Slovak
Telekom

Contents

I. Introduction of Slovak Telekom Group

Letter to Shareholders

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

Dear Shareholders,

The Annual Report submitted summarises the Slovak Telekom Group's accomplishments in 2009. Because of the economic situation, the year provided multiple inspiring challenges. I am pleased that in achieving them we managed to respect the interests of our customers, shareholders, and business partners.

The consolidated results achieved by the Slovak Telekom Group, totalling EUR 974.2 million, re-confirmed the Group's leading position on the telecommunications market. The subsidiary T-Mobile Slovensko managed to maintain stable revenues amounting to EUR 555.8 million, despite the high saturation rate on the mobile services market and strong regulatory policy of the European Commission.

Thanks to the internal efficiency enhancement programme started back in 2008, the Slovak Telekom Group succeeded in increasing earnings before interest, tax and depreciations to the level of EUR 432.0 million. Net profit generated by the Slovak Telekom Group witnessed a year-on-year increase of 24.3 %, thus totalling EUR 145.5 million. These financial results also contributed to creation of uncommitted resources, from which we were able to pay out dividends to shareholders for past periods in the cumulative amount of EUR 368.7 million.

The Slovak telecommunications market last year was characterised by a slight stagnation, mainly of voice services of both fixed and mobile networks, partly caused by the economic situation. On the other hand, the internet services segment continued to see growth, with the total estimated number of broadband connections exceeding one million, a year-on-year increase of 22 %. Expansion of modern access infrastructure coverage significantly contributed to this development. Slovak Telekom also continued to build FTTx optical networks. At the end of the year, it registered 315,000 households able to use this state-of-the-art technology. At the same time, the Company extended DSL technology penetration, especially in remote Slovak towns. Thanks to miniDSLAM devices, another group of households, more than 75,000, in over 400 remote towns, could use fast and reliable internet connection by the end of the year. T-Mobile Slovensko also continued increasing the broadband internet coverage. At the end of last year, the service was already available to 77 % of Slovak residents. The mobile broadband service was augmented with multiple advantages over the year, with all customers offered both new rates of the HSDPA network and new HSUPA system upgrades (depending on the data hardware supported).

Thanks to increase in coverage, a growing number of households can now enjoy the most popular service under the T-Com brand: Magio digital television. In 2009, Magio Television became available to almost 25,000 Slovak residents, and is currently actively used by more than 60,000 customers. We also started to provide Magio Television through the state-of-the-art satellite technology DVB-S2. Slovak Telekom thus became the first Slovak multimedia operator offering interactive digital television by means of fixed networks (both metallic and optical) as well as satellite technology.

Again in 2009, Slovak Telekom Group's focus was on innovating its portfolio of both fixed and mobile voice services. Fixed line, now positioned as a family line, has become a universal tool for making calls to all networks, with its usage even increasing in calls to Slovak mobile networks. The Company concurrently intensively managed the gradual migration of customers from the traditional voice service segment to internet telephony service (VoIP). Slovak Telekom registered 1.1 million fixed lines at the end of the last year. Multiple attractive products contributed to the stabilisation of the number of fixed lines compared to other dominant operators active in the Central Europe region.

Concerning mobile voice services, T-Mobile Slovensko brought out a number of novelties in all customer segments during the last year. Multiple forms of flexible supplementary services and a brand-new part of the voice services portfolio were introduced. The Company also continued offering customers effective combinations of communication services for families and friends, in line with its new motto presented at the beginning of the calendar year. T-Mobile Slovensko further continued reducing prices of roaming calls made within the European Union and in other countries, and again last year prepared a promotional offer providing even more advantageous prices during the summer.

The Group's products and comprehensive solutions for business people and companies, whether small or big, have been put together so as to best meet customers' communication needs. In fixed voice services, we mainly focus on optional calling plans offering universal use of free minutes for calls to mobile networks and abroad, and free calls into the fixed network. BiznisPartner was the most popular plan in traditional voice operations last year. For new or small companies and freelancers, T-Com had a comprehensive communication solution on offer – the Benefit programme, providing a practical combination of voice services, high-speed DSL internet connection, and the functions of a modern Private Branch Exchange. T-Mobile Slovakia also prepared a number of attractive offers last year in an effort to arrange comfortable and reliable communication for these customers. Among voice plans, the Podnikateľ monthly plan remained the key product, containing free minutes for calls made to all EU and USA networks, within the monthly fee, even in the basic package. Business customers are the target group of a full array of roaming services and products. Several attractive offers are available for customers in the data roaming area, intended to establish effective data communication abroad through notebooks and mobile devices.

The Group continued to profile itself as a provider of comprehensive information and communication services. As part of this strategy, last year Slovak Telekom successfully accomplished negotiations regarding acquisition of a majority stake in the PosAm company, which is ranked among the pre-eminent providers of application solutions, services and infrastructure solutions to corporate customers. Through this acquisition, we sent a clear signal to customers that they have a reliable partner on the market, able to assume responsibility for ICT infrastructure operation and development so customers can focus on their core business activities.

Wholesale services, in the form of selling and leasing data services and infrastructure and providing national and international voice services, again contributed markedly to the Group's total revenues last year. These services generated a full 16.3 % of Slovak Telecom's total revenues. The number of the hubbing partners continued to rise; the volume of hubbing traffic transmitted increased year-on-year by nearly 50 %.

The current economic situation also affected customer behaviour. First of all, they were more aware of consumption, especially in using premium mobile services and mobile content services. In spite of the fact that traditional content downloading services were used less last year than in years before, new projects helped T-Mobile achieve excellent results in this area. One such concept was unlimited music downloading for a monthly fee. The Company developed the concept of micropayments which is one of brand-new areas of mobile business, and this role of cell phones will certainly markedly increase in the future. For example, regarding transportation services were added to enable purchase by SMS of mass transit tickets in Košice and parking fees in three Slovak cities. It is also already possible to order CDs, DVDs, periodicals and films by SMS, and of course the trend of obtaining such services as travel or mountain insurance continues.

In internet content Slovak Telekom is active through the Zoznam and Zoznam Mobile companies. These companies again brought out multiple novelties in 2009, in the form of redesigning the services provided and launching new services in segments where they had not been active. The oVoľbách.sk website is one such new service, one of Slovakia's most comprehensive websites in the pre-election period. Zoznam.sk also maintained its leading position thanks to new services. According to an independent audit carried out by the Mediaresearch company, 58 % of all Slovak users are also its users.

Again in 2009, TRI*M index findings confirmed customer satisfaction with and interest in Slovak Telekom Group products and. The TRI*M index is used to measure customer loyalty by companies the world over. The Company's 2009 results verified the position and high level of TRI*M index in both Slovak Telekom and T-Mobile Slovensko.

Safeguarding customers' data is one of the most important conditions of customer satisfaction. Slovak Telekom satisfied ISO/IEC 27001:2005 information security management system requirements last year, proving that it gives outstanding attention to security of operations and data processing.

The companies of the Slovak Telekom Group applied corporate responsibility principles, which they consider to be an integral part of their corporate values, in all business activities. This shared philosophy was manifest in direct involvement in selected philanthropic, sponsoring and voluntary activities.

In accord with the strategy of Deutsche Telekom, the parent company, we announced integration of the Slovak Telekom and T-Mobile Slovensko companies, to be accomplished in the course of 2010. The integration was aimed at synergising the best that both companies have to offer concerning all areas of their activities: market position, customer base and databases, professional know-how, technologies and support systems, employees, and managers. The strategy of the newly established company will be to continue to use both brands, T-Mobile and T-Com.

Integration will be the key feature of 2010. Developments internationally indicate that the ability to provide integrated solutions for products and services is the main condition for telecommunications operators in the saturated markets to stay competitive. I am certain that the integration of the two companies will enable us to establish a modern telecommunications operator capable of answering all market requirements comprehensively and effectively. We will perform the changes so as to accomplish the objectives defined by shareholders, keeping customers at the centre of all our activities, whose satisfaction comes first.

Miroslav Majoroš
Chairman of the Board of Directors and President

2009 Milestones

January

- **Magio Innovations:** Two new services were added to the portfolio – eSprievodca (electronic guide) and Magio Portal. The eSprievodca service allows customers to program recording via the internet, from wherever they are. Magio Portal is the gateway to customised internet applications, manageable by remote control to the set-top-box.
- **New Logo and Slogan Launched:** T-Mobile Slovensko introduced a new logo and slogan "Zažime to spolu" (Life is for Sharing), together with the original campaign Odkazy (Messages), allowing people to leave a message for their nearest and dearest through various advertising media used by T-Mobile.
- **Innovations with Zoznam:** In cooperation with the Perex publishing house, Zoznam launched a new magazine for women, with the characteristic title oŽene.sk (aboutWoman.sk). NetAuto, an on-line second-hand car shop, is another new product, which aspires to offering the largest ever quantity of vehicles in one place.

February

- Demand for Magio: Customer numbers of digital Magio television exceeded 40,000.
- Changes in the T-Mobile Management: Igor Matejov became Sales Division Executive Director, and František Mala assumed the position of Customer Services Division Executive Director.

March

- Slovak Telekom Group Leading the Market: The Slovak Telekom Group announced its financial results for 2008, retaining its leading position in the telecommunications market with revenue of EUR 1,029 million.
- **Local Loop Unbundling:** Slovak Telekom and GTS Slovakia signed a Contract on Access to Local Loops. Unbundling the local loop will allow GTS Slovakia to use Slovak Telekom's local lines to provide GTS Slovakia customers with its own voice services, broadband internet access and data communication services.
- **Speed Increases:** As of March, customers using the high-speed 4G internet Comfort service, provided under the T-Com brand, enjoyed a higher upload speed for the same conditions.
- **Partnerships:** The iMHD website for public transport started operating under the Zoznam.sk domain in March. This initiated pilot cooperation between the operators of imhd.sk and Zoznam.sk, with the goal of jointly utilising the experience gathered in portal development and applying its positive effects to both websites.

April

- **The Best Employer:** T-Mobile became the best employer and Slovak Telekom ranked fourth in the Best Employers Slovensko 2008 study organised by Hewitt Associates, the largest consultancy and outsourcing company in human resources management. The ranking consisted of 37 prominent companies registered for the study.
- **Shareholders on Dividends:** The Annual General Meeting of Slovak Telekom approved a total dividend payment to shareholders of EUR 368.7 million. Fond národného majetku Slovenskej republiky (National Property Fund SR) received EUR 55.3 million. The Slovak Republic represented by the Ministry of Economy of the Slovak Republic, was paid EUR 125.4 million. Dividends paid to the Deutsche Telekom AG shareholder totalled EUR 188.0 million.
- **Safer Internet Programme for Children:** T-Mobile became a partner to the Zodpovedne.sk (Responsibly.sk) project, to raise awareness on safer use of the internet and mobile phones, and to protect children from dangers related to their use.
- **Stars in Slovakia:**
  - **Vivienne Westwood:** T-Mobile Slovensko brought to in Slovakia an exclusive fashion show by the world famous designer Vivienne Westwood.
  - **Depeche Mode:** Zoznam organised the ultimate concert event of 2009, as part of Depeche Mode's "Tour of the Universe". In addition to Slovakia, the group performed in other 21 countries before some 1.3 million people.
- **T-Mobile Music City:** The second year of the free music projects series was kicked off with a grand event in Poprad.

- **New Service:** Zoznam in collaboration with Westcom introduced a simple system for website creation, free-of-charge for everyone and presented as the Meu.sk service.

May

- **Nadačný fond Supported Contemporary Art:** As part of its fifth grant round, titled Podpora súčasného umenia (Contemporary Art Support), the Nadačný fond ST (Endowment Fund of Slovak Telekom) supported 25 organisations from various Slovak regions in the amount of EUR 73,000. The supported projects included production and presentation of all artistic genres, directly involving or educating the audience.
- **Name Change:** The VoIP service "Hlas cez internet" (Voice over the Internet), offered under the T-Com brand, was renamed to Smart.
- **Summer Entertainment:**
  - **Magio Beach:** The Magio Beach was created on the bank of the Danube for the third year, offering visitors summer excitement, relaxation, entertainment and active leisure. The Company also refurbished a children's playground next to the beach, now available throughout the year.
  - **Dievča leta:** Zoznam.sk organised a highly successful project Dievča leta (Girl of the Summer). A record 1,668 girls enrolled in the competition in 2009.
- **New Services:** Zoznam brought out the new portal Rexik.sk dedicated to all children; it offers useful information, helps shape individual and creative thinking, and develops children's computer skills. Zoznam Mobile, supported by the Zoznam.sk internet portal and in collaboration with the FAT CHILLI company launched a new realty portal titled m2 (square metre). Thus m2 joined LIVING, a noted family of real estate portals.

June

- **T-Com Launched Magio Internet:** A change in the name of key services supported a more transparent product portfolio. Customers got to know Magio internet, Magio TV and Smart internet calling as of June.
- **T-Mobile's 3G Network Speeded Up:** In the beginning of June, T-Mobile Slovensko upgraded HSDPA technology to a higher speed (7.2 Mbps), and launched HSUPA technology for quicker data transfer.
- **Blogging with Slovak Telekom:** The Company presented an open blog platform for people interested in the background of T-Com advertising campaigns or marketing communication in general. Innovations in products and services are among the topics present.
- **Internet Even in Remote Areas:** T-Com started to roll out broadband internet in less populated areas of Slovakia. Using miniDSLAMs, a new special type of equipment, enables Magio internet or Magio TV in areas that had not had any coverage.
- **Supporting Innovation in Education:** A total of EUR 50,000 was provided by the Endowment Fund of Slovak Telekom to 12 organisations in its sixth grant round. Grants were provided to schools, civic associations or non-profit organisations involved in activities directly engaging students in creating the education process.
- **Fourth Corporate Responsibility Report Presented:** Slovak Telekom presented its philanthropic activities, as well as ways of creating attractive working conditions for employees or of communicating with customers. To comply with the environmental protection programme, the CR report is available in an electronic form only at www.slovaktelekom.sk.
- **Facebook on the Front Page:** Given the growing popularity of social networks among Slovak internet users, Zoznam linked the ever more beloved Facebook to its home page and interlinked it with other products.

July:

- **Cosmic Speeds over the Optic Network:** At no charge, T-Com increased speeds of all Magio internet packages provided over the fibre optics, upgrading the high-end package to 80 Mbps. All optical network packages started to be marketed under the common name Optik.
- **Unlimited Music on a Mobile Phone:** For the first time, T-Mobile customers got the chance to download music to their mobile phones with the Surf & Music service; the downloading was included in the monthly fee.
- **iPhone 3GS in Slovakia:** T-Mobile Slovensko brought the new bestseller by Apple to Slovakia.
- **Integration of the Disadvantaged:** As part of two grant rounds, the Endowment Fund of Slovak Telekom supported 30 projects for disabled people in the amount

of EUR 100,000. The grant rounds focused on the integration of disabled youth and socially isolated people into society.

- **Zelená iniciatíva (Green Initiative):** Starting from July, over 200,000 customers receive their printed invoices on a bi-monthly basis. Slovak Telekom also offers its customers the option of switching to electronic billing only.
- **Pohoda with Zoznam:** Again this year, the Zoznam internet portal was part of the popular Pohoda festival in Trenčín.

August:

- **Talented Students Given Laptops or Internet Connection:** The Endowment Fund of Slovak Telekom distributed EUR 12,000 to twenty socially or health-impaired students to use for laptop purchase or internet access.
- **Telephone for Children and Seniors:** T-Mobile Slovensko added to its promotional offering the myPhone CPA Halo, the first handset designed especially for beginners, first-time-users and seniors.
- **Flat-rate for the Hearing Impaired:** The monthly plan segment was expanded to include a special plan for those with hearing impairments, offering a special set of services at a favourable monthly fee.
- **Flexible Calling Plans are Here:** T-Mobile Slovensko launched a new type of monthly programmes Podľa seba (It's Up to You), which customers put together from service packages to match their individual preferences.
- **Platinum Partnership of Slovenský futbalový zväz (Slovak Soccer Association) and the National Team:** Thanks to a platinum partnership, Slovak soccer fans will experience the great sporting moments together with the T-Com and Magio brands.
- **Service Optimisation:** Zoznam optimised the Telephone Directory for use in mobile handsets, making it easier for users to find numbers and access the information they want.

September

- Magio TV watched by 50,000 Customers: Customer numbers of the digital Magio television climbed to 50,000. At the same time, potential customers got the chance to try out the television service for two months for free.
- **Teachers and New Telecommunication Technologies:** Thirty secondary school teachers discussed the latest trends in telecommunications technologies and services at a technical conference, organised by Slovak Telekom for the second time.
- **Unique Hardware for T-Mobile Mobile Internet:** T-Mobile Slovensko added to its offering a unique FLASH-OFDM i 3G data device, combining two technologies in a single modem.
- **New Opportunity for Business People and a Special Portal:** T-Mobile Slovensko in cooperation with the Pontis Foundation, announced another annual 'Hľadáme ďalší zmysel – PRE PODNIKANIE zmyslovo postihnutých' Grant Programme (Looking for Another Sense FOR DOING BUSINESS with the Sense Impaired). A special internet site was also launched for those doing business.
- **New Service:** The Zoznam internet portal expanded its cooperation with the JAGA publishing house to prepare an on-line version of the hobbyists and handymen magazine Urob si sám (Do It Yourself).
- **Awards:** Zoznam took the second prize in the Diamanty slovenského biznisu (Slovak Business Diamonds) competition, which evaluated indicators such as the growth rate and development dynamics of 400 Slovak companies in the segment of small and medium-sized enterprises.

October:

- **Family Line Offered Unlimited Calls:** Customers using a family fixed line were granted round-the-clock unlimited calls to Slovak fixed networks with the Doma Extra calling plan.
- **Integration Announced:** Slovak Telekom and T-Mobile Slovensko announced they were setting up a joint company. Both companies will be legally and organisationally integrated in the course of 2010.
- **PosAm Acquisition Planned:** After several months of negotiations, Slovak Telekom agreed with PosAm, spol. s r. o. to acquire a 51 % majority stake in this company.
- **Recording Via a Mobile Phone:** The Magio eSprievodca (electronic guide) service was made available in a mobile phone version.
- **State-of-the-art Data Centre:** Slovak Telekom started construction of a Data Centre in Bratislava, to be Slovakia's largest and most advanced. The new centre

will provide outsourcing services under the T-Com brand to both large and small companies.

- **New Music Sales Concept in Slovakia:** T-Mobile Slovensko enabled its clients to purchase new music albums by selected music houses for a monthly fee of the customer's choice – with the price per album determined by the customers themselves.
- **OVCE.sk:** T-Mobile Slovensko became a partner of the educational project OVCE.sk, aimed at protecting children as they use the internet and mobile phones.
- **T-Mobile Helping the Community:** The Company announced an employee grant programme to support community projects throughout Slovakia.

November

- **New Magio Functionality:** T-Com launched a Magio TV channel offering practical information on programmes, television channels and films in the video-on-demand library.
- **Successful Fifth Annual Student Conference:** The fifth annual Telekom Day 09 student conference was organised by Slovak Telekom and T-Mobile Slovensko. Close to 100 students in their last two years from telecommunications and IT-oriented universities and colleges had the opportunity to discuss telecommunication innovations and resolve real life case studies.
- **Satellite Magio Television a Reality:** T-Com became the first Slovak multimedia operator to offer interactive digital TV via both the fixed (metallic and optic) network and DVB-S2, the latest satellite technology.
- **T-Mobile Music City:** The second annual T-Mobile Music City series culminated with its biggest event, in Bratislava.
- **New Services by Zoznam:** In cooperation with the Baby-web.sk portal, Zoznam brought out a comprehensive interactive guide intended for all current and future parents. The company also launched a virtual furniture shop called Peper.
- **Optimisation of Zoznam's Key Products for Mobile Phones:** Mobile versions of the Katalóg (Catalogue) and Hľadanie (Search) products were modified for effective display in most mobile browsers and the resolution of modern mobile phone displays. An iPhone application designed for simple and convenient browsing of the Topky.sk news portal became the most frequently downloaded free-of-charge local application from the Apple Store within a few days from its launch.

December:

- **Slovak Telekom Recognised Teachers:** The Company published the results of the fourth annual competition Cena Slovak Telekom (Slovak Telekom Award) for teachers at kindergartens, primary, secondary and special schools who use internet and multimedia in teaching.
- **Optical Network Rollout:** In December, the optical network was available in 19 Slovak towns. The total number of households with service coverage provided over fibre optics topped 315,000.
- **Security Certificate:** Slovak Telekom fulfilled ISO/IEC 27001:2005 requirements (an information security management certificate). This proves to customers how well their data is protected.

Company Profile

Corporate Identity

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

Values identical for all companies forming the Deutsche Telekom Group:

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

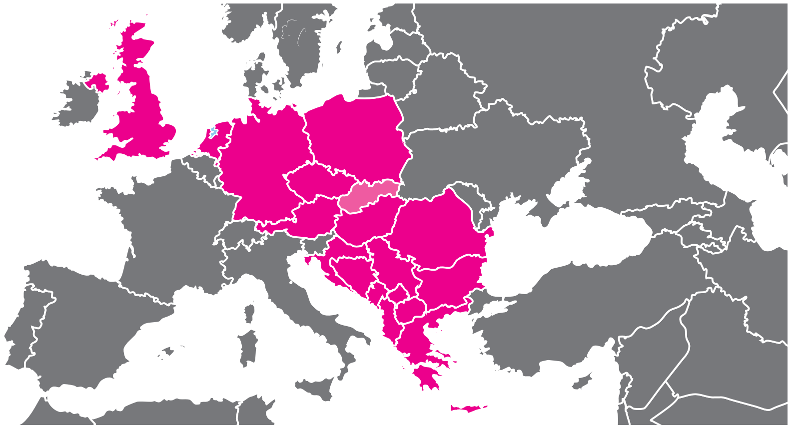
Companies within the Group

The Slovak Telekom Group comprises the parent company Slovak Telekom, a.s. (Slovak Telekom) and its subsidiaries T-Mobile Slovensko, a.s. (T-Mobile Slovensko), Zoznam, s.r.o. (Zoznam), Zoznam Mobile, s.r.o. (Zoznam Mobile), Telekom Sec, s.r.o. (Telekom Sec), and PosAm, spol. s r.o. (PosAm; from 29.1.2010) The Institute of Next Generation Networks (Institute of NGN), a special interest association of legal entities, is also part of the Slovak Telekom Group.

The Slovak Telekom Group as the provider of comprehensive telecommunications services offers its customers fixed network services, internet connection, digital television services, data services, sale of terminal equipment and commercial call centre services (under the T-Com brand), mobile communication services (T-Mobile Slovensko), internet content (Zoznam and Zoznam Mobile), as well as security services (Telekom Sec) and IT services (PosAm). Institute of NGN is an interest association of legal entities to support development of NGN technology in Slovakia.

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

Presence of Deutsche Telekom AG in Europe



Slovak Telekom

Slovak Telekom is a multimedia operator with many years' experience and international expertise, bringing innovative technology trends to Slovak telecommunications market. The Company owns and operates a telecommunications network, which covers the entire territory of the Slovak Republic, providing national and international voice services and a wide portfolio of modern data services under T-Com brand. It is also the largest provider of Magio broadband internet in Slovakia. As Slovakia's first multimedia operator, it offers interactive digital TV via both fixed (metallic and optic) network and DVB-S2, the latest satellite technology. The Company operates one of the largest next generation networks (NGN) enabling the use of voice and data services on one common IP platform. In order to be able to provide Slovakia's citizens with new and more convenient services, the Company has made huge investments in extension of its optical infrastructure. Overall TRI*M index score of Slovak Telekom in 2009 reached 74 points within residential segment and 76 points within business segment, confirming the Company's position among the best of European fixed telecommunications service operators.
Slovak Telekom is certified for quality management in line with EN ISO 9001:2000, and the environmental management certificate according to the EN ISO 142001:2004 standard. The Company is part of the multinational Deutsche Telekom Group (Frankfurt, Amtlicher Handel: DTE/NYSE: DT).

Registered Offices:
Karadžičova 10, 825 13 Bratislava
Legal Form:
Joint-stock company
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:
Tatra banka, a.s., Bank Account Number: 2628740740/1100,
IBAN:SK28 1100 0000 0026 2874 0740

Principal Business Activities of the Company:
- provision of telecommunications services against payment (transmission, processing, creation and mediation of information) for individuals and legal entities, namely voice, graphical, picture, data, information and multimedia telecommunications services and all combinations thereof
- setting up, operation, construction, maintenance, and servicing of the telecommunications equipment, networks and information technologies owned by other entities, under concluded contracts,
- preparation and updating of information databases for information systems in the telecommunications sector,
- publishing, distribution and sale of directories of subscribers of individual telecommunications services (on various media),
- connection of a specific part of the public telecommunications network to the international telecommunications network, concluding of international agreements in telecommunications related to the business activities of Slovak Telekom, and proposing prices and tariffs for domestic and international services, including billing and clearing thereof.

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

T-Mobile Slovensko

T-Mobile Slovensko is a leading telecommunications company providing mobile voice and mobile data communications services in Slovakia. The sole shareholder of T-Mobile Slovensko is Slovak Telekom, a subsidiary of Deutsche Telekom AG. As at 31 December 2009, T-Mobile Slovensko provided its services to 2.376 million customers. T-Mobile Slovensko was the first mobile operator to introduce multimedia messaging (MMS) service, as well as the EDGE technology and BlackBerry solution in Slovakia, and to launch the commercial operation of the UMTS third generation network. T-Mobile Slovensko was the first mobile operator in the world to have launched the FLASH-OFDM mobile data technology in a country-wide operation, based on which it provides its customers with the Rýchly internet service (Fast Internet), mobile broadband Internet access available in Slovakia. T-Mobile Slovensko is the sole mobile operator in the Slovak Republic providing its customers with mobile Internet access over four high-speed data transmission technologies – GPRS/EDGE, Wireless LAN (Wi-Fi), UMTS FDD/HSDPA and FLASH-OFDM. T-Mobile Slovensko is deemed to be the leader in providing telecommunications services in the most demanding segment of business customers, both in scope and quality of services. Eight of the ten largest banking institutions in Slovakia utilise comprehensive telecommunications service solutions from T-Mobile Slovensko. T-Mobile Slovensko is the operator with the largest number of roaming partners. Customers can use roaming services in the networks of 404 mobile operators in 202 destinations, and GPRS and MMS roaming with 212 GSM operators in 108 destinations worldwide.

Registered Offices:
Vajnorská 100/A, 831 03 Bratislava
Legal Form:
Joint-stock company
Date of Incorporation:
16 December 1996
Identification and tax information:
Company ID No (IČO): 35 705 019, Tax Payer ID (DIČ): 2020264829,
VAT ID No (IČ DPH): SK 2020264829

Banking information:
Tatra banka, a.s., Bank Account No.: 262 102 3511 / 1100,
IBAN:SK93 1100 0000 0026 2102 3511

Principal Business Activities of the Company:

- establishment and operation of public mobile telecommunications networks over the frequencies assigned under the Licence of the Telecommunications Office of the Slovak Republic,
- provision of a public mobile telephone service via mobile public telecommunications networks referred to in the previous paragraph,
- establishment and operation of a public data packet-switched network,
- provision of a public data service via public telecommunications networks,
- establishment and operation of a public mobile telecommunications network, which is designated as the third generation network and complies with the UMTS standards, over frequencies assigned under the Licence of the Telecommunications Office SR,
- establishment and operation of a fixed telecommunication network for the purposes of the interconnection or connection of facilities of the third generation mobile network,
- provision of public mobile telephone service and full scope of data and multimedia services via the third generation mobile network,
- information society services,
- installation and repair of telecommunications facilities connected to the unified telecommunications network,
- advisory activities in the area of the public mobile cellular radiotelephone network,
- advisory activities in the area of the public packet network for data transmission.

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

Zoznam

One of the most frequently visited Slovak internet portals, Zoznam.sk – www.zoznam.sk, operated by the Zoznam company, originated in 1997. It is specialised in Slovak internet website search and it also offers the internet users everything that the Slovak internet can offer, all that in a transparent form. Therefore Zoznam.sk today offers over 40 on-line products. The most important products of the Zoznam.sk portal include a news server Topky.sk, specialised magazines (oŽene.sk, Mojdom.sk, Dromedar.sk, oPeniazoch.sk, Autoviny.sk), and the freemail service mail.zoznam.sk, community gaming portal Pauzicka.sk, community portal for sharing multimedia content Free.sk, internet shop Z-Obchody.sk, and job portal Kariera.sk. A catalogue of companies 'Katalóg firiem' plays a key part in the Zoznam.sk service portfolio, enabling small businesses to present themselves and their contact information professionally on the Internet. The Zoznam internet portal strengthened its stable position in the Slovak internet market through new projects in 2009. Zoznam's position in the specialized magazine segment had also got stronger. Also in 2009, Zoznam.sk commenced cooperation with the operator of imhd.sk (a public transport website).
An independent audit by Mediaresearch company in November 2009 showed the visit rate of Zoznam.sk portal and its products (except Topky.sk) totalling 1,504,560 real users, which is an 8% increase over the previous year. The Topky visit rate came to 899,846 real users during the given period, representing a 13% visit rate increase.

Registered Offices:
Viedenská cesta 3-7, 851 01 Bratislava
Legal Form:
Limited liability company
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:
Tatra banka, a.s., Bratislava branch, Bank Account Number 2624131673/1100

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

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

Zoznam Mobile

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

Registered Offices:
Viedenská cesta 3-7, 851 01 Bratislava
Legal Form:
Limited liability company
Date of Incorporation:
30 September 2002
Identification and tax information:
Company ID No (IČO): 35 844 621, Tax Payer ID (DIČ): 2020288732,
VAT ID No (IČ DPH): SK2020288732
Banking information:
Tatra banka, a.s., Bank Account Number 2620748430/1100

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

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

Telekom Sec

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

Registered Offices:
Kukučínova 52, 831 03 Bratislava
Legal Form:
Limited liability company
Date of Incorporation:
25 October 2006
Identification and tax information:
Company ID No. (IČO): 36691143, Tax Payer ID (DIČ): 2022269865,
VAT ID No (IČ DPH): SK2022269865
Banking information:
VÚB; Bank Account Number: 2233303757/0200

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

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

Institute of NGN

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

Association's Registered Offices:
Poštová 1, 010 08 Žilina
Legal Form:
Interest association of legal entities.
Incorporation Date with the Associations Registry:
23 October 2006
Identification and tax information:
Company ID No. (IČO): 37983229, Tax Payer ID (DIČ): 2022268787,
VAT ID No (IČ DPH): SK2022268787
Banking information:
VÚB; Bank Account Number: 2231898857/0200

Principal Business Activities of the Association

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

Members:
Slovak Telekom and University of Žilina.

PosAm, spol. s r. o. (from 29. 1. 2010)

From 29 January 2010 Slovak Telekom owns 51% of shares of the company.
PosAm has been operating on the Slovak and Czech IT market since 1990.
The company is certified by ISO 9001:2000, ISO/IEC 20000-1:2005, ISO/IEC 27001:2005, OHSAS 18001:2007 and ISO 14001:2004. PosAm is the holder of the National Quality Award and as the first Slovak based company it was granted the award „Recognized for Excellence in Europe" by the European Foundation of Quality Management (EFQM). PosAm became a general member in 2007.

PosAm focuses on providing IT services, application solutions and infrastructure solutions to corporate customers. National and international quality awards together with unique implementations of its solutions and services underline the strong market position in the area of information technology in Central Europe. Long term relationships with partners like Citrix, Hewlett-Packard, IBM, Microsoft and Oracle, investments into employee training, innovative and visionary potential of the company's management ensure continuous improvement and top performance. PosAm's goal is to deliver usefulness through unique solutions based on information technologies.

