsadiť tieto nelichotivé roly môže tak zákazník, ako aj poskytovateľ. Výsledok bude v zásade rovnaký. Pozrime sa teda na techniky, ktoré pomôžu predísť negatívnym dôsledkom.

Klamstvá, väčšie klamstvá, štatistiky

Medzi typické nedostatky, s ktorými sa môžeme stretnúť v prípade outsourcingových projektov, patrí chýbajúca alebo nevyhovujúca štruktúra štatistík organizácie, ktorá chce outsourcing realizovať. Čísla sú vstupným predpokladom na efektívne riadenie služieb a na vyvážený vzťah.

Aj v časoch tretej verzie metodiky riadenia služieb ITIL® chýbajú firmám katalógy služieb, ktoré predstavujú hlavný zdroj obsahu na interpretáciu reportov. Jednoduchá kategorizácia na incidenty, work ordery a requesty bez napojenia na konkrétne služby alebo aspoň konfiguračné položky neposkytuje dostatočný obraz o výkonoch, ktoré majú byť vyčlenené. Rizikom je nesprávny odhad prácnosti, ceny, neskôr nedodržiavanie dohodnutých parametrov SLA.

Využitie fondu pracovného času

Pred rokom sme na týchto stránkach (IW č. 6-7/2012) publikovali praktický článok o azda najpodstatnejšej zložke TCO, ktorou sú náklady na prácu. Zaoberali sme sa problematikou určenia ceny za čas. Práve náklady na čas len veľmi málo zákazníkov komplexne vyhodnocuje. Rizikom sú následne nereálne očakávania úspor, komunikované poskytovateľom.

Cena za ľudskú prácu pritom závisí od celkových nákladov na danú špecializáciu a od využiteľnosti fondu pracovného času (FPČ). Tento obyčajne predstavuje 160 hodín mesačne. Podľa skúseností je však toto číslo z dôvodu dovoleniek, PN, školení a prestojov nižšie v závislosti od konkrétnej špecializácie v IT. Service desk alebo dohľadové centrum umožňujú lepšiu využiteľnosť FPČ, ako je to napr. u výjazdových technikov, ktorých FPČ znižujú prestoje a cestovanie k zákazníkovi.

Cena za jednotku času sa zvyčajne stanovuje zhrnutím všetkých priamych a nepriamych nákladov na jednotlivé typy špecialistov a zohľadnením využiteľnosti FPČ. Firmy často disponujú pomerne presnými údajmi o nepriamych nákladoch vrátane ich alokácie na jednotlivých zamestnancov. Na stanovenie jednotkovej ceny za hodinu práce treba v nákladoch zohľadniť aj nevyužitú časť FPČ. Vtedy bude cena za hodinu práce daného špecialitu pokrývať jeho náklady. Kvalitné štatistiky nám umožnia ísť nad rámec ceny za pracovný čas. Na ich základe možno vytvárať napr. normy na čiastkové služby alebo stanovovať ceny za správu jednotlivých konfiguračných položiek. Zavedenie noriem a jednotiek motivuje k hospodárnemu správaniu sa vlastných zamestnancov alebo v prípade outsourcingu aj externého poskytovateľa.

Vhodný model platby za služby

V tejto oblasti sa medze nekladú, ale ak má byť spolupráca dvoch partnerov v outsourcingovo-prevádzkových kontraktoch dlhodobo bezproblémová, je kľúčové zvoliť vhodný model platby za služby. V zásade sa pohybujeme medzi dvoma extrémami v podobe modelov „pay as you go" na jednej a „nekonečný paušál" na druhej strane. Dobré štatistiky, znalosť vlastných nákladov a jasná predstava o spôsobe spolupráce pomôžu tak zákazníkovi, ako aj poskytovateľovi zvoliť vyvážený model na tejto pomyselnej stupnici. Rozhodne neodporúčame motivovať poskytovateľa platbou za jednotlivé incidenty alebo vyžadovať paušál na služby, ktoré nie sú štatisticky kvalitne zdokumentované. Prvý prípad v praxi povedie k nesprávnej motivácii a ten druhý zase k zvyšovaniu rizikových prirážok, a teda nákladov pre zákazníka.

Čo teda dáva dlhodobej spolupráci zmysel?

Spoločný záujem zákazníka a poskytovateľa vychádza z povahy outsourcingového kontraktu. Je charakteristický dlhodobou spoluprácou (obyčajne 3 – 5 rokov), relatívne zložitou výmenou poskytovateľa, požiadavkami na stabilitu prevádzky a súčasným prispôsobovaním sa dynamike trhu, ako aj situáciami, s ktorými ani ten najlepší kontrakt nepočíta. Spoločný záujem preto musí byť determinovaný vyváženosťou, ktorú možno dosiahnuť najmä pochopením ekonomiky poskytovania služieb oboma zmluvnými partnermi.

■ MICHAL BRÓSKA, riaditeľ divízie produktového manažmentu

PosAm
PREVÁDZKOVÉ SLUŽBY
OD SPRÁVY INFORMAČNÝCH TECHNOLÓGIÍ K RIADENIU IT SLUŽIEB
useful technologies:

20% prevádzkových nákladov usporíte dobre nastavenou službou zdroj: PosAm
63% volaní vyrieši dobre organizovaný Service Desk v rámci prvého kontaktu zdroj: Gartner IT Key metrics data 2012
20% zákazníkov už nevlastní IT infraštruktúru Gartner 2010
2000:1 je pomer virtuálnych PC spravovaných jedným administrátorom zdroj: PosAm
400:1 je pomer bežných PC spravovaných jedným technikom zdroj: PosAm

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The visual corporate identity also saw changes. A modernised design has preserved critical key attributes from the past; yet it has brought new elements communicating the company's essential value and philosophy – i. e. customer benefit. The company logo was also redesigned; while maintaining its essential attributes it was modernised through graphical and typographic adaptations and upgraded to a new visual level.

DIGI SLOVAKIA

The communication activities of DIGI SLOVAKIA take into account the specific features of the Company offering services of satellite and cable television, internet, and DIGI Sport sports programme broadcasting. The Company primarily concentrates on communication on the services provided; it communicated the change of owner, which was being prepared, since April 2013 putting major focus on communicating the information on broadcasting, innovations, and licences for DIGI Sport broadcasting.
The Company actively began communicating on website: www.digislovakia.sk also starting to use its profile on the Facebook social network. DIGI Sport as a medium likewise continued to pursue the activities on its own website: www.digisport.sk, and on the Facebook social network in 2013.
DIGI SLOVAKIA also presented itself as a media partner in 2013. The Company itself supported regional cultural and social events, DIGI Sport broadcasting was a partner of 31 sports events throughout Slovakia and 2 events in the Czech Republic. The DIGI Sport's Management put strong focus on the modification of the broadcasting studio for the UEFA Champions League needs for which it has secured exclusive broadcast rights from the 2013/2014 season. The project on the simultaneous broadcasting of 3 live matches of the Champions League is a unique one also in Europe.

CORPORATE RESPONSIBILITY

Slovak Telekom issues corporate responsibility report on an annual basis since 2005. Since 2011, it is prepared in compliance with the international Global Reporting Initiative methodology. The Report summarises activities performed in the economic and environmental areas. Below is a summary of the activities realised by Slovak Telekom in the said areas in 2013 on a monthly basis. More detailed information is available in the Corporate Responsibility Report 2013.

January

We Help the Community project (Projekt Pomáhame komunite): Based on advice given by Telekom's employees, as many as 65 non-profit organisations launched projects throughout Slovakia from January receiving up to EUR 1,000 to support their activities. On average, the Endowment Fund Telekom with the Pontis Foundation distributed EUR 60,000.
Fund for Transparent Slovakia (Fond pre transparentné Slovensko): As a member Slovak Telekom was pursuing ethics, transparency, democracy and sound entrepreneurial environments in Slovakia.
Students learned how to do business: hearing-impaired students learned how to establish and conduct their own businesses through experience-based education. A two-year additional professional education in the applied economics field at the Specialised High School for Students with Hearing Impairments in Bratislava was also established with the help of the Endowment Fund Telekom with the Pontis Foundation.
Music therapy: hearing-impaired children dedicated themselves to music therapy at the Boarding School for Children with Hearing Impairment, Hrdličkova Street in Bratislava all year round. They played drums with percussionist Eddy Portella, which helped them express emotions and develop themselves.

February

Mobile teachers: the Mobile teacher project (project Mobilný pedagóg) was also developing in 2013 thanks to the support from the Endowment Fund. A total of 12 mobile teachers dedicated to hearing-impaired children in their homes throughout Slovakia.
New episodes of Sheeplive.eu (OVCE.sk) including commentary for the blind: the eSlovensko non-profit organisation, alongside Slovak Telekom, introduced three new episodes of the popular animated fairytales on the dangers of the internet. They were narrated, among others, by Adela Banášová and Zuzana Smatanová. The fairytales were introduced on the Safer Internet Day on 5 February.

March

Meetings of Choices (Stretnutia Choices): Slovak Telekom was a partner of 14 beneficial meetings that were run in Contact (Kontakt), Bratislava creative space; attractive guests discussed social issues there which are not often discussed on the radio or TV and which are worth getting to know more about, such as minorities and majorities, or how we can help children with conduct disorder.

April

Reconstruction of cultural monuments: the Company donated a total of EUR 40,000 to the reconstruction of cultural monuments. Projects were selected based on employee choice.
One euro from bills for Good Angel. Slovak Telekom´s customers were given the opportunity to donate one Euro from their bills to help families fighting serious diseases, any time each month.

May

Helping the High Tatras: volunteers from Slovak Telekom planted 600 new trees in Tatranská Javorina. The Company has been supporting the Tatras since they were hit by the devastating windstorm in 2004. The employees planted 1,600 trees and have cleaned tens of kilometres of forest paths over the past 3 years.

June

Volunteers in towns and cities: the employees engaged in the extraordinary corporate responsibility event Our City (Naše mesto) organised by the Pontis Foundation in various parts of Slovakia. Each employee thus had an opportunity to contribute to his or her city's better appearance.

July

A week on corporate responsibility on the Magio Beach: Slovak Telekom prepared an interesting accompanying programme for the Beach visitors presenting activities supported through the Endowment Fund Telekom with the Pontis Foundation.

August

Gipsy Bashavel Festival: The Červený kameň Castle premises was also enlivened by traditional gipsy music, dance, theatre, crafts, and the smell of food thanks to the support from the Endowment Fund.

September

Slovak Telekom honoured the International Day of the Hearing-Impaired: during that week, the Company was broadcasting special commercial spots in sign language, was a partner for the Doors Open Days at the School for Students with Hearing Impairments, and promoted an outstanding programme: Mobile teachers helping the families with the hearing-impaired children.
Going to school with sheep: passengers on the Banská Bystrica´s public transportation could watch Sheeplive.eu (OVCE.sk) fairytales on safer internet on the buses in the autumn. Children and their parents could thus read advice on how to behave safely on the internet on the way to school.
A Week of Health: Slovak Telekom´s employees could have their cholesterol, triglycerides and CO2 in lungs measured during this week. On top of this, they could attend lectures on how eliminate inflammation, relieve stress, and give first aid.
Workshops on the Hearing-Impaired for employees: Robo Šarina, sign language interpreter, who himself has a hearing-impaired brother, gave the employees an insight into the Hearing-Impaired community in a series of workshops.

October

Sign Language Course Roadshow: popular sign language courses were for the first time organised in all regional cities; the courses were always fully attended.

Kebabs prepared by the Hearing-Impaired: the Hearing-Impaired who established their businesses with the help of the Endowment Fund Telekom with the Pontis Foundation expanded their establishments. The Hearing-Impaired kebab network, where sign language is used, was expanded to Veľký Krtíš, Prešov, Krupina, Zvolen and Detva.

November

The Sheeplive.eu (OVCE.sk) book: the book under the Sheeplive.eu (OVCE.sk) 01 project called "Behind seven wifis and seven statuses" appeared in libraries; it is a free continuation of the popular animated series on safer internet. The book is also a result of Telekom´s long-term co-operation in the Sheeplive.eu project (projekt OVCE.sk).
Clothing for People in Peril: the Company´s employees collected over 340 kg of clothes, kitchen utensils, toys, jewellery, home appliances and electronics for non-profit organisations.
Forum on Corporate Philanthropy: Slovak Telekom was for the sixth time the major partner of the conference addressing new trends in the field of philanthropy. Subtitle of the forum was "Let´s do the Philanthropy well". It was attended by nearly 130 people.

December

SMS messaging: the Company organised SMS messaging for 20 non-profit organisations in 2013, of which the full yield was donated to praiseworthy purposes of those organisations. Among others, the messaging included: White Pencil (Biela pastelka), Blue Button (Modrý gombík), messaging to help the victims of the typhoon in the Philippines, and so forth.

Zoznam.sk

Under the corporate responsibility concept Zoznam.sk provides support to non-profit organisations, civic associations, and organisations active in the humanitarian area bringing efficient, long-term and effective strategies and activities to third sector's needs. In 2013, through providing free media space, Zoznam supported the following non-profit organisations: Magna Children at risk (MAGNA Deti v núdzi), Unicef, You May Wish Civic Association (OZ Želaj si), Red Nose Civic Association - Clown doctors (OZ Červený nos Clowndoctors), Pluto Civic Association (OZ Pluto), Muscular Dystrophy Association Civic Association in Slovakia (OZ Organizácia muskulárnych dystrofikov v SR), Bratislava Volunteer Centre (Bratislavské dobrovoľnícke centrum), IPčko.sk, Plamienok Children's Hospice (Detský hospic Plamienok), Smile as a Gift (Úsmev ako dar), League Against Cancer (Liga proti rakovine), An hour for children (Hodina deťom), and others.

Zoznam provides long and active support to the development and education of start-up projects in the internet-related business.

Zoznam.sk joined the Safer Internet (Bezpečný internet) campaign under which it brought tips and advice on how to protect children from e-threads lurking on the internet. It informed on how to minimise the risk pertaining to children as internet users in an enjoyable form in co-operation with the eSlovensko Civic Association (OZ eSlovensko) and Sheeplive.eu project (projekt Ovce.sk).

PosAm

The business activity of PosAm is based on finding continuous balance between the Company's interests and needs and those of its employees, customers and the environment. The corporate responsibility of the Company and its employees is also reflected in its philanthropic and sponsoring activities.
The long-term furtherance of education of young people belongs among the most significant activities. PosAm was again the general partner of the "Select carefully project" (project Nemaj na saláme) focused on helping high school students select higher-level education. It also supported the Teacher 2020 (Učiteľ 2020) initiative highlighting better teaching qualities and signed a declaration on acknowledgement of positive contribution of informal education of the work with youth with the Slovak National Agency Youth in Action (Mládež v akcii - IUVENTA).