Registered Offices:
Odborárska 21, 831 02 Bratislava
Legal Form:
Limited liability company
Incorporation Date with the Associations Registry:
3 Janurary 1994

Principal Business Activities of the Company :

- poskytovanie aplikačných riešení, služieb a infraštruktúrnych riešení korporát-nym zákazníkom

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

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

- Podnikateľská aliancia Slovenska – PAS (The Business Alliance of Slovakia)
- Republiková únia zamestnávateľov – RÚZ (National Union of Employers)
- 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 (Creative Industry Forum)
- Inštitút pre elektronickú zdravotnú dokumentáciu – Prorec (Institute for Electronic Healthcare Records)
- 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)
- Košice IT Valley (till 31. 1. 2010)
- Klub firemných darcov (Corporate Donors Club)
- Business Leaders Forum – BLF
- HN klub
- Medzinárodný klub (International Club)
- Slovenská asociácia finančníkov (Slovak Association of Finance Officers)
- Združenie pre riadenie a rozvoj ľudských zdrojov (Slovak Association for Human Resources Management and Development)
- Asociácia pre prenositeľnosť čísla (Number Portability Association),
- Spoločnosť pre projektové riadenie (Project Management Association of Slovakia)
- Slovenská asociácia pre vedomostnú spoločnosť – SAKS (Slovak Association for Knowledge Society)

Slovak Telekom is represented in the following international organisations:

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

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

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

- IT Asociácia Slovenska (IT Association of Slovakia),
- Americká obchodná komora v Slovenskej republike (American Chamber of Commerce in the Slovak Republic),
- Slovensko-nemecká obchodná a priemyselná komora (Slovak – German Chamber of Commerce and Industry),
- Business Leaders Forum
- Republiková únia zamestnávateľov (National Union of Employers)
- Združenie pre riadenie a rozvoj ľudských zdrojov (Slovak Association for Human Resources Management and Development)
- HR Open Forum

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

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

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

Corporate Governance at Slovak Telekom Group

Organisational structure of the company

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

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

Slovak Telekom has long paid particular attention to the internal control environment. The company's management considers the system of the internal control environment to be an important task and Slovak Telekom as a subsidiary of Deutsche Telekom, AG, listed on the New York stock exchange, is involved in the S-OX 404 project within the Deutsche Telekom Group. The main focus of management at Slovak Telekom in this regard is on the control of internal processes and standards. The results of internal testing of the control environment (system) are the subject of a control performed by the company's internal and external audit, which will concurrently serve as the basis for the statement 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 2009 were: T-Mobile Slovensko, Zoznam, Zoznam Mobile, and Telekom Sec. All subsidiaries acted as separate legal entities.

Slovak Telekom

An inherent component of the system of governance in 2009 was the company's organisational structure, which determines its basic arrangement, divided into:
- the company's bodies
- executive management

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

Company Bodies

The General Meeting is the supreme body of the company. The General Meeting's scope of authority is defined by the company's Articles of Association.

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

The Supervisory Board is the supreme controlling body of the company. It oversees the performance of the Board of Directors' competences and the execution of the company's business operations. Members of the Supervisory Board met four times in the course of 2009: in March, June, October and December.

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

Board comprises the top-level managers of the Company and a representative of T-Mobile Slovensko nominated by its Board of Directors. Members of the Executive Management Board are responsible to the Board of Directors for their activity.

T-Mobile Slovensko

An inherent component of the system of governance is the company's organisational structure, which determines its basic arrangement, divided into:
- the company's bodies and
- executive management

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

Company Bodies

The General Meeting is the supreme body of the company. The General Meeting's scope of authority is defined by the company's Articles of Association.

The Board of Directors is the statutory body of the company. It is authorised to act on behalf of the company in all matters and represents the company vis-à-vis third parties. The Board of Directors governs the activity of the company and decides on all company matters, unless these are reserved by legal regulations or the Articles of Association for the exclusive competence of other company bodies or employees, or unless delegated by the Board of Directors to other bodies.

The Supervisory Board is the controlling body of the company. It oversees the performance of the Board of Directors' competences and the execution of the company's business operations. Members of the Supervisory Board met four times in the course of 2009, in March, July, October and December.

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

Zoznam

Company Bodies

The General Meeting is the supreme body of the company. Pursuant to Section 132 of the Commercial Code, the powers of the General Meeting are 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 are two company executives. Their powers are stipulated in the Memorandum of Association.

Zoznam Mobile

Company Bodies:

The General Meeting is the supreme body of the company. Pursuant to Section 132 of the Commercial Code, the powers of the General Meeting are 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 are two company executives. Their powers are stipulated in the Memorandum of Association.

Telekom Sec

Company Bodies

The General Meeting is the supreme body of the company. Pursuant to Section 132 of the Commercial Code, the powers of the General Meeting are 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 2009 General Meeting session was held in March.

The statutory body of the company are two company executives. Their powers are stipulated in the Memorandum of Association.

Institute of NGN

Company Bodies

The General Meeting is the supreme body of the association. It consists of all association members. The authority of the General Meeting is stipulated in the Articles of Association.

Statutory bodies (executives) are entitled to act on behalf of the association. The association has two executives; their powers are stipulated in the Articles of Association.

The Board of Trustees is the controlling body of the association. It consists of three members.

The chairman of the association's powers are stipulated in the Articles of Association.

PosAm

Company 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 are three company executives. Their powers are stipulated in the Memorandum of Association.

Code of Conduct

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

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

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

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

Quality Policy

Slovak Telekom has implemented and certified systems of quality management and environmental management according to the requirements under the **ISO 9001:2000** and **ISO 14001:2004** standards. This places Slovak Telekom among firms that emphasise not only satisfying customer needs but also corporate responsibility and environmental protection.

Utilising Quality Policy and Environmental Policy enhances continuous improvement of managing systems, as verified by auditors from TÜV NORD Czech.
An external sustainability audit confirmed both certificates for "Development and Provision of Data Services, Desktop Services and LAN Services including Helpdesk, for Business Segment Clients in Business and State and Public Administration".

In 2009 the Executive Management Board decided to certify the information security management system. Slovak Telekom thus joined other Deutsche Telekom Group companies that pay extraordinary attention to operation and data processing security.
The successful certification audit in December confirmed that the implemented processes and procedures fully comply with **ISO/IEC 27001:2005** requirements. This proves to customers how well their data is protected.

Quality improvement at **T-Mobile Slovensko** throughout 2009 derived from a long-term quality enhancement strategy in sales and customer service processes. The retail sales network, now successfully merged, is an example of achieving consistent and improved customer service quality and a high level of professionalism in all locations throughout Slovakia. Customers receive service from highly qualified staff, managing both mobile and fixed telecommunication requests at one place. The Company's priority is the quality of employees in direct contact with customers.

The Company's quality management philosophy stimulates managers to continuously improve quality both through more extensive measurement of key customer processes and by means of ongoing identification of best practices in quality customer service. In 2009 quality management was gradually extended to include internal support processes, to transparently establish and manage the quality of activities supporting the front-lines employees.

Ongoing quality improvement requires investments in employee development. T-Mobile Slovensko conducts numerous training programmes to prepare employees, both methodologically and managerially to meet quality and process improvement challenges. One example can be employee exchange visits within the Deutsche Telekom Group, focused on implementing quality improvement projects. Considerable benefits were also achieved through the Six Sigma programme, which increased customer satisfaction through systemic focus on customers and enhanced the Company's efficiency, e.g. service payment processing. This programme also often helped increase the revenue, by adjusting service parameters or simplifying service availability.

Executive Management Board of Slovak Telekom in 2009

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

Executive Management Board of Slovak Telekom

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

He was born in 1959. 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 October 1993 being appointed to head the company. As of 1994 he worked as sales director of IBM Slovakia for industry sectors, over the years 1998 – 2000 he was the general manager of IBM Slovakia and from 2000 to 2002 was the general manager of IBM Czech Republic and Slovakia. He has been company President/CEO and a Member of the Board of Directors of Slovak Telekom since 2003. In 2005 he was elected Chairman of the Board of Directors of Slovak Telekom.
He has been a member of the Board of Directors of the subsidiary T-Mobile Slovensko since 2003, and became Chairman of the Board in 2009. He is a member of the Board of Trustees of the IT Association of Slovakia, a member of the Presidium of National Union of Employers and a member of the programme council of the Business Alliance of Slovakia.
He is a member of the Parliamentary Commission for Transport, Posts, Telecommunications and Informatisation of the Parliamentary Committee for Economy Policy.

Dipl. Ing. Rüdiger J. Schulz
Senior Executive Vice-President for Sales, Marketing and Technology/COO

After his studies of electrical engineering at the University of Hamburg he also focused on telecommunications, and later added business management study at the University in Koblenz. His professional career began with service in the German navy as chief engineer responsible for logistics, technical operations and ship-fitting.
R. J. Schulz joined the Deutsche Telekom Group in 1992. In the beginning he was responsible for technology platforms, and later became responsible for Marketing & Sales in the retail and business segment. In 1996 he took over the position of Senior Executive Vice President of Deutsche Telekom's Business Customer Branch Office in Hannover, and from 1999 he was also responsible for residential customers.
Beginning in 2002 he managed marketing and sales of the T-Com brand in the northwest region of Germany for nearly 45,000 business clients. In 2005 he began working for T-Systems as Executive Vice President of Business Customers and Large Enterprises in the north-east region of Germany and developed his experience in the IT area.
He joined Slovak Telekom in November 2006, taking over the position of Senior Executive Vice-President for Marketing, Sales and Technology/COO and is a member of the Executive Management Board being responsible for T-Com's product and service portfolio in the business, residential and wholesale segment and as well for production in general: that means the production platform and information technology.
Rüdiger J. Schulz is also a member of the Board of Directors of the Slovak – German Chamber of Commerce and Industry.

Szabolcs Gáborjáni-Szabó, CFA
Member of the Board of Directors and Senior Executive Vice-President for Finance/CFO

Szabolcs Gáborjáni-Szabó was born in 1970. He studied Mathematics and Computer science at the Eötvös Loránd University in Budapest and at the same time Economics at the Faculty of Management at the University of Economic Sciences in Budapest. In 2000 he gained the degree CFA (Chartered Financial Analyst) at the CFA Institute. His professional career began at the Hungarian Commercial and Credit Bank – K&H Bank, in the Special Project Financing Department. In 1995 – 1996 he worked at the Budapest Derivatives Exchange and from 1996 worked in the financial field in the company Magyar Telekom and its subsidiaries, holding, among others, the position of Deputy Director of the Controlling division (from 1999 to 2001) and Director of the Group Treasury Branch. In 2005 he joined Slovak Telekom as CFO and a member of the Boards of Directors of both Slovak Telekom and T-Mobile Slovensko.

PhDr. Anna Hudáková
Executive Vice-President for Human Resources/CHRO
(until 31 December 2009)

She was born in 1959. At the Pavel Jozef Šafárik University in Prešov, she specialised in adult education and training, and supplemented her qualification through further education at home and abroad, for example, in the field of human resource management, managerial skills, finance and accounting for managers operating in the non-finance sector. Her career began in 1983 at the Slovak Academy of Sciences in Košice, later working as an expert in the East Slovakia Museum in Košice. From 1992 she worked as the business manager at Coca Cola Amatil Slovakia, where in 1995 she became the manager for human resources. In May 1998 she became the human resources manager for Slovakia and the Czech Republic in the company Slovak International Tabak, a. s., Reemtsma Hamburg, were she was a member of the management. From January 2001 to December 2009 she worked at Slovak Telekom where she held the position of Executive Vice-President for Human Resources/CHRO. She is also president of the Slovak Association for Human Resources Management and Development.

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

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

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

He was born in 1969. After graduating in 1993 from the Faculty of Economy at the University of Agriculture in Brno he continued his studies through training programs at the London Business School and the prestigious Columbia University in New York.
In 1993 - 1997 he worked as Brand Manager and Group Manager at Benckiser and then held the post of Group Brand Manager at RJ Reynolds, for the Camel brand among others.

He joined RadioMobil (nowadays T-Mobile) in the Czech Republic in 1997, where he was the marketing communication manager in 1997 – 2000. His responsibilities included ATL, BTL, sponsorship and the development of the Paegas and Twist brands. Later he was promoted to the post of residential segment marketing manager (2001-2002). During his years at RadioMobil he was also responsible for rebranding the company into T-Mobile.
He joined T-Mobile Slovensko in 2002 as Marketing Director; he managed segment management, pricing, products and services, mobile content, marketing communication, CRM, retention and other areas. In that position he was also responsible for the entire rebranding of EuroTel to T-Mobile, which took place in 2005.
Milan Vašina assumed the position of T-Mobile's CEO as of 1 March 2007. He is also a member of the Executive Management Board of Slovak Telekom.

Mgr. Petra Berecová
Executive Vice-President for Human Resources/CHRO (as of 1 January 2010)

Petra Berecová studied at the Faculty of Arts of 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 has been with T-Mobile Slovensko since 2005, initially as a senior manager for compensation and employee benefits. She has managed T-Mobile's Human Resources Division since 2007, and as a member of top management she participates 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.

Board of Directors of Slovak Telekom

Ing. Miroslav Majoroš
chairman

Ing. Jaroslav Volf
vice-chairman

Szabolcs Gáborjáni-Szabó, CFA
member

Dr. Ralph Rentschler
member

Dr. Lutz Schade
member

Ing. Ivan Doletina
member

Ing. Vladimír Zeman
member

Supervisory Board of Slovak Telekom

- **Wolfgang Hauptmann** – chairman
- **Pavol Dlhoš** – vice-chairman
- **Albert Matheis** – member
- **Anton Štefko** – member
- **Ing. Jiřina Perényiová** – member
- **Norbert Schmidt** – member
- **Ing. Július Maličký** – member
- **Milan Brlej** – member
- **Ing. Ján Hláčik** – member

II. Telecommunications Market in Slovakia

Legislative Conditions and Market Regulation

Legislative Conditions

On the European level, the revision process related to the New Regulatory Framework (NRF) continued in 2009.

Amended directives forming the regulatory framework for electronic communications were published in December 2009, intended to bring about improved consumer rights protection, privacy protection, broader and more flexible options of service selection and faster broadband coverage rollout throughout Europe. A Body of European Regulators for Electronic Communications (BEREC) was also established. The Body will consist of 27 heads of national regulatory authorities and is meant to facilitate consistent provision of electronic communications services across Europe at competitive conditions. Thus there is a tendency towards stronger supranational regulation. The revised regulatory framework is to be transposed in the Member States' legislation by June 2011.

An Amendment of Act 308/2000 on Broadcasting and Re-transmission, transposing the EU Audiovisual Media Services Directive 2007/65/EC into Slovak legislation, became effective as of 15 December 2009. The Amendment expanded the substantive and personal scope of the Act to television programme broadcasting over the Internet and to the provision of on-demand audiovisual media services, with providers of such services also assigned duties beyond those in Directive 2007/65/EC.

Market Regulation

Because of ongoing consolidation and mergers of alternative operators in the market, the number of such alternative operators interconnected with Slovak Telekom in 2009 came to 8. Under the influence of Europe-wide regulation trends, the national regulator maintains a close watch on interconnection pricing.

Already towards the end of 2008, the Slovak Telecommunications Office (TO SR), the national regulatory authority, initiated a significant change in conditions of number portability. Slovak Telekom actively participated in the change preparations over 2009. Consequently the Company implemented the new conditions successfully, including major shortening of deadlines, more options to enquire about ported numbers, and closer collaboration among operators.

A European Commission inspection visited Slovak Telekom on 13 January 2009 to investigate the alleged abuse of the dominant position in the broadband internet access market. The EC started proceedings on 8 April 2009, emphasizing that commencing such procedure did not mean the Commission had adopted a final conclusion on assessing the alleged abuse. Slovak Telekom continued its open and intensive discussion with the European Commission throughout 2009.

In March 2009, GTS Slovakia became the first electronic communication services provider to sign a contract for access to local loops. The first points of collocation were constructed towards year-end. As every year since the Reference Unbundling Offer was published, prices again decreased in 2009.

At the European Commission level, the second draft recommendation on regulating access to such new infrastructure types was prepared in 2009. Slovak Telekom actively collaborated with the TO SR in analysing the relevant markets of wholesale broadband access and wholesale physical access. The Company's endeavour is to achieve objective and appropriate consideration of the market environment, dynamically changing mostly owing to implementation of new access infrastructures and next generation technologies in relevant markets.

On 4 April 2009 Slovak Telekom made public its new Reference Offer for Wholesale Broadband Access, in line with the corrected second-instance decision by the TO SR regarding a significant market power on the wholesale broadband access market. Slovak Telekom achieved a more effective and enforceable price regulation model, which can also be applied to wholesale broadband access composed of ISP Gate/ISP Gate Plus and ADSL Partner services.

According to the TO SR Decision, Slovak Telekom is the universal service provider as of April 2006 and is discharging its full universal service obligations. Details regarding the universal service provision are governed or are to be provided for in the execution rulings of the TO SR and the Ministry of Transport, Posts and Telecommunications of the SR. Insufficient or completely absent execution rulings can be viewed as one of the shortcomings resulting in the legal uncertainty of the universal service provider; the case is similar regarding excessive procrastination in proceedings on determining reimbursement from the universal service account, as already requested by Slovak Telekom in November 2007. The Office issued the first-instance decision in October 2009 and approved reimbursement to Slovak Telekom for the net loss on providing public payphones and services for the handicapped. At the end of 2009 Slovak Telekom requested the reimbursement of net loss on universal service provided during 2007 and 2008.

1 September 2009 was the effective date of Decree 612/2008 issued by the Ministry of Interior of the Slovak Republic. This required providers of public telephone networks and public telephone services to harmonise the display of calling line identification presentation and localisation data provided to the Integrated Emergency System coordination centre for emergency calls. Slovak Telekom fully arranged to provide the above information to the emergency system in line with the Decree; this applies to those who use ST's public telephone network and services.

In the area of protecting competition in 2009, Slovak Telekom filed a legal action-appeal against the second-instance decision of the Antimonopoly Office of the SR (AMO SR) in June 2009, in which the AMO SR decided that Slovak Telekom had abused its dominant position. It imposed a fine of EUR 17.45 million for squeezing competitors' price margins in the provision of fixed telephone services and dial-up services and for the tying and bundling of services to the service of public fixed telephone network connection. Throughout the administrative proceedings, Slovak Telekom submitted the AMO SR abundant evidence demonstrating that the Company had not violated its dominance on any relevant market. Along with filing the legal action, the Company petitioned the Regional Court in Bratislava to stay the execution of this second-instance decision, and in June 2009 the Court granted the stay.

In 2009 the AMO SR again investigated, in second-instance proceedings, the case of alleged unauthorised non-provision of access to local loops, during the period prior to when the TO SR imposed the obligation of local loop unbundling. The Bratislava Regional Court in 2007 annulled both decisions on dominant position abuse and sanctioning of Slovak Telekom, in this case for the reason of that failure to comply with an obligation not imposed by law cannot be fined. Despite this conclusion of the Regional Court, the AMO SR again imposed on ST a fine of EUR 29.38 million on the first instance level in August 2008. Slovak Telekom appealed against this decision within the statutory period. Despite the remaining deficiencies, the AMO Council rejected the appeal and maintained its original decision. Slovak Telekom filed a legal action for repeated deficiencies in the AMO SR decisions to the Regional Court in Bratislava within the statutory period also requesting the court to stay the execution of the decision until the final and conclusive disposition of the matter. The Regional Court in Bratislava granted the stay in June 2009.

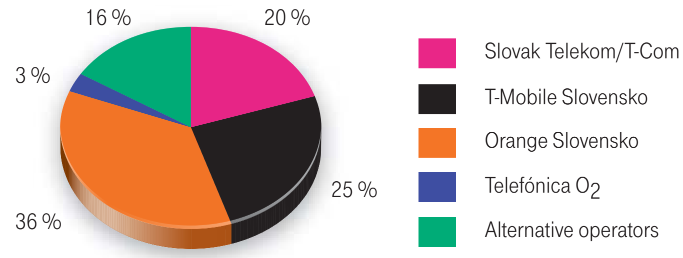
In 2009, AMO SR again examined, in second-instance proceedings, the case of alleged unauthorised competitor price squeezing in the 2004 tender for data virtual private network provision. Both AMO SR decisions in the above matter were annulled by the Regional Court in 2007 because of several errors rendering the AMO SR decisions unlawful. Yet, with no addition to the files other than one independent expert's opinion (which indicated the AMO SR used incorrect estimates to calculate the competitor's margin in this case), in October 2008 the Office decided on the first instance level that Slovak Telekom abused its dominant position, and imposed a fine of EUR 2.42 million. Slovak Telekom appealed the decision. The AMO SR Council rejected Slovak Telekom's appeal in March 2009 and upheld the first-instance decision. Slovak Telekom filed a legal action with the Regional Court in Bratislava within the statutory period, on the grounds of repeated deficiencies in the AMO SR decisions, also requesting the court to stay the execution until the final and conclusive disposition of the case. The Regional Court in Bratislava granted the stay in June 2009.

Telecommunications Market Development

The Slovak telecommunications market experienced a slight year-on-year decrease in 2009, mainly due to unfavourable impacts of the economic crisis. The areas of mobile and fixed voice and, partially, also data services were the segments, which experienced the largest fall. Other market segments such as internet and mobile data services experienced a slight increase, despite the crisis. The slow-down compared to the preceding period was also a result of the rising market saturation and intensive price competition. Telecommunications operators further extended their product portfolios, invested in their infrastructure, and enhanced the quality of customer care.
The most important events of 2009 included major investments of fixed operators in extending optical and wireless infrastructure for high-speed internet connection and digital television services, as well as acquisitions of local alternative operators. An ongoing market consolidation, which will strengthen the position of players operating nationally with a comprehensive offer of telecommunications services, can be expected. The determining trend in mobile communications in 2009 was an increase in the number of users of mobile internet services and continuous growth of the proportion of invoiced services customers as part of the overall customer base, increasing accessibility and enhanced quality of 3G data services thanks to operators' investments in network infrastructure. The presence of the third mobile player, Telefonica O2, intensified competition, as manifested in the general price decrease of mobile voice and data services.

The total estimated revenues from sales in the telecommunications market in the Slovak Republic in 2009 reached 2.25 billion EUR, with year-on-year decrease of approximately –2.0%. Compared to the preceding year, the internet services segment achieved the highest increase in revenues in absolute numbers. The Slovak Telekom Group confirmed its dominant position with a market share of 43.0% of non-consolidated revenues in 2009.

Market Share of Individual Operators in 2009 (%)



Source: Slovak Telekom, a. s., T-Mobile Slovensko, a. s., Orange Slovensko, a. s., Telefónica O_2, a. s.

Fixed Services Market

The fixed network voice services market showed gradual decrease of revenues as a result of substitution by mobile voice services and voice services based on IP or broadband internet. As the biggest provider of fixed network services, Slovak Telekom aims to stabilise revenues thanks to its perspective of the best possible customer-oriented service and voice services provision in connection with other data products.

Slovak Telekom, providing its services under the brand T-Com, registered a total of 1.1 million voice accesses (including Voice over Internet) by the end of last year. The decrease in the number of customers of fixed voice services came primarily in the segment of traditional voice services, while internet telephony was stabile or achieved a slight growth. In the business customer segment, the increasing demand continued for data and managed services within comprehensive solutions based on virtual private IP (Internet Protocol) networks.

The dynamic growth of the broadband internet connection services market also continued in 2009, with total estimated customers exceeding million and year-on-year growth of 21%. The estimated penetration of broadband connections in households thus increased in 2009 to approximately 40%. The greatest dynamic occurred in connections based on DSL technology and optical connections. In 2009, operators continued investing into expanding coverage and improving access infrastructure quality, as indicated by the increasing accessibility of services and higher access speed for end-customers. Acquisitions of local internet providers by players operating nationally in 2009 brought a slight consolidation of the internet market, and resulted in standardisation of products and higher-quality customer services.

In the broadband connection market, Slovak Telekom promotes services based on modern optical fibre technology. The Company has started controlled migration of customers to this technology, as seen in the continuously improving accessibility of services based on this technology, accessible to almost 315 thousand households at the end of 2009.

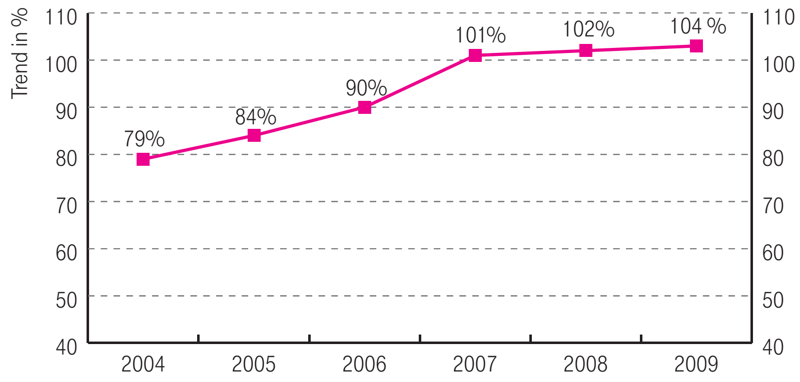
Mobile Services Market

The estimated number of active mobile communication service customers reached approx. 5.65 million at the end of 2009, indicating a penetration of mobile services at the level of 104%. This slight increase in the number of active customers compared to 2008 was primarily supported by activities of the third mobile operator Telefonica O2, the growing number of broadband mobile internet customers, and the continuing trend of individual customers possessing several SIM cards. T-Mobile Slovensko achieved estimated 39% market share.

The total estimated volume of mobile market revenues in 2009 was almost 1.44 billion EUR, indicating a year-on-year decrease of approximately 4% compared to 2008. The negative development was mainly caused by a slight slow-down of economic growth, and customers' efforts to reduce consumption and optimise expenditure on mobile services in all market segments. Growing competition in the market resulted in a general market price decrease and a more attractive offering of voice and data packages to customers. Reduction of interconnection fees charged among the operators on a wholesale basis, and decrease of revenues from roaming as a result of price regulation and less voice traffic, were other causes. Continuing customer migration to the postpaid services segment, higher intensity of voice service usage, and growing penetration of mobile data services were, in contrast, the main areas of revenue growth in the mobile market. In 2009, T-Mobile Slovensko achieved total revenues in the amount of 555.8 million EUR, with year-on-year decrease at 6%. T-Mobile's estimated market share of the mobile market in terms of total revenues in 2009 was 39%.

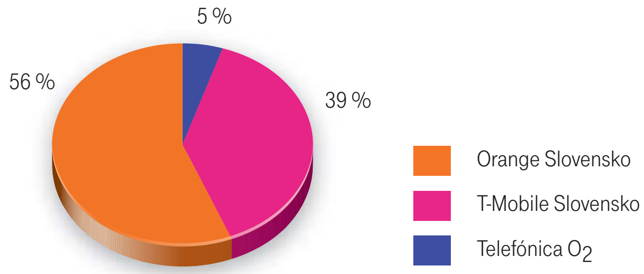
The estimated number of mobile broadband connection customers was slightly below 300 thousand at the end of 2009, with a year-on-year increase of more than 30%. Customer interest in mobile internet services grew primarily from their need for mobility. Another factor was improved service quality due to ongoing investment in Flash OFDM and UMTS / HSDPA networks.

Trend in Penetration of Mobile Services in 2004 – 2009 (%)



Source: T-Mobile Slovensko a.s.

Specification of Mobile Market Revenues in 2009 (%)



Source: T-Mobile Slovensko, a. s., Orange Slovensko, a. s., Telefónica O_2, a. s.

Digital and Interactive Content Services

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

In addition to existing (traditional and portal) services, one key characteristic feature of Zoznam and Zoznam mobile operations in on-line services was the introduction of new services strongly oriented to mobile internet. Free.sk (a content-sharing platform) became a leader in user-generated content among local competitors in the Slovak on-line market, not taking into account the international on-line giants.

In the paid television market, Slovak Telekom continued developing the Magio service. Besides expanding its customer base (it had 60,000 customers at the end of 2009) and adding new functionalities, Magio became more interactive, and is becoming the leading digital entertainment and interactive content service of the future. The Company also managed, at the end of the year, to successfully launch pilot digital satellite television broadcasting based on DVB-S2 technology.

Data and Information-Communication Services

Once again, Slovak Telekom retained its position as leader of the stabilised market of data services for business clients in 2009. In the growing market of ICT services, in which IT and data communication services are converging as they are in the home entertainment market, the Company has concentrated on providing comprehensive ICT services with added value for big corporations. Preparations to gradually integrate an external IT company offers clear evidence of this effort. Furthermore, the Company introduced a new portfolio of standard managed services for small and medium-size businesses.

Having signed a contract to transfer part of the shares in PosAm, Slovak Telekom became the 51-percent majority owner of this IT company at the start of the new year. The acquisition of the majority stake in PosAm is another step in implementing Slovak Telecom’s long-term strategy to provide comprehensive communication solutions both to residential and business customers.

Slovak Telekom Group Strategy

Fixed Network Services

In the long term, Slovak Telekom is continuously pursuing its long-term goal – return to growth, supported by the fundamental philosophy of a value-oriented, high-quality service-focused company, which is also focused on increasing the Company’s internal efficiency (Value driven service company & efficiency driven factory). The strategy adopted for the following three designated action areas is in harmony with this:

- Efficient and High-Performing Company
- Internet Company
- ICT Partner for Business Clients

In the first action area of Efficient and High-Performing Company, Slovak Telekom's strategy is to concentrate on and strengthen its position (Focus and Fix). The

Company is striving to achieve this through gradual and controlled migration to the NGN network, transfer of customers from voice to Broadband and IP services, increased cost efficiency, migration from the fixed telephone line to VoIP, and last but not least through increasing the Company's internal efficiency while maintaining the quality of services and customer satisfaction.

In the second action area of Internet Company, Slovak Telekom is pursuing a significant growth strategy (Focus and Growth), which the Company implements by consolidating its leader's position in the Broadband, On-line services and paid television market. To strengthen its leader's position in broadband, optical network coverage in the 19 biggest cities in the Slovak Republic covering 315 thousand households, with subsequent expansion into smaller towns, must be achieved. At the same time, the Company continues to optimise the original access infrastructure. In 2009 Slovak Telekom brought internet on xDSL base to 400 small municipalities thus making accessible broadband services to approximately 75 thousand households.

Strengthening the on-line market position entails further extension of the service portfolio to include web 2.0 community services, and transfer of on-line services to TV screens and to mobile devices. With the aim of achieving the leader's position in the paid television market, Slovak Telekom became the first Slovak multimedia operator offering the interactive digital television on both fixed network (metallic and optical) and state-of-the-art DVB-S2 technology. By promoting the Magio brand, the Company is striving to take up a leading role in quality, content and applications of digital television in order to distinguish itself from competitors.

In the third action area, Slovak Telekom has been building its position on the info-communication market for several years in a systematic and targeted manner. The strategy is focusing on and growth of (Focus and Growth) the provision of comprehensive services and solutions for small and medium-size businesses. Through the acquisition of PosAm, Slovak Telekom gained key competencies in managed IT services and application development, in which PosAm is one of Slovakia's IT market leaders. Both companies are pursuing a common strategic goal: offering a complete portfolio of managed and outsourced services to business customers and public administration based on the data services of Slovak Telekom and infrastructure and application solutions of PosAm. Slovak Telekom also envisages great potential in the interconnection in small and medium-size companies' using its data centres for application hosting services.
The "Big 6" implementation strategy plan, comprising 6 supporting pillars, is intended to fulfil long-term Company objectives. The pillars of the Big 6 plan are as follows:

- Traditional business transformation
- Focus on households via broadband internet and paid television services
- Continue as a Customer-Oriented Company
- Establishing itself in the field of info-communication technologies
- Application of synergies on the Group level focusing on mutual corporate culture
- More efficient use of available resources and investing meaningfully in its future

Mobile Services Division

The Group's mobile division – T-Mobile Slovensko – is pursuing a long-term vision of becoming the most highly regarded service company in the market in customer care. This is why the current T-Mobile strategy focuses on communications solutions to support the development of personal, social and business networks. The main pillars of mobile services provision strategy are therefore consistent building of customer retention and loyalty, effective management of the existing customer base, and giving extra weight to growth in the segment of mobile data services and broadband internet connection. Effectively accomplishing this strategy is essential to achieving the long-term objective of the Company: to become the leader both in the field of mobile communication and with respect to the number of postpaid service customers.

Increasing Customer Retention and Loyalty
Due to the growing market saturation and slow-down in growing the customer base, T-Mobile Slovensko activities began to focus on retention of existing customers and fostering their loyalty.