DIGI SLOVAKIA

DIGI SLOVAKIA applies the corporate responsibility principles in doing business. As a part of the corporate responsibility it behaves responsibly in the area of strategy and business-related decisions and in the environment-related area, but it also pays attention to the social impacts of the Company´s work. Through individual-based approach to values, reliability and transparency the Company earns a reputation as a credible one in relation with its clients.

In 2013 DIGI SLOVAKIA supported the Active Wheelchair Civic Association (OZ Aktívny vozík), Studienka Orphanage – Social Services Centre (Detský domov Studienka – Centrum sociálnych služieb), Cultural Centre of the City of Brezno, Winter Stadium in Senica, St.Cyril and Methodius Hospital in Bratislava, and Baník Basketball Club in Handlová. The Company also supported some other social events and cultural happenings as their partner.

Through the DIGI Sport sports television the Company gave its support to 31 sports events held throughout Slovakia and 2 events held in the Czech Republic as a commercial and also media partner.

04 FINANCIAL STATEMENTS

Slovak Telekom, a.s.

CONSOLIDATED FINANCIAL STATEMENTS

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

FOR THE YEAR ENDED 31 DECEMBER 2013

CONTENTS

INDEPENDENT AUDITOR'S REPORT

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders, Supervisory Board and 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 statement of financial position as at 31 December 2013 and the consolidated 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 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 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 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 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 2013, its financial performance, and cash flows for the year 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.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 33 to the consolidated financial statements that describe current proceedings initiated by the European Commission against the Company and the potential implications thereof. The ultimate outcome of the matter cannot presently be determined.

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

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

Bratislava, 20 March 2014

Our report has been prepared in Slovak and in 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.

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER

thousands of EUR	Notes	2013	2012
			(restated)
Revenue	**4**	**827,610**	**837,840**
Staff costs	5	(132,723)	(130,130)
Material and equipment		(118,698)	(103,598)
Depreciation, amortization and impairment losses	12,13	(236,921)	(236,352)
Interconnection and other fees to operators		(70,516)	(87,007)
Other operating income	6	10,885	10,489
Other operating costs	7	(210,607)	(181,092)
Operating profit		**69,030**	**110,150**
Financial income	8	2,630	4,919
Financial expense	9	(1,502)	(1,427)
Profit before tax		**70,158**	**113,642**
Taxation	10	(20,857)	(50,495)
Profit for the year		**49,301**	**63,147**

The consolidated financial statements on pages 65 to 109 were authorized for issue on behalf of the Board of Directors of the Group on 20 March 2014 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	2013	2012
			(restated)
Profit for the year		**49,301**	**63,147**
Other comprehensive income			
Gain on remeasurement of available-for-sale investments	21	36	-
Deferred tax expense	10	(8)	-
Net other comprehensive income to be reclassified to profit or loss in subsequent periods		**28**	**-**
Gain / (loss) on remeasurement of defined benefit plans	26	1,446	(2,131)
Deferred tax (expense) / income	10	(310)	373
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods		**1,136**	**(1,758)**
Total comprehensive income for the year, net of tax		**50,465**	**61,389**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER

thousands of EUR	Notes	2013	2012 (restated)	At 1 January 2012 (restated)
ASSETS				
Non-current assets				
Property and equipment	12	817,646	918,503	1,004,157
Intangible assets	13	443,016	358,118	404,437
Available-for-sale investments	21	179,779	-	-
Deferred tax	10	918	190	66
Term deposits	22	1,088	-	-
Trade and other receivables	16	9,142	9,135	4,509
Prepaid expenses and other assets	18	12,806	14,214	18,219
		1,464,395	**1,300,160**	**1,431,388**
Current assets				
Inventories	19	14,192	14,038	11,252
Investments at amortized cost	20	3,120	74,326	82,724
Available-for-sale investments	21	50,170	-	-
Term deposits	22	142,271	105,961	-
Loans		-	-	190,000
Escrow	23	13,000	-	-
Trade and other receivables	16	127,279	110,522	110,106
Prepaid expenses and other assets	18	7,828	9,763	8,682
Current income tax receivables		825	4,002	254
Cash and cash equivalents	24	229,084	371,488	178,633
		587,769	**690,100**	**581,651**
Assets held for sale	11	19,772	-	-
		607,541	**690,100**	**581,651**
TOTAL ASSETS		**2,071,936**	**1,990,260**	**2,013,039**
EQUITY AND LIABILITIES				
Shareholders' equity				
Issued capital	25	864,113	864,113	864,113
Share premium	25	386,139	386,139	386,139
Statutory reserve fund		172,823	170,634	159,240
Other		1,812	634	2,380
Retained earnings and profit for the year		160,392	183,848	224,095
		1,585,279	**1,605,368**	**1,635,967**
Non-current liabilities				
Deferred tax	10	128,288	150,479	138,066
Provisions	26	16,915	18,215	16,462
Trade and other payables	27	1,088	255	11,756
Other liabilities and deferred income	28	2,810	4,830	6,200
		149,101	**173,779**	**172,484**
Current liabilities				
Provisions	26	34,294	5,243	5,611
Trade and other payables	27	225,230	133,536	111,713
Other liabilities and deferred income	28	73,995	72,198	71,272
Current income tax liabilities		4,037	136	15,992
		337,556	**211,113**	**204,588**
Total liabilities		**486,657**	**384,892**	**377,072**
TOTAL EQUITY AND LIABILITIES		**2,071,936**	**1,990,260**	**2,013,039**

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 (restated)							
At 1 January 2012 (as previously reported)		864,113	386,139	159,240	2,380	229,336	1,641,208
Change in accounting policies	2.21	-	-	-	-	(5,241)	(5,241)
At 1 January 2012 (restated)		**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
Allocation to funds	25	-	-	11,394	-	(11,394)	-
Other changes in equity		-	-	-	12	-	12
Dividends	25	-	-	-	-	(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
Allocation to funds	25	-	-	2,189	-	(2,189)	-
Other changes in equity		-	-	-	14	-	14
Dividends	25	-	-	-	-	(70,568)	(70,568)
At 31 December 2013		**864,113**	**386,139**	**172,823**	**1,812**	**160,392**	**1,585,279**

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER

thousands of EUR	Notes	2013	2012
			(restated)
Profit for the year		**49,301**	**63,147**
Adjustments for:			
Depreciation, amortization and impairment losses	12,13	236,921	236,352
Interest income, net		(2,442)	(4,399)
Income tax expense	10	20,857	50,495
Gain on disposal of property and equipment and intangible assets	6	(1,160)	(1,113)
Other non-cash items		314	(486)
Movements in provisions		25,818	(1,040)
Changes in working capital			
Change in trade and other receivables		(8,863)	(3,353)
Change in inventories		155	(2,512)
Change in trade and other payables		13,432	13,495
Cash flows from operations		**334,333**	**350,586**
Income taxes paid		(43,936)	(57,437)
Net cash flows from operating activities		**290,397**	**293,149**
Investing activities			
Purchase of property and equipment and intangible assets		(115,368)	(104,462)
Proceeds from disposal of property and equipment and intangible assets		2,050	1,857
Acquisition of interest in subsidiary	15	(39,746)	(2,438)
Escrow	23	(13,000)	-
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		(231,465)	-
Proceeds from disposal of available-for sale investments		1,930	-
Disbursement of loans		-	(140,000)
Repayment of loans		-	330,000
Acquisition of term deposits		(207,456)	(136,029)
Termination of term deposits		169,669	30,000
Interest received		1,452	5,975
Net cash used in investing activities		**(361,352)**	**(7,585)**
Financing activities			
Dividends paid	25	(70,568)	(92,000)
Repayment of financial liabilities		(53)	(109)
Other charges paid		(788)	(600)
Net cash used in financing activities		**(71,409)**	**(92,709)**
Effect of exchange rate changes on cash and cash equivalents		(40)	-
Net (decrease) / increase in cash and cash equivalents		(142,404)	192,855
Cash and cash equivalents at 1 January	24	371,488	178,633
Cash and cash equivalents at 31 December	24	**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 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 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, the Company 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, 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 LTE network). The Company established and operates public mobile telecommunications networks over the following frequencies: 900 MHz and 1800 MHz under the standard GSM (Global System for Mobile Communications), 2100 MHz under the standard UMTS (Universal Mobile Telecommunications System), 450 MHz under the Flash-OFDM standard to provide wireless broadband internet access and Managed Data Network Services and 26 GHz/28 GHz for Fixed Wireless Access (FWA).

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) 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 26 GHz/28 GHz frequency licenses granted by the Telecommunications Office of the Slovak Republic are valid until 21 December 2017.

At 31 December 2013, the Group had the following fully consolidated subsidiaries:

Name	Registered office	Activity	Profit / (loss) 2013	Profit / (loss) 2012	Net ssets 2013	Net ssets 2012
DIGI SLOVAKIA, s.r.o.	Röntgenova 26, 851 01 Bratislava	TV services, broadband services and TV channels production	(3,247)	-	917	-
PosAm, spol. s r. o.	Odborárska 21, 831 02 Bratislava	IT services, applications and business solutions	2,340	2,444	9,619	8,501
Zoznam, s.r.o.	Viedenská cesta 3-7, 851 01 Bratislava	Internet portal	80	343	2,193	2,114
Zoznam Mobile, s.r.o.	Viedenská cesta 3-7, 851 01 Bratislava	Mobile content provider	75	15	458	383
Telekom Sec, s.r.o.	Kukučínova 52, 831 03 Bratislava	Security services	(2)	(2)	4	-

Financial data for subsidiaries are based on their separate financial statements. At the date of authorization of these consolidated financial statements for issue, the approved financial statements of subsidiaries for the year ended 31 December 2013 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 and, except for PosAm, are wholly owned by Slovak Telekom. Shares in the subsidiaries are not traded on a public market.

On 1 September 2013 the Group acquired 100% share capital and voting rights in DIGI (Note 15). In October 2013 the 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 27). 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.

Members of the Statutory Boards at 31 December 2013

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.
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

In 2013 a number of changes were entered in the Commercial Register: Dr. Ralph Rentschler left the Board of Directors in April 2013 and was replaced by Mr. Franco Musone Crispino. The Supervisory Board member positions of Mr. Július Maličký, Mr. Milan Brlej and Mr. Ján Hláčik were replaced by Ms. Denisa Herdová, Ms. Miriam Kvočková and Mr. Drahoslav Letko. The Board of Directors approved the change of the Company's registered office, taking effect as of 1 July 2013, from Karadžičova 10 to Bajkalská 28, Bratislava.

CMobil B.V. with registered office at Stationsplein 8 K, Maastricht, the Netherlands is the parent of the Company.

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 2.19.

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 Group's registered office or at the Register Court administering the Commercial Register of District Court Bratislava I, Slovak Republic 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 transferred 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.

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 and 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 2.19.

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 Asset 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 and the sale is considered as highly probable. 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 asset. Property and equipment once classified as held for sale are not depreciated.

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 2.19.

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

Software	2 to 16 years
Licenses	2 to 22 years
Customer relationships	9 to13 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.

Acquired content licenses are shown at historical cost. 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.

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 14). 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.

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 its value in use. The value in use 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 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 value in use 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.

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 in 2013, refer to Note 14.

2.6 Inventories

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 sale of equipment is only recorded if the normal resale value is higher than the cost of the phone set. If the normal resale value is lower than costs, the difference is recognized as allowance immediately.

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, reevaluates 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.

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 testing the estimated cash flows are based on the past experience of the collectibility 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 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
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 2013. 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, curtailment gain and interest costs are included within wages and salaries under staff costs.

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 no-ncontingent 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.

Activation fees and subscriber acquisition costs
Activation fees are deferred over an expected customer retention period. This period is estimated on a basis of an anticipated term of customer relationship under the arrangement which generated the activation fee. Subscriber acquisition costs primarily include losses on subsidized handsets and fees paid to subcontractors that act as agents to acquire new customers. Subscriber acquisition costs are expensed as incurred.

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 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. Any costs of these obligations are recognized when the corresponding revenue is recognized.

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 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.

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.

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.

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 8 and 9 respectively.

2.17 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.

2.18 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 5,790 thousand in these financial statements 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.

2.19 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 2013 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	2013	2014	2015	2016	After 2017
Software	6	2	(8)	-	-
Buildings	16	(4)	(4)	(4)	(4)
Duct, cable and other outside plant	13	13	(9)	(9)	(8)
Switching equipment	4,002	2,101	(2,149)	(526)	(3,428)
Radio equipment	(806)	(209)	722	282	11
Other	517	(143)	(135)	(102)	(137)

Customer relationships
The Group maintains record of customer relationships obtained during the acquisition of control of T-Mobile, DIGI and PosAm (Note 13) and regularly evaluates appropriatness of useful lives used to amortize these intangible assets on the basis of churn of customers acquired through the business combination. As a result of useful life review, the useful life of post-paid residential customers of T-Mobile was shortened from 10 years (ended 31 December 2014) to 9 years (ended 31 December 2013) in 2013. Post-paid residential customers relationships of T-Mobile were fully amortized as of 31 December 2013. The useful life of customer relationships of PosAm was shortened from 15 to 12 years. The table below summarizes net increase / (decrease) in amortization charge:

thousands of EUR	2013	2014	2015	2016	After 2017
Post-paid residential customers (T-Mobile)	10,444	(10,444)	-	-	-
Customer relationships (PosAm)	258	258	257	257	(1,030)

Customer retention period
The Group accrues 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. An accrual is made over the expected period of the customer relationship. The estimated customer relationship period is reassessed at each financial year-end.

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 2.4 using estimates detailed in Note 14.

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 construction of a mast, which is estimated to be 50 years. The remaining useful life of masts ranges from 29 to 50 at 31 December 2013. Management's determination of the amount of the asset retirement obligation (Note 26) 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.

Provisions and contingent liabilities
As set out in Notes 26 and 33, 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 26 and 33.

2.20 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 includes the following main changes:

a) Income from paid contractual penalties in the amount of EUR 468 thousand is presented within revenue in 2012 comparatives. In the 2012 Note 6 this amount was presented within Other operating income.

b) Part of the other receivables in the amount of EUR 2,370 thousand is presented in Prepaid expenses and other assets in 2012 comparatives

(EUR 1,585 thousand in 2011 comparatives). In 2012 and 2011 financial statement these items were presented within Note 15, Trade and other receivables.

c) Other non-current liabilities and deferred income in the amount of EUR 4,830 thousand are presented in separate line in 2012 comparatives (EUR 6,200 thousand in 2011 comparatives). In 2012 and 2011 financial statement these items were presented within Note 25, Trade and other payables and deferred income.

d) Other current liabilities and deferred income in the amount of EUR 72,198 thousand are presented in separate line in 2012 comparatives (EUR 71,272 thousand in 2011 comparatives). In 2012 and 2011 financial statement these items were presented within Note 25, Trade and other payables and deferred income.

e) Changes reflecting the retrospective application of standard IAS 19 – Employee benefits are described in Note 2.21.

2.21 Adoption of IFRS during the year

Standards, interpretations and amendments to published standards effective for the Group's accounting period beginning on 1 January 2013

There are no IFRS or IFRIC interpretations that are effective for the first time for the financial year beginning on or after 1 January 2013 that have material impact on the Group.

- Amendments to IFRS 1 First Time Adoption of International Financial Reporting Standards – Government Loans, effective for annual periods beginning on or after 1 January 2013

  The amendment addresses how the first-time adopter would account for a government loan with a below-market rate of interest when transitioning to IFRS. Amendment gives first-time adopters of IFRSs relief from full retrospective application of IFRSs when accounting for these loans on transition. This will give first-time adopters the same relief as existing preparers. The amendment is not relevant for the Group.

- Amendment to IFRS 7 Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities, effective for annual periods beginning on or after 1 January 2013

  The amendment requires disclosures that will enable users of financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off. The amendment also resulted in additional disclosures in these financial statements (Note 3.3).

- IFRS 13 Fair Value Measurement, effective for annual periods beginning on or after 1 January 2013

  IFRS 13 aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRS and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP. The Standard also resulted in additional disclosures in these financial statements (Note 3.5).

- Amendments to IAS 1 Financial Statement Presentation, effective for annual periods beginning on or after 1 July 2012

  The amendments to IAS 1 changed the disclosure of items presented in other comprehensive income. The amendments require entities to separate items presented in other comprehensive income into two groups, based on whether or not they may be reclassified to profit or loss in the future. The suggested title used by IAS 1 has changed to "statement of profit or loss and other comprehensive income". The amendments affect presentation only and have no impact on the Group's financial position or performance.

- Amendment to IAS 12 Income Taxes – Recovery of Underlying Assets, effective for annual periods beginning on or after 1 January 2013

  The amendment introduced a rebuttable presumption that an investment property carried at fair value is recovered entirely through sale. This presumption is rebutted if the investment property is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. SIC-21, Income Taxes – Recovery of Revalued Non-Depreciable Assets, which addresses similar issues involving non-depreciable assets measured using the revaluation model in IAS 16, Property, Plant and Equipment, was incorporated into IAS 12 after excluding from its scope investment properties measured at fair value. The amendment is not relevant for the Group.

- Amendments to IAS 19 Employee Benefits, effective for annual periods beginning on or after 1 January 2013

This amendment makes significant changes to the recognition and measurement of defined benefit pension expense and termination benefits, and to the disclosures for all employee benefits. The standard requires recognition of all changes in the net defined benefit liability (asset) when they occur, as follows: (i) service cost and net interest in profit or loss; and (ii) remeasurements in other comprehensive income.

The Group applied IAS 19 (Revised 2011) retrospectively in the current period in accordance with the transitional provisions set out in the revised standard. The opening statement of financial position of the earliest comparative period presented (1 January 2012) and the comparative figures have been accordingly restated. IAS 19 (Revised 2011) changes, amongst other things, the accounting for defined benefit plans. Some of the key changes that impacted the Group include the following:

All past service costs are recognized at the earlier of when the amendment/curtailment occurs or when the related restructuring or termination costs are recognized. As a result, unvested past service costs can no longer be deferred and recognized over the future vesting period. Previously, the Group had a balance of unrecognized service cost of EUR 6,471 thousand (EUR 5,241 thousand net of tax) as at 1 January 2012. Upon transition to IAS 19 (Revised 2011), this balance was charged to equity (retained earnings) as at 1 January 2012 along with the consequential tax impact. Amortization on past service costs of EUR 1,111 thousand (EUR 855 thousand net of tax) for the year ended 31 December 2012 was reversed. The related interest cost are presented under staff cost.

The effect on consolidated statement of financial position was as follows:

thousands of EUR	As originally presented	Effect of adopting revised IAS 19	Restated
At 1 January 2012			
Retained earnings	229,336	(5,241)	224,095
Provisions	9,991	6,471	16,462
Deferred tax	139,296	(1,230)	138,066
At 31 December 2012			
Retained earnings	187,975	(4,127)	183,848
Provisions	12,856	5,359	18,215
Deferred tax	151,711	(1,232)	150,479

The effect on consolidated statement of profit or loss and consolidated statement of other comprehensive income was as follows:

thousands of EUR	As originally presented	Effect of adopting revised IAS 19	Restated
Year ended 31 December 2012			
Staff costs	(130,866)	736	(130,130)
Financial expense – interest expense	(1,802)	375	(1,427)
Income tax: deferred tax	(50,498)	3	(50,495)
Other comprehensive income:			
Remeasurement of post-employment benefit obligations	(2,131)	-	(2,131)
Deferred tax	373	-	373

IAS 19 (Revised 2011) also requires more extensive disclosures. These have been provided in Note 26.

IAS 19 (Revised 2011) has been applied retrospectively, with following permitted exceptions:

The carrying amounts of other assets have not been adjusted for changes in employee benefit costs that were incurred before 1 January 2012. Sensitivity disclosures for the defined benefit obligation for current and comparative period (year ended 31 December 2012) have not been provided and are disclosed within parental consolidated financial statement.

- Amendments within Annual improvements project 2009-2011, effective for annual periods beginning on or after 1 January 2013. The improvements consist of changes to five standards:

  FRS 1 was amended to (i) clarify that an entity that resumes preparing its IFRS financial statements may either repeatedly apply IFRS 1 or apply all IFRSs retrospectively as if it had never stopped applying them, and (ii) to add an exemption from applying IAS 23, Borrowing Costs, retrospectively by first-time adopters. The amendment is not relevant for the Group.

  IAS 1 was amended to clarify that explanatory notes are not required to support the third balance sheet presented at the beginning of the preceding period when it is provided because it was materially impacted by a retrospective restatement, changes in accounting policies or reclassifications for presentation purposes, while explanatory notes will be required when an entity voluntarily decides to provide additional comparative statements. The amendment is relevant for the Group.

  IAS 16 was amended to clarify that servicing equipment that is used for more than one period is classified as property, plant and equipment rather than inventory. The amendment is not relevant for the Group.

  IAS 32 was amended to clarify that certain tax consequences of distributions to owners should be accounted for in the income statement as was always required by IAS 12. The amendment is not relevant for the Group.

  IAS 34 was amended to bring its requirements in line with IFRS 8. IAS 34 will require disclosure of a measure of total assets and liabilities for an operating segment only if such information is regularly provided to chief operating decision maker and there has been a material change in those measures since the last annual financial statements. The amendment is not relevant for the Group.

- Amendments to IFRS 1 Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters, effective for annual periods beginning on or after 1 January 2013 (for European Union companies)

  The amendment regarding severe hyperinflation creates an additional exemption when an entity that has been subject to severe hyperinflation resumes presenting or presents for the first time, financial statements in accordance with IFRS. The exemption allows an entity to elect to measure certain assets and liabilities at fair value; and to use that fair value as the deemed cost in the opening IFRS statement of financial position. The IASB has also amended IFRS 1 to eliminate references to fixed dates for one exception and one exemption, both dealing with financial assets and liabilities. The first change requires first-time adopters to apply the derecognition requirements of IFRS prospectively from the date of transition, rather than from 1 January 2004. The second amendment relates to financial assets or liabilities where the fair value is established through valuation techniques at initial recognition and allows the guidance to be applied prospectively from the date of transition to IFRS rather than from 25 October 2002 or 1 January 2004. This means that a first-time adopter may not need to determine the fair value of certain financial assets and liabilities at initial recognition for periods prior to the date of transition. IFRS 9 has also been amended to reflect these changes. The amendment is not relevant for the Group.

- IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine, effective for annual periods beginning on or after 1 January 2013

  The interpretation clarifies that benefits from the stripping activity are accounted for in accordance with the principles of IAS 2, Inventories, to the extent that they are realized in the form of inventory produced. To the extent the benefits represent improved access to ore; the entity should recognize these costs as a ‘stripping activity asset’ within non-current assets, subject to certain criteria being met. The interpretation is not relevant for the Group.

Standards, interpretations and amendments to published standards that have been published, are not effective for accounting periods starting on 1 January 2013 and which the Group has not early adopted

- IFRS 10 Consolidated Financial Statements, effective for annual periods beginning on or after 1 January 2014 (for European Union companies)

  IFRS 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 (for European Union companies)

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.

- Amendment to IFRS 9 Financial Instruments: Classification and Measurement, effective day has not yet been endorsed

  Key features of the standard issued in November 2009 and amended in October 2010, December 2011 and November 2013 are:

  Financial assets are required to be classified into two measurement categories: those to be measured subsequently at fair value, and those to be measured subsequently at amortized cost. The decision is to be made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument.

  An instrument is subsequently measured at amortized cost only if it is a debt instrument and both (i) the objective of the entity's business model is to hold the asset to collect the contractual cash flows, and (ii) the asset's contractual cash flows represent payments of principal and interest only (that is, it has only "basic loan features"). All other debt instruments are to be measured at fair value through profit or loss.

  All equity instruments are to be measured subsequently at fair value. Equity instruments that are held for trading will be measured at fair value through profit or loss. For all other equity investments, an irrevocable election can be made at initial recognition, to recognize unrealized and realized fair value gains and losses through other comprehensive income rather than profit or loss. There is to be no recycling of fair value gains and losses to profit or loss. This election may be made on an instrument-by-instrument basis. Dividends are to be presented in profit or loss, as long as they represent a return on investment.

  Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to

IFRS 9. The key change is that an entity will be required to present the effects of changes in own credit risk of financial liabilities designated at fair value through profit or loss in other comprehensive income.

Hedge accounting requirements were amended to align accounting more closely with risk management. The standard provides entities with an accounting policy choice between applying the hedge accounting requirements of IFRS 9 and continuing to apply IAS 39 to all hedges because the standard currently does not address accounting for macro hedging.

The amendments made to IFRS 9 in November 2013 removed its mandatory effective date, thus making application of the standard voluntary.

- 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 Board 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 day has not yet been endorsed

  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 day has not yet been endorsed

  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.

- IFRIC 21 Levies, effective day has not yet been endorsed

  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 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.

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, 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. Hedging financial instruments must be in the same currency as the hedged item. It is the Group's policy to negotiate the terms of the hedge derivatives to match the terms of the hedged item to maximize hedge effectiveness. Such a 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 22).

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		2013	2012
Profit before tax	Depreciation of EUR by 10%	(639)	406
	Appreciation of EUR by 10%	523	(332)
Equity	Depreciation of EUR by 10%	(492)	329
	Appreciation of EUR by 10%	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 no outstanding loan.

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 2013, 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 21.

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 21, 22, 23 and 24. The Group is exposed to concentration of credit risk from holding state bonds in amount of EUR 105,683 thousand issued by one state.

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, 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 30,000 thousand. In total, Poštová banka, a.s. pledged 35,000,000 pieces of the state bond SK4120006503 with a nominal value of EUR 35,000 thousand. No other significant agreements reducing the maximum exposure to credit risk had been concluded at 31 December 2013.

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
At 31 December 2013						
Trade and other receivables	117,912	321	80	42	113	134
At 31 December 2012						
Trade and other receivables	101,320	1,102	124	60	110	232

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

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					
At 31 December 2013	**On demand**	**Less than 3 months**	**3 to 12 months**	**Over 1 year**	**Total**
Trade and other payables	13,695	196,777	3,132	1,202	214,806
Put option liability	-	-	11,512	-	11,512
At 31 December 2012	**On demand**	**Less than 3 months**	**3 to 12 months**	**Over 1 year**	**Total**
Trade and other payables	13,007	108,270	98	250	121,625
Put option liability	-	-	12,161	-	12,161

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 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

3.4 Capital risk management

The Group manages its capital to ensure its ability to support its business activities on an ongoing basis, while maximizing the return to its shareholders and benefits for other stakeholders through optimization of its capital structure to reduce the cost of capital. It takes into consideration any applicable guidelines of the parent company. No changes were made to the objectives, policies or processes in 2013. 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 25). The management of the Group manages capital measured in terms of shareholder's equity amounting to at 31 December 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 level in the fair value hierarchy into which the recurring fair value measurements are categorised are as follows:

thousands of EUR	At 31 December 2013				At 31 December 2012			
	Level 1	Level 2	Level 3	Carrying value	Level 1	Level 2	Level 3	Carrying value
Non-current assets								
Available-for-sale investments (Note 21)	179,779	-	-	179,746	-	-	-	-
Current assets								
Available-for-sale investments (Note 21)	50,170	-	-	50,167	-	-	-	-

The fair value of available-for-sale investments was established based on 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

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.

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

thousands of EUR	At 31 December 2013				At 31 December 2012			
	Level 1	Level 2	Level 3	Carrying value	Level 1	Level 2	Level 3	Carrying value
Assets held for sale (Note 11)	-	-	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. The finance lease receivables were discounted using interest rates of 2.98% and 3.36%. Non-current trade receivables and trade payables were discounted unless the effect of discounting was inconsiderable.

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	2013	2012
Loans and receivables		
Trade and other receivables (Note 16)	136,421	119,657
Term deposits (Note 22)	143,359	105,961
Escrow (Note 23)	13,000	-
Cash and cash equivalents (Note 24)	229,084	371,488
Financial assets held-to-maturity		
Investments at amortized cost (Note 20)	3,120	74,326
Available-for-sale financial assets		
Available-for-sale investments (Note 21)	229,949	-

4. REVENUE

thousands of EUR	2013	2012
Fixed network revenue	303,059	314,899
Mobile network revenue	364,498	397,644
Terminal equipment	44,680	34,147
System solutions / IT	69,059	46,601
Other	46,314	44,549
	827,610	**837,840**

5. STAFF COSTS

thousands of EUR	2013	2012
		(restated)
Wages and salaries	103,373	103,998
Social security contributions	29,350	26,132
	132,723	**130,130**

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

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

6. OTHER OPERATING INCOME

thousands of EUR	2013	2012
Gain on disposal of property and equipment and intangible assets, net	1,160	1,113
Income from material sold, net	557	681
Income from rental of premises	2,795	2,480
Reversal of impairment of property and equipment (Note 12)	51	553
Other	6,322	5,662
	10,885	**10,489**

7. OTHER OPERATING COSTS

thousands of EUR	2013	2012
Repairs and maintenance	22,750	25,472
Installation services	3,703	3,114
Marketing costs	22,362	23,070
Energy	17,410	18,029
Printing and postage	4,630	4,926
Logistics	2,822	3,301
Rentals and leases	18,614	18,160
IT services	8,516	8,518
Dealer commisions	19,120	23,832
Frequency and other fees to Telecommunications Office (Note 32)	2,454	3,507
Content fees	15,280	13,830
Consultancy	4,045	9,157
Bad debts expenses	5,590	4,542
Customer solutions	29,805	15,978
Fees paid to DT AG	4,440	4,682
Other	46,301	19,110
Own work capitalized	(17,235)	(18,136)
	210,607	**181,092**

8. FINANCIAL INCOME

thousands of EUR	2013	2012
Interest on term deposits and bank accounts	732	1,108
Interest on loans	-	1,806
Interest on available-for-sale investments and investments at amortized cost	314	1,016
Interest from finance lease	124	162
Decrease of put option liability	649	-
Other	811	827
	2,630	**4,919**

9. FINANCIAL EXPENSE

thousands of EUR	2013	2012
		(restated)
Increase of put option liability	-	470
Amounts paid to minority owners of PosAm	599	580
Foreign exchange losses, net	446	88
Interest cost on non-current provisions	268	238
Bank charges and other financial expense	189	51
	1,502	**1,427**

10. TAXATION

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

thousands of EUR	2013	2012
		(restated)
Current tax expense	47,485	35,715
Deferred tax (income) / expense	(29,733)	12,662
Other income tax	3,105	2,118
Income tax expense reported in the income statement	**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	2013	2012
		(restated)
Profit before income tax	70,158	113,642
Income tax calculated at the statutory rate of 23% (2012: 19%)	16,136	21,592
Effect of income not taxable and expenses not tax deductible:		
Creation / (release) of legal and regulatory provisions	5,966	(195)
Other tax non-deductible items, net	975	509
Tax charge in respect of prior years	442	152
Other income tax	3,105	2,118
Effect of change in tax rate	(5,767)	26,319
Income tax at the effective tax rate of 30% (2012: 44%)	**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 2013	Through business combination	Through income statement	Through statement of comprehensive income	31 December 2013
	(restated)				
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 (restated)	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
	(restated)			(restated)
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 (restated)	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 918 thousand is recognized in respect of subsidiaries DIGI and PosAm and deferred tax liabilities of EUR 128,288 thousand in respect of other entities within the Group. The Group offsets deferred tax assets and deferred tax liabilitites if, and only if, those relate to income taxes levied by the same taxation authority on the same taxable entity.