The level of customer care has become one of the main areas in which the Company wishes to differentiate itself from competitors. In the course of 2009, the concept "Just Tell Us Once" in the field of customer processes was further strengthened; the concept consists of efficient settlement of customer requests in various areas (including service changes, information on bills, complaints, and telephone repairs) directly at the front line of customer contact (at the common sales network locations and through call centres). The concept of promising customers to resolve requests before a given deadline, communicated to the customers by means of SMSs, was further developed in 2009.

Customer Base Management

Another pillar of T-Mobile Slovensko strategy is efficient management of the existing customer base. Here, the basic objective is to increase the average revenue per customer (ARPU) through migration of customers from prepaid cards to postpaid services, shifting customers with increasing minute and data volume requirements into higher-level calling and data plans, and focusing on sales of innovative services, such as mobile broadband connection, mobile internet web 'n' walk, e-mail and mobile content services. The Company's ambition is to focus more on providing targeted proposals, depending on the identified needs of individual customer segments. In sales in 2009, the Company focused on enhancing the performance and effectiveness of individual sales channels, primarily in cross/up-sell transactions, as well as on developing new sales channels, mostly for the consumer segment and small and medium-size enterprises.

Growth in Mobile Internet Area

Concerning mobile broadband connection, last year was characterised by continuing customer interest in such services. T-Mobile Slovensko, which operates a unique mobile broadband internet technology on the basis of Flash OFDM technology, continued to successfully provide and improve the parameters of services under the Mobile Internet brand. In 2009, the Company continued expansion and enhancement of Flash OFDM technology infrastructure quality, with coverage reaching 77% of the population. At the same time, the Company made major investments in increasing coverage of 3G technologies in HSDPA standard, to include new areas and cities (at year-end 2009, there was coverage in all cities serving as regional seats and some district seats, as well as the main tourist destinations). As regards mobile broadband internet, the Company continues in its goal to improve service coverage and quality in heavy-traffic connection areas and in other areas with potential for future development of mobile internet use. Another priority area of data services for T-Mobile last year was internet services in mobile telephone devices (web 'n' walk), offering customers a functional and high-quality experience when using the internet on a mobile device connected with access to a wide portfolio of content services and popular social networks.

III. Report of the Company's Management

Products and Services

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

Again in 2009, the Slovak Telekom Group maintained its leading position in the telecommunications market, even despite the fact that the market was characterised by gradually shrinking customer interest in fixed voice, high saturation in the mobile voice services market, and strong competitive pressures to decrease prices. The Group retained stable revenues mainly thanks to both fixed and mobile broadband internet, digital television Magio and internet content services. In mobile communications, its share of the invoiced customers segment significantly increased. Non-voice services also had a greater share of total revenues.

Customers' interest and satisfaction were confirmed by TRI*M index results again in 2009. This index is used by companies worldwide in various industries to measure customer loyalty. With the aim of achieving comparable results, all Deutsche Telekom Group companies harmonised customer satisfaction measures back in 2007.

The results gathered confirmed the position and high standard that TRI*M indices of Slovak Telekom and T-Mobile Slovensko have enjoyed over the years.

Average achieved by European companies providing fixed network services including internet is 57 points in residential and 54 in business segment. With 74 points achieved in residential and 76 points achieved in business segment Slovak Telekom has confirmed the high standard of customer satisfaction. T-Mobile Slovensko has long maintained an above-average result among European countries. In 2009 the Company gain 78 points.

Fixed Network Products and Services

Digital Television with 100% coverage of Slovakia

Since its market launch at the end of 2006, digital Magio television has positioned itself as an innovative multimedia service, and this trend continued throughout 2009. Mainly owing to continuous improvement of its interface and functions, Magio TV leads the market and has become synonymous with modern digital television in Slovakia. This is further supported by a GfK Navigator 2009 survey, concluding that Slovakia's citizens know better what Magio is than what digital television is.

March 2009 brought Magio television customers the possibility of viewing 15 television channels in languages other than Slovak, to improve their English, French or Spanish skills. Hungarian speaking clients could opt for watching certain channels in their mother tongue.

T-Com continually expanded Magio TV functionalities – and its customers gained internet access through their television set display as of late April 2009. The Magio Portal is a gateway to customised internet applications, manageable through a remote control to the set-top-box. The portal offers weather forecasts, programmes of cinema and theatre performances, exchange rates, horoscopes and a telephone directory with a search function.

The number of customers of Magio, the most popular digital television, exceeded 50,000 in September 2009.

From October 2009, customers could even programme recording of Magio through a mobile phone. Mobile Magio eSprievodca (electronic guide) is accessible at the internet address www.magio.tv and offers the same functions as when accessed via computer. Visitors can thus follow programmes currently broadcast by selected Slovak television stations on their mobile phones, check the TV programme for the next 4 days and, when logged in, even set the recording of programmes, films or series.

The year's main event was the introduction of a new form of distributing the digital Magio television signal via satellite technology, which brought about country-wide coverage. The pilot phase connecting the first 1,000 customers began in November 2009. T-Com has thus become the first Slovak multimedia operator to offer interactive digital television via both fixed (metallic and optic) network and DVB-S2, the latest satellite technology. This extensive project has been run in cooperation with Magyar Telekom, and stands as an excellent example of synergies within the Deutsche Telekom Group.

The Magio video-on-demand library was also further expanded to include more than 800 films by the end of 2009. T-Com customers were able to download almost 30 films for free during Christmas holidays, mostly children's titles, movies from the past and romantic stories.

Internet – New Name, Higher Availability, Favourable Price

The internet connection from T-Com got a new name in 2009. In June, the 4G brand was replaced by a new one – Magio. Thus Magio, a successful name in digital television, now embraces the two most important residential services in T-Com's portfolio. Magio internet was positioned as the most accessible and most stable internet connection in Slovakia. More than 42,000 additional households started to use Magio internet in the course of 2009. The total of DSL-based accesses exceeded 391,000.

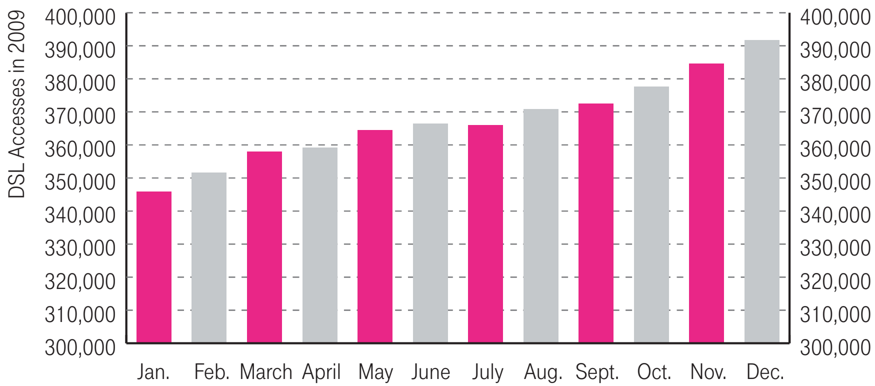
Slovak households' great demand for Magio internet is fuelled by the increasing quality of the metallic infrastructure, quality of connection and favourable prices. In addition to reliable information search, high-speed Magio internet offers full comfort in using ever more popular interactive web sites, as well as sharing of music or videos via the internet or legal downloading of internet content.

Magio internet from T-Com is the most available connection in Slovakia, because two thirds of all households are covered. Throughout 2009, T-Com expanded its optical network coverage by 100,000 to reach 315,000 households, thus taking the lead over its greatest competitor in FTTx household coverage. At the same time, the number of towns where T-Com's optical network is available increased to 19: B. Bystrica, Bratislava, Dubnica nad Váhom, Galanta, Košice, Lučenec, Malacky, Martin, Michalovce, Nitra, Piešťany, Poprad, Prešov, Senica, Stupava, Trenčín, Zvolen, Žiar nad Hronom and Žilina. Optical services from T-Com were also available in selected developer projects not in these towns.

A significant 2009 milestone was the ongoing DSL rollout to remote Slovak towns and villages. Thanks to miniDSLAM equipment more than 75,000 households in over 400 places can now enjoy reliable and fast internet connection.

The growing volume of multimedia content on internet pages and portals impacted customer needs. Last year T-Com responded to the growing customer demand for faster internet connection by increasing the speeds of internet programmes. The premium package Optik 4 was offered at the speed of 80 Mbps for an attractive promotional price. Speed increase also applied to customers of the Magio internet Turbo 3 package offered over the metallic network.

2009 DSL Access Trend



Source: Slovak Telekom

With any computer connected to the internet, security is just as important as connectivity speed. In order to provide its customers with an affordable and recognized security solution, T-Com offers the Magio internet Security service, provided in cooperation with the company ESET. The advantage is paying for the service on a monthly instead of yearly basis. Customers pay only for the months they wish to use the service.

In 2009 T-Com made a “computers-for-one-euro” offer for customers who wanted to use the internet but had no computer at home. Together with their Magio internet, customers could choose a netbook, laptop or desktop for one euro in 2009. Also on offer were a more powerful laptop and a complete desktop set for an affordable price.

Data Download and Upload Speeds Offered with Magio Internet via DSL

	download (data downloading) in Mbps	**upload (data sending) in Mbps**
Turbo 1/Solo	2,0	0,25
Turbo 2/Solo	2,0	0,25
Turbo 3/Solo	3,5	0,25/0,50*
Turbo 4/Solo	12,0	0,50

*** Increased upload is provided to customers who activated it for a EUR 1 one-off fee.**

Data Download and Upload Speeds Offered with Magio Internet via FTTx

	download (data downloading) in Mbps	**upload (data sending) in Mbps**
Optik 1	10,0	0,50
Optik 2	20,0	1,00
Optik 3	40,0	2,00
Optik 4	80,0	4,00

Voice Services: Attractive Calling to Landlines and Mobiles

In 2009 the Company again focused on providing a flexible portfolio of voice services, complying with the customers' challenging communication requirements. The "Rodinná pevná linka" (Family Fixed Line) has gradually become a universal tool for placing calls to all networks, and its usage has also increased in calls to Slovak mobile networks.

The entire year was characterised by continuous growth in demand for optional calling plans. The share of these services at the end of 2009 compared to the end of 2008 was higher by 4 percentage points, representing a more than 93% share of all residential calling plans. In optional calling plans, the customer can choose a plan precisely matching their individual needs or based on the benefits provided. At the same time, customer demand grew for calling plans with unlimited free calls and UNI calling plans offering free minutes for calls terminated in mobile networks. Those most interested in such plans were chiefly existing customers. Doma UNI 20 proved to be the most successful plan; its user numbers increased by over 31,000 customers compared to the previous year. The total share of customers with the UNI packages was approximately 32%, which was 5% more than at the end of 2008.

Doma Extra is also still a plan in demand. In the course of 2009, the number of new customers of this particular calling plan totalled 17 thousand. The Doma Extra calling plan offered round-the-clock free calls within the fixed network in Slovakia.

Voice services were another component of the FTTx-based services provided over optical networks, and underwent substantial changes in 2009. The original calling plan named Comfort Volania was replaced by three plans: Volania Optik Start, Klasik and Komplet. The three variants and a package system enabled customers to put together a calling plan best suiting their communication needs. Volania Optik calling plans were offered together with Magio internet or digital Magio television service. As of 31 December 2009, the Company operated 1.1 million registered fixed lines. A number of attractive products helped stabilise the number of fixed lines when compared to other incumbent operators in Central Europe.

In the course of the year, customers had the chance to opt for attractive offers which helped them save on monthly fees. In summer, customers were given a 25% discount on selected flat rates; moreover the Magio DUO and Magio TRIO packages were launched, enabling further savings of one to three euros. A Christmas offer brought discounts on flat rates of up to 30 per cent and also calls to mobile networks for 11 eurocents per minute. According to their individual calling plans, customers could designate one, two or three mobile numbers which they called at the promotional price (lower than through mobile operators) during the whole year. Christmas surprised the customers with affordable presents and a Christmas lottery with 15,000 prizes.

Rebranding of services before the summer also applied to the Hlas cez internet (Voice over the internet) service, which got the more dynamic name of "Smart" service. T-Com offered the Smart service in two forms: a prepaid Karta Ready (Ready Card), and a postpaid Smart service in three alternatives. A basic plan, "Smart Kontakt" with a low monthly rate, offered 100 free minutes to Slovak and international fixed networks in 34 countries. The Smart Uni plan grants 60 free minutes to fixed and mobile networks of 130 countries worldwide including Slovakia's and the Czech Republic's mobile networks. The Smart Total plan gave free calls to Slovak and foreign landlines in 34 countries, 24 hours a day. All three variants included unlimited free on-net calls between Smart service users.

Under the T-Com brand, Slovak Telekom already arranged for public payphones to accept the euro currency back in 2008, thanks to which the euro changeover in public payphones at the beginning of 2009 ran smoothly. Certain payphone types were enhanced to send text messages or e-mails during 2007 – 2009. Text messages can be sent both to Slovak Telekom's fixed network and to mobile networks of T-Mobile Slovensko, Orange Slovensko and Telefónica O2 Slovakia, as well as to foreign mobile networks. T-Com unified the prices of text messages to Slovak and foreign networks at EUR 0.10 including VAT. A text message (SMS) can have 160 characters at most. E-mail sending is executed similarly to text messages.

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

Products and comprehensive solutions provided to business people and small or large enterprises are put together so as to best satisfy the respective customers' communication needs. In voice services the Company focuses especially on optional calling plans, which offer universal utilisation of free minutes for calling mobile or even foreign networks, and free unlimited calls within the fixed network. As of the end of 2009, the share of optional calling plans in this segment had grown to 78%.

Last year's most popular plan in the traditional voice business was the Biznis Partner plan, designed not only for small and medium enterprises but also for large companies. It offers companies with branch offices in multiple locations around Slovakia the possibility of merging all fixed lines – traditional telephone lines as well as ISDN lines – into one calling plan, while costs can be split among various cost centres. The customer will thus have a summarized overview of calling costs on one joint invoice, as well as a detailed overview of calls made from individual lines included in the plan.

Naturally, also 2009 saw another wide offering of plans for traditional and ISDN access. In 2009 more than half of all new customers ordered the Biznis Uni 50 and Biznis Uni 150 calling plans, designed for active customers who call to all networks. Biznis Uni Calling plans offer free minutes to all networks, inclusive of mobile networks in 38 countries. Customers had also been showing interest in the plans such as Biznis Mesto and Biznis Slovensko, offering free calls.

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

T-Com's offer for companies just starting in business, for small enterprises or for individual business people includes comprehensive communications solutions in the Benefit programme, which presents a practical combination of voice services, high-speed DSL internet access, and modern private branch exchange (PBX) functions. This programme brings customers favourable conditions in the form of free unrestricted calls to fixed networks within Slovakia and abroad, as well as cheaper calls to mobile networks. In 2009 it was offered in several forms. They all feature free supplementary functions such as easy and quick service of calls from the PC, integration with MS Outlook, and the "remote office" function, i.e. all functions of a virtual private branch exchange without the need of physically having one. The Benefit Start programme is used by customers who have only one telephone connected in one location but want to use functionalities of a modern PBX, place free IP calls and have a stable and quick internet connection. The Benefit Light programme enables the connection of two telephones to one PBX. The Benefit Optimal and Intensive programmes are designed for multiple users: Optimal for four and Intensive for eight users.

Emphasis on ICT Business

In terms of its internal transformation into a provider of comprehensive information-communication services, 2009 was exceptional for Slovak Telekom. The most significant step was its preparations to acquire a 51% stake in PosAm spol. s r.o. (limited company) which ranks among outstanding providers of application solutions and services and infrastructure solutions for corporate customers. The synergic effects of the merger have already started to materialise in common information-communication solutions provided to both large corporate accounts and smaller customers (Small and Medium Enterprises, i.e. SME segment). Slovak Telekom sent a clear signal with this acquisition – there is a trustworthy partner on the market, a partner capable of assuming responsibility for the operation and development of ICT infrastructure, freeing the customer to focus on its core business.

Initiating construction of a new Data Centre in Bratislava was an event of equal consequence. This will be a completely new structure, designed exclusively as a data centre to house ICT infrastructure. The building design itself considered the stringent requirements of large customers and applied the know-how of T-Systems, a global leader in data centre service provision, as well as of IBM, a technology leader in the area of data centre construction. This data centre project, unique and distinctive in Slovakia, will exceed the level of TIER III as defined by the international data centre classification and Uptime Institute organization.

In 2009 Slovak Telekom further consolidated its data service portfolio, which represents an integral part of ICT solutions. In giving preference to progressive access, transport and manageable technologies, we achieve high-quality data services that customers can rely on. A "T-Kancelária" (T-Office) concept was introduced for smaller customers having one or two branches. It comprises all essential services and HW and SW components required to communicate with the world around, and resolves the customer's intra-company communication needs. This concept is also attractive because it does not compel the customer to commit investments (CAPEX) to ICT infrastructure.

Wholesale Services: Developing Regional Communications

Wholesale services provision and cooperation with national and international partners developed successfully in 2009, thanks in part to the right strategic decisions made in the past. Despite the ongoing trend and drastic unit price reduction in wholesale, Slovak Telekom managed to achieve planned revenues, thus increasing the share of wholesale service revenue to 16.3% of total Company revenues.

The excellent financial results came from both of the main wholesale pillars: the sale and rental of **data services** and infrastructure, and national and international **voice services** provision.

Data Services

Along with thriving and extensively used products such as Carrier Backbone, Carrier Link and ISP Connect, wholesale data services further developed and enhanced newly launched products. The highest growth was recorded in the sale of Ethernet-based data solutions, with the Company successfully approaching 6 new customers and thus raising revenue volume by 418% year-on-year.

Signing the contract on local loop unbundling was a significant milestone in 2009. The contract allows partners to utilise the existing lines of Slovak Telekom on a wholesale basis, so partners could provide their own broadband and voice services. In this field, the Company continues actively to sell comprehensive broadband services, through which the Company's partners can provide broadband services to their end customers even in areas where they have no technology of their own.

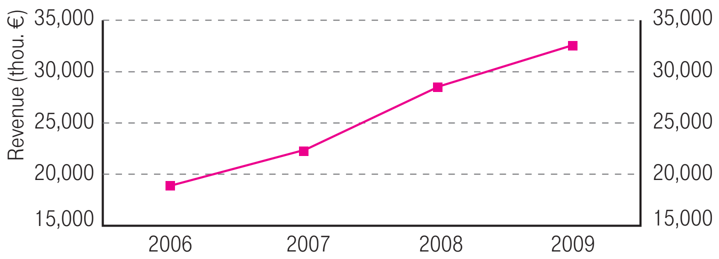
Business activities in Ukraine were successfully expanded, mainly in the sale of large-capacity backbone solutions. In 2009 the Company participated in several multinational projects to interconnect Ukraine internationally. Within these projects, new transport capacities to Kiev of over 10 Gbps were implemented.

Voice Services

The Company's focus in 2009 was on improving service quality and approach to partners. Improvements came in both processes and support systems, such as the immediate call forwarding, and optimisation of the fault clearance process. These activities also contributed to the Company's best results ever in 2009 in transiting international voice traffic (hubbing) through ST's NGN network.

Another 25 hubbing partners were connected in 2009. The transited hubbing traffic increased year-on-year by 23% and revenue grew by 10%. Hubbing service quality was also confirmed by the fact that several mobile operators used products we provide to route their own retail traffic. The overview of the hubbing revenue trend is shown in the graph below:

ST Hubbing Revenue Trend



Source: Slovak Telekom

Customer Services

Providing customer care to T-Com clients, in particular through call centres, is the main focus of the Customer Services Subunit.

Call Centres operate several toll-free phone numbers, through which customers obtain all necessary information on the Company's products and services. The 0800 123 456 number of the Customer Service Centre is the most frequently used. Here customers can inquire about services provided, and order them or ask questions about how to order. Business clients can use the line 0800 123 500; and the Internet Hotline number 0800 123 777 serves as technical support to Magio and internet products, not only on weekdays, but also during weekends and public holidays. Starting from 2009, the Customer Services Subunit also provided a technical helpdesk at 12129 for voice service customers, as well as the 0800 123 600 and 0800 123 606 lines. The Info Asistent 12 111 service popular among the general public expanded its portfolio to include other services.

In addition to customer care, Call Centres also focus on the sale of T-Com products. Its share of overall sales reached 28% of broadband products, 40% for the Magio service and 49% of residential calling plans.

In 2009, high-quality commercial inbound services (infolines, helpdesks, and order lines) and back office services (processing and archiving requests, correspondence and surveys) were provided to both domestic and international customers, as well as for the Deutsche Telekom parent company. For T-Mobile Slovensko it provided telephone number information and sales services.

New Technologies to Increase Service Quality

In 2010 Slovak Telekom will continue expanding its portfolio through deploying new technologies and launching new services and products. The Company strives to respond swiftly to global telecommunications trends and continue its focus on increasing customer satisfaction.

Already the beginning of 2010 saw the launch of digital Magio television in Slovakia. Starting in mid January, interested customers throughout Slovakia will be able to order digital satellite television via Magio Sat. This product makes T-Com the only Slovak provider of interactive digital television receivable via both fixed network (metallic and optical) and satellite.

As of the beginning of 2010, T-Com expanded the Magio television programme by another 12 channels, raising the total number of channels to 80. This was the second largest channel increase since the Magio launch. T-Com will continue gradually to exploit the great potential of the IP TV platform on which Magio is built. In the long term, T-Com plans to enable users to read their emails or surf the internet on their TV sets.

In the voice services, a greater prevalence of IP-based voice can be expected. Although existing MTL plans have retained popularity and customers have acknowledged the universal advantage of placing calls to any destination from a fixed line, coming years will see greater progress in VoIP services. T-Com's endeavour will be to offer the VoIP Smart service more frequently, especially to business customers with larger or more specific calling needs than those using the Benefit package (formerly IP Office).

In the course of 2009, T-Com significantly extended ADSL2+ coverage, thus enabling customers to browse the internet or view digital Magio television. The coverage was extended mostly to remote areas, which so far had no possibility to benefit from high-speed, stable internet connectivity. Over 400 towns and villages were covered by miniDSLAMs, new equipment deployed in T-Com's network. Because of their modularity, these devices allow effective coverage of areas with lower customer potential. Their modularity also enables increase of hardware capacity as necessary. miniDSLAM equipment used in T-Com's network is also deployed in the network of its parent company Deutsche Telekom. The internet via DSL can nowadays be used by almost 2/3 of Slovak households. In addition to extending the ADSL2+ network, T-Com also invested in optical network rollout. At the end of 2009, the latest optical network was available to more than 315,000 households, one hundred thousand more than year-end 2008. Coverage of T-Com's multimedia services will grow further in 2010.

Products and Services of Mobile Communication

Voice Services for Consumer Segment: Flexible Plans and More Data

In voice services, T-Mobile Slovensko brought out a number of new services for all customer segments in the course of last year. The increasing traffic rate and growing demands by customers were supported by introducing multiple forms of flexible supplementary services, culminating in introduction of a brand new part of the voice services portfolio. At the same time, T-Mobile Slovensko never stopped offering customers effective combinations of services for customer communication in families or between friends, in line with the new motto introduced at the beginning of the year.

Prepaid Easy Cards

The prepaid Easy cards segment benefited several times during the year, for example through popular special offers enabling toll-free calls after the third minute, or prices reduced by half within the scope of the Easy Plus loyalty programme. In autumn the segment also received two new services: Kreditka and Zavolaj mi. In these, customers may ask a friend to call them if they have too little credit.

Monthly Plans

Monthly plans got multiple new benefits during the year, such as free weekend calls. One of the summer plans launched was Superhit Nonstop (a flat plan) with unlimited calls to the T-Mobile network.

In August, Podľa seba (It's Up to You), a completely new monthly plan, was introduced to the market. It is unique in that it consists of several types of service packages being designed based on the customer's preferences. First, the customer selects the amount of the monthly fee from among four price levels, and then chooses the individual plan's structure from among the categories of free minutes to all networks, free minutes to the T-Mobile network, free SMSs and free data. The Podľa seba plans quickly enjoyed vast popularity among customers, becoming the current telecommunications market's best-sellers and one of its greatest novelties. Their introduction confirmed T-Mobile's long-time approach to customer segmentation and compilation of specific portfolios for customer groups at various requirement levels.

During the entire year, T-Mobile's focus was on introducing flexible plans or supplementary services. Besides Podľa seba plans, the offering also contained weekend free SMS packages and packages of evening calls to the T-Mobile network, or combinations of these at advantageous prices.

Fix Plans

In 2009, T-Mobile also supported the Fix group of plans, mainly for children or older, less demanding users. Several times, this portfolio included the popular Fix 0 plan for telephone purchase at a special price and the chance to use the phone starting at 6 EUR per month; the customer need not top up credit each month, but over a longer time period as needed.

Another Fix portfolio offering in the spring was a new Fix 12 plan with attractive combinations of subsidized phones and special offers. Besides promotional offers, the overall portfolio thus contained three plans (Fix 9, Fix 12 and Fix 16); and customers had several special offers available, including extra credit each month, unlimited weekend SMSs to all networks, and a possibility to call free after the third minute.

Moreover, interconnection among Fix customers and their friends who owned monthly plans got more attractive thanks to a special offer allowing customers to gain double free credit when topping up from the monthly plan.

Christmas Offer

Christmas again brought a diverse offering, featuring unlimited weekend minutes or SMSs, special credit for Fix plans, more attractive Podľa seba plans with more free minutes, and a new package of 6000 minutes to the T-Mobile network. The Christmas offer also included a wide range of cell phones available at special prices (about 30 models of various brands in all price categories), and the popular Coupon for Friends, this time along with the Podľa seba plan.

T-Mobile Promotional Telephone Prices

Over the course of last year T-Mobile offered more than 30 new mobile phones, including models exclusive to the Deutsche Telekom Group such as the Nokia 1662, MDA Compact V, and T-Mobile G2 Touch. The offering of increasingly popular touch screen models was continuously expanded to include the LG Cookie, Samsung Jet, Samsung Star, Samsung Corby, Sony Ericsson Satio, and Nokia 5530. T-Mobile also introduced to Slovakia the long-awaited iPhone 3GS on 31 July 2009.

Special Offers

The segmented monthly plans portfolio further expanded by the special Paušál pre nepočujúcich (Plan for the Hearing Impaired), based primarily on a large monthly volume of SMSs and advantageous service prices. This was one of the plans in a special offer that featured the myPhone CPA Halo mobile phone, a simplified mobile phone with a big screen, keybuttons and high volume level.
T-Mobile Slovensko also continued cutting prices of roaming calls made within the European Union and other countries, and again last year prepared a special offer bringing even more advantageous prices during the summer.

Data Services for the Consumer Segment

Over the course of 2009, T-Mobile Slovensko enhanced support of both main mobile Internet services: T-Mobile Internet (until 28 February 2009 known as Rýchly internet) and web ‘n’ walk.

Mobile Internet service – T-Mobile Internet – was enriched by multiple benefits through the year. All customers could use the new speeds of the HSDPA network with the new HSUPA (depending on the data hardware supported) at without any change in monthly plan prices. Additionally, new offers were introduced giving customers an average lower price per 1 GB of data, supporting a gradual increase in data consumption by customers in the mobile broadband Internet access segment.

T-Mobile’s mobile Internet was also enhanced by new hardware, mainly compact 3G USB devices. At the same time, a unique new product came to the market in the summer: the Leadtek Multiband modem the first modem in the world to combine FLASH-OFDM and 3G/HSDPA technologies in a single device.

In addition, multiple special offers of notebooks on instalment payments, a stylish HP notebook, and supplement coupons for popular voice plans were introduced through the year.

The service providing Internet via mobile phone, web ‘n’ walk, progressed last year. Alongside a variety of special offers, its product portfolio was expanded by two significant innovations. The new data package web ‘n’ walk 1500, together with the Podľa seba new portfolio, was created in August, offering 1500 MB of space for

data used in mobile phones. Within the scope of Podľa seba plans, it can be used repeatedly, so the customer gets higher data volume.
Surf & Music, combining the possibility to surf via mobile and download music (single songs or whole albums) into mobile phone under a single monthly fee, was yet another enrichment.

Services for the Business Segment

Exacting needs, individual preferences of customers, and need for bold offer segmentation have long characterized the business segment. In its effort to provide such customers comfortable and reliable communication in their working environment, T-Mobile prepared a number of attractive offers in the course of the year.

As far as voice plans are concerned, the Podnikateľ monthly plan, containing free minutes even for calls into all EU and US networks and even in the basic package within the scope of the monthly fee, remained the main product. The customers can also use business free calls with Medzi nami services or the virtual private network.

Throughout the entire year, the special offers regarding the Podnikateľ plan were focused on multiple supplementary services or flexible advantages of mobile communication. The customers had a choice of benefits according to individual preferences, such as unlimited free calls during business days, mobile Internet for their Podnikateľ plan, and BlackBerry roaming services.

Additionally, Podnikateľ plan programmes were progressively adapted so as to provide customers with the chance to combine services as needed (calls, SMSs, roaming, and BlackBerry/Internet access). Depending on the level of the plan, the monthly service package's final price is set, with high-level plan customers gaining several services free of charge.

T-Mobile has made a pair of plans available to small and medium enterprises. These are Firma and Firma Extra, which above all make it possible to share a common calling plan among a number of employees, with better prices of calls to all networks in Slovakia and the Czech Republic.
The Biznis data service applies a similar principle. It allows multiple users – business customers to use a common data package simultaneously at favourable prices. In addition to shared use of the package on PCs, customers can share mobile data in their mobile phones through a data sharing function. Customers can choose between three variants of Biznis data service (with 25, 125 and 350 GB data packages) to make optimal use of data in their companies according to their level of requirements.

Business customers are also a target group of a wide range of roaming services and products. Customers often travelling abroad can use Smart roaming service, which allows receipt of calls in T-Mobile Group's European network operators free of charge within the scope of the monthly fee. The plan encompasses identical prices of SMS and MMS messages in all European networks of T-Mobile Group operators. Businessmen often travelling to the Czech Republic can moreover also use the same reduced price calls from Slovakia to the Czech Republic and vice versa, throughout the Czech Republic.

In the data roaming sphere, customers may enjoy a number of attractive offers to carry out effective data communication on their notebooks or mobile devices abroad.

The promotional offer of mobile phones for business customers was also steadily expanded throughout last year, with global best-sellers such as the Nokia N97, Sony Ericsson Satio, Samsung Jet, and a pair of devices exclusive to the Deutsche Telekom Group: the MDA Compact V and T-Mobile G2 Touch.

T-Mobile continued to promote BlackBerry service in 2009 by including it the Podnikateľ programmes and through better price conditions, and also with unique support for the BlackBerry Internet E-Mail service. This service offers customers unlimited data for work with e-mails, 1000 MB of internet data; customers can also purchase roaming data within the service at very low prices.

The special offer of 2009 also included two new devices by RIM: the BlackBerry 8900 Curve and BlackBerry 8520 Curve.

Mobile Content and Premium Business Development: Revolutionary Services in Music, Micropayment and Mobile Advertising

In 2009, the situation in customer behaviour and increased consumption control affected both content and premium mobile services. Traditional services of downloadable content (images, ringtones, wallpapers and Java games) were used less during the year than in 2008.

On the other hand, T-Mobile Slovensko was active in the mobile content segment through different new projects. T-Mobile succeeded in achieving excellent results thanks to individual new projects, microsegmentation, use of the huge increase in using mobile phones as an internet access channel through web ‘n’ walk, and thus also data services development.

Opening and developing these new, or previously less important, areas of premium services were key to success:

New Products and Trends in Digital Music
T-Mobile as a leader in digital music sales in Slovakia continued in its long-term strategy of testing a number of original concepts. Thus it launched several projects new to the Slovak market or indeed new internationally.

The concept of unlimited download of music for a flat monthly payment, the new Surf & Music plan, was the first to offer access to a database of more than half a million songs in MP3 form and, concurrently, a data package for downloading and mobile phone internet surfing within a single plan. The Music 1 package, giving customers unlimited music activated within their existing data plans via an additional package, was another variant of this service.

In autumn T-Mobile Slovensko presented a “Pay Whatever You Want” system, unique even in Europe. This sells new digital songs and albums of music bands (available for downloading from internet to PC or mobile). Customers pay through SMS for music, in a sum of their own discretion, including the possibility of 0 EUR. In this way, T-Mobile continuously presented albums of music bands like Horkýže slíže, Lavagance, Talkshow and others.