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

thousands of EUR	2013	2012
		(restated)
Deferred tax asset to be settled within 12 months	10,405	8,639
Deferred tax asset to be settled after more than 12 months	4,359	4,598
Deferred tax liability to be settled within 12 months	(1,782)	(969)
Deferred tax liability to be settled after more than 12 months	(141,270)	(162,747)
Net deferred tax liability	**(128,288)**	**(150,479)**

11. ASSETS HELD FOR SALE

thousands of EUR	2013	2012
At 1 January	-	-
Net transfer from property and equipment (Note 12)	19,772	-
At 31 December	**19,772**	**-**

Assets held for sale at 31 December 2013 comprise buildings and related land which are planned to be sold within one year.

12. 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 2013							
Cost	182,548	987,141	1,145,742	363,930	350,298	64,601	3,094,260
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 11)	(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
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**

Property and equipment, excluding motor vehicles, is insured to a limit of EUR 26,200 thousand (2012: EUR 26,035 thousand). Each motor vehicle is insured to a limit of EUR 5,000 thousand (2012: EUR 5,000 thousand) for damage on health and expenses related to death and EUR 1,000 thousand (2012: EUR 1,000 thousand) for damage caused by destroyed, seized or lost items, lost profits.

The impairment charge relates mainly to the land and buildings which were transferred to assets held for sale. The recoverable amount of assets was determined by reference to their estimated fair value less costs to sell.

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
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
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**

13. INTANGIBLE ASSETS

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
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
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**

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, 32) and the license is valid until 31 December 2028. The license was not put in use at 31 December 2013.

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 was prolonged until 31 December 2025.
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 2013 and remaining useful lives are: EUR 76,779 thousand and 4 years for post-paid business customers, EUR 2,924 thousand and 2 years for DNS customers.

Remaining part of customer relationships was recognized at acquisition of subsidiaries DIGI and PosAm with total net book value at 31 December 2013 of EUR 37,035 thousand.
Net book value of the category Other includes Intangible assets in progress of EUR 80,684 thousand (2012: EUR 28,041 thousand).
For cost and impairment of goodwill refer to Note 14.

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
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
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**

14. IMPAIRMENT OF GOODWILL

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

thousands of EUR	Slovak Telekom	DIGI	PosAm	Zoznam & Zoznam Mobile	Total
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**

Fixed and mobile telecommunication business (Slovak Telekom)

The goodwill was recognized at the acquisition of T-Mobile in December 2004. Since 2011, after the merger (Note 1), it is tested for impairment at the level of cash-generating unit Slovak Telekom. The recoverable amount of the cash-generating unit was determined using cash flows projections based on the ten-year financial plans that have been approved by management and are also used for internal purposes. Cash flows beyond the ten-year period are extrapolated using a 2% growth rate (2012: 2%) and a discount rate of 7.11% (2012: 6.94%). This growth rate does not exceed the long-term average growth rate for the market in which the cash-generating unit operates. 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 was determined to exceed 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 and a discount rate of 7.40%. This growth rate does not exceed the long-term average growth rate for the market in which the cash-generating unit operates. 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 value in use calculation was determined to exceed 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 (2012: 2%) and a discount rate of 7.98% (2012: 7.72%). This growth rate does not exceed the long-term average growth rate for the market in which the cash-generating unit operates. 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 value in use calculation was determined to exceed 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 (2012: 2%) and a discount rate of 8.81% (2012: 8.22%). This growth rate does not exceed the long-term average growth rate for the market in which the cash-generating unit operates. 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 value in use calculation by EUR 3,000 thousand and the Group allocated impairment to goodwill in the same amount. In 2013 and 2012, the recoverable amount of the cash-generating unit based on value in use calculation was determined to exceed 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.

15. BUSINESS COMBINATIONS

15.1 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.

15.2 Consideration transferred

thousands of EUR	**1 September 2013**
Consideration paid in cash (i)	40,000
Consideration payable (ii)	8,362
Contingent consideration (iii)	3,000
	51,362

(i) The Group paid first part of the consideration in the amount of EUR 40,000 thousand to the former owner of DIGI in September 2013.

(ii) 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.

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.

On 31 December 2013 the Group had recognized payable in the amount of EUR 8,362 thousand in Trade and other payables (Note 27).

(iii) Remaining part of the consideration in the amount of EUR 3,000 thousand shall be payable, net of any indemnity payments by the former owner of DIGI to the Group, on 31 August 2014. On 31 December 2013 the Group had recognized provision in the amount of EUR 3,000 thousand (Note 26).

The Group established the escrow account in the bank to cover related payments. The balance of the account on 31 December 2013 was EUR 13,000 thousand (Note 23).

Acquisition-related costs of EUR 1,031 thousand have been fully excluded from the consideration transferred and have been recognized as an expense in the current and prior years, under Other operating costs in the income statement.

15.3 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			
Cash and cash equivalents	254	-	254
Receivables	2,828	-	2,828
Inventory	240	-	240
Other assets and accruals	281	-	281
	3,603	**-**	**3,603**
Non-current liabilities			
Other liabilities	23	-	23
Deferred tax	-	7,142	7,142
	23	**7,142**	**7,165**
Current liabilities			
Trade payables	7,709	-	7,709
Other liabilities	1,347	-	1,347
Income tax and other taxes	1,238	-	1,238
Accruals	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.

15.4 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.

15.5 Net cash outflow on acquisition of subsidiary

thousands of EUR	1 September 2013
Consideration paid in cash	40,000
Less cash and cash equivalent balances acquired	(254)
	39,746

15.6 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). If the combination had taken place at the beginning of the year, revenue of the Group would have been EUR 27,795 thousand and the loss before tax of the Group would have been EUR 1,621 thousand.

16. TRADE AND OTHER RECEIVABLES

thousands of EUR	2013	2012
Non-current		
Trade receivables	7,667	6,228
Finance lease receivables (Note 17)	1,475	2,907
	9,142	**9,135**
Current		
Trade receivables	125,064	108,804
Other receivables	190	116
Finance lease receivables (Note 17)	2,025	1,602
	127,279	**110,522**

Trade receivables are net of an allowance of EUR 22,383 thousand (2012: EUR 22,717 thousand).

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

thousands of EUR	2013	2012
At 1 January	22,717	22,549
Additions from business combinations	1,239	-
Charge for the year	16,581	12,438
Utilised	(7,081)	(4,697)
Reversed	(11,073)	(7,573)
At 31 December	**22,383**	**22,717**

17. FINANCE LEASE – THE GROUP AS LESSOR

A lease is an agreement whereby the lessor conveys to the lessee in return for a payment or series of payments the right to use an asset for an agreed period of time. A finance lease is a lease that transfers substantially all the risk and rewards incidental to ownership of an asset. Title may or may not eventually be transferred.

The Group entered into two lease agreements as a lessor with the commencement of the lease in May 2011 and in August 2013. Based on the agreements, the Group leases terminal equipment (PCs, routers, camera system) and complex telecommunication solutions to the customers. By analyzing the terms of the agreements, the Group concluded that the lease meets the criteria for classification as a finance lease. The main criteria are as follows:

a) Ownership of the assets will be transferred to the lessee at the end of the service 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 service period;
b) Non-cancelable lease period is for the major part of the economic life of the assets concerned (53 months from May 2011 until September 2015 and 24 months from August 2013 until July 2015);
c) The present value of the minimum lease payments amounts to all of the fair value of the leased assets.

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

thousands of EUR	2013	2012
Present value of minimum lease payments		
Not later than 1 year (Note 16)	2,025	1,602
Later than 1 year and not later than 5 years (Note 16)	1,475	2,907
	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.

18. PREPAID EXPENSES AND OTHER ASSETS

thousands of EUR	2013	2012
Non-current		
Prepaid expenses	12,806	14,214
	12,806	**14,214**
Current		
Prepaid expenses	6,887	7,124
Other assets	941	2,639
	7,828	**9,763**

19. INVENTORIES

thousands of EUR	2013	2012
Materials	2,388	2,329
Goods	11,804	11,709
	14,192	**14,038**

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

20. INVESTMENTS AT AMORTIZED COST

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

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

21. AVAILABLE-FOR-SALE INVESTMENTS

thousands of EUR	2013	2012
Non-current		
State bonds	179,779	-
	179,779	**-**
Current		
State bonds	50,170	-
	50,170	**-**

Available-for-sale investments are measured at fair value. In 2013 the Group recognized unrealized gain of EUR 36 thousand in other comprehensive income. No amount was reclassified from equity to income statement in 2013.

Credit quality of non-current available-for-sale investments is as follows: rating A2: EUR 20,010 thousand, rating AAA: EUR 159,769 thousand. Credit quality of current available-for-sale investments is as follows: rating A2: EUR 50,170 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 2013 would increase/decrease by EUR 219 thousand/ EUR 293 thousand.

22. TERM DEPOSITS

thousands of EUR	2013	2012
Non-current		
Term deposits	1,088	-
	1,088	**-**
Current		
Term deposits	142,271	105,961
	142,271	**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 recognized in cash and cash equivalents.

Credit quality of non-current term deposits is as follows: rating A2: EUR 1,088 thousand. Credit quality of current term deposits is as follows: rating A2: EUR 129,971 thousand, rating A3: EUR 12,300 thousand.

23. ESCROW

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

The escrow represents the remaining deposit for the purchase price of DIGI (Note 15). It is expected to be settled within one year.

Credit quality of escrow is as follows: rating A3: EUR 13,000 thousand.

24. CASH AND CASH EQUIVALENTS

thousands of EUR	2013	2012
Cash and cash equivalents	229,084	371,488
	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 14,153 thousand, rating A3: EUR 187,879 thousand, rating BAA1: EUR 26,111 thousand and rating BAA3: EUR 447 thousand.

25. 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 33.2 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 33.2 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.

As of 31 December 2013, Slovak Telekom had authorized and issued 26,027,500 ordinary shares (2012: 26,027,500) with a par value of EUR 33.2 per share. All the shares issued were fully subscribed. 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 structure of shareholders of the Company at 31 December 2013 and 31 December 2012:

Shareholder' name	Number of shares acquired	Value of acquired shares in EUR	Acquired share	Acquired voting rights
CMobil B.V. (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**		

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).

Financial statements of the Group for the year ended 31 December 2012 were authorized for issue on behalf of the Board of Directors of the Group on 14 March 2013.

On 29 April 2013, the Ordinary General Meeting of Slovak Telekom approved distribution of the prior year profit and resolved to transfer part of the prior year statutory profits to the reserve fund, with the remaining part of the 2012 profit being partially declared for dividends and partially retained. On 26 November 2013 the Extraordinary General Meeting of Slovak Telekom approved distribution of retained profits for the years 2011 and 2012 in form of dividends.

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.

In 2013 Slovak Telekom declared and paid a dividend of EUR 2.71 per share (2012: EUR 3.53 per share). On the basis of this proposed appropriation, total dividends of EUR 48,000 thousand were paid in May 2013 and of EUR 22,568 thousand were paid in November 2013 (2012: EUR 92,000 thousand).

Approval of the 2013 profit distribution will take place at the Annual General Meeting scheduled for 30 April 2014.

26. PROVISIONS

thousands of EUR	Legal and regulatory claims	Asset retirement obligation	Acquisition of subsidiary	Termination benefits	Employee benefits	Other	Total
	(Note 33)				(restated)		
At 1 January 2013	1,087	8,162	-	2,799	8,974	2,436	23,458
Arising during the year	26,084	111	3,000	2,892	877	1,505	34,469
Reversals	(11)	(381)	-	-	(2,004)	(128)	(2,524)
Utilised	(134)	-	-	(2,891)	(41)	(1,218)	(4,284)
Transfer to current liabilities	-	-	-	-	-	(178)	(178)
Interest impact	-	262	-	-	-	6	268
At 31 December 2013	**27,026**	**8,154**	**3,000**	**2,800**	**7,806**	**2,423**	**51,209**
Current	27,026	-	3,000	2,800	-	1,468	34,294
Non-current	-	8,154	-	-	7,806	955	16,915
	27,026	**8,154**	**3,000**	**2,800**	**7,806**	**2,423**	**51,209**

Asset retirement obligation
The Group is subject to obligations for dismantlement, removal and restoration of assets associated with its cell site operating leases (Note 2.19). 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 15).

Termination benefits
The restructuring of the Group's operations resulted in headcount reduction of 285 employees in 2013. The Group expects a further headcount reduction of 178 employees in 2014 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 2013 the Group recognized an expense resulting from termination benefits in amount of 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 2013 (restated)	8,711	263	8,974
Current service cost	846	31	877
Benefits paid	(22)	(18)	(40)
Remeasurement of defined benefit plans	(1,446)	(47)	(1,493)
Curtailment gain	(512)	-	(512)
At 31 December 2013	**7,577**	**229**	**7,806**

Current service cost includes interest cost on benefit obligation in the amount EUR 284 thousand. Remeasurement of defined benefit plans related to Retirement benefits in amount of EUR 1,446 thousand consists of experience adjustments (EUR 740 thousand) and change in financial assumptions (EUR 706 thousand).

The curtailment gain in amount of EUR 512 thousand resulted mainly from a reduction in the number of participants covered by the retirement and jubilee benefit plans that occurred in 2013 or was announced for 2014. There were no special events causing any new past service cost during 2013 other than the curtailment mentioned above.
Principal actuarial assumptions used in determining the defined benefit obligation and the curtailment effect in 2013 include the discount rate of 3.25%. The expected expense for 2013 has been determined based on the discount rate as at the beginning of the accounting period of 3.20%. 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 13.3 years.

27. TRADE AND OTHER PAYABLES

thousands of EUR	2013	2012
Non-current		
Trade payables	1,088	250
Other payables	-	5
	1,088	**255**
Current		
Trade payables	107,042	76,537
Uninvoiced deliveries	97,612	44,784
Put option	11,512	12,161
Payable for DIGI acquisition (Note 15)	8,362	-
Other payables	702	54
	225,230	**133,536**

28. OTHER LIABILITIES AND DEFERRED INCOME

thousands of EUR	2013	2012
Non-current		
Deferred income	2,810	4,830
	2,810	**4,830**
Current		
Deferred income	36,616	36,936
Amounts due to employees	23,876	17,760
Other tax liabilities	9,919	10,829
Other liabilities	3,584	6,673
	73,995	**72,198**

Amounts due to employees include social fund liabilities:

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

29. FINANCE LEASE – THE GROUP AS LESSEE

The Group leases vehicles under finance leases. Net book value of vehicles is EUR 5 thousand (2012: EUR 79 thousand) at 31 December 2013. The average lease term of vehicles is 4 years. The Group has options to purchase vehicles for its residual value at the end of the lease terms. The Group's obligations under finance leases are secured by the lessor's title to the leased assets.

Interest rates underlying all obligations under finance leases are fixed at respective contract dates 10% per annum.

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

30. COMMITMENTS

The Group's purchase commitments were as follows:

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

31. OPERATING LEASE – THE COMPANY AS LESSEE

The future minimum operating lease payments were as follows:

thousands of EUR	2013	2012
Operating lease payments due within one year	12,923	10,613
Operating lease payments due between one and five years	23,065	12,378
Operating lease payments due after five years	19,831	5,951
	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 extent 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.

32. RELATED PARTY TRANSACTIONS

thousands of EUR	Receivables		Payables		Sales and income		Purchases		Commitments	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
DT AG	3,296	2,196	6,756	8,105	4,551	5,720	6,171	6,536	3,807	6,179
Other entities in DT AG group	3,899	5,109	4,745	4,411	22,510	13,174	16,798	13,536	13,620	21,007
Other shareholders of the Company	-	2	-	5	54	58	11	14	-	-
	7,195	**7,307**	**11,501**	**12,521**	**27,115**	**18,952**	**22,980**	**20,086**	**17,427**	**27,186**

The Group conducts business with its ultimate parent, Deutsche Telekom AG and its subsidiaries, associates and joint ventures. Related parties transactions were made on terms equivalent to those that prevail in arm's length transaction. 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 7,265 thousand (2012: EUR 1,220 thousand) from related parties.

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 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 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, 13). The Group also incurred expenses of EUR 2,454 thousand (2012: EUR 3,507 thousand) with respect to other frequency and telecommunication equipment related fees to the Telecommunications Office (Note 7).

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 is approximately EUR 23,859 thousand. In 2013, the Group recognized revenue related to this contract of EUR 5,287 thousand (2012: 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 2013, the Group recognized revenue related to this contract of EUR 9,784 thousand (2012: 8,940 thousand).

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

During 2013 the Group purchased postal and cash collection services for EUR 4,745 thousand (2012: EUR 5,413 thousand) and leased space for 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 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 2013 or 2012.

Compensation of key management personnel

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

thousands of EUR	2013	2012
Short term employee benefits	2,251	2,623
	2,251	**2,623**

thousands of EUR	2013	2012
Executive Management Board	2,153	2,521
Board of Directors	55	57
Supervisory Board	43	45
	2,251	**2,623**

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

33. 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 accuses the Company of ongoing refusal to supply and margin squeeze for unbundled local loops and wholesale broadband access. The Commission alleges on a preliminary basis that the Company implemented a strategy designed to exclude competitors from retail broadband access markets in the Slovak Republic. If proven, the allegations against the Company could lead to a finding that it has infringed Article 102 of the Treaty on the Functioning of the European Union, as well as the imposition of a fine. 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. As of the date of these financial statements, Commission has not decided yet whether it will issue an infringement decision. Should the Commission decide to adopt an infringement decision; the fine will be calculated as a percentage from relevant turnover with a cap of 10% from total prior year turnover. If the Commission was to establish so-called parental liability, such cap would be calculated on the basis of the turnover of the Deutsche Telekom group. If the Commission adopts an infringement decision, it will be appealable to the General Court of the European Union. The management believes that the Company brought strong and relevant arguments in its response to the SO, at the Oral Hearing, and in its response to the Letter of Facts which significantly undermines the Commission's allegations against the Company. The case is complex and there are multiple factors impacting the outcome of the case that at this stage of the proceedings remain contested between the Commission, the Company and DT AG. The Company's level of potential financial exposure would in great part depend on various factors particularly the issue of parental liability and other factors like possible follow up actions.

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 proceedings are currently suspended because of ongoing as settlement negotiations.

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 in September 2012 AMO filed an appeal with the Supreme Court. In February 2014 the Supreme Court referred the case back to the Regional Court for further proceedings. The Regional Court, thus, will hear the case again.

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 as a consequence of the said conduct. 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 other lawsuits against Company and Deutsche Telekom AG seeking damages in total amount of EUR 9,003 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 2013, 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.

34. AUDIT FEES

In 2013 the Group obtained from the audit company PricewaterhouseCoopers Slovensko, s.r.o. statutory audit services in amount of EUR 211 thousand (2012: EUR 195 thousand), other assurance services in amount of EUR 128 thousand (2012: EUR 145 thousand) and other services in amount of EUR 6 thousand (2012: EUR 7 thousand).

35. EVENTS AFTER THE REPORTING PERIOD

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 2013.

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 2013

CONTENTS

INDEPENDENT AUDITOR'S REPORT

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying 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 2013 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 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company standing alone as at 31 December 2013, 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.

PricewaterhouseCoopers Slovensko, s.r.o., Námestie 1. mája 18, 815 32 Bratislava, Slovak Republic
T: +421 (0) 2 59350 111, F: +421 (0) 2 59350 222, www.pwc.com/sk

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.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 32 to the financial statements that describe current proceedings initiated by the European Commission against the Company and the potential implications thereof. The ultimate outcome of the matter cannot presently be determined.

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

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

Bratislava, 20 March 2014

Our report has been prepared in Slovak and in 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.

INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER

thousands of EUR	Notes	2013	2012
			(restated)
Revenue	**4**	**782,510**	**808,193**
Staff costs	5	(118,952)	(118,405)
Material and equipment		(107,142)	(97,396)
Depreciation, amortization and impairment losses	12,13	(232,091)	(233,785)
Interconnection and other fees to operators		(71,218)	(87,342)
Other operating income	6	10,873	10,560
Other operating costs	7	(197,710)	(173,762)
Operating profit		**66,270**	**108,063**
Financial income	8	2,597	5,517
Financial expense	9	(888)	(361)
Profit before tax		**67,979**	**113,219**
Taxation	10	(20,293)	(49,887)
Profit for the year		**47,686**	**63,332**

The financial statements on pages 113 to 154 were authorized for issue on behalf of the Board of Directors of the Company on 20 March 2014 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	2013	2012
			(restated)
Profit for the year		**47,686**	**63,332**
Other comprehensive income			
Gain on remeasurement of available-for-sale investments	21	36	-
Deferred tax expense	10	(8)	-
Net other comprehensive income to be reclassified to profit or loss in subsequent periods		**28**	**-**
Gain / (loss) on remeasurement of defined benefit plans	26	1,446	(2,131)
Deferred tax (expense) / income	10	(310)	373
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods		**1,136**	**(1,758)**
Total comprehensive income for the year, net of tax		**48,850**	**61,574**

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER

thousands of EUR	Notes	2013	2012 (restated)	At 1 January 2012 (restated)
ASSETS				
Non-current assets				
Property and equipment	12	809,455	916,908	1,002,447
Intangible assets	13	364,175	339,076	384,457
Investments in subsidiaries	15	69,098	16,731	16,731
Available-for-sale investments	21	179,779	-	-
Term deposits	22	1,088	-	-
Trade and other receivables	16	9,142	8,892	4,509
Prepaid expenses and other assets	18	12,628	13,700	17,847
		1,445,365	**1,295,307**	**1,425,991**
Current assets				
Inventories	19	13,557	13,831	11,192
Investments at amortized cost	20	3,120	74,326	82,724
Available-for-sale investments	21	50,170	-	-
Term deposits	22	142,271	105,961	-
Escrow	23	13,000	-	-
Loans		-	-	190,000
Trade and other receivables	16	108,872	102,607	102,765
Prepaid expenses and other assets	18	6,475	8,804	8,246
Current income tax receivable		783	3,992	-
Cash and cash equivalents	24	222,221	365,592	172,414
		560,469	**675,113**	**567,341**
Assets held for sale	11	19,772	-	-
		580,241	**675,113**	**567,341**
TOTAL ASSETS		**2,025,606**	**1,970,420**	**1,993,332**
EQUITY AND LIABILITIES				
Shareholders' equity				
Issued capital	25	864,113	864,113	864,113
Share premium	25	386,139	386,139	386,139
Statutory reserve fund		172,823	170,634	159,240
Other		1,812	634	2,380
Retained earnings and profit for the year		161,960	187,031	227,093
		1,586,847	**1,608,551**	**1,638,965**
Non-current liabilities				
Deferred tax	10	119,942	148,406	136,009
Provisions	26	16,741	18,032	16,383
Trade and other payables	27	1,087	-	-
Other liabilities and deferred income	28	2,691	4,326	5,943
		140,461	**170,764**	**158,335**
Current liabilities				
Provisions	26	34,011	4,873	5,414
Trade and other payables	27	195,110	118,163	106,782
Current income tax liability		3,646	-	15,941
Other liabilities and deferred income	28	65,531	68,069	67,895
		298,298	**191,105**	**196,032**
Total liabilities		**438,759**	**361,869**	**354,367**
TOTAL EQUITY AND LIABILITIES		**2,025,606**	**1,970,420**	**1,993,332**

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 (restated)							
At 1 January 2012 (as previously reported)		864,113	386,139	159,240	2,380	232,334	1,644,206
Change in accounting policies	2.22	-	-	-	-	(5,241)	(5,241)
At 1 January 2012 (restated)		**864,113**	**386,139**	**159,240**	**2,380**	**227,093**	**1,638,965**
Profit for the year		-	-	-	-	63,332	63,332
Other comprehensive income		-	-	-	(1,758)	-	(1,758)
Total comprehensive income		-	-	-	(1,758)	63,332	61,574
Allocation to funds	25	-	-	11,394	-	(11,394)	-
Other changes in equity		-	-	-	12	-	12
Dividends	25	-	-	-	-	(92,000)	(92,000)
At 31 December 2012		**864,113**	**386,139**	**170,634**	**634**	**187,031**	**1,608,551**
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
Allocation to funds	25	-	-	2,189	-	(2,189)	-
Other changes in equity		-	-	-	14	-	14
Dividends	25	-	-	-	-	(70,568)	(70,568)
At 31 December 2013		**864,113**	**386,139**	**172,823**	**1,812**	**161,960**	**1,586,847**

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER

thousands of EUR	Notes	2013	2012
			(restated)
Profit for the year		**47,686**	**63,332**
Adjustments for:			
Depreciation, amortization and impairment losses	12,13	232,091	233,785
Interest income, net		(1,800)	(4,878)
Income tax expense	10	20,293	49,887
Gain on disposal of property and equipment and intangible assets	6	(1,152)	(1,071)
Dividend income from subsidiaries	8,31	(623)	(603)
Other non-cash items		(252)	(948)
Movements in provisions		25,914	(1,317)
Changes in working capital:			
Change in trade and other receivables		(1,704)	(1,948)
Change in inventories		349	(2,404)
Change in trade and other payables		9,023	13,455
Cash flows from operations		**329,825**	**347,290**
Income taxes paid		(42,220)	(57,052)
Net cash flows from operating activities		**287,605**	**290,238**
Investing activities			
Purchase of property and equipment and intangible assets		(113,544)	(102,451)
Proceeds from disposal of property and equipment and intangible assets		2,028	1,778
Acquisition of interest in subsidiary	15	(40,000)	(2,438)
Escrow	23	(13,000)	-
Increase of issued capital in subsidiaries	15	(1,005)	-
Dividends received	8,31	623	603
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		(231,465)	-
Proceeds from disposal of available-for sale investments		1,930	-
Disbursement of loans		-	(140,000)
Repayment of loans		-	330,000
Acquisition of term deposits		(207,456)	(136,029)
Termination of term deposits		169,669	30,000
Interest received		1,444	5,971
Net cash used in investing activities		**(360,194)**	**(5,054)**
Financing activities			
Dividends paid	25	(70,568)	(92,000)
Other charges paid		(174)	(6)
Net cash used in financing activities		**(70,742)**	**(92,006)**
Effect of exchange rate changes on cash and cash equivalents		(40)	-
Net (decrease) / increase in cash and cash equivalents		(143,371)	193,178
Cash and cash equivalents at 1 January	24	365,592	172,414
Cash and cash equivalents at 31 December	24	**222,221**	**365,592**

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 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 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, the Company 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, 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 LTE network). The Company established and operates public mobile telecommunications networks over the following frequencies: 900 MHz and 1800 MHz under the standard GSM (Global System for Mobile Communications), 2100 MHz under the standard UMTS (Universal Mobile Telecommunications System), 450 MHz under the Flash-OFDM standard to provide wireless broadband internet access and Managed Data Network Services and 26 GHz/28 GHz for Fixed Wireless Access (FWA).

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) 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 26 GHz/28 GHz frequency licenses granted by the Telecommunications Office of the Slovak Republic are valid until 21 December 2017.

Members of the Statutory Boards at 31 December 2013

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.
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

In 2013 a number of changes were entered in the Commercial Register: Dr. Ralph Rentschler left the Board of Directors in April 2013 and was replaced by Mr. Franco Musone Crispino. The Supervisory Board member positions of Mr. Július Maličký, Mr. Milan Brlej and Mr. Ján Hláčik were replaced by Ms. Denisa Herdová, Ms. Miriam Kvočková and Mr. Drahoslav Letko. The Board of Directors approved the change of the Company's registered office, taking effect as of 1 July 2013, from Karadžičova 10 to Bajkalská 28, Bratislava.