The company also continued to develop the T-Mobile Music City concept, placed on a special portal t-musiccity.sk with a great deal of content and information, and a new possibility for customers to send or compose their own digital songs through a special interface; eponymous music events were held in parallel throughout Slovakia during the entire year.

The focus on music culminated with the participation of T-Mobile Slovensko in the Czechoslovak SuperStar project, during which a number of successful content, premium or interactive projects were carried out.

Micropayments
The development of the new role of mobile phones as a comfortable interactive payment channel for common needs, without necessary interconnection to a bank account and with a direct payment to the mobile operator, steadily continued in 2009. Customer interest, the number of services offered, and revenues from that area increased significantly in comparison with 2008.

In transportation, services were added providing sale of mass transit tickets in Košice, and the possibility of paid parking via SMS in three Slovak cities (Trenčín, Martin and Prešov).

SMS messages can also be used to order CDs, DVDs, periodicals and films; and of course the trend of using such services as travel and mountain insurance by SMS also continues.

Micropayments are one of the newest of mobile business areas. The potential and importance became fully apparent after several years of preparation, legislative amendments, and standardisation of terms and conditions. This role for mobile phones will surely increase markedly in the years to come.

Mobile Games and Contests

T-Mobile together with the Tipos company, as one of the first operators in Europe, in June 2009 brought out a new fully-fledged and safe way of playing lottery games (such as Lotto or Keno) by mobile. Mobile phones in this case serve for customer registration, sending bets, and finally for payment and awarding prizes – by means of SMS and wap technologies. This project features a unique technical solution and interconnection of two different systems. It drew a rising number of fans month after month from its launch. This also confirmed another new role of mobile phone usage.

Moreover, T-Mobile Slovensko contributed significantly its know-how from previous projects to the success of Slovakia's greatest consumer game. In an SMS contest called Kabrioleto, 77 cabriolets were distributed over 77 days, in co-operation with TV Markíza. That project revealed huge economic potential and attraction for our customers.

The company presented several other minor projects in this economically important area in 2009, such as a car competition in November; the winner chose a car and even what would go into it from among several possibilities.

Mobile Advertisement

Last year, T-Mobile Slovensko also prepared several campaigns in which the mobile phone became a new medium or a new interactive space for disseminating targeted advertising messages. Along with the above-mentioned traditional possibility of using advertising SMSs (I-MSs), several comprehensive campaigns using such means as banners, wap, and mobile web were run in cooperation with different advertisement agencies. This area has potential of its own, and is gradually becoming a new source of income for T-Mobile.

Other Mobile Content Activities

Besides the Company's own projects last year, its partners in those services, the aggregators, increased their efforts in the entire spectrum of their own premium SMS services, such as contests, polling, chats, and mobile content downloading. The sales aggregators' – third parties' – products and services saw a slight increase compared to the year before.

In the end, 2009 showed that value-added services, and premium, content or interactive services, providing new possibilities for using mobile phones, offers significant potential of more growth, even with a significant decrease of some original mobile phone services.

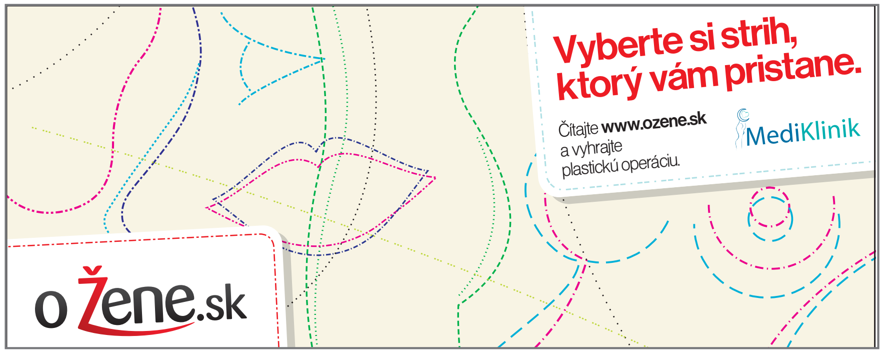
Internet content services

The Zoznam.sk internet portal is targeted on providing internet content services. An independent audit carried out by Mediaresearch showed that Zoznam.sk users constitute 58% of all Slovak users. The title page is a gateway to Zoznam.sk internet portal services. The Topky.sk news portal is the second most popular service following the title page. Retrieval of internet information, a catalogue of pages, and e-mail account administration regularly ranked among the most used products last year. Specialised periodicals such as Dromedar.sk, Mojdom.sk, oPeniazoch.sk and Autoviny.sk, the Z-Obchody.sk Internet shop, and the Kariera.sk on-line job portal were important services provided by the portal. Dictionaries, Travel Schedules, Photoalbum, the Free.sk video portal, and a wide offer of simple on-line games provided at Pauzicka.sk were very popular among the users.

Zoznam introduced its first novelty on the first day of 2009. In co-operation with the Perex Publishing House it came up with a new journal meant mainly for women. The

oZene.sk journal is for all women looking for a favourite place offering leisure, fun or advice from various spheres of life. The periodical's design and lay-out attracts not only by its pleasant appearance, but mainly by its larger space for publishing texts, photos, or videos. The main menu and structure of articles were designed for easy use, thereby empowering intuitive and easy access to the information sought.
For the presidential election, Zoznam added a new dedicated election section to domestic news published at Topky. The content of the oVoľbách.sk web site became one of the most comprehensive web sites on the Slovak internet, containing extensive information about the campaigns. News, information about dates and places for meetings between candidates and citizens, on-line interviews, videos, and brief information specifying the election methods, and polls were all a standard part of the election portal.

The Zoznam.sk portal, in collaboration with the Westcom company, extended its product portfolio in 2009 with a new service under the Meu brand. The consisted of creating free-of-charge professional websites without the work of a programmer or graphic designer. Similar on-line solutions were already known, but the Meu system is very easy to use thanks to its intuitiveness, wide functionality and user-friendly environment. One proof of this is the prize awarded to Westcom at a prestigious Internet conference. It won the category of start-up of the year for its "Free Webside Builder". The Meu system is mainly meant for common users, minor companies or small business who find the prices of graphic preparation of the websites and subsequent encryption, and prices for webhosting too high, but also for students whom



Meu provides an opportunity to learn basic skills necessary to create websites.
The main source of mass transport schedules for over ten Slovak cities, iMHD.sk, could be found at the address iMHD.zoznam.sk from March, which meant launching pilot collaboration between the operators of imhd.sk and Zoznam.sk. This cooperation was intended to exploit common experience gained till then in creating portals and put positive effects into both webs.

In April, the Bratislava car show opened its gates for fans of what's new in cars and motorsports. The Zoznam.sk portal had to be there too. It presented a novelty called netAuto. Visitors to the netAuto stand learned more about used cars sold through the Zoznam.sk internet portal. They could get information about their cars' market prices on the spot, enter them into the used car section's listing, or choose from among the 4,600 cars it offers.

Zoznam dedicated the end of spring to children, in the form of the Rexik.sk portal. Children were led through the new portal by a dinosaur called Rexík, who prepared for them stories, fun games, colouring pages, and a television programme. Rexík offers the children a good deal of educational information to help them think independently and creatively and teach them to develop skills. Since the website www.rexik.sk is designed for pre-school age children and children attending primary schools, the parents need not be worry about inappropriate content of it.

Zoznam Mobile, supported by the Zoznam.sk portal and in collaboration with the FAT CHILLI company, introduced a new real estate portal in May called m² (square metre). m² thus joined the prominent LIVING group of real estate portals. The multiportal platform of Living.sk outsources real estate solutions to multiple Slovak portals. The common platform also involves Sme.sk, HNonline.sk, and Spectator.sk. Čas.sk was the latest addition to Living.

In content, the Zoznam.sk internet portal extended the users' favourite horoscope service by adding new portal: Sibyla.sk. New horoscopes are a part of the themed periodicals Topky.sk, oZene.sk and Feminity.sk, and the title page of Zoznam.sk. The innovative horoscopes are offered daily. Users can find detailed forecasts of the future for the coming week, month or year by clicking to the independent www.sibyla.sk website.

In collaboration with JAGA Publishing House, Zoznam.sk established another kind of cooperation in September, for the on-line version of the most popular periodical for hobbyists and handymen called Urob si sám (Do It Yourself). The content of the journal at the www.urobsisam.sk domain draws from its print version. Along with photos and texts, it was expanded by practical videos and discussions, giving users the chance to share their advice and opinions. Cooperation with JAGA in the Urob si sám project gave Zoznam the opportunity to fill a market gap in the segment of specialised internet journals focused on "hobby" topics.

October brought improvements in the electronic post cards, enjoying great popularity which is increasing each year. The website www.mojepohladnice.sk welcomed users with a transparent, clean and modern design. Users selected card types from a catalogue, categorised into three main content sections: congratulations, emotions, and cards for any occasion. The Komiksáci (Comics Lovers) website was meant to inspire and assist users to create their own e-cards. It made it very easy to create one's own design of e-card on any topic with the help of Komiksáci, thanks to a simple application and a huge file of graphics. By interconnecting the above service with Zoznam foto, the service can print and send of real paper cards or other photo gifts.

In autumn, in collaboration with the Baby-web.sk portal, Zoznam.sk brought out a comprehensive interactive how-to book, intended for both parents-to-be and parents who already have children. It was Zoznam.sk's reaction to the expected baby boom in Slovakia. Baby-web.sk brought its users detailed information related to the theme of parenting. The portal contains expert articles on maternity, from conception, through pregnancy, to birth and baby care.

Zoznam.sk launched a second project last year in collaboration with the JAGA Publishing House. Peper, a virtual furniture shop, attracts internet visitors looking for suitable furniture for their houses. Through simple categorisation the user can get to a particular product, finding its photo and information about the retailer with contact data and link to the retailer's website. Peper offers furniture and interior accessories retailers the opportunity to show potential customers their offering and promotions, and provide them with a variety of services from comfortable purchase, through interior design, to delivery of the goods they purchase.

Implementing the New Currency

By signing the Code of Ethics for the Euro Changeover in 2007, Slovak Telekom and T-Mobile Slovensko committed to converting to the new currency with no unexplained raise in product and service price. Besides the technical conversion, the Company concentrated on giving its customers transparent, understandable and timely information. From August, dual prices were displayed on all price lists, at points of sales, promotional materials, invoices and advertising.

From 1 January 2009, the currency primarily used in communication has been the Euro, with Slovak koruna values given in brackets for informative purposes. The customer saw only minimal system limitations in association with the euro conversion. The most extensive restraint was the inaccessibility of internet banking as a means of topping up credit for internet-based calling.

Public payphones also experienced a big change. From the beginning of October 2010, all coin-operated devices accepted both euros and Slovak koruna. They accepted the latter through 16 January, since when they accept only euros.

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

Information Technologies
Slovak Telekom

In 2009, Slovak Telekom's Information Technologies Division focused in particular on supporting new products and services and cooperation with T-Mobile Slovensko as part of merging their retail sales networks. IT support was provided to FTTH- and FTTB-based broadband internet products (i.e. "fibre-to-the-home" or "fibre-to-the-building") and to the Magio Sat product, as well as to MSAN technology (equipment for providing IPTV services) that greatly facilitated distribution of broadband internet in remote areas.

Key IT Projects in 2009

The Information Technologies Division's priorities in 2009 included simplification and streamlining of production processes and customer services. The upgrade of the Network Inventory-CRAMER tool to a higher and more advanced version, optimised information and communication support to service provisioning processes. The Company further deployed the service-oriented architecture (SOA), which helps effective systems integration and enables significant simplification and acceleration of processes mainly related to customer service provisioning and their support through IT systems. Enhancing better and faster service provisioning is the goal of Megaplan, a geographical information system whose key parts went live in 2009. All parts of the system are now ready to operate. Megaplan will considerably speed up the planning and building of ST network technical infrastructure and supply geographical data for processes such as fault clearance and geographical localisation for the network's technology sites.

To improve coordination of services which require technicians to work directly on the customer's premises, a new N@DA system (a production capacity management project) for navigation and distribution is being used; its implementation continued in pilot operation in 2009.

Throughout 2009, Slovak Telekom again heavily invested in building optical infrastructure, allowing customers to utilise new services over the latest state-of-the-art optical network. In parallel, the expansion of IT systems functionality for processing purchase orders for network inventorying, workflow and the activation platform took place, in order to automate as necessary the preparation and implementation of these services for Magio and the recent Magio Sat product. This solution will ensure broadband TV signal distribution via satellite, and enable customer interaction through classic internet access in the fixed network. The product allows full distribution of the complete Magio TV package including all interactive services, even in locations either not covered by the optical network or without fixed line network of sufficient quality in place.

The top priority project, successfully implemented in 2008 and completed in 2009, was the euro changeover project. In 2009 this primarily concerned all particulars of year-end closing and balancing processes, and also reporting and statistical statements for shareholders, as well as for controlling and financial authorities.

Data Warehouse operation improved in 2009, through introducing support for key changes in customer perspectives, such as micro-segmentation. This will enable the Company to better understand customer behaviour and needs and better respond to their expectations. The Reporting database retention process was also completed.

Several improvements to the billing process (such as bi-monthly invoicing) were implemented under a programme aimed at increasing internal efficiency. By integrating the IT support of T-Com's and T-Mobile's sales networks, the Company provided its customers with the option to make unified purchases of certain mobile and fixed products at a single place (one-stop-shopping). In terms of infrastructure, the focus is on operational excellence, a key part of which is virtualisation of the Unix and Windows environments, storage and Security zone. Streamlining the desktop and printer operation under the operational excellence programme helped save financial resources while also contributing to environmental protection.

In 2009, strategic cooperation within the DTAG SEE (South and Eastern European) group strongly intensified. It mainly concerns IT solution standardisation and unification, which enhances the Group's efficiency, while also improving its agility and ability both to respond to market needs and to shorten new solutions' delivery times.
In the area of supporting customer contact, IT Division developed a new version of the customer portal, to constantly implement more "self-care" options. Customers thus got more opportunities to gather and evaluate information on products and services of interest. The portal's future will obviously include functionalities such as electronic purchase of services, booking of installation or servicing time slots, change or clarification of customer configuration specifications, and specification or change of personal address data and product or service requirements. 2009 for IT was all about customers and effectiveness.

T-Mobile Slovensko

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

In providing its services, T-Mobile Slovensko utilises numerous state-of-the-art technologies, continually investing in their further enhancement to introduce new services or expanding capacities to serve an ever growing number of customers. The Information Technology Division applies these technologies to prepare implementation of individual services and products, creation of new and enhanced application interfaces for sales people and overall IT support for projects for both customers and employees.

The number of theses innovations demands continuous creation and expansions of new systems and their functions. Given the growing customer base for the individual services, the higher portfolio segmentation and the general increase in service utilisation, existing services and products must function more effectively and new systems must be prepared and implemented for their further expansion.

Key IT Projects in 2009

The IT Division is also involved in fulfilling the T-Mobile Slovensko pledge to become the most highly regarded service company. In accord with this objective, following the customer segmentation of recent years, the Division succeeded in launching a campaign management system to better target its campaigns on customer segments. In today's highly competitive environment, customers are addressed through multiple information channels and campaigns targeted at smaller groups. A characteristic feature of T-Mobile Slovensko is its detailed customer knowledge. First-contact systems such as Call Centres or the retail network help the company maintain consistent information on fulfilment status of a particular request, even when the customer makes contact more than once. This process was further optimised through SLA management launched to have customer requests allocated to particular employees responsible for their handling by the established deadline.

As part of its customer orientation and satisfaction of customer needs, T-Mobile Slovensko focuses on both launching new services and quality improvement of existing services provided through electronic channels. T-Mobile Slovensko considers electronic channels promising, highly efficient, and also environmentally friendly. Therefore, the Company has been developing and promoting this type of communication and endeavours to meet individual customer needs to the maximum extent possible. A great example is the continuous expansion of service portfolio offered through e-shop.

To the content services segment were added new VAS services such as purchasing Bratislava public transport tickets via SMS, expanded to include a 24-hour ticket; the service is gradually being introduced in other towns, too. Customers were also given the option to pay for parking services in Prešov, Martin and Trenčín through the same technological platform, and purchases of travel insurance policy via SMS are also gaining popularity.

A new type of monthly programmes called Podľa seba (It's Up to You), allowing varied package configurations including free minutes, text messages and data, was last year's highlight in the voice segment. The introduction of the unique combined data modem for all technologies (GPRS/EDGE, 3G, and Flash OFDM) technically enabled the launching of new options for sharing of free data space.

T-Mobile Slovensko also implemented other elements that directly influence customers' experience, such as third party process management for activations and distribution channels. This enabled more effective management of goods deliveries via courier for sales through indirect channels such as telesales and e-shop. A new process design to simplify the bundled sales process was introduced to allow selling of bundled products such as data/voice or 3G/FLASH-OFDM, and make serving the customer easier and faster.

As part of the ongoing development of the joint retail network with the parent company Slovak Telekom, T-Mobile Slovensko implemented a special project to interlink its infrastructure with Slovak Telekom's and thus enable a unified customer view and sales of certain products.

In 2009, T-Mobile Slovensko also intensified cooperation within the Deutsche Telekom Group in terms of harmonising IT strategy and consolidating IT architecture. The above activities will enable the Company to launch new products faster, optimise its investments in new technologies, reduce operational costs, modernise systems, increase security and maintain appropriate customer care.

The deployment of a standardised reporting tool for company data stored in the data warehouse considerably increased the Company's internal efficiency. Optimised reporting will facilitate operational cost optimisation, and faster and more transparent provision of critical information, which will also improve the quality of managing the business and launch of higher quality services to the market. The data storage facility – a document management system, managing all customer documentation – was also updated. This has direct customer impact and its benefits will be seen in faster service by the Customer Services Division and better integration with other systems. Moreover, it opens new possibilities for provision of electronic documents, especially invoices, while improving service quality, being friendly to the environment and optimising the Company's operational costs.

Faster Technologies and Unique Hardware Made Part of the Offering

Network services vary in their offering, a factor clearly setting the Company apart in the telecommunications market. For both the main customer segments (consumer and business) there is a unique offering of voice, data and premium services, further enhanced with last year's technological developments.

A milestone in technology modernisation was the upgrading of HSDPA technology speed (supported up to 7.2 Mbps) and the launch of brand new HSUPA technology for quicker data transfer. Customers can use both technologies in their mobile phones as well as data equipment, in PCs or laptops, at no extra charge. During 2009, T-Mobile continued large expansion of the 3G network with additional add-on layers in numerous Slovak towns and villages, completing coverage in the eight leading regional cities as well as bringing the technology to other locations. T-Mobile also continues to support its unique FLASH-OFDM technology, expanded to still more locations in 2009, to provide T-Mobile rýchly internet (fast internet) service. It is now accessible for more than 77% of Slovakia's inhabitants, and in the course of the year its capacities were further increased for all its users, because of the ongoing growth of customers' data traffic volume.

Launching the unique Leadtek Multiband modem was another technology achievement in the past year. The device supports both leading T-Mobile Slovensko technologies, i.e. FLASH-OFDM and 3G/HSDPA in one USB modem. This step also helps T-Mobile Slovensko keep its exceptional position as the only operator with four technologies in its portfolio – GSM (with GPRS and EDGE extensions), 3G (UMTS with HSDPA and HSUPA extensions), FLASH-OFDM and Wi-Fi.

The above technologies were also used in launching new services and products, including numerous mobile handsets with touch screens, internet services and social networks. In 2009 as in other years, T-Mobile served large numbers of mobile internet and content services users.

Human Resources – Partner in Business

The Company has for several years consistently pursued the strategic goal of employing high-quality and effective people, who are therefore well paid. In 2009 Slovak Telekom had 3,432 employees in the fixed-line area, consisting of 62.9 % men and 37.1 % women. T-Mobile Slovensko had 1,491 employees, with some 51.6 % male and 48.4 % female personnel. Over the same period the headcount of Zoznam and Zoznam Mobile was respectively 64 and 4, more than 60 % of them men. The Institute of NGN had 2 employees. Year-end data for 2009 show, the average age of an employee of Slovak Telekom was 40.19 years, of Zoznam and Zoznam Mobile 28.5 years. The average age of a T-Mobile Slovensko employee was 34 years. More than 45 % of Slovak Telekom employees are university graduates; 48 % of them completed secondary school with school leaving exam; and over 6 % of personnel lacks a school leaving exam. Half of T-Mobile Slovensko personnel are university graduates. 26.63 % of Slovak Telekom employees have worked in the Company for less than 5 years, 15.41 % from 5 to 10 years (inclusive) and 57.95 % for more than 10 years. At T-Mobile Slovensko, 54.5 % of employees have worked in the Company for less than 5 years, 24.5 % from 5 to 10 years and 21 % have been with the Company over 10 years. During 2009, Slovak Telekom hired 335 new people from outside, with 120 employees transferred within the Company. Personnel marketing played a key role in hiring new employees; it included an image campaign in various print media, school cooperation activities, and the continued application of the “Employee tip” programme (existing employees recommending new candidates). At T-Mobile Slovensko, most human resources activities focused on retention of employees in specialised and key positions.

The Company’s strategic and professional human resources management received recognition in the Best Employers Slovensko 2008 study, organised by Hewitt Associates, the largest consultancy and outsourcing company in human resources management. In the ranking of 37 prominent companies registered for the study, T-Mobile Slovensko took the first place and Slovak Telekom fourth place.

Employee Development and Compensation

Slovak Telekom priorities in employee development throughout 2009 included business support, enhancing the customer-oriented corporate culture, and continuing development programmes commenced in previous periods; the latter including in particular programmes for comprehensive development of the Company’s managers and retention of key employees.
The main business areas supported through training activities in 2009 included:

- Optical networks – theory & practice
- Information technologies – MS Windows administration
- Cisco certification
- New projects support

A Telekom Storybox programme was implemented for employees in 2009. It involved interactive workshops focused on 4 main areas – strategy, brand, customer service and corporate values. Over 90% of employees took part in such workshops. The innovative and unconventional approach in implementing the Telekom Storybox workshops was recognised not only by employees but by experts, who recognised it with the award for the year’s best human resources project in the national HR Gold competition.

Manager development in 2009 focused on key management areas – people, finance, customers, projects and processes. This programme’s implementation effectively combined an external training agency’s experience and know-how with the expertise and

practical approach of Slovak Telekom experts. It developed workshops on specialised topics such as Finance for Non-financial Managers, Project and Process Management, and Employment Law for Managers. An interesting and beneficial experience enhancing customer orientation in top management was the Front Line programme, during which top managers spent a day at selected customer contact points. Another programme was specifically designed for Call Centre supervisors and coaches, to reflect their specific development needs.
The two-year retention programme developed key players according to individual training needs identified for this select group of employees. The success rate of this programme, focused on motivating and stabilising key employees in the Company, came to 91.8%.
In 2009, Slovak Telekom organised a total of 1,256 training activities with 7,990 participants. Sixteen new e-learning courses were added to the 65 existing and constantly-used courses on the EDUCA portal. Employees used e-learning training in 33,194 cases in the course of 2009. The average number of development days per employee was 3.2, and average development costs per employee were EUR 216.

Employees of **T-Mobile Slovensko** are at the centre of the Company's interests, and looking after them is one of the Human Resources Division's key activities. Personnel policy values and rules are laid down in the Company's relevant documents, and decisions are based on the principle of transparency, trust and equal opportunity. T-Mobile Slovensko recognises employee performance and pays high attention to compensation, motivation and stabilisation. To meet this goal, the Human Resources Division creates a stimulating working environment, supporting creativity and personal growth.

Compensation in the sector of information technology and telecommunications has long been among the highest of all sectors in the Slovak Republic. Employees of T-Mobile Slovensko are compensated based on individual performance, with pay adjustments also reflecting trends in the information technology and telecommunications sector. Apart from base pay all employees are entitled to a special bonus, subject to fulfilment of annual corporate and individual objectives; and to extraordinary bonuses for activities exceeding the scope of regular operation. The outstanding fulfilment of corporate objectives is reflected in employee compensation. Employees can utilise an ample benefit offering, where a "cafeteria" system gives each employee the option of selecting a tailored benefit package. The Company's ongoing intention continues to be improving employees' working environment through regular employee satisfaction monitoring.

Two issues significantly impacted training and development in 2009 – firstly, the intention of sharing internal know-how and secondly economy measures. Despite the latter, it must be stated that T-Mobile Slovensko perceives 2009 very positively. Through internal courses held by trainers from the Human Resources and other Divisions, 455 participants were trained for a total of 537 training days on soft skills and specialised development, with a particular focus on feedback, motivation, team building, conducting staff meetings and project management. 987 participants attended activities of external training institutions for a total of 2,095 training days. Overall there were 2,632 training days with 1,442 participants, which is 1.8 training days per person.

The major focus of developing employees in direct customer contact (provided by the Customer Services Division's Training unit) was on adaptation, product and soft skills training courses. In these areas, internal trainers educated 1,534 people during 6,316 training days.

Some 60 employees took advantage of an opportunity to obtain feedback on their strengths and areas of potential development through development tools (such as an external Development Centre, Start-Stop-Continue, e-questionnaire Feedback to direct superiors, e-questionnaire Feedback to colleagues, and 360-degree feedback, and a personality questionnaire).

In 2009, 25 high-potential individuals began their preparations for their first managerial positions when they were nominated to the Talent Club, a career planning programme at T-Mobile Slovensko. This programme consisted mostly of development centres and activities focused on managerial skills development.

T-Mobile continued enhancing the internal coaching and mentoring concepts. New internal coaches and mentors were trained throughout 2009 to play a crucial role in developing their colleagues.

Thirteen newly-hired managers took part in the New Manager development programme, aimed at helping them adapt to the Company both through on-the-job training and internal training courses explaining processes in the human resources area.

T-Mobile Slovensko has continued its development programme for senior and top management, focusing on first-hand experience with product and service sales. Practical experience in direct customer contact helps management get a more comprehensive perspective as they plan and guide strategies for the Company and individual functional areas. 2009 made this program available to all Company employees. The Company also focused on defining successors for strategic management positions, which also helped support the international succession initiative.

Various types of training courses and the Service Hero competition, that focuses strongly on strengthening corporate culture, continued as a part of internal activities. The Best Performer contest to promote long-term high performance in the Company, and the Innovation Award initiative to bring new ideas and suggestions and to reward the best of them, were also organised.

Employee Surveys within Slovak Telekom Group

Again in 2009, employees of Slovak Telekom took part in the regular Deutsche Telekom Group “spirit@telekom” surveys, with an average participation rate of 47%. The goal of the survey is to regularly monitor development in key areas, focusing on corporate culture, employee satisfaction, and loyalty to the Company. Employee responses in 2009 were more positive than in the past: as many as 84% of employees felt well or very well at Slovak Telekom; employees better understood changes taking place in the Company; and the perception of customer service levels also improved. At the same time, four of five employees perceived Slovak Telekom as a stable employer even in times of crisis, and would recommend getting a job with the Company to their friends and acquaintances.

In 2009, Slovak Telekom employees took part in the Deutsche Telekom Group survey on HR Customer Satisfaction for the first time. This survey ascertains overall satisfaction with the Group’s human resources units. The survey results indicated the employees’ high satisfaction rate with personnel services, above the average level within the CEE region. Managers rated the work of human resources at the average value achieved by the Deutsche Telekom Group.

Managers were also involved in the HR Step survey, a more detailed regular internal survey on satisfaction with human resources services. In 2009, the average score was the most positive for the past four years.

T-Mobile Slovensko also regularly participates in the spirit@telekom survey. In 2009, 90 % of employees felt well or very well with the Company. T-Mobile Slovensko 2009 outcomes in the HR Customer Satisfaction survey (on employee satisfaction with the human resources division) were again among the best within the Group. Moreover, T-Mobile Slovensko ranked second within the Deutsche Telekom Group in the survey on quality of service and products provided by human resources units; and from among the Group’s mobile operators it even ranked first.

Cooperation between Slovak Telekom Group and Secondary Schools and Universities

In 2009, Slovak Telekom continued intensive cooperation with students and teachers at different levels. In addition to its customary participation in student job fairs such as National Career Days and Opportunity Day (Deň príležitostí), Slovak Telekom also took part in other job fairs.

Programmes that the Company has consistently prepared for students include:
- Diplomovka at ST (University Thesis at ST)
- Global Internship program
- Events, lectures, and onsite visits
- Job opportunities for students and graduates

- Virtual student club
- Virtuálny študentský klub

Human Resources employees together with experts organised several onsite visits for students of several secondary schools and universities (e.g., the Slovak University of Technology and Secondary School of Transport and Telecommunications in Trnava) in specialised Slovak Telekom classrooms and workplaces. Students could thus take part in demonstrations of state-of-the-art technologies as well as see them in practice.

In cooperation with teachers, Slovak Telekom in 2009 organised the second annual New Trends in Telecommunications Conference for secondary school educators, which they evaluated positively. Teachers got the opportunity to talk to experts about topics including development of access networks from dial-up to fibre optics. The new IPv6 internet protocol was presented; now that IP has become fundamental for future internet rollout and the main grounds for creating IPv6 was a lack of address space in the protocol's earlier version. Educators had the opportunity to view digital Magio TV broadcasting via powerline adapters, which get high-speed internet connection from one room to another without the need of drilling the walls and then laying new cables. The conference provided opportunities for discussions with practical experts, thus enriching the curricula by adding the latest technology innovations.

The fifth annual Telekom Day 2009 student conference was again organised by Slovak Telekom and T-Mobile Slovensko. Almost 100 students in their last two years from telecommunications and IT-oriented universities and colleges from Slovakia and Germany had the opportunity to discuss telecommunication innovations and resolve real life case studies.

The main topics included the "3 screens concept" (the interconnecting of television, mobile and PC); digital Magio television's development and future; and the interconnection of voice services and the television screen. Students learned information on future trends of personalised mobile services and HSPA+-based mobile broadband internet and its specifics. They could match their theoretical knowledge with current technology developments in computer networks, with new tendencies for fibre optics rollout in Slovakia and abroad, and with recent trends in mobile communications.

Like in previous years, an important part of the conference was the meeting between educators, chancellors, deans and teachers from technical universities and colleges and Slovak Telekom's managers.

Effective Communication – a Must for Successful Business

Open communication towards the external and internal environment is the basis for communication strategy of Slovak Telekom Group companies. The key departments mediating information are those of external, internal and marketing communication.

Given the Company's business orientation it is only natural that media communication focuses mainly on product and service sales support. In 2009, product communication made up 60 % of all media outputs.

Slovak Telekom

External Communication

In 2009, external communication focused on intensive communication of topics positioning Slovak Telekom as a multimedia operator, providing customers with a full array of products and services while respecting the principles of corporate responsibility. According to the AVE analysis (Advertising Value Equivalent) conducted by the SITA agency, the overall year-on-year increase of positive publicity of Slovak Telekom was 300 %, and the value of media outputs reached EUR 900,000.

Appropriate selection of PR tools and a segmented approach to various types of communication channels made it possible to present such topics as optical infrastructure development, deployment of internet in less-populated areas, and launch of Magio satellite television into a broad media spectrum. The media received very positively the press conference to introduce Magio, facilitating massive media coverage of the topic. Owing to the highly local character of some topics, a much closer cooperation with regional media presenting specific information in particular regions was initiated.

Also initiated was closer cooperation with lifestyle media. Partnerships with such media helped put across, among other things, stories of people in need who got help from the Slovak Telekom Endowment Fund, at the same time informing the general public about possibilities to receive this support. Profile interviews with teachers participating in the Slovak Telekom Award competition presented innovative educational approaches at Slovakia's primary and secondary schools. There was a 41 % increase in corporate social responsibility publicity.

External communication, as usual, provided communication support to the Magio Beach project, highly popular among the media. An interesting and creatively innovative approach to the beach's official launch contributed to increased media interest in summertime leisure activities, subsequently covered continuously throughout the entire summer. In 2009, media coverage of the beach increased by 200 %.

Besides introducing various themes, external communication arranged for presentation of individual members of Company management. These managers commented on

Nadačný fond Slovak Telekom
oslavuje druhé narodeniny

Združenie na pomoc ľuďom s mentálnym postihnutím organizuje počítačové kurzy

Nadačný fond Slovak Telekom rozdelil počas dvojročného fungovania vyše 430 000 eur. S podporou fondu bolo realizovaných 141 projektov a 111 ľudí si mohlo zakúpiť počítač, notebook či pripojenie do internetu.

Od svojho vzniku v septembri 2007 sa fond zameriaval na pomoc zdravotne a sociálne znevýhodneným občanom a ich integráciu do spoločnosti. V roku 2009 sa pôsobenie fondu rozšírilo aj na oblasti podpory súčasného umenia a inovácií vo vzdelávaní. Finančné prostriedky sú rozdeľované v grantovom systéme a v schéme individuálnych žiadateľov.

Z grantov nadačného fondu vznikli napríklad počítačové učebne, vďaka ktorým získali stovky zdravotne postihnutých detí prístup k internetu. Fond taktiež naučil spolupracovať zdravé deti s ich hendikepovanými rovesníkmi. Výstupom z takýchto projektov je napríklad zaujímavá fotogaléria slabozrakých a nevidiacich detí, či séria krátkych filmov, na ktorých spolupracovali zdraví študenti a študenti s mentálnym postihnutím a autizmom.

Nadačný fond Slovak Telekom podporil tento rok sumou 5 000 € aj Združenie na pomoc ľuďom s mentálnym postihnutím, na pôde ktorého sa stretli nedávno zástupcovia médií a spoločnosti Slovak Telekom s predstaviteľmi tohto združenia. Vďaka podpore Slovak Telekom mohlo združenie zorganizovať počítačové a internetové kurzy pre ľudí s mentálnym postihnutím. Svojím počinom tak Slovak Telekom pomáha napĺňať hlavný cieľ Združenia na pomoc ľuďom s mentálnym postihnutím v SR, zastrešujúceho 59 miestnych organizácii s 10 000 členmi po celom Slovensku, a to, integráciu detí a dospelých ľudí s mentálnym postihnutím do spoločnosti a obhajobu ich práv a záujmov.

„Zameranie pomoci na zdravotne, sociálne, alebo inak znevýhodnenú skupinu obyvateľstva sa ukázalo ako správne rozhodnutie, pretože do dnešného dňa sme zaregistrovali vyše 1 000 žiadostí o podporu. Zatiaľ sme mohli pomôcť len tretine žiadateľov, v takejto cielenej pomoci však budeme naďalej pokračovať," uviedol **Ján Kondáš, riaditeľ pre korporátnu komunikáciu Slovak Telekomu.**

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Združenie pacientov Viktória
Zdravší pomáhajú menej zdravým

Začiatkom októbra sa na pôde Ligy za duševné zdravie v Bratislave uskutočnil Deň otvorených dverí Združenia pacientov Viktória spojený s prezentáciou ich pilotnej web stránky. Akcia sa uskutočnila v rámci sprievodných aktivít celoslovenskej kampane Dni nezábudiek, vyhlásenej Ligou za duševné zdravie, ktorá upriamuje pozornosť na krehkosť duševného zdravia.

Združenie pacientov Viktória (ZPV) funguje na báze svojpomoci, zjednodušene sa dá povedať, že „zdravší pomáhajú menej zdravým". Svojou špecializáciou sú ojedinelou takto zameranou „svojpomockou" v Bratislave. Združujú oficiálne 84 členov od 15 rokov. Cieľmi združenia sú predovšetkým realizácia pomoci pri liečbe a znovu začleňovaní do spoločnosti, vyvíjanie aktivít smerujúcich k zmene stereotypu vo videní duševne chorých a podieľanie sa na vytváraní ďalších podmienok pre pracovnú, sociálnu a zdravotnú rehabilitáciu. Na združenie sa obracajú ľudia, ktorí potrebujú nasmerovanie v situácii s ochorením, ale aj študenti kvôli praxi, diplomovej práci a dobrovoľníctvu.

Združenie založili 3 klienti psychiatrie za pomoci 2 psychiatrov v roku 1997. Od tej doby ho spravovali čisto len klienti psychiatrie bez vonkajších zásahov odborníkov až do mája 2009, kedy sa predsedníctva v ZPV ujala sociálna poradkyňa Mgr. Tatiana Juríková, rok predtým dobrovoľníčka v združení.

V roku 2000 boli zakladateľmi a prvé 2 roky aj koordinátormi „Celoslovenskej asociácie pacientov a pacientskych organizácii Premeny".

V tomto roku združenie nadviazalo spoluprácu aj s Agentúrou špecializovaných služieb pre autistov a iné zdravotné postihnutia, n.o. Bratislava, so Psychiatrickým stacionárom vo Fakultnej nemocnici Staré mesto – Bratislava, Seniorským informačným centrom v Bratislave a s Kompasom, n. o. Trnava. Viac informácií na www.zdruzenieviktoria.xf.cz

-jur-

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Prepájame telekomunikačné a IT služby do ICT

T-Kancelária: Infraštruktúra podporujúca váš biznis

Internet aj v odľahlých obciach

current Company activities and telecommunication market trends, thus informing the general public about the strategic direction of Slovak Telekom development by means of interviews, surveys and responses to media enquiries.

The Company built its media relationships using various instruments. Naturally, media queries were promptly managed on a daily basis. Media representatives also received information at press conferences, informal meetings with Company management, specialised conferences, and product presentations to practically demonstrate a given product. Another important information source was the website www.slovaktelekom.sk. Further, every year as part of its comprehensive public communication policy, the External Communication Department prepares the Annual Report and the Corporate Responsibility Report. Both reports are available solely in an electronic format, in line with the environmental strategy of the Company.

In 2009 Corporate Communication achieved success in the international Magenta Award 2009 competition, organised for the second time by the parent company Deutsche Telekom AG. 18 countries participated in the competition with a total of 79 projects registered. Slovak Telekom entered 10 projects, five of which

SPOJENÍM VZNIKNE NAJUNIVERZÁLNEJŠÍ TELEKOMUNIKAČNÝ OPERÁTOR

received shortlist nominations; the Company was recognised in four out of seven categories. The jury found four External Communication projects interesting (Annual Report 2007, Corporate Responsibility Report 2007, Advertising for optical networks in developer projects, and Opening press conference at the Magio Beach), and one project prepared by Internal Communication (A Customer Is Not Just a Number in Siebel). The Magio Beach Opening press conference project won the most votes in its category.

Internal Communication

Internal communication at Slovak Telekom creates a sustained interactive platform for continuous exchange of information, attitudes and opinions between the Company's management and employees. Its content has, in the long run, focused on shaping employee culture in line with the corporate mission, vision and values. It provides timely and comprehensive information about key milestones in the Company's history as well as the everyday life of employees, with open space for them to express their opinions.

In the past year, the leading internal topics included the Company's activities related to expansion of its service and product portfolio and projects intended to satisfy customer needs even better. The Company's Intranet and employee journal pages ran systematic articles dedicated to successfully completing the most important project in 2009 – "To be Number 1 in Broadband Internet and IPTV", mainly concerned with making the service Magio available to everyone in Slovakia. Toward the year's end, these activities culminated in an intensive internal campaign aimed at promoting in-depth knowledge of the new MagioSat product as well as in involving employees in promoting the service among their friends and acquaintances .

Constant improvement of customer services was facilitated again last year through the interactive intranet platform "Hlas zákazníka" (Customer Voice), enabling employees to record the customer reactions and inputs they hear directly. All entries on these pages are resolved professionally and within a guaranteed time span; the application also became an important source of information and instrument for the company-wide customer relationship management project.

2009 for Slovak Telekom was also the year of the Save for Service programme, focusing on enhancing effectiveness in all areas in order to generate resources for improving customer service quality. Internal communication mainly promoted electricity savings among employees, via a campaign lasting all year and using the animated penguin character Tuli.

Continuing themes in Slovak Telekom's internal media were corporate strategy, values, the brand story, and principles of customer orientation. In the past year all employees attended, together with their direct managers, interactive workshops called StoryBox. Here they recalled, in joint discussions, key principles pertaining to vital areas of Company life.

Internal communication also contributed to reinforcing employees' corporate responsibility with the launch of an interactive portal, to which anyone can address specific questions related to anti-corruption and ethical behaviour at work. Slovak Telekom promoted solidarity and employee support to the community last year by opening grant rounds for volunteer projects, striving to create synergy between Company financial resources and the time and know-how of volunteers from among Company personnel. The internal media pages presented in detail all employee activities assisting communities, including video-reports and self-made articles of projects.

The openness and equal access of internal discussions at Slovak Telekom can be best documented through the over thirty public discussion groups and internal blog on the Intranet, which enjoy great popularity. Employees also have several other opportunities to express their opinions straightforwardly and to be in direct contact with Company management. In the past year, these mainly came in informal meetings called Offline in major Slovak cities, the summer sports games at the Magio beach in Bratislava with participation of teams from all regions, and the traditional Christmas party for all Company employees.

Internal communication in Slovak Telekom is part of basic customer-oriented processes. Therefore, the department was again audited in 2009 on its quality management system EN ISO 9001 2000, and passed the audit.

Marketing Communication

The principal role of marketing communication in 2009 was to further develop the T-Com brand as well as support sales of key products and services – voice services, internet, digital television and new services provided over the optical network.

The T-Com brand in 2009 successfully retained its position in both quantitative and qualitative indicators. Unaided awareness of the T-Com brand reached 76 %, aided awareness 96 % (source: GfK, Advertising Tracking Study 2009).

With increasing competition in all telecommunication market segments, the T-Com brand in 2009 confirmed its position as best-known provider of comprehensive telecommunication services; moreover it also clearly dominated as the best known provider of digital television in Slovakia. The T-Com brand also dominated in the cutting-edge optical technology as the best known provider of services over the optical network (source: GfK, Advertising Tracking Study, January 2009, May 2009, September 2009).

The Magio TV product brand maintained its popularity and successfully defended its position as best-known digital television service. The newly launched internet connection brand Magio Internet took only a few months to gain a strong position, successfully replacing the former brand 4G Internet (source: GfK, Advertising Tracking Study, July 2009).

The new service Magio Sat was added to the Magio product brand towards the end of 2009, with the intention of taking the leading position on the satellite television market.

In 2009 the T-Com brand continued executing proven communication packages. Individual communication package components were linked by a joint creative idea, with a common visual style helping the consumer associate the given advertisement with the T-Com brand.

The spring campaign, with a cosmic-speed space shuttle, kicked off strong above-the-line communication of optical network-based services. In the summer campaign, the Company created the family of the future. The autumn campaign featured young people seeking to share their happiness with both friends and strangers. And the central motif of the Christmas campaign was messengers bringing good news, carrying presents from T-Com to Slovak families under the headline "Dám ti darček" (I will give you a gift).

The character of the autumn and Christmas campaign was significantly affected by the merger of the local and global communication strategies and implementing the new communication slogan "Zažime to spolu" (Life is for Sharing).

Educational spots promoting Magio TV continued to play an important role in commu-

nication, explaining in detail service functionalities and benefits. Because of the T-Com brand's partnership with the Slovak national team, these educational spots in the second half of 2009 focused on football.
Also in 2009, the Company implemented various innovative projects in consumer communication. Among the most significant was the public section of the T-Com blog, which became an appreciated component of two-way communication of the T-Com brand with consumers.
Utilisation of social networking platforms continued (mainly Facebook). These were used to implement, among other projects, Rád sa podelím (Happy to Share), Darčekostroj (Giftmachine), Magiopláž (Magio-beach).
Within the autumn and Christmas campaign, tens of thousands of visitors were attracted by the special interactive websites www.podeltesa.sk and www.oDarcekoch.sk.

In 2009 the T-Com brand won several awards for creativity and effectiveness of marketing communication. At the national creativity festival Zlatý klinec (Golden Nail), T-Com received two silver nails, two bronze nails and four shortlist nominations. T-Com brand successes in the national competition of marketing communication effectiveness, EFFIE Slovakia 2009, were even more highly prized. The silver Effie went to the Christmas campaign "Matej Dužina" for 4G Internet, and the campaigns "Agent" promoting Magio TV and "Zavolajte komukoľvek" (Call Anyone) promoting voice services were shortlisted.

In direct communication, the T-Com brand continued the unique city beach project titled Magio Beach, which in its third year has become a fixed part of life in Bratislava. Compared to the preceding year, the project went several steps further both qualitatively and quantitatively: enlargement of the overall beach area, increased number of playing fields, additional sports activities for couples and teams with the possibility to rent sporting equipment, an attractive chill-out zone with Magio TV service available free of charge, extended beach bar capacity and more attractive menu in the hot and cold buffet, selection of drinks, and other improvements.
The beach also comprised a new advanced playground for children with 12 play elements – all built under the T-Com brand. Visitors had constant access to information via a free Magio internet Wi-Fi connection. Thus the Magio Beach in Bratislava brought a T-Com brand experience to over 130,000 visitors from May to September 2009.
Another innovative communication project was the Magio caravan, which throughout the year roamed towns across the country. It offered local residents the chance to try out, in an unconventional way, Magio TV and Magio Internet right in their hometown.
T-Com brand presentations in shopping centres built on positive responses from the previous period, enabling visitors to have direct experience with the Magio TV and Magio Internet services.

T-Mobile Slovensko

External Communication

T-Mobile Slovensko has continued to strengthen its position on the market by means of product and service support, as well as several activities implemented in the area of corporate communication.
In 2009, external communication focused on intensive communication with media


Pre klienta nie sú motivujúce len zľavy

Ľudia telefonujú viac, ale úspornejšie

and launch of various corporate, product-related and CR messages. The external communication function also responded to hundreds of inquiries from media, institutions and professional associations, while actively participating in several worldwide and European telecommunications surveys.

In line with the orientation of the entire Company, external communication focused on strong support to presenting and positioning of the mobile operator's services, products and special promotions. These innovations were introduced using various communication tools, a presentation to the professional public or an event. Also this year, various corporate as well as regulatory topics resonated in the media; nonetheless, product communication remained at a high level.
An important component of the media strategy included media positioning of the management team members, in interviews, profiles, surveys or positions on a given topic; the Company was represented directly by top management members, providing readers with an insight to their work, division, the entire Company or their opinion on current telecommunications market trends or developments. In the course of the year, leading dailies (Hospodárske noviny), weeklies or bi-weeklies (Trend, Profit, and Žurnál), several life-style or specialised media (Brejk, Golf, Stratégie) and TV discussion panels (TA3) featured interviews and profiles of the CEO, Marketing Director and Human Resources Director.

Profesionálny otec, mamuty a šťastie

The Company developed media relations using various forms and approaches. Selected topics were communicated at press conferences (Company financial results, and handset launches for beginners and seniors), smaller events or business breakfasts along with practical product demonstrations (for various new promotion handset series through the year). There were also discussions with various experts representing T-Mobile Slovensko with respect to selected topics, as well as informal meetings with individual media representatives.

Thanks to T-Mobile Slovensko, several Slovak journalists attended the most prestigious events in the area of IT and mobile communications – such as the Mobile World Congress in Barcelona and CeBIT in Hannover. The Company to a large extent focused on promotion of the T-Mobile brand in Slovakia. In the course of the year several projects were initiated, ranging from an original campaign promoting the new slogan "Zažime to spolu", through the


Firmu „robí“ líder

promotion of four music events of T-Mobile Music City in cities across the country, to a press conference on the occasion of the exclusive Vivienne Westwood fashion show in Slovakia.

2009 saw a significant increase of T-Mobile's communication in the area of corporate responsibility. The Company launched the interesting concept Akty T (T-Files), i.e. facts about responsible activities, encompassing all CR activities while also promoting selected topics in the form of separate events, e.g. with a "silent" press conference, participation in discussions, and press conferences on projects supported.

Internal Communication

In 2009, the internal communication of T-Mobile Slovensko focused on further development of Company culture, along with implementation of stimulating projects following new trends in the Company's life, brand and new slogan, broad portfolio, and support for internal Company functions and their communication goals.
The key internal communication tools were print formats (posters and stickers), the popular journal Echo, electronic media (internal mail and intranet) and employee events. All internal events received outstanding feedback in the context of the entire Deutsche Telekom Group, and also repeatedly achieved very good results in surveys concerning usefulness of information provided. Each type of media plays a unique role in internal communication – print formats attract attention and provide a reference to campaigns (like the current ATL campaign) using unified design, the Echo journal provides overview concerning internal Company developments as well as a closer look at employee activities, and electronic media usually communicate important facts and news concerning everyday Company activities.

Additionally, internal communication also used audiovisual forms of content in its work – films and video reports. These are popular formats among employees, as they communicate selected Company messages while transmitting atmosphere, corporate culture and commitment of colleagues. Films are also used to collect feedback on selected projects and subsequently are presented on the intranet and at employee meetings.

The primary role of internal communication is to support key initiatives and Company results. Being familiar with the Company's position on the market and its strategic direction, employees can identify with their everyday tasks better. This helps them fulfil common corporate objectives. In this respect, internal communication used proven formats like the CEO address and direct email communication. In parallel with CEO communication, the intranet and Company journal featured articles describing work on key projects, the functioning of various teams, and information about new employees and their role in the Company.

Internal communication also comprises personal contact with staff on all levels, mainly from top management towards employees. Within this initiative, a CEO Open Door Day was organised every month. Twice a year a special series of events for managers was held; and twice a year a roadshow for all employees took place, attended by all division directors who presented their results and vision for the upcoming period.
Over the year, internal communication also organised several support campaigns aimed at increasing awareness and knowledge of services and products being launched on the market. Examples include the new prepaid Easy naj card, a series of summer promotions and the Christmas campaign.

Other key internal communication projects last year included the launch of the new slogan “Zažime to spolu”, in line with the T-Mobile brand repositioning. A series of communications activities was designed to make employees familiar with the T-Mobile brand innovations as well as to create overall atmosphere, in relation to the new slogan and communication style. Furthermore, one day before the new slogan launch date (14 January 2009), internal communication created a new project ambassador, an animated character – the employee Timo, who gradually introduced colleagues to news on the introduction of the slogan “Zažime to spolu”.

Besides introducing the new slogan, internal communication updated the intranet design. Another important component of the project was opening the employee cafeteria T-Café, with the main wall decorated with a large-format poster composed of thousands of photographs from various employee events and the new T-Mobile logo with the new slogan “Zažime to spolu”. An internal “best photograph” competition in various categories, organised in the course of first few months after the new slogan launch, further promoted the notion of sharing feelings and unique moments.

The new campaign also entailed redesigning the Company’s main building, with a dedicated graphical theme and colour composition for each floor. In relation to the campaign “Odkazy” (Messages), by which marketing communication introduced the new slogan, internal communication created a platform for sharing employee messages. In this manner, colleagues had the opportunity to surprise their friends with a unique message and interesting present.

The autumn campaign promoting corporate social responsibility was another extensive internal communication project. T-Mobile has been active for several years in the field of corporate responsibility; the goal of the campaign, though, was to present the overall portfolio of activities. So in the opening phase, internal communication created an overview of all activities, in the form of a large-format poster placed in the Company’s building foyer as well as on the intranet, indoor posters, and particularly in a comprehensive special supplement to the employee journal Echo.

Throughout the year, internal communication also provided communication support to projects of other divisions, such as campaigns promoting competitions of the Human Resources Division (Innovation Award and Best Performer). An interesting approach was chosen to promote the Company’s data security campaign for the Security Department, using the educational brochure "Posvieťme si na informácie” (Let’s Look At Information), special media on Company premises (mannequins near collection points) and intranet-based e-learning training.

In 2009, internal communication also prepared a large number of employee events. Besides the traditional roadshows, managerial meetings and special presentations, employees yet again met at the summer T-Mobile Day, a regular event devoted to employee families with children, offering a wide range of sporting activities and competitions for the youngest. The Christmas party, a year-end event at which winners of the Service Hero poll as well as Best Performer and Innovation Award contests for 2009 were announced, enjoyed extraordinary popularity.

Marketing Communication

T-Mobile Slovensko opened the year 2009 by introducing new brand positioning. Throughout the year, the Company also continued to develop and reinforce the brand’s key attributes. Interactive and emotion campaigns attracted the public, using various innovative approaches to brand presentation while also implementing unique activities on the internet. In the field of sponsorship, the Company focused on supporting third-party music events as well as the Company’s own projects.

Brand Support Activities
The beginning of the year was marked by introduction of the new brand positioning, corporate design and slogan “Zažime to spolu”. T-Mobile Slovensko implemented all elements of the new corporate identity in the interactive campaign “Odkazy”. The campaign communicated the benefit of unlimited calls with the “Vo veľkom” (Grand

Style) price plans in a new, innovative way. All television spots, billboards, citylights, print ads and radio spots were created by the people who made use of the space T-Mobile provided for them to create a message for their nearest and dearest. The unique campaign "Odkazy" was recognized at both the national advertising competition "Zlatý klinec" (Golden Nail), at which it received among other awards the supreme Grand Prix and prestigious international creativity competitions. The campaign won a total of 39 prizes, thus becoming the most successful advertising campaign in Slovakia's history.

Besides honouring the innovative "Odkazy" campaign, Slovak advertising professionals gave the 2009 Golden Effie to the web 'n' walk service campaign "Exoti" (Eccentric People) – the first Slovak webshow, produced by T-Mobile in 2008 with outstanding results.

In April the voice service offering of T-Mobile Slovensko was expanded to include a new attractive evening call option. T-Mobile communicated this benefit with the emotional campaign "Narodeninová torta" (Birthday Cake). In the summer, T-Mobile brought out three offers under the single communication concept of "Bomba leta" (Summer Bomb). This introduced consumers to the unlimited price plan, unlimited weekend calls and SMS messages, and a service novelty – an unlimited music package, using which customers can download unlimited volumes of music to their handsets. The campaign "Bomba leta" was in the online environment also supported with a special webportal a well as via promotion, within which people demonstrated their skills in water jumps. In late August, T-Mobile Slovensko introduced new price plans "Podľa seba" (It's Up to You).

The benefits of the popular Fix product for the target group of young people were communicated continuously throughout the year. The new communication platform, in PC game style with the animated character "Fixo", had good communication results.

T-Mobile also prepared several internet product campaigns. The leading activities in this category comprised the March campaign "Kapela" (Band) and the summer campaign "Tanečnica s notebookom" (Dancer with Notebook). The goal of the communication was to constantly promote mobility as one of the basic features of the mobile internet.

T-Mobile launched communication of the web 'n' walk service in the beginning of 2009 with the television campaign "Smajlík" (Smiley), later in the year supplemented with a web-based show of Julian Kolomačka, who posted original video messages on Slovakia's largest community portal for the youth target group. The goal was to explain, in an entertaining manner, abbreviations used in internet chatting as a part of community communication even on web 'n' walk. Besides the highly successful webshow, T-Mobile also created the web portal www.osweta.sk, where visitors could find, among other things, a very practical "chatting" dictionary. Owing to the innovative communication of web 'n' walk in 2009, the brand T-Mobile sustained its leading position in the online environment.

Also in 2009, T-Mobile Slovensko continued with successful communication of the price plan set “Podnikateľ” (Businessman) designed for the business segment. The business communication goal was to build awareness concerning benefits of these attractive price plans; individual campaigns communicated benefits such as mobile internet or 1000 free minutes added to price plans.

The highlight of the year in marketing communication was an extraordinarily successful Christmas campaign, in which T-Mobile introduced four attractive offerings. The main characters of the Christmas campaign were 5 singing Santas, who passed messages to people in an original way in their natural environment. Even in its initial phase, the campaign was perceived very positively by the general public and started spreading virally in subsequent weeks. In an advertising survey conducted by GfK, the campaign had outstanding results with respect to the young target group. In GfK’s ATS monitoring, the campaign component titled Kika, promoting unlimited weekend calls, achieved unaided awareness of 41 %, aided awareness of 92 %, T-Mobile brand affiliation of 91 % and satisfaction of 82 %.

The Christmas campaign also featured the web portal ‘vianocespolu.sk’ (Christmastogether.sk), offering diverse original content created for customers, significant interactivity, and space for user-generated content. Directly from the website, customers could send funny Christmas e-cards, lease Santas from the TV spot for their personal messages, or participate in the promotion at Rádio Expres. The Christmas portal drew great attention – in less than a three month period it was visited by over half a million unique users.

Sponsorship Activities

As part of the sponsorship strategy aligned to the global brand strategy, a unique concept was created, demonstrating original forms of approach and implementation in music sponsorship.

The T-Mobile Music City project encompasses various musical activities, infiltration into genuine internet communities, and brand development. T-Mobile Slovensko continued its original music project T-Mobile Music City, in the course of 2009 invading four Slovak cities one by one with varied musical productions – the series motif was the chance to enjoy music for a full 24 hours in several parts of the city free of charge. The project respected the character of the cities, each of which had a customised musical dramaturgy to increase originality of each project. The Music City series met with great public success last year, attended by a total of more than 56 thousand people.

T-Mobile Music City succeeded again in the online environment too, connecting a community of people who live and breathe music and communicate through the internet. In 2008, the project started at mobici.sk and pokec.sk, with profiles of animated music characters. The four most popular profiles remained, and in 2009 the mobici.sk page transformed to www.t-musiccity.sk, providing even more space for the music users enjoyed most. The www.t-musiccity.sk site also featured profiles of musicians introducing their own music. Throughout the year, the Music Embassy featured original views shared by the musicians Rytmus (Kontrafakt), Smasho (Lavagance) and Vilo (Puding pani Elvisovej). More than 455 thousand unique users visited the site.

In 2009, T-Mobile Slovensko became the general partner of the Czech and Slovak SuperStar contest. Yet again, T-Mobile confirmed its strong commitment and developed a unique integrated marketing communication project – a campaign lasting several months implemented via ATL and BTL channels as well as promotion activities. Following their success in SuperStar 2007, the animated characters – Mobíks – appeared again in the year's singing competition, this time exchanging their position of contestants for the role of backstage hosts of the contest. The Mobíks also had their own music city created online (at www.t-musiccity.sk) where they lived their virtual lives. Besides their up-to-date profiles, Mobík games and hot news, visitors could also participate in various competitions and via T-Mobile and Mobíks enter the world of SuperStar. Mobíks thus again scored a great success, winning fans among all age categories in Slovakia.

Zoznam

Putting emphasis on integrated communication, Zoznam strived to achieve a synergy effect and increase marketing communication effectiveness. The possibilities available at the internet portal Zoznam.sk, enabling linking of individual marketing mix elements effectively, brought a 12% increase of visitors while retaining a 59% share on the constantly growing market. In 2009, Zoznam successfully launched to market several new features and product innovations, and because of goodwill again became a partner to numerous outstanding events.

Media Partnerships

Again in 2009, the internet portal Zoznam.sk partnered over 130 events, concerts, film and theatre premieres and sport events With help from Zoznam, Slovak fans could enjoy the most prestigious event of the year – the Depeche Mode concert. Additionally, Zoznam supported ZZ TOP, Pussycat Dolls, Anastasia, Simply Red, Enrique Iglesias

and many other performers visiting Slovakia in 2009. For three years now, visitors have been able to cast internet ballots in the contests Miss Internet and Dievča leta (Girl of the Summer); and as usual Zoznam was partner of the popular summer festival Pohoda. The Company also supported premieres of blockbusters such as Ice Age 3D, the Oscar-winning Slum Dog Millionaire, the horror film Final Destination, the fantastic Curious Case of Benjamin Button, and the leading Slovak premiere Jánošík. Zoznam brought sports fans the Fed Cup, Davis Cup and the basketball extra-league.

Corporate Responsibility – an Integral Part of Corporate Values

Corporate social responsibility is based on an explicit idea – doing business so that the process and its results bring benefits to as many people as possible. The companies of the Slovak Telekom Group consider corporate social responsibility an integral part of their corporate values and they follow a strategy stemming from the corporate responsibility principles of the parent company Deutsche Telekom AG.

Slovak Telekom

Slovak Telekom's corporate social responsibility strategy is based on the corporate responsibility principles of the parent company Deutsche Telekom AG, which are unified internationally. It accentuates the principles of transparent company management, also taking into account the Group's Employee Code of Conduct. Standards of conduct towards customers and EN ISO 9001:2000 and EN ISO 14 001:2004 standards defining the management systems the Company applies have been incorporated in the strategy concept.
Slovak Telekom promotes transparently accessible forms of aid to its potential beneficiaries. In selecting them, it assesses recipients' ability to use the support they receive in the most efficient and best possible manner with respect to its long-term positive effects.
The Company has concentrated its corporate social responsibility strategy in five areas: community, employees, environment, customers, vendors and partners. The Annual Report summarizes activities conducted in 2009 in the first aforementioned area – community aid. Other activities are described in more detail in the 2009 Corporate Social Responsibility Report, to be distributed in the first half of 2010.

Endowment Fund of Slovak Telekom has celebrated its second "birthday"

In September 2009, two years passed since the Endowment Fund of Slovak Telekom was established with the goal of assisting physically and socially disadvantaged groups and individuals who aspire to living a full life enriched with discoveries. The Intenda Foundation manages the Endowment Fund and is responsible for administering the grant programs. Thus far, the Endowment Fund has distributed more than EUR 430,000, supporting as many as 141 projects and, through an individual scheme, 111 individuals. In 2009, the Fund extended its activities to promoting contemporary art and education. These areas were included in four grant rounds the Endowment Fund announced during the year and attracted great interest. In the "Support to Contemporary Art" grant round 25 entities received grants, focusing on art works and presentation in all art genres with direct participation of the audience or its education. In the subsequent grant round, aiming at supporting educational innovation, 12 entities operating at elementary, secondary and special schools received support for activities directly involving students in creating the education process. 30 projects using information and communications technologies as a "bridge" to mutual understanding received grants, in two grant rounds focusing on integration of physically challenged and socially isolated young people in the society.
Within the individual applicant scheme, the Fund supported 20 socially and physically disabled students who received notebooks or connections to the internet.

Slovak Telekom Award for Teachers

Modern teaching is impossible without the internet. In 2009, Slovak Telekom announced the fourth Slovak Telekom Award – a competition to recognise educators who pursue this concept. 154 projects were enrolled in the competition, confirming the fact that the internet is used in teaching at all school levels, including kindergartens. The inclusion of kindergartens in the competition was new in this fourth annual competition, and the fact that more than 20 % of the competing projects came from kindergartens clearly confirmed that through games and play even the youngest generation can get to know the internet and modern communications. An expert commission selected the best projects, which received a total of EUR 12,440. After the competition, all projects became part of the virtual library at www.cenast.sk, used by educators as a source for creative and modern teaching. By the end of 2009, the library comprised almost 700 projects on using ICT at schools.

Corporate Volunteering – A Matter of Course

Corporate volunteering in Slovak Telekom has been developing since 2004. The first philanthropic projects were primarily to do with environmental protection, as Company employees regularly assisted in renewal works in the High Tatras area afflicted by a natural disaster and in the Clean Mountains (Čisté hory) event organized by the state forestry Štátne lesy TANAP. Gradually, volunteer activities have expanded.

In 2009, 13 volunteer activities were organized, including clothing collection, refurbishment of several crisis centres, assistance to families with autistic children, and animal shelter reconstruction in cooperation with OZ Sloboda zvierat (Animal Freedom civic association). Employees participated in events such as Our Bratislava and Our Žilina, organised by the Pontis Foundation, whose objective was to help to make Slovakia's cities more attractive as well as accommodating, especially to those whose lives are for various reasons more difficult. These activities included for instance spending time with physically disadvantaged fellow citizens, food or clothing collection, landscaping of green areas, and repair of children's playgrounds.

Moreover, employees provided assistance during team-building activities, for example by cleaning the educational trail in Vydrova dolina valley or the area surrounding the Institute of Social Services (Domov sociálnych služieb) in Hrabiny.
The ST+ blood-donation project has already become a tradition; 72 employees participated in 2009. The amount of EUR 1,136 collected by employees at the 2009 Christmas party was donated to the Hodina deťom (Hour for Children) project.

Developing long-term partnerships

Slovak Telekom continued in its long-term activities, including e.g. free providing of short telephone number for the Hour for Children project, Euro-info-line or a premium number to Account Hope (Konto nádeje). The Company covered the costs of operation of non-stop help lines in the crisis and education centre for victims of domestic and social violence. Slovak Telekom again supported the Christmas benefit concert Smile as a Gift (Úsmev ako dar) and the Christmas bazaar organized by the International Women's Club in Bratislava.