CMobil B.V. with registered office at Stationsplein 8 K, Maastricht, the Netherlands is the parent of the Company.

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 2.20.

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 2013 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, at the Register Court administering the Commercial Register of District Court Bratislava I, Slovak Republic 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 and 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 Asset 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 and the sale is considered as highly probable. 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.

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 2.20.

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

Software	2 to 16 years
Licenses	2 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.

Acquired content licenses are shown at historical cost. 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.

Goodwill

The goodwill previously recognized through the acquisition of the fully owned subsidiary T-Mobile was transferred to 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 14). 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.

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 its value in use. The value in use 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 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 value in use 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.

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

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 sale of equipment is only recorded if the normal resale value is higher than the cost of the phone set. If the normal resale value is lower than costs, the difference is recognized as allowance immediately.

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.

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 testing the estimated cash flows 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 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

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 2013. 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, curtailment gain and interest costs are included within wages and salaries under staff costs.

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.

Activation fees and subscriber acquisition costs

Activation fees are deferred over an expected customer retention period. This period is estimated on a basis of an anticipated term of customer relationship under the arrangement which generated the activation fee. Subscriber acquisition costs primarily include losses on subsidized handsets and fees paid to subcontractors that act as agents to acquire new customers. Subscriber acquisition costs are expensed as incurred.

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 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. Any costs of these obligations are recognized when the corresponding revenue is recognized.

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.

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.

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.

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 8 and 9 respectively.

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 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 these financial statements with the effect on the tax expense of EUR 5,429 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 26,024 thousand in financial statements for the year 2012 with the effect on the tax expense of EUR 25,992 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 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 2013 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	2013	2014	2015	2016	After 2017
Software	6	2	(8)	-	-
Buildings	16	(4)	(4)	(4)	(4)
Duct, cable and other outside plant	13	13	(9)	(9)	(8)
Switching equipment	4,002	2,101	(2,149)	(526)	(3,428)
Radio equipment	(806)	(209)	722	282	11
Other	517	(143)	(135)	(102)	(137)

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, 13) 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. As a result of useful life review, the useful life of post-paid residential customers was shortened from 10 years (ended 31 December 2014) to 9 years (ended 31 December 2013) in 2013. Post-paid residential customers relationships were fully amortized as of 31 December 2013. The table summarizes net increase / (decrease) in amortization charge:

thousands of EUR	2013	2014
Post-paid residential customers	10,444	(10,444)

Customer retention period

The Company accrues 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. An accrual is made over the expected period of the customer relationship. The estimated customer relationship period is reassessed at each financial year-end.

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.

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 14.

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 construction of a mast, which is estimated to be 50 years. The remaining useful life of masts ranges from 29 to 50 at 31 December 2013. Management's determination of the amount of the asset retirement obligation (Note 26) 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.

Provisions and contingent liabilities
As set out in Notes 26 and 32, 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 26 and 32.

2.21 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) Income from paid contractual penalties in the amount of EUR 468 thousand is presented within revenue in 2012 comparatives. In the 2012 Note 6 this amount was presented within Other operating income.

b) Part of the other receivables in the amount of EUR 2,368 thousand is presented in Prepaid expenses and other assets in 2012 comparatives (EUR 1,713 thousand in 2011 comparatives). In 2012 and 2011 financial statement these items were presented within Note 16, Trade and other receivables.

c) Other current liabilities and deferred income in the amount of EUR 68,069 thousand are presented in separate line in 2012 comparatives (EUR 67,895 thousand in 2011 comparatives). In 2012 and 2011 financial statement these items were presented within Note 26, Trade and other payables and deferred income.

d) Changes reflecting the retrospective application of standard IAS 19 – Employee benefits are described in Note 2.22.

2.22 Adoption of IFRS during the year

Standards, interpretations and amendments to published standards effective for the Company's accounting period beginning on 1 January 2013

There are no IFRS or IFRIC interpretations that are effective for the first time for the financial year beginning on or after 1 January 2013 that have material impact on the Company.

- Amendments to IFRS 1 First Time Adoption of International Financial Reporting Standards – Government Loans, effective for annual periods beginning on or after 1 January 2013

  The amendment addresses how the first-time adopter would account for a government loan with a below-market rate of interest when transitioning to IFRS. Amendment gives first-time adopters of IFRSs relief from full retrospective application of IFRSs when accounting for these loans on transition. This will give first-time adopters the same relief as existing preparers. The amendment is not relevant for the Company.

- Amendment to IFRS 7 Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities, effective for annual periods beginning on or after 1 January 2013

  The amendment requires disclosures that will enable users of financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off. The amendment also resulted in additional disclosures in these financial statements (Note 3.3).

- IFRS 13 Fair Value Measurement, effective for annual periods beginning on or after 1 January 2013

  IFRS 13 aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRS and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP. The Standard also resulted in additional disclosures in these financial statements (Note 3.5).

- Amendments to IAS 1 Financial Statement Presentation, effective for annual periods beginning on or after 1 July 2012

  The amendments to IAS 1 changed the disclosure of items presented in other comprehensive income. The amendments require entities to separate items presented in other comprehensive income into two groups, based on whether or not they may be reclassified to profit or loss in the future. The suggested title used by IAS 1 has changed to "statement of profit or loss and other comprehensive income". The amendments affect presentation only and have no impact on the Company's financial position or performance.

- Amendment to IAS 12 Income Taxes – Recovery of Underlying Assets, effective for annual periods beginning on or after 1 January 2013

  The amendment introduced a rebuttable presumption that an investment property carried at fair value is recovered entirely through sale. This presumption is rebutted if the investment property is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. SIC-21, Income Taxes – Recovery of Revalued Non-Depreciable Assets, which addresses similar issues involving non-depreciable assets measured using the revaluation model in IAS 16, Property, Plant and Equipment, was incorporated into IAS 12 after excluding from its scope investment properties measured at fair value. The amendment is not relevant for the Company.

- Amendments to IAS 19 Employee Benefits, effective for annual periods beginning on or after 1 January 2013

  This amendment makes significant changes to the recognition and measurement of defined benefit pension expense and termination benefits, and to the disclosures for all employee benefits. The standard requires recognition of all changes in the net defined benefit liability (asset) when they occur, as follows: (i) service cost and net interest in profit or loss; and (ii) remeasurements in other comprehensive income.

  The Company applied IAS 19 (Revised 2011) retrospectively in the current period in accordance with the transitional provisions set out in the revised standard. The opening statement of financial position of the earliest comparative period presented (1 January 2012) and the comparative figures have been accordingly restated. IAS 19 (Revised 2011) changes, amongst other things, the accounting for defined benefit plans. Some of the key changes that impacted the Company include the following:

  All past service costs are recognized at the earlier of when the amendment/curtailment occurs or when the related restructuring or termination costs are recognized. As a result, unvested past service costs can no longer be deferred and recognized over the future vesting period. Previously, the Company had a balance of unrecognized service cost of EUR 6,471 thousand (EUR 5,241 thousand net of tax) as at 1 January 2012. Upon transition to IAS 19 (Revised 2011), this balance was charged to equity (retained earnings) as at 1 January 2012 along with the consequential tax impact. Amortization on past service costs of EUR 1,111 thousand (EUR 855 thousand net of tax) for the year ended 31 December 2012 was reversed. The related interest cost is presented under staff costs.

The effect on statement of financial position was as follows:

thousands of EUR	As originally presented	Effect of adopting revised IAS 19	Restated
At 1 January 2012			
Retained earnings	232,334	(5,241)	227,093
Provisions	9,912	6,471	16,383
Deferred tax	137,239	(1,230)	136,009
At 31 December 2012			
Retained earnings	191,158	(4,127)	187,031
Provisions	12,673	5,359	18,032
Deferred tax	149,638	(1,232)	148,406

The effect on statement of profit or loss and statement of other comprehensive income was as follows:

thousands of EUR	As originally presented	Effect of adopting revised IAS 19	Restated
Year ended 31 December 2012			
Staff costs	(119,141)	736	(118,405)
Financial expense – interest expense	(736)	375	(361)
Income tax: deferred tax	(49,890)	3	(49,887)
Other comprehensive income:			
Remeasurement of post-employment benefit obligations	(2,131)	-	(2,131)
Deferred tax	373	-	373

IAS 19 (Revised 2011) also requires more extensive disclosures. These have been provided in Note 26.

IAS 19 (Revised 2011) has been applied retrospectively, with following permitted exceptions:

The carrying amounts of other assets have not been adjusted for changes in employee benefit costs that were incurred before 1 January 2012. Sensitivity disclosures for the defined benefit obligation for current and comparative period (year ended 31 December 2012) have not been provided and are disclosed within parental consolidated financial statement.

- Amendments within Annual improvements project 2009-2011, effective for annual periods beginning on or after 1 January 2013. The improvements consist of changes to five standards:

IFRS 1 was amended to (i) clarify that an entity that resumes preparing its IFRS financial statements may either repeatedly apply IFRS 1 or apply all IFRSs retrospectively as if it had never stopped applying them, and (ii) to add an exemption from applying IAS 23, Borrowing Costs, retrospectively by first-time adopters. The amendment is not relevant for the Company.

IAS 1 was amended to clarify that explanatory notes are not required to support the third balance sheet presented at the beginning of the preceding period when it is provided because it was materially impacted by a retrospective restatement, changes in accounting policies or reclassifications for presentation purposes, while explanatory notes will be required when an entity voluntarily decides to provide additional comparative statements. The amendment is relevant for the Company.

IAS 16 was amended to clarify that servicing equipment that is used for more than one period is classified as property, plant and equipment rather than inventory. The amendment is not relevant for the Company.

IAS 32 was amended to clarify that certain tax consequences of distributions to owners should be accounted for in the income statement as was always required by IAS 12. The amendment is not relevant for the Company.

IAS 34 was amended to bring its requirements in line with IFRS 8. IAS 34 will require disclosure of a measure of total assets and liabilities for an operating segment only if such information is regularly provided to chief operating decision maker and there has been a material change in those measures since the last annual financial statements. The amendment is not relevant for the Company.

- Amendments to IFRS 1 Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters, effective for annual periods beginning on or after 1 January 2013 (for European Union companies)

The amendment regarding severe hyperinflation creates an additional exemption when an entity that has been subject to severe hyperinflation resumes presenting or presents for the first time, financial statements in accordance with IFRS. The exemption allows an entity to elect to measure certain assets and liabilities at fair value; and to use that fair value as the deemed cost in the opening IFRS statement of financial position. The IASB has also amended IFRS 1 to eliminate references to fixed dates for one exception and one exemption, both dealing with financial assets and liabilities. The first change requires first-time adopters to apply the derecognition requirements of IFRS prospectively from the date of transition, rather than from 1 January 2004. The second amendment relates to financial assets or liabilities where the fair value is established through valuation techniques at initial recognition and allows the guidance to be applied prospectively from the date of transition to IFRS rather than from 25 October 2002 or 1 January 2004. This means that a first-time adopter may not need to determine the fair value of certain financial assets and liabilities at initial recognition for periods prior to the date of transition. IFRS 9 has also been amended to reflect these changes. The amendment is not relevant for the Company.

- IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine, effective for annual periods beginning on or after 1 January 2013

  The interpretation clarifies that benefits from the stripping activity are accounted for in accordance with the principles of IAS 2, Inventories, to the extent that they are realized in the form of inventory produced. To the extent the benefits represent improved access to ore; the entity should recognize these costs as a 'stripping activity asset' within non-current assets, subject to certain criteria being met. The interpretation is not relevant for the Company.

Standards, interpretations and amendments to published standards that have been published, are not effective for accounting periods starting on 1 January 2013 and which the Company has not early adopted

- IFRS 10 Consolidated Financial Statements, effective for annual periods beginning on or after 1 January 2014 (for European Union companies)

  IFRS 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 (for European Union companies)

  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

  he 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.

- Amendment to IFRS 9 Financial Instruments: Classification and Measurement, effective day has not yet been endorsed

Key features of the standard issued in November 2009 and amended in October 2010, December 2011 and November 2013 are:

Financial assets are required to be classified into two measurement categories: those to be measured subsequently at fair value, and those to be measured subsequently at amortized cost. The decision is to be made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. An instrument is subsequently measured at amortized cost only if it is a debt instrument and both (i) the objective of the entity's business model is to hold the asset to collect the contractual cash flows, and (ii) the asset's contractual cash flows represent payments of principal and interest only (that is, it has only "basic loan features"). All other debt instruments are to be measured at fair value through profit or loss.

All equity instruments are to be measured subsequently at fair value. Equity instruments that are held for trading will be measured at fair value through profit or loss. For all other equity investments, an irrevocable election can be made at initial recognition, to recognize unrealized and realized fair value gains and losses through other comprehensive income rather than profit or loss. There is to be no recycling of fair value gains and losses to profit or loss. This election may be made on an instrument-by-instrument basis. Dividends are to be presented in profit or loss, as long as they represent a return on investment.

Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The key change is that an entity will be required to present the effects of changes in own credit risk of financial liabilities designated at fair value through profit or loss in other comprehensive income.

Hedge accounting requirements were amended to align accounting more closely with risk management. The standard provides entities with an accounting policy choice between applying the hedge accounting requirements of IFRS 9 and continuing to apply IAS 39 to all hedges because the standard currently does not address accounting for macro hedging.
The amendments made to IFRS 9 in November 2013 removed its mandatory effective date, thus making application of the standard voluntary.

- 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 Board 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 day has not yet been endorsed

  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 day has not yet been endorsed

  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.

- IFRIC 21 Levies, effective day has not yet been endorsed

  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 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.

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, 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. Hedging financial instruments must be in the same currency as the hedged item. 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 a 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 22).

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		2013	2012
Profit before tax	Depreciation of EUR by 10%	(637)	403
	Appreciation of EUR by 10%	521	(330)
Equity	Depreciation of EUR by 10%	(491)	327
	Appreciation of EUR by 10%	401	(267)

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 no outstanding loan.

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 2013, 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 21.

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 21, 22, 23 and 24. The Company is exposed to concentration of credit risk from holding state bonds in amount of EUR 105,683 thousand issued by one state.

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, 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 30,000 thousand. In total, Poštová banka, a.s. pledged 35,000,000 pieces of the state bond SK4120006503 with a nominal value of EUR 35,000 thousand. No other significant agreements reducing the maximum exposure to credit risk had been concluded at 31 December 2013.

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				
		< 30 days	31-90 days	91-180 days	181-365 days	> 365 days
At 31 December 2013						
Trade and other receivables	103,318	200	34	38	101	129
At 31 December 2012						
Trade and other receivables	94,592	672	93	34	108	232

No significant individually impaired trade receivables were included in the allowance for impairment losses in 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 Company and, based on historical default rates, management believes that no additional impairment allowance is necessary.

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 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
At 31 December 2012	**On demand**	**Less than 3 months**	**3 to 12 months**	**Over 1 year**	**Total**
Trade and other payables	12,320	105,745	98	-	118,163
Financial guarantee commitment	-	250	-	250	500

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 2013.

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 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

3.4 Capital risk management

The Company manages its capital to ensure its ability to support its business activities on an ongoing basis, while maximizing the return to its shareholders and benefits for other stakeholders through optimization of its capital structure to reduce the cost of capital. It takes into consideration any applicable guidelines of the parent company. No changes were made to the objectives, policies or processes in 2013.

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 25). The management of the Company manages capital measured in terms of shareholder's equity amounting to at 31 December 2013 EUR 1,586,847 thousand (2012: EUR 1,608,551 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 level in the fair value hierarchy into which the recurring fair value measurements are categorised are as follows:

thousands of EUR	At 31 December 2013				At 31 December 2012			
	Level 1	Level 2	Level 3	Carrying value	Level 1	Level 2	Level 3	Carrying value
Non-current assets								
Available-for-sale investments (Note 21)	179,779	-	-	179,746	-	-	-	-
Current assets								
Available-for-sale investments (Note 21)	50,170	-	-	50,167	-	-	-	-

The fair value of available-for-sale investments was established based on 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

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.

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

thousands of EUR	At 31 December 2013				At 31 December 2012			
	Level 1	Level 2	Level 3	Carrying value	Level 1	Level 2	Level 3	Carrying value
Assets held for sale (Note 11)	-	-	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. The finance lease receivables were discounted using interest rates of 2.98% and 3.36%. Non-current trade receivables and trade payables were discounted unless the effect of discounting was inconsiderable.

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	2013	2012
Loans and receivables		
Trade and other receivables (Note 16)	118,014	111,499
Term deposits (Note 22)	143,359	105,961
Escrow (Note 23)	13,000	-
Cash and cash equivalents (Note 24)	222,221	365,592
Financial assets held-to-maturity		
Investments at amortized cost (Note 20)	3,120	74,326
Available-for-sale financial assets		
Available-for-sale investments (Note 21)	229,949	-

4. REVENUE

thousands of EUR	2013	2012
Fixed network revenue	294,824	315,112
Mobile network revenue	364,700	397,786
Terminal equipment	44,712	34,162
System solutions / IT	37,961	22,143
Other	40,313	38,990
	782,510	**808,193**

5. STAFF COSTS

thousands of EUR	2013	2012
		(restated)
Wages and salaries	93,009	94,957
Social security contributions	25,943	23,448
	118,952	**118,405**

	2013	2012
Number of employees at period end	3,312	3,514
Average number of employees during the period	3,399	3,576

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

6. OTHER OPERATING INCOME

thousands of EUR	2013	2012
Gain on disposal of property and equipment and intangible assets, net	1,152	1,071
Income from material sold, net	557	681
Income from rental of premises	2,795	2,593
Reversal of impairment of property and equipment (Note 12)	51	553
Other	6,318	5,662
	10,873	**10,560**

7. OTHER OPERATING COSTS

thousands of EUR	2013	2012
Repairs and maintenance	22,997	25,339
Installation services	3,679	3,114
Marketing costs	21,224	21,774
Energy	17,175	17,871
Printing and postage	4,434	4,915
Logistics	2,822	3,301
Rentals and leases	17,492	17,257
IT services	8,436	8,492
Dealer commisions	18,039	22,751
Frequency and other fees to Telecommunications Office (Note 31)	2,454	3,507
Content fees	12,335	13,800
Consultancy	3,733	8,911
Bad debts expenses	5,577	4,542
Customer solutions	24,966	11,994
Fees paid to DT AG	4,440	4,682
Other	42,652	16,804
Own work capitalized	(14,745)	(15,292)
	197,710	**173,762**

8. FINANCIAL INCOME

thousands of EUR	2013	2012
Dividends from subsidiaries (Note 31)	623	603
Interest on term deposits and bank accounts	725	1,103
Interest on loans	-	1,806
Interest on available-for-sale investments and investments at amortized cost	314	1,016
Interest from finance lease	124	162
Other	811	827
	2,597	**5,517**

9. FINANCIAL EXPENSE

thousands of EUR	2013	2012
		(restated)
Foreign exchange losses, net	446	87
Interest cost on non-current provisions	268	238
Bank charges and other financial expense	174	36
	888	**361**

10. TAXATION

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

thousands of EUR	2013	2012
		(restated)
Current tax expense	45,970	34,999
Deferred tax (income) / expense	(28,782)	12,770
Other income tax	3,105	2,118
Income tax expense reported in the income statement	**20,293**	**49,887**

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	2013	2012
		(restated)
Profit before income tax	67,979	113,219
Income tax calculated at the statutory rate of 23% (2012: 19%)	15,635	21,512
Effect of income not taxable and expenses not tax deductible:		
Dividends	(143)	(115)
Creation / (release) of legal and regulatory provisions	5,966	(195)
Other tax non-deductible items, net	717	423
Tax charge in respect of prior years	442	152
Other income tax	3,105	2,118
Effect of change in tax rate	(5,429)	25,992
Income tax at the effective tax rate of 30% (2012: 44%)	**20,293**	**49,887**

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

thousands of EUR	1 January 2013	Through income statement	Through statement of comprehensive income	31 December 2013
	(restated)			
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 (restated)	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	1 January 2012	Through income statement	Through statement of comprehensive income	31 December 2012
	(restated)			(restated)
Difference between carrying and tax value of fixed assets	(146,793)	(13,363)	-	(160,156)
Allowance for investments at amortized cost	1,960	413	-	2,373
Staff cost accruals	2,132	(1,244)	-	888
Allowance for bad debts	2,484	89	-	2,573
Termination benefits	436	208	-	644
Retirement benefit obligation (restated)	1,329	301	373	2,003
Other	2,443	826	-	3,269
Net deferred tax liability	**(136,009)**	**(12,770)**	**373**	**(148,406)**

thousands of EUR	2013	2012
		(restated)
Deferred tax asset to be settled within 12 months	10,403	8,636
Deferred tax asset to be settled after more than 12 months	4,359	4,597
Deferred tax liability to be settled within 12 months	(1,783)	(969)
Deferred tax liability to be settled after more than 12 months	(132,921)	(160,670)
Net deferred tax liability	**(119,942)**	**(148,406)**

11. ASSETS HELD FOR SALE

thousands of EUR	2013	2012
At 1 January	-	-
Net transfer from property and equipment (Note 12)	19,772	-
At 31 December	**19,772**	**-**

Assets held for sale at 31 December 2013 comprise buildings and related land which are planned to be sold within one year.

12. PROPERTY AND EQUIPMENT

thousands of EUR	Land and buildings	Duct, cable and other outside plant	Telephone exchanges and related equipment	Radio and transmission equipment	Other	Capital work in progress including advances	Total
Cost	182,529	987,141	1,145,742	363,931	346,312	64,629	3,090,284
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 11)	(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
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**

Property and equipment, excluding motor vehicles, is insured to a limit of EUR 25,000 thousand (2012: EUR 25,000 thousand). Each motor vehicle is insured to a limit of EUR 5,000 thousand (2012: EUR 5,000 thousand) for damage on health and expenses related to death and EUR 1,000 thousand (2012: EUR 1,000 thousand) for damage caused by destroyed, seized or lost items, lost profits.

The impairment charge relates mainly to the land and buildings which were transferred to assets held for sale. The recoverable amount of assets was determined by reference to their estimated fair value less costs to sell.

thousands of EUR	Land and buildings	Duct, cable and other outside plant	Telephone exchanges and related equipment	Radio and transmission equipment	Other	Capital work in progress including advances	Total
At 1 January 2012							
Cost	183,028	976,989	1,252,728	315,109	306,152	57,128	3,091,134
Depreciation	(75,750)	(444,223)	(1,109,424)	(260,559)	(197,393)	(1,338)	(2,088,687)
Net book value	**107,278**	**532,766**	**143,304**	**54,550**	**108,759**	**55,790**	**1,002,447**
Additions	392	9,909	9,878	2,776	12,691	35,378	71,024
Depreciation charge	(5,042)	(32,303)	(53,614)	(32,011)	(32,693)	-	(155,663)
Impairment charge	(524)	-	(4)	-	(375)	-	(903)
Reversal of impairment	80	-	8	-	89	376	553
Disposals	(127)	(5)	(51)	(7)	(256)	(104)	(550)
Transfers	759	1,224	(12,851)	29,174	9,149	(27,455)	-
At 31 December 2012							
Cost	182,529	987,141	1,145,742	363,931	346,312	64,629	3,090,284
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**

13. INTANGIBLE ASSETS

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
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
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**

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, 31) and the license is valid until 31 December 2028. The license was not put in use at 31 December 2013.

The frequency authorization granted by the Telecommunications Office of the Slovak Republic for the provision of mobile services on 900 Hz, 1800 MHz and 450 MHz frequency bands was prolonged until 31 December 2025.

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 a controlling interest in T-Mobile at 31 December 2004. Net book values of customer relationships at 31 December 2013 and remaining useful lives are: EUR 76,779 thousand and 4 years for post-paid business customers, EUR 2,924 thousand and 2 years for DNS customers.

thousands of EUR	Software	Licenses	Internally developed intangible assets	Goodwill	Customer relationships	Intangibles under construction	Total
At 1 January 2012							
Cost	424,906	133,379	3,437	73,313	406,622	32,223	1,073,880
Amortization	(383,765)	(55,322)	(633)	-	(249,703)	-	(689,423)
Net book value	**41,141**	**78,057**	**2,804**	**73,313**	**156,919**	**32,223**	**384,457**
Additions	15,996	1,838	40	-	-	14,131	32,005
Amortization charge	(34,134)	(7,140)	(273)	-	(35,672)	-	(77,219)
Disposals	(133)	-	-	-	-	(34)	(167)
Transfers	18,819	-	9	-	-	(18,828)	-
At 31 December 2012							
Cost	458,700	135,309	3,486	73,313	406,622	27,492	1,104,922
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**

14. IMPAIRMENT OF GOODWILL

thousands of EUR	2013	2012
Slovak Telekom	73,313	73,313
	73,313	**73,313**

The goodwill previously recognized at the acquisition of T-Mobile was transferred to the statement of the financial position of the Company on the merger on 1 July 2010. Since 2011 it is tested for impairment at the level of cash-generating unit Slovak Telekom. The recoverable amount of the cash-generating unit was determined using cash flows projections based on the ten-year financial plans that have been approved by management and are also used for internal purposes. Cash flows beyond the ten-year period are extrapolated using a 2% growth rate (2012: 2%) and a discount rate of 7.11% (2012: 6.94%). This growth rate does not exceed the long-term average growth rate for the market in which the cash-generating unit operates. 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 was determined to exceed 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.

15. INVESTMENTS IN SUBSIDIARIES

At 31 December 2013 the Company held the following investments in fully consolidated subsidiaries:

Name and registered office	Activity	Cost of investment	Cost of investment	Profit / (loss)	Profit / (loss)	Net assets	Net assets
thousands of EUR		2013	2012	2013	2012	2013	2012
DIGI SLOVAKIA, s.r.o. („DIGI") Röntgenova 26, 851 01 Bratislava (od 1. septembra 2013)	TV services, broadband services and TV channels production	52,362	-	(3,247)	-	917	-
PosAm, spol. s r.o. ("PosAm") Odborárska 21, 831 02 Bratislava	IT services, applications and business solutions	12,968	12,968	2,340	2,444	9,619	8,501
Zoznam, s.r.o. ("Zoznam") Viedenská cesta 3-7, 851 01 Bratislava	Internet portal	2,346	2,346	80	343	2,193	2,114
Zoznam Mobile, s.r.o. ("Zoznam Mobile") Viedenská cesta 3-7, 851 01 Bratislava	Mobile content provider	1,410	1,410	75	15	458	383
Telekom Sec, s.r.o. ("Telekom Sec") Kukučínova 52, 831 03 Bratislava	Security services	12	7	(2)	(2)	4	-
		69,098	**16,731**				

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 2013 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 and, except for PosAm, are wholly owned by the Company. The Company acquired 51% of the share capital and voting rights in PosAm. Shares in the subsidiaries are not traded on a public market.

On 1 September 2013 the Company acquired 100% share and voting rights in DIGI for the price of EUR 51,362 thousand. In 2013 the Company paid part of the purchase price in amount of EUR 40,000 thousand with the remaining part of the price in the amount of EUR 8,362 thousand recognized in other payables (Note 27) and of EUR 3,000 thousand recognized in provisions (Note 26). The payable in the amount of EUR 3,362 thousand was paid in February 2014 and payable in the amount of EUR 5,000 thousand was paid in March 2014. Remaining part of the purchase price in the amount of EUR 3,000 thousand shall be payable, net of any indemnity payments by the former owner of DIGI to the Company, on 31 August 2014. The Company established the escrow account in the bank to cover related payments. The balance of the account on 31 December 2013 was EUR 13,000 thousand (Note 23). In October 2013 the Company increased registered capital of DIGI by EUR 1,000 thousand.

In 2013 and 2012 cost of investment in Zoznam and Zoznam Mobile is net of impairment of EUR 1,562 thousand and EUR 938 thousand respectively, as the carrying value of investment exceeded its recoverable amount calculated as a present value of subsidiaries' future cash flows.

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

16. TRADE AND OTHER RECEIVABLES

thousands of EUR	2013	2012
Non-current		
Trade receivables	7,667	5,985
Finance lease receivables (Note 17)	1,475	2,907
	9,142	**8,892**
Current		
Trade receivables	106,674	100,900
Other receivables	173	105
Finance lease receivables (Note 17)	2,025	1,602
	108,872	**102,607**

Trade receivables are net of an allowance of EUR 21,027 thousand (2012: EUR 22,563 thousand).

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

thousands of EUR	2013	2012
At 1 January	22,563	22,316
Charge for the year	16,562	12,421
Utilised	(7,080)	(4,633)
Reversed	(11,018)	(7,541)
At 31 December	**21,027**	**22,563**

17. FINANCE LEASE – THE COMPANY AS LESSOR

A lease is an agreement whereby the lessor conveys to the lessee in return for a payment or series of payments the right to use an asset for an agreed period of time. A finance lease is a lease that transfers substantially all the risk and rewards incidental to ownership of an asset. Title may or may not eventually be transferred.

The Company entered into two lease agreements as a lessor with the commencement of the lease in May 2011 and in August 2013. Based on the agreements, the Company leases terminal equipment (PCs, routers, camera system) and complex telecommunication solutions to the customers. By analyzing the terms of the agreements, the Company concluded that the lease meets the criteria for classification as a finance lease. The main criteria are as follows:

a) Ownership of the assets will be transferred to the lessee at the end of the service 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 service period;
b) Non-cancelable lease period is for the major part of the economic life of the assets concerned (53 months from May 2011 until September 2015 and 24 months from August 2013 until July 2015);
c) The present value of the minimum lease payments amounts to all of the fair value of the leased assets.