Cooperation with the Theatre Aréna (Divadlo Aréna) also continued in 2009; Slovak Telekom was general partner for two productions – Communism (Komunizmus) and Circus (Cirkus).

Upon signing an agreement of cooperation with the Slovak Football Association, Slovak Telekom became a "platinum" partner of the Slovak Football Association and national football team. The decision to support Slovak football as a platinum partner was in accordance with the sponsorship strategy and corporate social responsibility concept. Slovak Telekom actively promotes community life, of which football is an important part.

T-Mobile Slovensko

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

Individual projects can be categorized into three pillars, as defined within the overall corporate social responsibility strategy in line with the Deutsche Telekom strategy.

Connections without Barriers

T-Mobile works to enable everyone to become part of the information society. Many people have limited access to information and communications technologies, either due to their impairment, age or social conditions. Therefore T-Mobile as a mobile operator provides solutions for overcoming these barriers and offers people the possibility to use the latest state-of-the-art technology.

The long-term cooperation with the Slovak Association of the Deaf (Associácia nepočujúcich Slovenska) is important to T-Mobile in this respect. The product portfolio provided by the company involves a number of communication services for those suffering from hearing impairments, such as SMS and MMS messages, data services and E-mail Expres. A novelty in this field was the set-up and start of sales of a special Plan for Deaf Customers (Paušál pre nepočujúcich), meeting all requirements of customers from this group and offered a special monthly flat rate.

In addition, in all its activities T-Mobile Slovensko endeavours to help and improve provision of services to this target group. Almost 80 sales staff in dozens of Slovak towns have basic knowledge of sign language now, and a number of them have advanced through several levels of this communication. Real-life experience has confirmed that people with hearing impairments are highly interested in this service; sales staff too are interested not only in knowing sign language and the finger alphabet, but also having the opportunity to provide this target group with specific information, preferred types of mobile phones, and relevant services. T-Mobile Slovensko thus offers these customers both a specific product and extra customer care.

In 2009, T-Mobile Slovensko in cooperation with the Pontis Foundation announced another round of the program "Hľadáme ďalší zmysel – PRE PODNIKANIE" (Looking for Another Sense FOR BUSINESS), in which the Company decided to offer the hearing impaired an opportunity to change their lives by giving them a helping hand in business activities. The assistance included a weekly course, How to Launch a Business.

T-Mobile Slovensko helped to organize financial collections such as Hodina Deťom (Hour for Children), Biela pastelka (White Pencil), Deň narcisov (Narcissus Day), Dni nezábudiek (Forget-Me-Not Day), Konto nádeje (Account Hope), and a special collection announced by the Joj Foundation. T-Mobile also supports the Darcovská SMS správa (DMS - Donors Message Service) project. It has a credible, simple and transparent mechanism, with equal rules for all non-governmental and not-for-profit organizations engaged in it. By sending an SMS message in a uniform format and at the uniform price to a common number, the customer can support any collection which is under way at that time. The collection of their choice can be specified in the text of the message.

The Right Solutions for Life and Work

The Company's employees have also increasingly engaged in corporate social responsibility projects. The program T-Mobile Helps the Community (T-Mobile pomáha komunite) was launched back in 2004, being Slovakia's very first employee grant program. Last autumn another round was announced aimed at promoting innovative ideas to enhance the quality of life of the community in which Company employees live or come from. Thanks to this concept, the resulting projects will be implemented in 2010 throughout Slovakia. Last year, a large number of employees again participated in the program. They submitted interesting projects, focused on creating opportunities for active leisure time and volunteering, or culture, art, sports, education, and social and health care.

For eleven years, T-Mobile Slovensko has been supporting the Mountain Rescue Service, thus looking after the safety of tourists. The Company supports the work of the Mountain Rescue Service in the High Tatras, Low Tatras, Western Tatras, Veľká Fatra and Slovenský raj areas. The Company provides them with comprehensive mobile telecommunications services, including mobile data communication. It also operates a non-stop emergency line, 18 300, and arranges complete servicing of the Mountain Rescue Service's mobile telephones.

A new T-Mobile Slovensko activity in the field of solutions for life and work is the Protection of children against dissemination of dangerous content through the internet and mobile phones. By signing the National Codex for Mobile Operators on Safe Use of Mobile Services in 2008, the Company undertook to increase the awareness of parents and children with respect to safe use of mobile phones and mobile internet. At the beginning of 2009, the Company became a partner of the Zodpovedne.sk (Responsibly.sk) project. This aims at providing counselling and assistance (Pomoc.sk) and establishing and operating the first Slovak Awareness Centre for reporting illicit and improper content on the internet (Stopline.sk).
A series of animated films and a special Ovce.sk portal were prepared as part of the project. These animated children's stories and interactive forms available at the portal explain the risks related to the use of internet and mobile technologies.

T-Mobile has implemented several tools for children's safety. Parents can block their children's access to services for adults provided by T-Mobile or other contractual partners or report any potentially illegal content directly via the web site www.t-mobile.sk.

Zoznam

As in past years, Zoznam participated in several charity projects in 2009. The Company provided media space free of charge, thus enabling non-profit organizations to disseminate the ideas of helping and supporting disadvantaged groups.

Zoznam.sk provided media support for: Unicef; Úsmev ako dar (Smile as a Gift); the Red Cross; the civic associations Človek v ohrození (People in Peril) Proti Prúdu (Against the Stream) and Life & Help Foundation; and the projects Dakujeme.sk, Záchranári (Rescue Service), Klub detskej nádeje (Children's Hope Club), Ligu proti rakovine (League Against Cancer), Dr. Clown Fund and Detský hospic Plamienok (Plamienok Children's Hospice).

IV. Financial Results

Slovak Telekom, a. s.

Consolidated Financial Statements

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

for the year ended 31 December 2009

Contents

Consolidated Financial Statements. All amounts are in thousands of Euro, unless otherwise stated.

Consolidated Income Statement

for the year ended 31 December

	Notes	2009	2008
Fixed network and broadband revenue		417,985	442,181
Mobile communication revenue		546,044	577,104
Other		10,171	9,749
Total revenue	4	974,200	1,029,034
Staff costs	5	(142,205)	(141,518)
Material and equipment		(86,826)	(118,418)
Depreciation, amortisation and impairment losses	11, 12, 13	(255,470)	(282,560)
Interconnection and other fees to operators		(127,134)	(139,331)
Other operating income	7	19,673	28,422
Other operating costs	6	(205,719)	(227,072)
Operating profit		176,519	148,557
Financial income	8	8,138	17,432
Financial expense	9	(778)	(19,167)
Profit before tax		183,879	146,822
Taxation	10	(38,329)	(29,686)
Profit for the year		**145,550**	**117,136**

The consolidated financial statements on pages 75 to 115 were authorised for issue on behalf of the Board of Directors of the Group on 11 March 2010 by:

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

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

Person responsible for accounting:

Ing. Mária Rokusová
Director of Finance Shared Services Subunit

Preparer of the financial statements:

Ing. Tatiana Rozvadská
Head of Reporting and Accounting Policies Dpt.

Consolidated Financial Statements. All amounts are in thousands of Euro, unless otherwise stated.

Consolidated Statement of Comprehensive Income

for the year ended 31 December

	2009	2008
Profit for the year	145,550	117,136
Other comprehensive income		
Actuarial gains/(losses) on defined benefit plans	510	(110)
Deferred tax	(97)	21
Other comprehensive income for the year, net of tax	413	(89)
Total comprehensive income for the year, net of tax	**145,963**	**117,047**

Consolidated Financial Statements. All amounts are in thousands of Euro, unless otherwise stated.

Consolidated Statement of Financial Position

as at 31 December

	Notes	2009	2008
ASSETS			
Non-current assets			
Property and equipment	12	1,122,189	1,172,881
Intangible assets	13	417,264	467,800
Held-to-maturity investments	27	–	3,396
Prepaid expenses and other assets	18	23,973	21,721
		1,563,426	1,665,798
Current assets			
Inventories	16	11,768	34,658
Trade and other receivables	17	121,295	116,259
Prepaid expenses and other assets	18	12,512	10,333
Held-to-maturity investments	27	32,350	59,598
Income tax		2,422	922
Intragroup loan	19, 25	80,000	49,791
Cash and cash equivalents	20	218,225	353,875
		478,572	625,436
Assets held for sale	11	8,314	12,265
		486,886	637,701
TOTAL ASSETS		**2,050,312**	**2,303,499**
EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital		864,113	863,955
Share premium		386,139	386,139
Statutory reserve fund		91,071	57,484
Retained earnings and other components of equity		240,273	484,159
Other reserves		97,090	109,666
		1,678,686	1,901,403
Non-current liabilities			
Provisions	23	9,619	9,879
Deferred tax	10	159,803	167,600
Other payables and deferred income	22	8,742	11,717
		178,164	189,196

Consolidated Financial Statements. All amounts are in thousands of Euro, unless otherwise stated.

	Notes	2009	2008
Current liabilities			
Trade and other payables and deferred income	22	178,355	200,211
Provisions	23	9,195	8,073
Income tax		5,912	4,616
		193,462	212,900
Total liabilities		371,626	402,096
TOTAL EQUITY AND LIABILITIES		**2,050,312**	**2,303,499**

Consolidated Financial Statements. All amounts are in thousands of Euro, unless otherwise stated.

Consolidated Statement of Changes in Equity

for the year ended 31 December

	Notes	Issued capital	Share premium	Statutory reserve fund	Actuarial (losses)/ gains on defined benefit plans	Retained earnings	Other reserves	Total equity
Year ended 31 December 2008								
As at 1 January 2008		863,955	386,139	47,639	(117)	464,080	122,242	1,883,938
Profit for the year		–	–	–	–	117,136	–	117,136
Other comprehensive income		–	–	–	(89)	–	–	(89)
Total comprehensive income		–	–	–	(89)	117,136	–	117,047
Allocation to funds		–	–	9,845	–	(9,845)	–	–
Dividends	21	–	–	–	–	(99,582)	–	(99,582)
Release of revaluation reserve	21	–	–	–	–	12,576	(12,576)	–
At 31 December 2008		**863,955**	**386,139**	**57,484**	**(206)**	**484,365**	**109,666**	**1,901,403**
Year ended 31 December 2009								
As at 1 January 2009		863,955	386,139	57,484	(206)	484,365	109,666	1,901,403
Profit for the year		–	–	–	–	145,550	–	145,550
Other comprehensive income		–	–	–	413	–	–	413
Total comprehensive income		–	–	–	413	145,550	–	145,963
Increase of share capital	21	158	–	(158)	–	–	–	–
Allocation to funds		–	–	33,745	–	(33,745)	–	–
Dividends	21	–	–	–	–	(368,680)	–	(368,680)
Release of revaluation reserve	21	–	–	–	–	12,576	(12,576)	–
At 31 December 2009		**864,113**	**386,139**	**91,071**	**207**	**240,066**	**97,090**	**1,678,686**

Consolidated Financial Statements. All amounts are in thousands of Euro, unless otherwise stated.

Consolidated Statement of Cash Flows

for the year ended 31 December

	Notes	2009	2008
Profit for the year		145,550	117,136
Adjustments for:			
■ Depreciation, amortisation and impairment losses	11,12,13	255,470	282,560
■ Interest income, net		(5,232)	(16,621)
■ Income tax expense	10	38,329	29,686
■ Gain on disposal of property and equipment	7	(2,536)	(9,045)
■ Other non-cash items		1,582	14,133
■ Movements in provisions	23	862	6,179
Changes in working capital			
■ Change in trade and other receivables		(10,490)	2,069
■ Change in inventories		17,063	1,807
■ Change in trade and other payables		(7,163)	(19,979)
Cash flows from operations		433,435	407,925
■ Income taxes paid		(46,428)	(59,613)
Net cash flows from operating activities		387,007	348,312
Investing activities			
■ Purchase of intangible assets, property and equipment		(167,913)	(160,349)
■ Proceeds from disposal of intangible assets, property and equipment		6,462	12,326
■ Acquisition of held-to-maturity investments		(25,985)	(97,560)
■ Proceeds from disposal of held-to-maturity investments		58,339	86,589
■ Disbursement of intragroup loan		(205,000)	(49,791)
■ Interest received		5,358	17,054
Net cash used in investing activities		(328,739)	(191,731)
Financing activities			
■ Dividends paid	21	(193,889)	(99,582)
■ Other charges paid		(29)	(278)
Net cash used in financing activities		(193,918)	(99,860)
Net increase in cash and cash equivalents		(135,650)	56,721
Cash and cash equivalents at 1 January	20	353,875	297,154
Cash and cash equivalents at 31 December	**20**	**218,225**	**353,875**

Significant non-cash transactions
In 2009, the Group declared and paid a dividend in the total amount of EUR 368,680 thousand. Part of the dividends paid; in amount of EUR 174,791 thousand was settled against the loan provided to Deutsche Telekom AG.

Consolidated Financial Statements. All amounts are in thousands of Euro, unless otherwise stated.

Notes to the Consolidated Financial Statements

Index to the Notes to the Consolidated Financial Statements

Consolidated Financial Statements. All amounts are in thousands of Euro, unless otherwise stated.

1. General information

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

Slovak Telekom was incorporated as a joint-stock company in the Slovak Republic on 1 April 1999. The business registration number (IČO) of the Company is 35 763 469 and the tax identification number (DIČ) is 202 027 3893. On 4 August 2000, Deutsche Telekom AG ("Deutsche Telekom" or "DT AG") obtained control of the Company through the acquisition of 51% of the shares of Slovak Telekom. The transaction involved the purchase of existing shares from the Slovak Government and the issue of new shares. The Slovak Government retains 49% of the shares of the Company through the Ministry of Economy of the Slovak Republic (34%) and the National Property Fund (15%).

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

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

The Company is the principal supplier of fixed-line telecommunication services in the Slovak Republic and owns and operates the majority of the telecommunications facilities therein. It also provides residential and business customers with products ranging from standard telephones to computer communication networks.

T-Mobile provides mobile telephony services in the 900 MHz and 1800 MHz frequency bands under the Global System for Mobile Communications ("GSM") standard and in the 2100 MHz frequency band under the Universal Mobile Telecommunications System standard ("UMTS"), hereinafter referred to as "mobile services". T-Mobile commercially launched the GSM 900 service in February 1997, the GSM 1800 service in November 1999 and the UMTS service in January 2006. Provisioning of mobile telephony service in the 450 MHz frequency band under the Nordic Mobile Telephone ('NMT') standard, which T-Mobile commercially launched in September 1991, has been discontinued since September 2008. T-Mobile has been utilizing the 450 MHz frequency band to provide wireless broadband internet access under the Flash-OFDM standard since November 2005. T-Mobile has also provided Managed Data Network Services since November 1991. T-Mobile's business activities and customers are concentrated in the Slovak Republic.

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

Members of the Statutory Boards as at 31 December 2009

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

Consolidated Financial Statements. All amounts are in thousands of Euro, unless otherwise stated.

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

There were no changes concerning the members of the Statutory Boards in the Commercial Register during the year 2009.

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

2. Accounting policies

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

2.1. Basis of preparation

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

The Group's functional currency is the Euro ("EUR"), the consolidated financial statements are presented in Euros (EUR) and all values are rounded to the nearest thousand, except when otherwise indicated. The Group's functional currency for the year 2008 was the Slovak Crown ("SKK"). Comparative financial statements for the previous year were converted to Euro based on the official conversion rate 30.1260 SKK/EUR. The average exchange rate of Euro during 2008 was 31.291 SKK/EUR.

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

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

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

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

All intra-group balances, transactions, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.
A business combination is accounted for using the purchase method of accounting. An acquisition is accounted for at its cost, being the amount of cash and cash equivalents paid in exchange for control over the net assets of an acquired company, plus any cost directly attributable to the acquisition. The excess of the cost of acquisition over the fair value of the net assets of the subsidiary is recorded as goodwill. The same treatment is applied when accounting for the acquisition of a minority interest.

The Group uses the cost of the additional interest in the subsidiary and the fair value information at the date of this exchange transaction to determine the amount of the goodwill associated with the transaction.

2.2. Property and equipment

Cost

Property and equipment, except for land, is carried at cost, excluding the costs of day-to-day servicing, less accumulated depreciation and accumulated impairment in value. The cost of property and equipment acquired in a business combination is fair value as at the date of acquisition. Land acquired prior to 1991 is stated at the values assigned to it by the Government and land purchased thereafter is carried at acquisition cost. Costs also include the estimated costs for dismantling and removing the asset and restoring the site on which it is located.

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

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

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

Depreciation

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

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

Freehold buildings	8 to 50 years
Duct, cable and other outside plant	8 to 30 years
Telephone exchanges and related equipment	4 to 20 years
Other fixed assets	2 to 30 years

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

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

Property and equipment are reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable. Where the carrying amount of an asset is higher than its recoverable amount, it is written down to its estimated recoverable amount. Impairment losses are reversed if the reasons for recognising the original impairment loss no longer apply.

When property and equipment meet the criteria to be classified as held for sale, they are stated at whichever is the lower of their carrying amount and fair value less costs to sell and reclassified from non-current to current. Property and equipment once classified as held for sale are not depreciated. The Group measures an item of property and equipment that ceases to be classified as held for sale at the lower of:

- its carrying amount before the asset was classified as held for sale, adjusted for any depreciation that would have been recognised had the asset not been classified as held for sale, and
- its recoverable amount at the date of the subsequent decision not to sell.

2.3. Goodwill

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

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

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

2.4. Intangible assets

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

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

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

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

Intangible assets are assessed for impairment whenever there is an indication that they may be impaired. The useful lives assigned to the various categories of intangible assets are as follows:

Customer contracts and related customer relationships	4 to13 years
Licenses	10 to 20 years
Software, brand and other	2 to 16 years

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

2.5. Impairment of assets

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

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

Cash-generating unit	Recurrence of impairment testing
Broadband and fixed network business	If triggering event occurs
Mobile business	Annually
Online business (Zoznam, Zoznam Mobile)	Annually

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

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

2.6. Inventories

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

2.7. Financial assets

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

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

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

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

Amounts payable to and receivable from the same international operators are shown net in the statement of financial position when a right to set-off exists.

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

During 2009 the Group did not hold any derivative instruments designated as hedges in accordance with IAS 39. The Group did, however, enter certain derivative transactions that, while providing effective economic hedges under the Group's risk management policies, do not qualify for hedge accounting under the specific rules of IAS 39. Changes in the fair value of derivative instruments that do not qualify for hedge accounting under IAS 39 are recognised immediately in the income statement.

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

Cash and cash equivalents

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

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

Derecognition of financial assets

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

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

2.8. Financial liabilities

Trade and other payables

Trade and other payables are initially measured at fair value. After initial recognition trade and other payables are measured at amortised cost using the effective interest method.

Financial liabilities at fair value through profit or loss

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

During 2009 the Group did not hold any derivative instruments designated as hedges in accordance with IAS 39. The Group did, however, enter certain derivative transactions that, while providing effective economic hedges under the Group's risk management policies, do not qualify for hedge accounting under the specific rules of IAS 39. Changes in the fair value of derivative instruments that do not qualify for hedge accounting under IAS 39 are recognised immediately in the income statement.

Derecognition of financial liabilities

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

2.9. Leased assets

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

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

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

2.10. Prepaid expenses

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

2.11. Deferred income – Customer loyalty programme

The Group operates a customer loyalty programme. As part of the programme, the Group grants credits to the participants who can be redeemed in future periods for free or discounted goods or services. Revenue allocated to the credits granted in sale transaction based on their fair value is deferred when credits are granted to the customers. Revenue is recognised when the customers receive benefits from the programme.

2.12. Provisions

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

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

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

Loyalty programme
The Group grants credits in customer loyalty programme that are not related to sale transactions. Provision for those credits is created at the time when credits are granted to the customers in amount necessary to settle the expected future liability.

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

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

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

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

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

2.13. Revenue recognition

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

The Group recognises revenue as follows:

Access fees and charges for incoming and outgoing telephone calls and other traffic are recognised in revenue in the period in which the services are rendered.
Activation fees are deferred over the expected customer retention period. This period is estimated on the basis of the anticipated term of the customer relationship under the arrangement which generated the activation fee. Customer acquisition costs incurred, to the extent of related activation fees, are recognised as assets and amortised over the same period.

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

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

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

Revenue from sales of equipment is recognised when the equipment is delivered and installed at customer premises, if installation is significant part of the contract.

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

2.14. Operating profit

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

2.15. Foreign currency translation

Transactions denominated in foreign currencies are recorded at the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rate of exchange ruling at the statement of financial position date.

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

2.16. Taxes

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

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

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

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

2.17. Comparatives

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

- Fees paid to banks for collecting of receivables of EUR 257 thousand are disclosed within other operating costs (Note 6) in the 2008 comparatives. In the 2008 income statement these expenses were presented in financial costs.
- Costs related to valuation allowance of inventory in the amount of EUR 150 thousand are presented in 2008 comparatives within material and equipment. In the 2008 income statement these expenses were presented within other operating costs.
- Reversal of impairment of assets in amount of EUR 939 thousand is disclosed within other operating income (Note 7) in the 2008 comparatives. In the 2008 income statement this item was presented within other operating costs.
- Liability in respect of the customer loyalty programmes in amount of EUR 4,088 thousand is disclosed within trade and other payables and deferred income (Note 22) in the 2008 comparatives. In the 2008 statement of financial position this item was presented within provisions.

2.18. Significant accounting judgements, estimates and assumptions

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

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

Useful lives of non-current assets
The estimation of the useful lives of non-current assets is a matter of judgement based on the Group's experience with similar assets. As described in Notes 2.2 and 2.4, the Group reviews the estimated remaining useful lives of non-current assets annually. 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 2009 and changed accounting estimates where appropriate. The useful lives of fleet, technologies and IT assets were prolonged to reflect reassessed expected use of the assets. The financial effect of the change resulted in decrease of depreciation of EUR 4,795 thousand in 2009 and increase of depreciation of EUR 349 thousand in future periods.

Impairment of non-current assets
The Group has recorded impairment losses on property and equipment on the basis of management's expectations of future sales, the timing of such sales and expected selling price less cost to sell. Refer to Note 12 and Note 13 for details of the impairment of property and equipment and intangible assets.

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

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

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

Asset retirement obligation
The Group enters into lease contracts for land and premises on which mobile communication network equipment is sited. The Group is committed by these contracts to dismantle the equipment and restore the land

and premises to their original condition. Management's determination of the amount of the asset retirement obligation involves the following estimates:

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

Provisions and contingent liabilities
As set out in Notes 23 and 26, the Group is a participant in several lawsuits and regulatory proceedings. When considering the recognition of a provision, management judges the probability of future outflows of economic resources and estimates the amount needed to settle the possible or probable obligation. Such judgements and estimates are continually reassessed taking into consideration experience with similar cases.

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

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

Fair value of loyalty programme credits
The Group estimates the fair value of credits granted under the loyalty programme by applying statistical techniques. Inputs to the model include making assumptions about expected redemption rates, fair value of products/services that will be redeemed in the future and customers' preferences.

2.19. Adoption of IFRS during the year

Standards, interpretations and amendments to published standards effective for the Group's accounting period beginning on 1 January 2009 which are relevant to the Group's operations

- IFRS 7 Financial Instruments: Disclosures (Amendments – Improving Disclosures about Financial Instruments), effective for annual periods beginning on or after 1 January 2009

  The amended standard requires additional disclosures about fair values of financial instruments and liquidity risks of financial instruments. Disclosure requirements for fair values are extended considering a 3-level fair value hierarchy. The so far quite broadly stated disclosure requirements to liquidity risks are now written in more detail. Relevant for the Group are disclosure requirements to liquidity risk, presented in Note 3. Disclosure requirements to fair value measurements are not applicable as currently all financial instruments of the Group are held at amortized cost.

- IAS 1 Presentation of Financial Statements (Revised), effective for annual periods beginning on or after 1 January 2009

  The revised standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with non-owner changes in equity presented in a reconciliation of each component of equity. In addition, the standard introduces the statement of comprehensive income: it presents all items of recognised income and expense, either in one single statement, or in two linked statements. The Group has elected to present two statements.

- IAS 23 Borrowing Costs (Revised), effective for annual periods beginning on or after 1 January 2009

  The revised standard requires capitalization of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. The Group's previous policy was to expense borrowing costs as they were incurred. In accordance with the transitional provisions of the revised IAS 23, the Group has adopted the standard on a prospective basis. The Group had no borrowings during 2009 and no borrowing costs have been capitalized in 2009.

- IFRS 1 First-time Adoption of International Financial Reporting Standards and IAS 27 Consolidated and Separate Financial Statements (Amendments – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate), effective for annual periods beginning on or after 1 January 2009

  The standard requires recognition of a dividend from a subsidiary, jointly controlled entity or associate in profit or loss in separate financial statements when the right to receive the dividend is established.

- IFRIC 13 Customer Loyalty Programmes, effective for annual periods beginning on or after 1 July 2008

  This interpretation requires customer loyalty credits to be accounted for as a separate component of the sales transaction in which they are granted. A portion of the fair value of the consideration received is allocated to the award credits and deferred. This is then recognized as revenue over the period that the award credits are redeemed. The Group maintains a loyalty points programme, max klub, and has historically recognised a provision when points were granted in amount necessary to settle expected liability to supply products/services in the future. IFRIC 13 has no specific provisions on transition. Therefore, the Group has followed IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, applying the changes retrospectively.

- (First Annual) Improvements to IFRS

  In May 2008 the IASB issued an omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The adoption of the following amendments resulted in changes to accounting policies but did not have any impact on the financial position or performance of the Group.

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

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

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

Standards, interpretations and amendments to published standards effective for the Group's accounting period beginning on 1 January 2009 which are not relevant to the Group's operations

- IFRS 2 Share-based Payment (Amendments – Vesting Conditions and Cancellations), effective for annual periods on or after 1 January 2009
- IFRS 8 Operating Segments, effective for annual periods beginning on or after 1 January 2009
- IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements (Amendments – Puttable Financial Instruments and Obligations Arising on Liquidation), effective for annual periods beginning on or after 1 January 2009
- IFRIC 9 Reassessment of Embedded Derivatives and IAS 39 Financial Instruments: Recognition and Measurement (Amendments – Embedded Derivatives), effective for annual periods ending on or after 30 June 2009
- IFRIC 15 Agreements on Construction of Real Estate, effective for annual periods beginning on or after 1 January 2009
- IFRIC 16 Hedges of a Net Investment in a Foreign Operation, effective for annual periods beginning on or after 1 October 2008
- IFRIC 18 Transfers of Assets from Customers, effective for transfers of assets from customers received on or after 1 July 2009

Standards, interpretations and amendments to published standards that have been published, are not effective for accounting periods starting on 1 January 2009 and which the Group has not early adopted

- IFRS 1 First-time Adoption of International Financial Reporting Standards (Revised), effective for annual periods beginning on or after 1 July 2009
- IFRS 1 First-time Adoption of International Financial Reporting Standards (Amendments – Additional Exemptions for First-time Adopters), effective for annual periods beginning on or after 1 January 2010
- IFRS 2 Share-based Payment (Amendments – Group Cash settled Share-based Payments), effective for annual periods beginning on or after 1 January 2010
- IFRS 3 Business Combinations (Revised), effective for annual periods beginning on or after 1 July 2009
- IFRS 9 Financial Instruments, effective for annual periods beginning on or after 1 January 2013
- IAS 24 Related Party Disclosures (Revised), effective for annual periods beginning on or after 1 January 2011
- IAS 27 Consolidated and Separate Financial Statements (Amended), effective for annual periods beginning on or after 1 July 2009
- IAS 32 Financial Instruments: Presentation (Amendments – Classification of Rights Issues), effective for annual periods beginning on or after 1 February 2010
- IAS 39 Financial Instruments: Recognition and Measurement (Amendment – Eligible Hedged Items), effective for annual periods beginning on after 1 July 2009
- IFRIC 14 IAS 19—The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (Amendment – Prepayments of Minimum Funding Requirement), effective for annual periods beginning on or after 1 January 2011
- IFRIC 17 Distribution of Non-cash Assets to Owners, effective for annual periods beginning on or after 1 July 2009

- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments, effective for annual periods beginning on or after 1 July 2010
  (Second Annual) Improvements to IFRS issued in April 2009, effective for annual periods beginning on or after 1 January 2010

Except for the new requirements of IFRS 3 (revised), IAS 27 and IFRS 9, which is being evaluated by the Group, the Group believes that the future adoption of these standards, interpretations and amendments will not have any material effect on the financial performance or position of the Group.

3. Financial risk management

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

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

The Group has agreed loan facilities with its parent company DT AG. The Group has various other financial assets and liabilities such as trade receivables and trade payables which arise from its operations.

The Group enters into derivative transactions. The purpose is to manage the foreign currency risk arising from the Group's operations. The Group does not perform speculative trading with the derivative instruments.

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

Due to an increase in excess funds at its disposal, the Group has developed a Financial Investment Policy which establishes a framework for making financial investments and for ensuring the best possible return from such investments. The Financial Investment Policy includes limits for individual investment instruments, is in compliance with Group Treasury Policy and was approved by Slovak Telekom's Executive Management Board.

3.1. Market risk

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

3.1.1. Foreign currency risk

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

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

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

In 2008 and 2009, the Group entered into currency forward contracts to hedge its foreign currency exposure arising on its firm commitments for future capital and operating expenditures. The forward contracts are expected to mature on the date of the anticipated foreign currency cash expenditures. At 31 December 2009, the Group has hedged 100% of its foreign currency purchases for which firm commitments existed at the statement of financial position date.

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

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

		2009
Profit before tax	Depreciation of EUR by 5%	(44)
	Appreciation of EUR by 5%	40
Equity	Depreciation of EUR by 5%	(44)
	Appreciation of EUR by 5%	40

3.1.2. Interest rate risk

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

The Group's exposure to the risk of changes in market interest rates relates mainly to the Group's held–to-maturity investments. The Group seeks to optimise its exposure towards interest rate risk using a mix of fixed–rate and floating–rate securities. At the end of 2009, the securities portfolio consists of fixed-rate bonds and treasury bills.

The sensitivity of held-to-maturity investments to changes in interest rates is provided in Note 27.

3.2. Credit risk

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

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

Consolidated Financial Statements. All amounts are in thousands of Euro, unless otherwise stated.

With regard to financial assets, which comprise cash and cash equivalents, short-term deposits, held-to-maturity investments, derivative financial instruments, loans and trade receivables, the Group's exposure to credit risk arises from the default of the counterparty, with a maximum exposure equal to the carrying amount of these financial assets. No significant agreements reducing the maximum exposure to credit risk had been concluded at 31 December 2009.

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

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

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

3.3. Liquidity risk

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

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments.

At 31 December 2009	On demand	Less than 3 months	3 to 12 months	Over 1 year	Total
Trade and other payables	7,585	93,906	41	–	101,532

At 31 December 2008	On demand	Less than 3 months	3 to 12 months	Over 1 year	Total
Trade and other payables	14,396	106,124	14	746	121,280

3.4. Capital risk management

The Group manages its capital to ensure that it will be able to support its business activities on an ongoing basis, while maximizing the return to its shareholders through the optimization of its capital structure. It takes into consideration any applicable guidelines of the majority shareholder. No changes were made in objectives, policies or processes during 2009.

The capital structure of the Group consists of equity attributable to shareholders, comprising issued capital, reserves, retained earnings and other components of equity (Note 21).

Consolidated Financial Statements. All amounts are in thousands of Euro, unless otherwise stated.

4. Revenue

	2009	2008
Fixed network communication revenue	260,730	287,797
Wholesale revenue	64,675	64,379
IP/Internet revenue	92,580	90,005
Total fixed network and broadband revenue	417,985	442,181
Mobile communication revenue	546,044	577,104
Other revenue	10,171	9,749
Total revenue	**974,200**	**1,029,034**

5. Staff costs

	2009	2008
Wages and salaries	114,071	113,625
Social security contributions	28,134	27,893
	142,205	**141,518**
Number of employees (including expatriates) at period end	4,996	5,204
of which T-Mobile	1,491	1,499

Consolidated Financial Statements. All amounts are in thousands of Euro, unless otherwise stated.