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

thousands of EUR	2013	2012
Present value of minimum lease payments		
Not later than 1 year (Note 16)	2,025	1,602
Later than 1 year and not later than 5 years (Note 16)	1,475	2,907
	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 Company does not create any allowance for uncollectible minimum lease payments receivable.

18. PREPAID EXPENSES AND OTHER ASSETS

thousands of EUR	2013	2012
Non-current		
Prepaid expenses	12,628	13,700
	12,628	**13,700**
Current		
Prepaid expenses	5,791	6,266
Other assets	684	2,538
	6,475	**8,804**

19. INVENTORIES

thousands of EUR	2013	2012
Materials	2,185	2,313
Goods	11,372	11,518
	13,557	**13,831**

Inventories are net of an allowance of EUR 2,335 thousand (2012: EUR 2,411 thousand). The write-down of inventories in amount of EUR 195 thousand (2012: EUR 396 thousand) was recognized in cost of material and equipment.

20. INVESTMENTS AT AMORTIZED COST

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

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

In 2012 the Company held state bonds and state treasury bill with short term maturity of up to 1 year. The Company 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 Company's profit for the year ended 31 December 2012 would increase/decrease by EUR 50 thousand/ EUR 66 thousand.

21. AVAILABLE-FOR-SALE INVESTMENTS

thousands of EUR	2013	2012
Non-current		
State bonds	179,779	-
	179,779	**-**
Current		
State bonds	50,170	-
	50,170	**-**

Available-for-sale investments are measured at fair value. In 2013 the Company recognized unrealized gain of EUR 36 thousand in other comprehensive income. No amount was reclassified from equity to income statement in 2013.

Credit quality of non-current available-for-sale investments is as follows: rating A2: EUR 20,010 thousand, rating AAA: EUR 159,769 thousand. Credit quality of current available-for-sale investments is as follows: rating A2: EUR 50,170 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 2013 would increase/decrease by EUR 219 thousand/ EUR 293 thousand.

22. TERM DEPOSITS

thousands of EUR	2013	2012
Non-current		
Term deposits	1,088	-
	1,088	**-**
Current		
Term deposits	142,271	105,961
	142,271	**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 recognized in cash and cash equivalents.

Credit quality of non-current term deposits is as follows: rating A2: EUR 1,088 thousand. Credit quality of current term deposits is as follows: rating A2: EUR 129,971 thousand, rating A3: EUR 12,300 thousand.

23. ESCROW

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

The escrow represents the remaining deposit for the purchase price of DIGI (Note 15). It is expected to be settled within one year.

Credit quality of escrow is as follows: rating A3: EUR 13,000 thousand.

24. CASH AND CASH EQUIVALENTS

thousands of EUR	2013	2012
Cash and cash equivalents	222,221	365,592
	222,221	**365,592**

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 14,099 thousand, rating A3: EUR 181,092 thousand, rating BAA1: EUR 26,106 thousand and rating BAA3: EUR 447 thousand.

25. 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 33.2 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 33.2 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.

As of 31 December 2013, Slovak Telekom had authorized and issued 26,027,500 ordinary shares (2012: 26,027,500) with a par value of EUR 33.2 per share. All the shares issued were fully subscribed. 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 structure of shareholders of the Company at 31 December 2013 and 31 December 2012:

	Number of shares acquired	Value of acquired shares in EUR	Acquired share	Acquired voting rights
Shareholder' name				
CMobil B.V. (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**		

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).

Financial statements of the Company for the year ended 31 December 2012 were authorized for issue on behalf of the Board of Directors of the Company on 14 March 2013.

On 29 April 2013, the Ordinary General Meeting of Slovak Telekom approved distribution of the prior year profit and resolved to transfer part of the prior year statutory profits to the reserve fund, with the remaining part of the 2012 profit being partially declared for dividends and partially retained. On 26 November 2013 the Extraordinary General Meeting of Slovak Telekom approved distribution of retained profits for the years 2011 and 2012 in form of dividends.

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.

In 2013 Slovak Telekom declared and paid a dividend of EUR 2.71 per share (2012: EUR 3.53 per share). On the basis of this proposed appropriation, total dividends of EUR 48,000 thousand were paid in May 2013 and of EUR 22,568 thousand were paid in November 2013 (2012: EUR 92,000 thousand).

Approval of the 2013 profit distribution will take place at the Annual General Meeting scheduled for 30 April 2014.

26. PROVISIONS

thousands of EUR	Legal and regulatory claims	Asset retirement obligation	Acquisition of subsidiary	Termination benefits	Employee benefits	Other	Total
	(Note 32)				(restated)		
At 1 January 2013	1,087	8,162	-	2,799	8,974	1,883	22,905
Arising during the year	26,084	111	3,000	2,768	877	1,262	34,102
Reversals	(11)	(381)	-	-	(2,004)	(79)	(2,475)
Utilised	(134)	-	-	(2,799)	(41)	(896)	(3,870)
Transfer to current liabilities	-	-	-	-	-	(178)	(178)
Interest impact	-	262	-	-	-	6	268
At 31 December 2013	**27,026**	**8,154**	**3,000**	**2,768**	**7,806**	**1,998**	**50,752**
Current	27,026	-	3,000	2,768	-	1,217	34,011
Non-current	-	8,154	-	-	7,806	781	16,741
	27,026	**8,154**	**3,000**	**2,768**	**7,806**	**1,998**	**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 2.20). 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 Company recognized the provision related to unpaid part of the price for the acquisition of DIGI (Note 15).

Termination benefits

The restructuring of the Company's operations resulted in headcount reduction of 261 employees in 2013. The Company expects a further headcount reduction of 170 employees in 2014 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 2013 the Company recognized an expense resulting from termination benefits in amount of EUR 5,317 thousand (2012: EUR 6,047 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 2013 (restated)	8,711	263	8,974
Current service cost	846	31	877
Benefits paid	(22)	(18)	(40)
Remeasurement of defined benefit plans	(1,446)	(47)	(1,493)
Curtailment gain	(512)	-	(512)
At 31 December 2013	**7,577**	**229**	**7,806**

Current service cost includes interest cost on benefit obligation in the amount EUR 284 thousand. Remeasurement of defined benefit plans related to Retirement benefits in amount of EUR 1,446 thousand consists of experience adjustments (EUR 740 thousand) and change in financial assumptions (EUR 706 thousand).

The curtailment gain in amount of EUR 512 thousand resulted mainly from a reduction in the number of participants covered by the retirement and jubilee benefit plans that occurred in 2013 or was announced for 2014. There were no special events causing any new past service cost during 2013 other than the curtailment mentioned above.

Principal actuarial assumptions used in determining the defined benefit obligation and the curtailment effect in 2013 include the discount rate of 3.25%. The expected expense for 2013 has been determined based on the discount rate as at the beginning of the accounting period of 3.20%. 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 13.3 years.

27. TRADE AND OTHER PAYABLES

thousands of EUR	2013	2012
Non-current		
Trade payables	1,087	-
	1,087	**-**
Current		
Trade payables	92,371	74,544
Uninvoiced deliveries	93,691	43,619
Payables for DIGI acquisition (Note 15)	8,362	-
Other payables	686	-
	195,110	**118,163**

28. OTHER LIABILITIES AND DEFERRED INCOME

thousands of EUR	2013	2012
Non-current		
Deferred income	2,691	4,326
	2,691	**4,326**
Current		
Deferred income	32,803	35,750
Amounts due to employees	21,406	16,137
Other tax liabilities	8,247	9,828
Other liabilities	3,075	6,354
	65,531	**68,069**

Amounts due to employees include social fund liabilities:

thousands of EUR	2013	2012
At 1 January	300	198
Additions	1,429	1,661
Utilisation	(1,691)	(1,559)
At 31 December	**38**	**300**

29. COMMITMENTS

The Company's purchase commitments were as follows:

thousands of EUR	2013	2012
Acquisition of property and equipment	15,288	10,895
Acquisition of intangible assets	1,310	14,968
Purchase of services and inventory	97,656	74,589
Guarantee to subsidiary	250	500
	114,504	**100,952**

In December 2012 the Company provided financial guarantee to its subsidiary PosAm to a maximum amount of EUR 639 thousand. The guarantee can be called on and a payment can be required to be made to reimburse the holder IBM Slovensko, s.r.o for a loss it incurs if PosAm fails to make a payment when due in accordance with the terms of the contract between PosAm and IBM Slovensko, s.r.o. Outstanding liability of PosAm and outstanding Company's balance of the guarantee is EUR 250 thousand at 31 December 2013 (2012: EUR 500 thousand). The guarantee is recognized as a commitment, not a liability, based on conditions set in the Letter of guarantee. For maturity analysis see Note 3.3.

30. OPERATING LEASE – THE COMPANY AS LESSEE

The future minimum operating lease payments were as follows:

thousands of EUR	2013	2012
Operating lease payments due within one year	11,937	9,780
Operating lease payments due between one and five years	22,917	11,527
Operating lease payments due after five years	19,831	5,952
	54,685	**27,259**

During 2013 the Company has entered into an operating lease contract for the period of 10 years. The Company has an option to extent 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.

31. RELATED PARTY TRANSACTIONS

thousands of EUR	Receivables		Payables		Sales and income		Purchases		Commitments	
	2013	**2012**	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**
DT AG	3,296	2,196	6,756	8,105	4,551	5,720	6,171	6,536	3,807	6,179
Subsidiaries	95	31	2,219	5,081	1,643	1,167	6,421	6,738	616	867
Other entities in DT AG group	3,881	5,090	4,745	4,411	22,441	13,171	16,798	13,536	13,620	21,007
Other shareholders of the Company	5	2	-	5	54	58	11	14	-	-
	7,277	**7,319**	**13,720**	**17,602**	**28,689**	**20,116**	**29,401**	**26,824**	**18,043**	**28,053**

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. Related parties transactions were made on terms equivalent to those that prevail in arm's length transaction. 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 11,119 thousand (2012: EUR 6,507 thousand) from related parties.

In March 2013 the General meeting of PosAm declared a dividend of EUR 623 thousand (2012: EUR 603 thousand), which was paid in 2013 (Note 8). There was no dividend declared by other subsidiaries in 2013 and 2012.

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 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 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, 13).
The Company also incurred expenses of EUR 2,454 thousand (2012: EUR 3,507 thousand) with respect to other frequency and telecommunication equipment related fees to the Telecommunications Office (Note 7).

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 is approximately EUR 23,859 thousand. In 2013, the Company recognized revenue related to this contract of EUR 5,287 thousand (2012: 5,351 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 2013, the Company recognized revenue related to this contract of EUR 9,784 thousand (2012: 8,940 thousand).

During 2013 the Company purchased electricity and electricity distribution services from the Slovak Government related entities for EUR 8,239 thousand (2012: EUR 8,614 thousand).

During 2013 the Company purchased postal and cash collection services for EUR 4,587 thousand (2012: EUR 5,405 thousand) and leased space for EUR 2,448 thousand (2012: EUR 1,938 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 2013 or 2012.

Compensation of key management personnel

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

thousands of EUR	2013	2012
Short term employee benefits	2,251	2,623
	2,251	**2,623**

thousands of EUR	2013	2012
Executive Management Board	2,153	2,521
Board of Directors	55	57
Supervisory Board	43	45
	2,251	**2,623**

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

32. 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 accuses the Company of ongoing refusal to supply and margin squeeze for unbundled local loops and wholesale broadband access. The Commission alleges on a preliminary basis that the Company implemented a strategy designed to exclude competitors from retail broadband access markets in the Slovak Republic. If proven, the allegations against the Company could lead to a finding that it has infringed Article 102 of the Treaty on the Functioning of the European Union, as well as the imposition of a fine. 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. As of the date of these financial statements, Commission has not decided yet whether it will issue an infringement decision. Should the Commission decide to adopt an infringement decision; the fine will be calculated as a percentage from relevant turnover with a cap of 10% from total prior year turnover. If the Commission was to establish so-called parental liability, such cap would be calculated on the basis of the turnover of the Deutsche Telekom group. If the Commission adopts an infringement decision, it will be appealable to the General Court of the European Union. The management believes that the Company brought strong and relevant arguments in its response to the SO, at the Oral Hearing, and in its response to the Letter of Facts which significantly undermines the Commission's allegations against the Company. The case is complex and there are multiple factors impacting the outcome of the case that at this stage of the proceedings remain contested between the Commission, the Company and DT AG. The Company's level of potential financial exposure would in great part depend on various factors particularly the issue of parental liability and other factors like possible follow up actions.

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 proceedings are currently suspended because of ongoing as settlement negotiations.

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 in September 2012 AMO filed an appeal with the Supreme Court. In February 2014 the Supreme Court referred the case back to the Regional Court for further proceedings. The Regional Court, thus, will hear the case again.

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 as a consequence of the said conduct. 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 other lawsuits against Company and Deutsche Telekom AG seeking damages in total amount of EUR 9,003 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 2013, 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.

33. AUDIT FEES

In 2013 the Company obtained from the audit company PricewaterhouseCoopers Slovensko, s.r.o. statutory audit services in amount of EUR 144 thousand (2012: EUR 161 thousand), other assurance services in amount of EUR 128 thousand (2012: EUR 145 thousand) and other services in amount of EUR 4 thousand (2012: EUR 4 thousand).

34. EVENTS AFTER THE REPORTING PERIOD

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 2013.

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 2013, on which we issued the Independent Auditor's Report on 20 March 2014 and on which we expressed an unqualified audit opinion and emphasis of mater paragraph as follows:

"Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company standing alone as at 31 December 2013, 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 32 to the financial statements that describes current proceedings initiated by the European Commission against the Company and describes the potential implications thereof. The ultimate outcome of the matter cannot presently be determined. Our opinion is not qualified in respect of this matter."

We have also audited the consolidated financial statements of the Company and its subsidiaries (together "the Group") at 31 December 2013, on which we issued Independent Auditor's Report on 20 March 2014 and on which we expressed an unqualified audit opinion and emphasis of mater 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 2013, its financial performance, and 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 33 to the consolidated financial statements that describes current proceedings initiated by the European Commission against the Company and describes the potential implications thereof. The ultimate outcome of the matter cannot presently be determined. Our opinion is not qualified in respect of this matter."

In accordance with the Act No. 431/2002 Coll. on Accounting, as amended, we also verified whether accounting information included in the Company's Annual Report at 31 December 2013 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 audited separate financial statements and in the Group's audited 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 audited separate financial statements and the Group's audited 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 separate and the 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 controls 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 Group's internal controls. We did not verify those data and information in the annual report that were not derived from the individual or the 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 2013 is consistent, in all material respects, with the audited financial statements referred to above.

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

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SKAU licence No. 161

Ing. Štefan Čupil, FCCA
UDVA licence No. 1088

Bratislava, 11 April 2014

Our report has been prepared in Slovak and in 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.