6. Other operating costs

	2009	2008
Repairs and maintenance	20,101	22,048
Outsourced services	15,031	17,108
Marketing	34,379	42,525
Energy	17,069	15,811
Postal services	7,147	9,150
Rentals and leases	19,968	19,507
IT services	13,363	16,149
Dealers' commissions	25,931	28,944
Material sold	6,521	6,664
Business trips and training	1,992	3,361
Frequency fees	5,841	5,849
Content fees	4,499	6,593
Consultancy	8,002	8,987
Bad debts expenses	5,614	4,146
Security	1,030	1,316
Legal and regulatory claims	789	1,204
Customer solutions	8,067	6,488
Other	29,976	26,390
Own work capitalised	(19,601)	(15,168)
	205,719	**227,072**

7. Other operating income

	2009	2008
Gain on disposal of property and equipment, net	2,536	9,045
Income from material sold	7,420	7,504
Reversal of impairment of assets held for sale (Note 11)	699	939
Other	9,018	10,934
	19,673	**28,422**

8. Financial income

	2009	2008
Reversal of impairment of held-to-maturity investments (Note 9)	2,656	–
Interest on short-term deposits	1,350	9,152
Interest on intragroup loans	1,466	412
Interest on held-to-maturity investments	1,659	6,799
Net gain on financial instruments held for trading	125	–
Other	882	1,069
	8,138	**17,432**

Consolidated Financial Statements. All amounts are in thousands of Euro, unless otherwise stated.

9. Financial expense

	2009	2008
Impairment of held-to-maturity investments	–	13,435
Employee benefits – interest cost	117	119
Foreign exchange losses, net	100	3096
Net loss on financial instruments held for trading	–	1400
Interest cost on restoration obligations	435	422
Bank charges and other financial expense	126	695
	778	**19,167**

In 2008 the Group created a 100% allowance for held-to-maturity investments of EUR 13,435 thousand including interest. Due to the actions taken by the issuer of the securities during 2009 the value of the future estimated cash flows increased by 20%. As a result, the allowance in amount of EUR 2,656 thousand was reversed (Note 8).

Foreign exchange losses also comprise foreign exchange losses in amount of EUR 10 thousand, which arose from translation of opening balances of assets and liabilities from Slovak Crowns to Euro in relation to the adoption of the Euro as the official currency in Slovakia and the functional currency of the Group as of 1 January 2009.

10. Taxation

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

	2009	2008
Current tax expense	46,223	42,775
Deferred tax income	(7,894)	(13,089)
Income tax expense reported in the income statement	**38,329**	**29,686**

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

	2009	2008
Profit before income tax	183,879	146,822
Income tax calculated at the statutory rate of 19% (2008: 19%)	34,937	27,896
Effect of income not taxable and expenses not tax deductible:		
■ Creation of legal provisions	150	229
■ Other tax non-deductible items, net	2,581	1,399
Tax charge in respect of prior years	661	162
Income tax at the effective tax rate of 21% (2008: 20%)	**38,329**	**29,686**

Consolidated Financial Statements. All amounts are in thousands of Euro, unless otherwise stated.

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

	Statement of Financial Position		Income statement	
	2009	**2008**	**2009**	**2008**
Difference between carrying and tax value of fixed assets	(127,946)	(128,549)	(603)	(683)
Allowance for held-to-maturity investments	2,048	2,552	504	(2,552)
Staff cost accruals	1,656	2,419	763	(2,419)
Allowance for bad debts	3,214	1,516	(1,698)	(569)
Termination benefits	667	601	(66)	(414)
Fair value adjustments	(43,435)	(49,247)	(5,812)	(5,801)
Other	3,993	3,108	(982)	(651)
	(159,803)	**(167,600)**	**(7,894)**	**(13,089)**

Deferred tax assets (liabilities) are reflected in the statement of financial position as follows:

	2009	2008
Deferred tax assets	11,578	10,196
Deferred tax liabilities	(171,381)	(177,796)
	(159,803)	**(167,600)**

11. Assets held for sale

	Land, buildings and related equipment	
	2009	**2008**
At 1 January	12,265	446
Net transfer from property and equipment	32	18,639
Impairment charge	(501)	(3,846)
Reversal of impairment charge (Note 7)	699	939
Assets sold	(4,181)	(3,913)
At 31 December	**8,314**	**12,265**

Assets held for sale at 31 December 2009 comprise buildings and land which are to be sold within 1 year.

Consolidated Financial Statements. All amounts are in thousands of Euro, unless otherwise stated.

12. Property and equipment

	Land and buildings	Duct, cable and other outside plant	Telephone exchanges and related equipment	Radio and trans-mission equipment	Other	Construction in progress including advances	Total
Cost							
At 1 January 2009	151,393	954,821	1,267,637	286,015	242,713	45,766	2,948,345
Additions	6,162	27,377	30,402	10,692	18,521	22,339	115,493
Disposals	(918)	(28,997)	(48,822)	(7,149)	(13,915)	(117)	(99,918)
Transfers	581	3,187	12,971	2,777	8,192	(27,708)	–
Transfer to assets held for sale	(67)	–	–	–	–	–	(67)
At 31 December 2009	157,151	956,388	1,262,188	292,335	255,511	40,280	2,963,853
Depreciation							
At 1 January 2009	(47,141)	(390,080)	(1,033,494)	(172,587)	(131,685)	(477)	(1,775,464)
Depreciation charge	(7,677)	(29,749)	(70,959)	(26,706)	(26,763)	–	(161,854)
Impairment charge	(611)	(106)	(1,517)	–	(826)	(373)	(3,433)
Disposals	434	28,997	48,830	7,128	13,663	–	99,052
Transfers	(7)	(847)	922	–	(104)	36	–
Transfer to assets held for sale	35	–	–	–	–	–	35
At 31 December 2009	(54,967)	(391,785)	(1,056,218)	(192,165)	(145,715)	(814)	(1,841,664)
Net book value as of 31 December 2009	**102,184**	**564,603**	**205,970**	**100,170**	**109,796**	**39,466**	**1,122,189**

The impairment charge relates mainly to the technological equipment which is considered to be obsolete, has no future use and will be either sold or liquidated.

Property and equipment, excluding motor vehicles, is insured to a limit of EUR 25,000 thousand (2008: EUR 28,000 thousand) and motor vehicles to a limit of EUR 2,500 thousand (2008: EUR 2,000 thousand).

Consolidated Financial Statements. All amounts are in thousands of Euro, unless otherwise stated.

	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
Cost							
At 1 January 2008	175,790	942,441	1,335,457	286,028	239,405	64,231	3,043,352
Additions	3,846	24,924	36,598	17,366	22,811	18,765	124,310
Disposals	(2,379)	(6,973)	(120,257)	(26,736)	(24,938)	(10)	(181,293)
Transfers	9,563	(3,911)	16,126	9,357	6,085	(37,220)	–
Transfer to assets held for sale	(35,427)	(1,660)	(287)	–	(650)	–	(38,024)
At 31 December 2008	151,393	954,821	1,267,637	286,015	242,713	45,766	2,948,345
Depreciation							
At 1 January 2008	(57,401)	(370,001)	(1,066,514)	(173,324)	(126,710)	(1,089)	(1,795,039)
Depreciation charge	(7,628)	(28,582)	(84,401)	(25,999)	(28,561)	–	(175,171)
Impairment charge	(275)	(663)	(1,939)	–	(1,624)	(492)	(4,993)
Disposals	1,807	6,943	120,126	26,736	24,742	–	180,354
Transfers	(1,884)	1,702	(924)	–	2	1,104	–
Transfer to assets held for sale	18,240	521	158	–	466	–	19,385
At 31 December 2008	(47,141)	(390,080)	(1,033,494)	(172,587)	(131,685)	(477)	(1,775,464)
Net book value as of 31 December 2008	**104,252**	**564,741**	**234,143**	**113,428**	**111,028**	**45,289**	**1,172,881**

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

Consolidated Financial Statements. All amounts are in thousands of Euro, unless otherwise stated.

13. Intangible assets

	Customer contracts and related customer relationships	Licenses	Goodwill	Software	Other	Total
Cost						
At 1 January 2009	406,978	85,098	77,981	434,549	25,771	1,030,377
Additions	–	9	–	21,393	17,794	39,196
Disposals	–	–	–	(92,729)	–	(92,729)
Transfers	–	505	–	16,430	(16,935)	–
At 31 December 2009	406,978	85,612	77,981	379,643	26,630	976,844
Depreciation						
At 1 January 2009	(142,924)	(39,254)	–	(375,926)	(4,473)	(562,577)
Amortisation charge	(35,730)	(4,864)	–	(48,047)	(1,041)	(89,682)
Impairment charge	–	–	–	–	–	–
Disposals	–	–	–	92,679	–	92,679
Transfers	–	–	–	–	–	–
At 31 December 2009	(178,654)	(44,118)	–	(331,294)	(5,514)	(559,580)
Net book value as of 31 December 2009	**228,324**	**41,494**	**77,981**	**48,349**	**21,116**	**417,264**
Cost						
At 1 January 2008	406,977	85,098	77,981	405,339	19,149	994,544
Additions	–	–	–	31,945	17,747	49,692
Disposals	–	–	–	(13,852)	(7)	(13,859)
Transfers	1	–	–	11,117	(11,118)	–
At 31 December 2008	406,978	85,098	77,981	434,549	25,771	1,030,377
Depreciation						
At 1 January 2008	(107,142)	(34,408)	–	(332,794)	(3,471)	(477,815)
Amortisation charge	(35,781)	(4,846)	–	(56,602)	(991)	(98,220)
Impairment charge	–	–	–	(330)	–	(330)
Disposals	–	–	–	13,781	7	13,788
Transfers	(1)	–	–	19	(18)	–
At 31 December 2008	(142,924)	(39,254)	–	(375,926)	(4,473)	(562,577)
Net book value as of 31 December 2008	**264,054**	**45,844**	**77,981**	**58,623**	**21,298**	**467,800**

Consolidated Financial Statements. All amounts are in thousands of Euro, unless otherwise stated.

14. Impairment of goodwill

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

	2009	2008
T-Mobile	73,313	73,313
Zoznam and Zoznam Mobile	4,668	4,668
	77,981	**77,981**

T-Mobile

The recoverable amount of the cash-generating unit was determined using cash flow 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 2.3% growth rate (2008: 2.3%) and a discount rate of 7.44% (2008: 7.77%). 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 expenditure and market share. The recoverable amount of the cash-generating unit 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.

Zoznam and Zoznam Mobile

As the business area in which the cash-generating unit operates is developing rapidly, its recoverable amount has been determined using cash flow projections covering a five-year period. The planning horizon reflects the assumptions for short – to mid-term market developments. Cash flows beyond the five-year period are extrapolated using a 4% growth rate (2008: 4%) and a discount rate of 9.02% (2008: 9.59%). 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, capital expenditure, market share, development of gross domestic product and nominal wages. The recoverable amount of the cash-generating unit 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.

Consolidated Financial Statements. All amounts are in thousands of Euro, unless otherwise stated.

15. Principal subsidiary undertakings

At 31 December 2009 the Group had the following subsidiaries:

Name	Registered office	Activity	Profit 2009	Profit 2008	Net assets 2009	Net assets 2008
T-Mobile Slovensko, a.s.	Vajnorská 100/A, 831 03 Bratislava	Wireless phone and data services	113,041	100,704	296,646	284,310
Zoznam, s.r.o.	Viedenská cesta 3 – 7, 851 01 Bratislava	Internet portal	(339)	1,095	2,424	2,763
Zoznam Mobile, s.r.o.	Viedenská cesta 3 – 7, 851 01 Bratislava	Mobile content provider	188	530	1,887	1,699
Telekom Sec, s.r.o.	Kukučínova 52, 831 03 Bratislava	Security services	(7)	1	10	17
Institute of Next Generation Networks	Poštová 1, 010 08 Žilina	NGN technology research and development	(110)	(75)	(251)	(140)

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

16. Inventories

	2009	2008
Cables, wires and spare parts	4,674	9,285
Phones, accessories for mobile communication	6,405	20,821
Other inventory including goods for resale	689	4,552
	11,768	**34,658**

The amount of write-down of inventories recognised as an expense is EUR 1,652 thousand (2008: EUR 384 thousand) which is recognised in cost of material and equipment.

17. Trade and other receivables

	2009	2008
Trade receivables from third parties	111,965	107,783
Trade receivables from related parties (Note 25)	3,851	4,313
Other receivables from third parties	5,151	4,119
Other receivables from related parties (Note 25)	328	44
	121,295	**116,259**

Trade receivables are net of an allowance of EUR 25,396 thousand (2008: EUR 24,226 thousand).

In 2009 the Group sold uncollectible receivables with nominal value of EUR 2,177 thousand (2008: EUR 1,551 thousand) to a company specializing in the collection of overdue receivables for EUR 314 thousand (2008: EUR 301 thousand) and the related allowance was released.

Consolidated Financial Statements. All amounts are in thousands of Euro, unless otherwise stated.

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

	2009	2008
At 1 January	24,225	23,792
Charge for the year	7,382	8,059
Utilised	(3,395)	(3,024)
Reversed	(2,816)	(4,601)
At 31 December	**25,396**	**24,226**

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

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

	Total	Neither past due nor impaired	< 30 days	31 – 90 days	91 – 180 days	181 – 365 days	> 365 days
2009	115,816	96,966	6,639	2,547	3,021	5,409	1,234
2008	112,096	94,652	12,104	2,502	1,135	1,106	597

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.

18. Prepaid expenses and other assets

	2009	2008
Non-current		
Deferred activation fees	7,320	9,413
Easement	9,967	9,010
Accrued revenues	3,401	549
Other	3,285	2,749
	23,973	**21,721**
Current		
Deferred activation fees	4,674	4,997
Accrued revenues	1,732	1,467
Other	6,106	3,869
	12,512	**10,333**

Consolidated Financial Statements. All amounts are in thousands of Euro, unless otherwise stated.

19. Intragroup loans

The Group had the following intragroup loans provided:

	Interest rate	Maturity	2009	2008
Deutsche Telekom AG	1.375 %	15. 1. 2010	40,000	-
Deutsche Telekom AG	1.220 %	12. 5. 2010	40,000	-
Deutsche Telekom AG	3.560 %	23. 3. 2009	-	49,791
Short-term loans (Note 25)			**80,000**	**49,791**

The loans granted to Deutsche Telekom AG are not secured.

20. Cash and cash equivalents

	2009	2008
Cash	218,225	256,907
Short-term investments	–	96,968
	218,225	**353,875**

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.

21. Shareholders' equity

On 1 April 1999 Slovak Telekom became a joint-stock company, with 20,717,920 ordinary shares authorised, issued and fully paid at a par value of EUR 33.2 per share. Deutsche Telekom AG acquired 51% of Slovak Telekom through a privatisation 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 privatisation transaction also involved the purchase by Deutsche Telekom AG of 7,964,445 existing ordinary shares from the Slovak Government.

As of 31 December 2009 Slovak Telekom had authorised and issued 26,027,500 ordinary shares (2008: 26,027,500) with a par value of EUR 33.2 per share. All the shares issued were fully subscribed. Due to the change of the functional currency of the Company from the Slovak Crown to euro as at 1 January 2009, there was an increase in the share capital of the Company by EUR 158 thousand. Statutory reserve fund of the Company was used to cover the increase in share capital.

The statutory reserve fund is set up in accordance with Slovak law and is not distributable. The reserve is created from retained earnings to cover possible future losses. On 28 April 2009 the General Meeting approved the prior year profit distribution and decided to transfer 10% of prior year statutory profits to the reserve fund, with the remaining 2008 profit being retained.

In 2009, the Group declared and paid a dividend of EUR 14.17 per share (2008: EUR 3.83 per share). On the basis of this proposed appropriation, total dividends in the amount of EUR 368,680 thousand (2008: EUR 99,582 thousand) were paid in April 2009. Part of the dividends paid; in amount of EUR 174,791 thousand was settled against the loan provided to Deutsche Telekom AG. Approval of the 2009 profit distribution will take place at the Annual General Meeting scheduled for 27 April 2010.

Consolidated Financial Statements. All amounts are in thousands of Euro, unless otherwise stated.

On the Group's acquisition of a controlling interest in T-Mobile at 31 December 2004, the assets and liabilities of T-Mobile were re-measured to their fair values. The excess of the fair value of the net assets acquired before 31 December 2004 over their value reported within investments in joint ventures of EUR 158,625 thousand was included in other reserves. As the assets acquired are subject to depreciation, an amount of EUR 12,576 thousand (2008: EUR 12,576 thousand) was released from the reserve in 2009.

22. Trade and other payables and deferred income

	2009	2008
Non-current		
Deferred income	8,223	10,241
Other	519	1,476
	8,742	**11,717**
Current		
Trade payables to third parties	98,050	116,212
Trade payables to related parties (Note 25)	3,482	4,322
Amounts due to employees	18,337	22,312
Deferred income	46,223	45,577
Other	12,263	11,788
	178,355	**200,211**

23. Provisions

	Legal claims	Asset retirement obligation	Loyalty programme	Termination benefits	Retirement and jubilee benefits	Other	Total
At 1 January 2009	1,459	7,190	1,498	3,165	1,636	3,004	17,952
Arising during the year	3,346	660	2,827	3,516	322	1,887	12,558
Reversals	(2,423)	–	(129)	(400)	(536)	(179)	(3,667)
Utilised	(113)	–	(2,178)	(2,772)	(64)	(2,902)	(8,029)
At 31 December 2009	2,269	7,850	2,018	3,509	1,358	1,810	18,814
Non-current	–	7,850	–	–	1,358	411	9,619
Current	2,269	–	2,018	3,509	–	1,399	9,195
	2,269	**7,850**	**2,018**	**3,509**	**1,358**	**1,810**	**18,814**

Legal claims

The provision includes amounts in respect of legal claims brought against the Group. It is the opinion of the Group's management that the outcome of these legal claims will not result in any significant loss beyond the amounts provided at 31 December 2009.

Consolidated Financial Statements. All amounts are in thousands of Euro, unless otherwise stated.

Asset retirement obligation

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

Loyalty programme

The loyalty programmes provision primarily covers the cost of equipment, accessories and gifts provided in exchange for credits awarded to participants of the Group's "T-Mobile Club" loyalty programme. The provision is recognized on the basis of previous experience with the use of these credits by loyalty programme participants.

Termination benefits

The restructuring of the Group's operations resulted in headcount reduction of 219 employees in 2009. The Group expects a further headcount reduction of 268 employees in 2010 as a result of an ongoing restructuring program. An agreement has been reached with local trade union representatives based on a detailed formal plan that specifies the number of staff involved and their locations and functions. The amount of compensation to be paid for terminating employment was calculated by reference to the specific conditions included in the agreement with the trade unions. The termination payments are expected to be paid within twelve months of the statement of financial position date and are recognized in full in the current period.

Retirement and jubilee benefits

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

	Retirement benefits	**Jubilee**	**Total**
Present value of the defined benefit obligation			
At 1 January 2009	2,524	202	2,726
Interest cost	109	8	117
Current service cost	116	11	127
Benefits paid	(46)	(18)	(64)
Actuarial gains	(510)	(26)	(536)
At 31 December 2009	2,193	177	2,370
Past service cost not recognised in the statement of financial position	(1,012)	-	(1,012)
Liability recognised in the statement of financial position at 31 December 2009	**1,181**	**177**	**1,358**

Principal actuarial assumptions used in determining the defined benefit obligation include discount rates of 3.931% and 4.308% to calculate the present value of the obligation and interest costs, respectively and an average retirement age of 62 years. The expected growth of nominal wages is 1.8%.

Consolidated Financial Statements. All amounts are in thousands of Euro, unless otherwise stated.

24. Commitments

The Group's non-current assets purchase commitments were as follows at 31 December:

	2009	2008
Non-current assets expenditures contracted for but not completed due within one year	31,633	11,315
Non-current assets expenditures contracted for but not completed due between one and five years	9,626	1,702
	41,259	**13,017**

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

	2009	2008
Operating commitments due within one year	38,276	40,903
Operating commitments due between one and five years	38,135	43,073
Operating commitments due after five years	11,993	5,405
	88,404	**89,381**

The Group has commitments under operating leases and other purchase contracts with terms ranging from one to ten years relating primarily to the outsourcing of real estate management (EUR 16,773 thousand); rental of office, retail and other space (EUR 29,162 thousand), and provision of satellite digital TV (EUR 18,809 thousand).

25. Related party transactions

	Receivables		Payables		Sales and income		Purchases	
	2009	2008	2009	2008	2009	2008	2009	2008
Deutsche Telekom AG	80,688	50,098	895	1,120	2,881	3,027	4,058	4,893
T–Home Group	8	277	124	66	760	2,675	506	899
T–Systems Group	382	595	517	336	4,147	3,672	3,602	2,577
T–Mobile Group	3,101	3,146	1,946	2,797	8,172	8,232	7,815	10,511
Other	–	32	–	3	–	1,099	14	7,504
	84,179	**54,148**	**3,482**	**4,322**	**15,960**	**18,705**	**15,995**	**26,384**

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

The Group granted Deutsche Telekom AG a short-term loan of EUR 80,000 thousand (2008: EUR 49,791thou-sand). Interest related to loan provided to Deutsche Telekom AG throughout the year amounted to EUR 1,466 thousand (2008: EUR 412 thousand) (Note 19).

Compensation of key management personnel

	2009	2008
Management remuneration	**5,249**	**4,429**

Key management personnel, 30 in number (2008: 30) include members of the Board of Directors, Supervisory Board and the Executive Management Board.

Consolidated Financial Statements. All amounts are in thousands of Euro, unless otherwise stated.

26. Contingencies

Legal and regulatory cases

The Group has been charged by the Anti-Monopoly Office ("AMO") with abusing its dominant position and violating competition law by price squeeze and tying practices. AMO imposed a penalty of EUR 17,453 thousand when issuing its second stage decision on 9 April 2009. The Group appealed against this decision on Regional court on 8 June 2009. On 22 June 2009 the Group received the Regional Court Resolution about enforceability postponement of AMO decision in this case. As management believes that it is possible rather than probable that this case will result in an obligation to pay the penalty, a provision has not been made in these financial statements.

On 27 September 2007 the Regional Court in Bratislava overturned the second stage decision of AMO, which had imposed on the Group a penalty of EUR 29,377 thousand for not allowing competitors to access local lines (unbundling of local loops) and thus abusing its dominant position. The Group had provided in full against this penalty in 2005, but this provision was released after the Regional Court found in favour of the Group. Subsequently AMO initiated a new proceeding against the Group on this same issue and on 20 May 2009 the Group received from AMO the second stage decision imposing a penalty of EUR 29,377 thousand. The Group appealed against this decision on Regional court on 10 June 2009. On 23 June 2009 the Group received the Regional Court Resolution about enforceability postponement of AMO decision in this case. As the Group was successful in its appeal against the original decision and as management believes it is possible rather than probable that this case will result in an obligation to pay the penalty, a provision has not been made in these financial statements.

On 10 September 2007 the Regional Court in Bratislava overturned the second stage decision of AMO, which had imposed on the Group a penalty of EUR 2,656 thousand for abusing its dominant position in tendering for complex telecommunication project. The Group had provided in full against this penalty in 2006, but this provision was released after the Regional Court found in favour of the Group. Subsequently AMO initiated a new proceeding against the Group on this same issue and on 4 May 2009 AMO issued its second stage decision imposing a penalty of EUR 2,423 thousand. The Group appealed against this decision on Regional court on 10 June 2009. On 23 June 2009 the Group received the Regional Court Resolution about enforceability postponement of AMO decision in this case. As the Group was successful in its appeal against the original decision and as management believes it is possible rather than probable that this case will result in an obligation to pay a penalty, a provision has not been made in these financial statements.

The Group is involved in legal and regulatory proceedings in the normal course of business. Management is confident that the Group will suffer no material loss as a result of such proceedings in excess of the provisions already recognized in the financial statements (Note 23).

27. Financial instruments

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

	Carrying amount		Fair value	
	2009	2008	2009	2008
Financial assets				
Non-current				
■ Held-to-maturity investments	–	3,396	–	3,422
Current				
■ Cash and cash equivalents	218,225	353,875	218,225	353,875
■ Held-to-maturity investments	32,350	59,598	32,451	59,284
■ Trade receivables	115,827	112,096	115,827	112,096
Financial liabilities				
Non-current				
■ Trade payables	–	746	–	746
Current				
■ Trade payables	101,532	120,668	101,532	120,668

Cash and cash equivalents, trade receivables and trade payables mainly have short maturities and their carrying amounts at the reporting date approximate their fair values.

The fair value of the held-to-maturity investments amounted to EUR 32,451 thousand at 31 December 2009 (2008: EUR 62,706 thousand). This value was established based on market values provided by banks who act as depositors of the securities.

If the interest rates of the held-to-maturity investments were 15 basis points higher/20 basis points lower and all other variables were held constant, the Group's profit for the year ended 31 December 2009 and equity as at 31 December 2009 would increase/decrease by EUR 32 thousand/EUR 42 thousand (2008: EUR 78 thousand/ EUR 105 thousand).

Forward foreign exchange contracts
As of 31 December 2009 the Group was a party to three foreign exchange forward contracts with maturity of one to five months to hedge anticipated future foreign currency expenditure in USD. While these contracts may provide effective economic hedges under the Group's risk management policies, they do not qualify for hedge accounting under the specific rules of IAS 39 and were, therefore, classified as held for trading upon initial recognition.

The net gain from the change in the fair value of derivative instruments was recognised in the income statement in the amount of EUR 117 thousand, net of tax of EUR 28 thousand (2008: net loss of EUR 181 thousand, net of tax of EUR 43 thousand).

28. Fees paid to auditors

In 2009 the Group paid to audit company Ernst & Young EUR 517 thousand for assurance services (2008: EUR 595 thousand) and EUR 84 thousand for other services (2008: EUR 42 thousand).

Consolidated Financial Statements. All amounts are in thousands of Euro, unless otherwise stated.

29. Events after the reporting period

On 29 January 2010, the Company acquired 51% of the share capital of PosAm, spol. s r. o. ("PosAm"), a company based in Slovakia specialising in the provision of the IT services, application and infrastructure solutions to the corporate customers. The final purchase price for the acquisition is influenced by the amount of contingent consideration (earn-out) that will be paid in two years. The amount of earn-out depends on the EBITDA level for the years 2010–2011.

The carrying amount of the net assets of PosAm immediately before the acquisition was:

	Previous carrying value (non-audited)
Assets	
Property, plant and equipment	828
Intangible assets	677
Deferred tax asset	13
Inventories	218
Trade and other receivables	3,338
Prepaid expenses and other assets	326
Cash and cash equivalents	2,285
Liabilities	
Trade payables	1,157
Other payables and deferred income	1,485
Provisions	115
Income tax payable	87
Net assets	**4,841**

The information about the fair value of the acquired identifiable net assets of PosAm was not available at the date the financial statements were issued.

There were no events, which have occurred subsequent to the year-end, which would have a material impact on the financial statements at 31 December 2009.

Consolidated Financial Statements. All amounts are in thousands of Euro, unless otherwise stated.

Independent Auditor's Report

ERNST & YOUNG

Ernst & Young Slovakia, spol. s r.o.
Hodžovo námestie 1A
811 06 Bratislava
Slovenská republika

Tel: +421 2 3333 9111
Fax: +421 2 3333 9222
www.ey.com/sk

Independent Auditors' Report

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

We have audited the accompanying consolidated financial statements of Slovak Telekom, a.s. and its subsidiaries ('the Group'), which comprise the consolidated statement of financial position as at 31 December 2009 and the consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2009, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

11 March 2010
Bratislava, Slovak Republic

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

Ing. Jana Švarcová
SKAU Licence No. 932

THIS IS A TRANSLATION OF THE ORIGINAL SLOVAK REPORT

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 2009

Contents

Separate Financial Statements. All amounts are in thousands of Euro, unless otherwise stated.

Income Statement

for the year ended 31 December

	Notes	2009	2008
Revenue	4	444,095	470,445
Staff costs	5	(94,853)	(96,445)
Material and equipment		(24,733)	(30,820)
Depreciation, amortisation and impairment losses	11,12,13	(120,974)	(145,377)
Interconnection and other fees to operators		(63,170)	(69,119)
Other operating income	7	15,343	51,609
Other operating costs	6	(101,978)	(105,286)
Operating profit		53,730	75,007
Financial income	8	106,337	279,945
Financial expense	9	(244)	(7,140)
Profit before tax		159,823	347,812
Taxation	10	(12 119)	(10,364)
Profit for the year		**147,704**	**337,448**

The financial statements on pages 119 to 156 were authorised for issue on behalf of the Board of Directors of the Company on 11 March 2010 by:

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

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

Person responsible for accounting:

Ing. Mária Rokusová
Director of Finance Shared Services Subunit

Preparer of the financial statements:

Ing. Tatiana Rozvadská
Head of Reporting and Accounting Policies Dpt.

Separate Financial Statements. All amounts are in thousands of Euro, unless otherwise stated.

Statement of Comprehensive Income

for the year ended 31 December

	2009	2008
Profit for the year	147,704	337,448
Other comprehensive income		
Actuarial gains/(losses) on defined benefit plans	510	(110)
Deferred tax	(97)	21
Other comprehensive income for the year, net of tax	413	(89)
Total comprehensive income for the year, net of tax	**148,117**	**337,359**

Separate Financial Statements. All amounts are in thousands of Euro, unless otherwise stated.

Statement of Financial Position

as at 31 December

	Notes	2009	2008
ASSETS			
Non-current assets			
Property and equipment	12	898,424	932,649
Software	13	28,488	28,548
Investments in subsidiaries	14	385,209	385,209
Held-to-maturity investments	26	–	3,397
Intragroup loan	18	299	232
Prepaid expenses and other assets	17	22,345	19,746
		1,334,765	1,369,781
Current assets			
Inventories	15	5,308	13,742
Trade and other receivables	16	154,717	176,055
Prepaid expenses and other assets	17	9,634	7,331
Held-to-maturity investments	26	31,023	30,240
Intragroup loan	18	80,000	49,791
Income tax		2,149	920
Cash and cash equivalents	19	75,312	268,632
		358,143	546,711
Assets held for sale	11	8,314	12,226
		366,457	558,937
TOTAL ASSETS		**1,701,222**	**1,928,718**
EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital		864,113	863,955
Share premium		386,139	386,139
Statutory reserve fund		91,071	57,484
Retained earnings and other components of equity		148,117	402,425
		1.489,440	1,710,003
Non-current liabilities			
Provisions	22	1,513	2,227
Deferred tax	10	106,965	104,677
Deferred income	21	7,512	9,363
		115,990	116,267

Separate Financial Statements. All amounts are in thousands of Euro, unless otherwise stated.

	Notes	2009	2008
Current liabilities			
Trade and other payables and deferred income	21	89,789	97,006
Provisions	22	6,003	5,442
		95,792	102,448
Total liabilities		211,782	218,715
TOTAL EQUITY AND LIABILITIES		**1,701,222**	**1,928,718**

Separate Financial Statements. All amounts are in thousands of Euro, unless otherwise stated.

Statement of Changes in Equity

for the year ended 31 December

	Notes	Issued capital	Share premium	Statutory reserve fund	Actuarial (losses)/gains on defined benefit plans	Retained earnings	Total equity
Year ended 31 December 2008							
As at 1 January 2008		863,955	386,139	47,639	(117)	174,610	1,472,226
Profit for the year		–	–	–	–	337,448	337,448
Other comprehensive income		–	–	–	(89)	–	(89)
Total comprehensive income		–	–	–	(89)	337,448	337,359
Allocation to funds		–	–	9,845	–	(9,845)	–
Dividends	20	–	–	–	–	(99,582)	(99,582)
At 31 December 2008		**863,955**	**386,139**	**57,484**	**(206)**	**402,631**	**1,710,003**

	Notes	Issued capital	Share premium	Statutory reserve fund	Actuarial (losses)/gains on defined benefit plans	Retained earnings	Total equity
Year ended 31 December 2009							
As at 1 January 2009		863,955	386,139	57,484	(206)	402,631	1,710,003
Profit for the year		–	–	–	–	147,704	147,704
Other comprehensive income		–	–	–	413	–	413
Total comprehensive income		–	–	–	413	147,704	148,117
Increase of share capital	20	158	–	(158)	–	–	–
Allocation to funds		–	–	33,745	–	(33,745)	–
Dividends	20	–	–	–	–	(368,680)	(368,680)
At 31 December 2009		**864,113**	**386,139**	**91,071**	**207**	**147,910**	**1,489,440**

Separate Financial Statements. All amounts are in thousands of Euro, unless otherwise stated.

Statement of Cash Flows

for the year ended 31 December

	Notes	2009	2008
Profit for the year		147,704	337,448
Adjustments for:			
■ Depreciation, amortisation and impairment losses	11,12,13	120,974	145,377
■ Interest income, net		(4,287)	(8,752)
■ Income tax expense	10	12,119	10,364
■ Gain on disposal of property and equipment	7	(2,584)	(9,054)
■ Dividend income from group companies	8,24	(100,704)	(270,390)
■ Net gain on disposal of investment in subsidiary		–	(27,484)
■ Other non-cash items		(80)	6,767
■ Movements in provisions	22	(153)	4,522
Changes in working capital:			
■ Change in trade and other receivables		(3,070)	4,620
■ Change in inventories		3,827	299
■ Change in trade and other payables		175	(18,999)
Cash flows from operations		173,921	174,718
■ Income taxes paid		(11,157)	(24,820)
Net cash flows from operating activities		162,764	149,898
Investing activities			
■ Purchase of software and property and equipment		(91,776)	(92,826)
■ Proceeds from disposal of property and equipment		6,324	12,224
■ Acquisition of held-to-maturity investments		(25,985)	(54,774)
■ Proceeds from disposal of held-to-maturity investments		29,875	48,785
■ Disbursement of intragroup loan		(240,066)	(49,824)
■ Repayment of intragroup loan		35,000	–
■ Dividends received	24	121,018	149,372
■ Interest received		3,433	8,880
Net cash (used in)/from investing activities		(162,177)	21,837
Financing activities			
■ Dividends paid	20	(193,889)	(99,582)
■ Other charges paid		(18)	(258)
Net cash used in financing activities		(193,907)	(99,840)
Net increase in cash and cash equivalents		(193,320)	71,895
Cash and cash equivalents at 1 January	19	268,632	196,737
Cash and cash equivalents at 31 December	**19**	**75,312**	**268,632**

Separate Financial Statements. All amounts are in thousands of Euro, unless otherwise stated.

Significant non-cash transactions

In 2009, the Company declared and paid a dividend in the total amount of EUR 368,680 thousand. Part of the dividends paid; in amount of EUR 174,791 thousand was settled against the loan provided to Deutsche Telekom AG.

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 Karadžičova 10, 825 13 Bratislava. The business registration number (IČO) of the Company is 35 763 469 and the tax identification number (DIČ) is 202 027 3893. On 4 August 2000, Deutsche Telekom AG (“Deutsche Telekom” or “DT AG”) obtained control of the Company through the acquisition of 51% of the shares of Slovak Telekom. The transaction involved the purchase of existing shares from the Slovak Government and the issue of new shares. The Slovak Government retains 49% of the shares of the Company through the Ministry of Economy of the Slovak Republic (34%) and the National Property Fund (15%).

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

Members of the Statutory Boards as at 31 December 2009

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

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

There were no changes concerning the members of the Statutory Boards in the Commercial Register during the year 2009.

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

Separate Financial Statements. All amounts are in thousands of Euro, unless otherwise stated.

2. Accounting policies

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

2.1. Basis of preparation

The financial statements are the separate financial statements of the Company and meet the requirements of International Financial Reporting Standards ("IFRS") in respect of the preparation of a parent's separate financial statements.

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

The Company's functional currency is the Euro ("EUR"), the financial statements are presented in Euros (EUR) and all values are rounded to the nearest thousand, except when otherwise indicated. The Company's functional currency for the year 2008 was the Slovak Crown ("SKK"). Comparative financial statements for the previous year were converted to Euro based on the official conversion rate 30.1260 SKK/EUR. The average exchange rate of Euro during 2008 was 31.291 SKK/EUR.

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

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

On 11 March 2010, the Company also issued consolidated financial statements for the year ended 31 December 2009 prepared in compliance with IFRS. These consolidated financial statements are available at the Company's registered office or at the Register Court administering the Commercial Register of District Court Bratislava I, Slovak Republic.

2.2. Property and equipment

Cost
Property and equipment, except for land, is carried at cost, excluding the costs of day-to-day servicing, less accumulated depreciation and accumulated impairment in value. Land acquired prior to 1991 is stated at the values assigned to it by the Government and land purchased thereafter is carried at acquisition cost.

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

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

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

Depreciation

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

Freehold buildings	8 to 50 years
Duct, cable and other outside plant	8 to 30 years
Telephone exchanges and related equipment	4 to 20 years
Other fixed assets	2 to 30 years

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

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

Property and equipment are reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable. Where the carrying amount of an asset is higher than its recoverable amount, it is written down to its estimated recoverable amount. Impairment losses are reversed if the reasons for recognising the original impairment loss no longer apply.

When property and equipment meet the criteria to be classified as held for sale, they are stated at whichever is the lower of their carrying amount and fair value less costs to sell and reclassified from non-current to current. Property and equipment once classified as held for sale are not depreciated. The Company measures an item of property and equipment that ceases to be classified as held for sale at the lower of:

- its carrying amount before the asset was classified as held for sale, adjusted for any depreciation that would have been recognised had the asset not been classified as held for sale, and
- its recoverable amount at the date of the subsequent decision not to sell.

2.3. Software

Software acquired separately is measured on initial recognition at cost. Following initial recognition, software is carried at cost less any accumulated amortisation and any accumulated impairment losses. Software has a finite useful life and is amortised using the straight-line method over the useful life.

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

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

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

The useful lives assigned to software are 2 to 16 years.

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

2.4. Investments in subsidiaries

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

2.5. Impairment of assets

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

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

2.6. Inventories

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

2.7. Financial assets

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

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

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

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

Amounts payable to and receivable from the same international operators are shown net in the statement of financial position when a right to set-off exists.

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

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

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

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

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

2.8. Financial liabilities

Trade and other payables
Trade and other payables are initially measured at fair value. After initial recognition trade and other payables are measured at amortised cost using the effective interest method.

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

2.9. Leased assets

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

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

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

2.10. Prepaid expenses

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

2.11. Deferred income – Customer loyalty programme

The Company operates a customer loyalty programme. As part of the programme, the Company grants credits to the participants who can be redeemed in future periods for free or discounted goods or services. Revenue allocated to the credits based on their fair value is deferred when credits are granted to the customers. Revenue is recognised when the customers receive benefits from the programme.

2.12. Provisions

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

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

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

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

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

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

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

2.13. Revenue recognition

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

The Company recognises revenue as follows:

Access fees and charges for incoming and outgoing telephone calls and other traffic are recognised in revenue in the period in which the services are rendered.
Activation fees are deferred over the expected customer retention period. This period is estimated on the basis of the anticipated term of the customer relationship under the arrangement which generated the activation fee. Customer acquisition costs incurred, to the extent of related activation fees, are recognised as assets and amortised over the same period.

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

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

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

Revenue from sales of equipment is recognised when the equipment is delivered and installed at customer premises, if installation is significant part of the contract.

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

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

2.14. Operating profit

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

2.15. Foreign currency translation

Transactions denominated in foreign currencies are recorded at the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rate of exchange ruling at the statement of financial position date.

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

2.16. Taxes

Current tax

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

Deferred tax

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

Deferred tax liabilities are recognised for all taxable temporary differences, except where the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses to the extent that it is probable that a taxable profit will be available against which the deductible temporary differences, the carry-forward of unused tax credits and unused tax losses can be utilized, except where the deferred tax asset arises from the initial recognition of an asset or liability in a transaction that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

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

2.17. Comparatives

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

- Fees paid to banks for collecting of receivables of EUR 257 thousand are disclosed within other operating costs (Note 6) in the 2008 comparatives. In the 2008 income statement these expenses were presented in financial costs.
- Costs related to valuation allowance of inventory in the amount of EUR 150 thousand are presented in 2008 comparatives within material and equipment. In the 2008 income statement these expenses were presented within other operating costs.
- Reversal of impairment of assets in amount of EUR 939 thousand is disclosed within other operating income (Note 7) in the 2008 comparatives. In the 2008 income statement this item was presented within other operating costs.
- Liability in respect of the customer loyalty programme in amount of EUR 1,056 thousand is disclosed within trade and other payables and deferred income (Note 21) in the 2008 comparatives. In the 2008 statement of financial position this item was presented within provisions.

2.18. Significant accounting judgements, estimates and assumptions

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

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

Useful lives of non-current assets

The estimation of the useful lives of non-current assets is a matter of judgement based on the Company's experience with similar assets. As described in Notes 2.2 and 2.3, the Company reviews the estimated remaining useful lives of non-current assets annually. 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 2009 and changed accounting estimates where appropriate. The useful lives of fleet, technologies and IT assets were prolonged to reflect reassessed expected use of the assets. The financial effect of the change resulted in decrease of depreciation of EUR 4,795 thousand in 2009 and increase of depreciation of EUR 349 thousand in future periods.

Impairment of non-current assets

The Company has recorded impairment losses on property and equipment on the basis of management's expectations of future sales, the timing of such sales and expected selling price less cost to sell. Refer to Note 12 for details of the impairment of property and equipment.

Allowance for doubtful accounts

The Company maintains an allowance for doubtful accounts to account for estimated losses resulting from the inability of customers to make the requisite payments. When evaluating the adequacy of the allowance for doubtful accounts, management bases its estimates on historical write-off experience, customer creditworthiness and changes in customer payment terms. Refer to Note 16 for details of the allowance for doubtful accounts.

Easements

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

Provisions and contingent liabilities

As set out in Notes 22 and 25, the Company is a participant in several lawsuits and regulatory proceedings. When considering the recognition of a provision, management judges the probability of future outflows of economic resources and estimates the amount needed to settle the possible or probable obligation. Such judgements and estimates are continually reassessed taking into consideration experience with similar cases.

Fair value of financial instruments

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

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

Fair value of loyalty programme credits

The Group estimates the fair value of credits granted under the loyalty programme by applying statistical techniques. Inputs to the model include making assumtions about expected redemption rates, fair value of products/services that will be redeemed in the future and customers' preferences.

2.19. Adoption of IFRS during the year

Standards, interpretations and amendments to published standards effective for the Company's accounting period beginning on 1 January 2009 which are relevant to the Company's operations

- IFRS 7 Financial Instruments: Disclosures (Amendments – Improving Disclosures about Financial Instruments), effective for annual periods beginning on or after 1 January 2009

  The amended standard requires additional disclosures about fair values of financial instruments and liquidity risks of financial instruments. Disclosure requirements for fair values are extended considering a 3-level fair value hierarchy. The so far quite broadly stated disclosure requirements to liquidity risks are now written in more detail. Relevant for the Company are disclosure requirements to liquidity risk, presented in Note 3. Disclosure requirements to fair value measurements are not applicable as currently all financial instruments of the Company are held at amortized cost.

- IAS 1 Presentation of Financial Statements (Revised), effective for annual periods beginning on or after 1 January 2009

  The revised standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with non-owner changes in equity presented in a reconciliation of each component of equity. In addition, the standard introduces the statement of comprehensive income: it presents all items of recognised income and expense, either in one single statement, or in two linked statements. The Company has elected to present two statements.
- IAS 23 Borrowing Costs (Revised), effective for annual periods beginning on or after 1 January 2009

  The revised standard requires capitalization of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. The Company's previous policy was to expense borrowing costs as they were incurred. In accordance with the transitional provisions of the revised IAS 23, the Company has adopted the standard on a prospective basis. The Company had no borrowings during 2009 and no borrowing costs have been capitalized in 2009.

- IFRS 1 First-time Adoption of International Financial Reporting Standards and IAS 27 Consolidated and Separate Financial Statements (Amendments – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate), effective for annual periods beginning on or after 1 January 2009

  The standard requires recognition of a dividend from a subsidiary, jointly controlled entity or associate in profit or loss in separate financial statements when the right to receive the dividend is established.

- IFRIC 13 Customer Loyalty Programmes, effective for annual periods beginning on or after 1 July 2008

This interpretation requires customer loyalty credits to be accounted for as a separate component of the sales transaction in which they are granted. A portion of the fair value of the consideration received is allocated to the award credits and deferred. This is then recognized as revenue over the period that the award credits are redeemed. The Company maintains a loyalty points programme, max klub, and has historically recognised a provision when points were granted in amount necessary to settle expected liability to supply products/services in the future. IFRIC 13 has no specific provisions on transition. Therefore, the Company has followed IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, applying the changes retrospectively.

- (First Annual) Improvements to IFRS

  In May 2008 the IASB issued an omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The adoption of the following amendments resulted in changes to accounting policies but did not have any impact on the financial position or performance of the Company.

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

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

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

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

Standards, interpretations and amendments to published standards effective for the Company's accounting period beginning on 1 January 2009 which are not relevant to the Company's operations

- IFRS 2 Share-based Payment (Amendments – Vesting Conditions and Cancellations), effective for annual periods on or after 1 January 2009
- IFRS 8 Operating Segments, effective for annual periods beginning on or after 1 January 2009
- IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements (Amendments – Puttable Financial Instruments and Obligations Arising on Liquidation), effective for annual periods beginning on or after 1 January 2009
- IFRIC 9 Reassessment of Embedded Derivatives and IAS 39 Financial Instruments: Recognition and Measurement (Amendments – Embedded Derivatives), effective for annual periods ending on or after 30 June 2009
- IFRIC 15 Agreements on Construction of Real Estate, effective for annual periods beginning on or after 1 January 2009
- IFRIC 16 Hedges of a Net Investment in a Foreign Operation, effective for annual periods beginning on or after 1 October 2008
- IFRIC 18 Transfers of Assets from Customers, effective for transfers of assets from customers received on or after 1 July 2009

Standards, interpretations and amendments to published standards that have been published, are not effective for accounting periods starting on 1 January 2009 and which the Company has not early adopted

- IFRS 1 First-time Adoption of International Financial Reporting Standards (Revised), effective for annual periods beginning on or after 1 July 2009
- IFRS 1 First-time Adoption of International Financial Reporting Standards (Amendments – Additional Exemptions for First-time Adopters), effective for annual periods beginning on or after 1 January 2010
- IFRS 2 Share-based Payment (Amendments – Group Cash settled Share-based Payments), effective for annual periods beginning on or after 1 January 2010
- IFRS 3 Business Combinations (Revised), effective for annual periods beginning on or after 1 July 2009
- IFRS 9 Financial Instruments, effective for annual periods beginning on or after 1 January 2013
- IAS 24 Related Party Disclosures (Revised), effective for annual periods beginning on or after 1 January 2011
- IAS 27 Consolidated and Separate Financial Statements (Amended), effective for annual periods beginning on or after 1 July 2009
- IAS 32 Financial Instruments: Presentation (Amendments – Classification of Rights Issues), effective for annual periods beginning on or after 1 February 2010
- IAS 39 Financial Instruments: Recognition and Measurement (Amendment – Eligible Hedged Items), effective for annual periods beginning on after 1 July 2009
- IFRIC 14 IAS 19—The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (Amendment – Prepayments of Minimum Funding Requirement), effective for annual periods beginning on or after 1 January 2011
- IFRIC 17 Distribution of Non-cash Assets to Owners, effective for annual periods beginning on or after 1 July 2009
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments, effective for annual periods beginning on or after 1 July 2010
- (Second Annual) Improvements to IFRS issued in April 2009, effective for annual periods beginning on or after 1 January 2010

Except for the new requirements of IFRS 3 (revised), IAS 27 and IFRS 9, which is being evaluated by the Company, the Company believes that the future adoption of these standards, interpretations and amendments will not have any material effect on the financial performance or position of the Company.

3. Financial risk management

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

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

The Company holds financial assets which represent its investment in subsidiaries. These financial assets are considered to be long-term and represent a significant part of the Company's business activities.

The Company has agreed loan facilities with its parent company DT AG and with its subsidiaries T-Mobile Slovensko, a. s. ("T-Mobile Slovensko") and the Institute of Next Generation Networks.

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

The main risks arising from the Company's financial instruments are market risk, credit risk and liquidity risk. The Treasury Department is responsible for financial risk management, following guidelines approved by the Board of

Directors and the DT AG Treasury Department. The Treasury Department works in co-operation with the Company's operating units and with the DT AG Treasury Department. In addition, the Treasury Department manages the liquidity and financing needs of the Company's subsidiaries. There are policies in place to cover specific areas, such as market risk, credit risk, liquidity risk and the investment of excess funds.

Due to an increase in excess funds at its disposal, the Company has developed a Financial Investment Policy which establishes a framework for making financial investments and for ensuring the best possible return from such investments. The Financial Investment Policy includes limits for individual investment instruments, is in compliance with Group Treasury Policy and was approved by the Company's Executive Management Board.

3.1. Market risk

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

3.1.1. Foreign currency risk

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

To mitigate the foreign exchange risk arising from its business operations, the Company purchases and sells foreign currencies on the spot market.

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

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

		2009
Profit before tax	Depreciation of EUR by 5%	(34)
	Appreciation of EUR by 5%	31
Equity	Depreciation of EUR by 5%	(34)
	Appreciation of EUR by 5%	31

3.1.2. Interest rate risk

The Company's operating cash flows are substantially independent of changes in market interest rates. In 2008 the Company entered a master agreement on upstream loans with DT AG. The Company's exposure to changes in market interest rates relates mainly to the Company's held-to-maturity investments. The Company seeks to optimise its exposure towards interest rate risk using a mix of fixed–rate and floating–rate securities. At the end of 2009, the securities portfolio consists of fixed-rate bonds and treasury bills.

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

Separate Financial Statements. All amounts are in thousands of Euro, unless otherwise stated.

3.2. Credit risk

The Company is exposed to credit risk from its operating activities and certain financing activities. The Company's credit risk policy defines products, maturities of products and limits for financial counterparties. The Company limits credit exposure to individual financial institutions and securities issuers on the basis of credit ratings assigned to these institutions by reputable rating agencies and these limits are reviewed on a regular basis.

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

With regard to financial assets, which comprise cash and cash equivalents, short–term deposits, held-to-maturity investments and loans and trade receivables, the Company's exposure to credit risk arises from the default of the counterparty, with a maximum exposure equal to the carrying amount of these financial assets. No significant agreements reducing the maximum exposure to credit risk had been concluded at 31 December 2009.

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

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

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

3.3. Liquidity risk

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

The table below summarises the maturity profile of the Company's financial liabilities based on contractual undiscounted payments:

At 31 December 2009	On demand	Less than 3 months	3 to 12 months	Over 1 year	Total
Trade and other payables	1,331	43,279	41	–	44,651

K 31. decembru 2008	On demand	Less than 3 months	3 to 12 months	Over 1 year	Total
Trade and other payables	1,361	46,777	–	–	48,138

Separate Financial Statements. All amounts are in thousands of Euro, unless otherwise stated.

3.4. Capital risk management

The Company manages its capital to ensure that it will be able to support its business activities on an ongoing basis, while maximizing the return to its shareholders through the optimization of its capital structure. It takes into consideration any applicable guidelines of the majority shareholder. No changes were made in objectives, policies or processes during 2009.

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

4. Revenue

	2009	2008
Voice services	189,185	214,205
Content services	14,493	16,449
Terminal equipment	7,984	8,812
Data services	58,508	61,061
Fixed network communication revenue	270,170	300,527
Wholesale revenue	73,124	74,312
IP/Internet revenue	88,629	84,132
Total fixed network and broadband revenue	431,923	458,971
Other revenue	12,172	11,474
Total revenue	**444,095**	**470,445**

5. Staff costs

	2009	2008
Wages and salaries	76,529	77,444
Social security contributions	18,324	19,001
	94,853	**96,445**
Number of employees (including expatriates) at period end	3,432	3,636

Separate Financial Statements. All amounts are in thousands of Euro, unless otherwise stated.

6. Other operating costs

	2009	2008
Repairs and maintenance	10,630	11,496
Outsourced services	11,461	12,145
Marketing	11,656	13,997
Energy	10,832	10,062
Postal services	4,520	6,050
Rentals and leases	8,461	7,869
IT services	6,918	8,823
Dealers' commissions	8,097	8,969
Material sold	6,495	6,644
Business trips and training	1,376	2,042
Content fees	2,272	2,747
Consultancy	6,512	2,796
Bad debts expenses	1,907	1,353
Security	542	703
Legal and regulatory claims	789	1,204
Customer solutions	8,067	6,488
Other	17,734	16,379
Own work capitalised	(16,291)	(14,481)
	101,978	**105,286**

7. Other operating income

	2009	2008
Gain on disposal of property and equipment, net	2,584	9,054
Income from material sold	7,420	7,504
Reversal of impairment of assets held for sale (Note 11)	699	939
Gain on liquidation of Tower Slovakia (Note 24)	–	27,484
Other	4,640	6,628
	15,343	**51,609**

8. Financial income

	2009	2008
Dividends from T-Mobile Slovensko (Note 24)	100,704	270,390
Reversal of impairment of held-to-maturity investments (Note 9)	1,328	–
Interest on short-term deposits	934	3,414
Interest on intragroup loans	1,569	422
Interest on held-to-maturity investments	955	4,598
Foreign exchange gains, net	–	122
Other	847	999
	106,337	**279,945**

Separate Financial Statements. All amounts are in thousands of Euro, unless otherwise stated.

9. Financial expense

	2009	2008
Impairment of held-to-maturity investments	–	6,717
Employee benefits – interest cost	117	119
Foreign exchange losses, net	109	–
Bank charges and other financial expense	18	304
	244	**7,140**

Foreign exchange losses, net also comprise foreign exchange gains in amount of EUR 65 thousand, which arose from translation of opening balances of assets and liabilities from Slovak Crowns to Euro in relation to the adoption of the Euro as the official currency in Slovakia and the functional currency of the Company as of 1 January 2009.

In 2008 the Company created a 100% allowance for a held-to-maturity investment of EUR 6,717 thousand including interest. Due to the actions taken by the issuer of the security during 2009 the value of the future estimated cash flows increased by 20%. As a result, the allowance in amount of EUR 1,328 thousand was reversed (Note 8).

10. Taxation

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

	2009	2008
Current tax expense	9,928	12,457
Deferred tax expense/(income)	2,191	(2,093)
Income tax expense reported in the income statement	**12,119**	**10,364**

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

	2009	2008
Profit before income tax	159,823	347,812
Income tax calculated at the statutory rate of 19% (2008: 19%)	30,366	66,084
Effect of income not taxable and expenses not tax deductible:		
■ Dividends	(19,134)	(51,374)
■ Tower Slovakia winding up	–	(5,222)
■ Creation of legal provisions	150	229
■ Other tax non-deductible items, net	845	749
Tax recovery in respect of prior years	(108)	(102)
Income tax at the effective tax rate of 8% (2008: 3%)	**12,119**	**10,364**

Separate Financial Statements. All amounts are in thousands of Euro, unless otherwise stated.

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

	Statement of Financial Position		Income Statement	
	2009	**2008**	**2009**	**2008**
Difference between carrying and tax value of fixed assets	(111,118)	(109,654)	1,464	1,487
Allowance for held-to-maturity investments	1,024	1,276	252	(1,276)
Staff cost accruals	712	1,375	663	(1,375)
Allowance for bad debts	863	708	(155)	(334)
Termination benefits	667	601	(66)	(414)
Other	887	1,017	33	(181)
	(106,965)	**(104,677)**	**2,191**	**(2,093)**

Deferred tax assets (liabilities) are reflected in the statement of financial position as follows:

	2009	**2008**
Deferred tax assets	4,153	4,977
Deferred tax liabilities	(111,118)	(109,654)
	(109,965)	**(104,677)**

11. Assets held for sale

	Land, buildings and related equipment	
	2009	**2008**
At 1 January	12,226	361
Net transfer from property and equipment	32	18,639
Impairment charge	(483)	(3,846)
Reversal of impairment charge (Note 7)	699	939
Assets sold	(4,160)	(3,867)
At 31 December	**8,314**	**12,226**

Assets held for sale at 31 December 2009 comprise buildings and land which are to be sold within 1 year.

Separate Financial Statements. All amounts are in thousands of Euro, unless otherwise stated.

12. Property and equipment

	Land and buildings	Duct, cable and other outside plant	Telephone exchanges and related equipment	Other	Construction in progress including advances	Total
Cost						
At 1 January 2009	106,539	954,821	1,186,266	131,144	19,743	2,398,513
Additions	2,119	27,377	25,313	7,009	8,557	70,375
Disposals	(855)	(28,997)	(44,885)	(6,282)	–	(81,019)
Transfers	17	3,187	10,060	575	(13,839)	–
Transfers to assets held for sale	(67)	–	–	–	–	(67)
At 31 December 2009	107,753	956,388	1,176,754	132,446	14,461	2,387,802
Depreciation						
At 1 January 2009	(26,946)	(390,080)	(984,848)	(63,513)	(477)	(1,465,864)
Depreciation charge	(2,292)	(29,749)	(57,825)	(10,927)	–	(100,793)
Impairment charge	(611)	(106)	(1,517)	(826)	(85)	(3,145)
Disposals	371	28,997	44,893	6,128	–	80,389
Transfers	(7)	(847)	921	(104)	37	–
Transfers to assets held for sale	35	–	–	–	–	35
At 31 December 2009	(29,450)	(391,785)	(998,376)	(69,242)	(525)	(1,489,378)
Net book value at 31 December 2009	**78,303**	**564,603**	**178,378**	**63,204**	**13,936**	**898,424**

The impairment charge relates mainly to the technological equipment which is considered to be obsolete, has no future use and will be either sold or liquidated.

Property and equipment, excluding motor vehicles, is insured to a limit of EUR 25,000 thousand (2008: EUR 28,000 thousand) and motor vehicles to a limit of EUR 2,500 thousand (2008: EUR 2,000 thousand).

Separate Financial Statements. All amounts are in thousands of Euro, unless otherwise stated.

	Land and buildings	Duct, cable and other outside plant	Telephone exchanges and related equipment	Other	Construction in progress including advances	Total
Cost						
At 1 January 2008	135,659	942,441	1,214,290	125,161	24,926	2,442,477
Additions	653	24,924	32,104	10,047	13,218	80,946
Disposals	(2,373)	(6,973)	(73,571)	(3,969)	–	(86,886)
Transfers	8,027	(3,911)	13,730	555	(18,401)	–
Transfers to assets held for sale	(35,427)	(1,660)	(287)	(650)	–	(38,024)
At 31 December 2008	106,539	954,821	1,186,266	131,144	19,743	2,398,513
Depreciation						
At 1 January 2008	(42,206)	(370,001)	(985,285)	(52,839)	(225)	(1,450,556)
Depreciation charge	(2,638)	(28,582)	(71,167)	(13,330)	–	(115,717)
Impairment charge	(275)	(663)	(1,939)	(1,624)	(492)	(4,993)
Disposals	1,803	6,943	73,445	3,826	–	86,017
Transfers	(1,870)	1,702	(60)	(12)	240	–
Transfers to assets held for sale	18,240	521	158	466	–	19,385
At 31 December 2008	(26,946)	(390,080)	(984,848)	(63,513)	(477)	(1,465,864)
Net book value at 31 December 2008	**79,593**	**564,741**	**201,418**	**67,631**	**19,266**	**932,649**

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

Separate Financial Statements. All amounts are in thousands of Euro, unless otherwise stated.

13. Software

	Software	Software under construction	Total
Cost			
At 1 January 2009	173,826	6,869	180,695
Additions	12,729	3,815	16,544
Disposals	(912)	–	(912)
Transfers	4,253	(4,253)	–
At 31 December 2009	189,896	6,431	196,327
Depreciation			
At 1 January 2009	(152,147)	–	(152,147)
Amortisation charge	(16,553)	–	(16,553)
Impairment charge	–	–	–
Disposals	861	–	861
Transfers	–	–	–
At 31 December 2009	(167,839)	–	(167,839)
Net book value at 31 December 2009	**22,057,**	**6,431**	**28,488**

	Software	Software under construction	Total
Cost			
At 1 January 2008	165,764	4,135	169,899
Additions	9,269	5,002	14,271
Disposals	(3,475)	–	(3,475)
Transfers	2,268	(2,268)	–
At 31 December 2008	173,826	6,869	180,695
Depreciation			
At 1 January 2008	(134,731)	–	(134,731)
Amortisation charge	(20,491)	–	(20,491)
Impairment charge	(330)	–	(330)
Disposals	3,405	–	3,405
Transfers	–	–	–
At 31 December 2008	(152,147)	–	(152,147)
Net book value at 31 December 2008	**21,679**	**6,869**	**28,548**

Separate Financial Statements. All amounts are in thousands of Euro, unless otherwise stated.

14. Investments in subsidiaries

At 31 December 2009 the Company held the following investments in subsidiaries:

Name	Registered office	Activity	Cost of investment	Profit	Net assets
T-Mobile Slovensko, a.s.	Vajnorská 100/A, 831 03 Bratislava	Wireless phone and data services	378,946	113,041	296,646
Zoznam, s.r.o.	Viedenská cesta 3–7, 851 01 Bratislava	Internet portal	3,908	(339)	2,424
Zoznam Mobile, s.r.o.	Viedenská cesta 3–7, 851 01 Bratislava	Mobile content provider	2,348	188	1,887
Telekom Sec, s.r.o.	Kukučínova 52, 831 03 Bratislava	Security services	7	(7)	10
Institute of Next Generation Networks	Poštová 1, 010 08 Žilina	NGN technology research and development	–	(110)	(251)
			385,209		

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

At 31 December 2008 the Company held the following investments in subsidiaries:

Name	Registered office	Activity	Cost of investment	Profit	Net assets
T-Mobile Slovensko, a.s.	Vajnorská 100/A, 831 03 Bratislava	Wireless phone and data services	378,946	100,704	284,310
Zoznam, s.r.o.	Viedenská cesta 3–7, 851 01 Bratislava	Internet portal	3,908	1,095	2,763
Zoznam Mobile, s.r.o.	Viedenská cesta 3–7, 851 01 Bratislava	Mobile content provider	2,348	530	1,699
Telekom Sec, s.r.o.	Kukučínova 52, 831 03 Bratislava	Security services	7	1	17
Institute of Next Generation Networks	Poštová 1, 010 08 Žilina	NGN technology research and development	–	(75)	(140)
			385,209		

Separate Financial Statements. All amounts are in thousands of Euro, unless otherwise stated.

15. Inventories

	2009	2008
Cables, wires and spare parts	4,619	9,190
Other inventory including goods for resale	689	4,552
	5,308	**13,742**

The amount of write-down of inventories recognised as an expense is EUR 732 thousand (2008: EUR 151 thousand) which is recognised in cost of material and equipment.

16. Trade and other receivables

	2009	2008
Trade receivables from third parties	47,081	48,118
Trade receivables from related parties (Note 24)	1,926	3,818
Other receivables from third parties	4,678	3,057
Other receivables from related parties (Note 24)	328	44
Dividends receivable (Note 24)	100,704	121,018
	154,717	**176,055**

Trade receivables are net of an allowance of EUR 6,737 thousand (2008: EUR 7,453 thousand).

In 2009 the Company sold uncollectible receivables with nominal value of EUR 2,177 thousand (2008: EUR 1,551 thousand) to a company specializing in the collection of overdue receivables for EUR 314 thousand (2008: EUR 301 thousand) and the related allowance was released.

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

	2009	2008
At 1 January	7,453	7,830
Charge for the year	2,940	2,494
Utilised	(2,647)	(2,074)
Reversed	(1,009)	(797)
At 31 December	**6,737**	**7,453**

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

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

	Total	Neither past due nor impaired	< 30 days	31 – 90 days	91 – 180 days	181 – 365 days	> 365 days
2009	49,007	43,820	3,131	691	378	668	319
2008	51,936	42,309	7,834	631	365	498	299

Separate Financial Statements. All amounts are in thousands of Euro, unless otherwise stated.

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.

17. Prepaid expenses and other assets

	2009	**2008**
Non-current		
Deferred activation fees	6,679	8,617
Easment	9,967	9,010
Accrued revenues	3,401	549
Other	2,299	1,570
	22,345	**19,746**
Current		
Deferred activation fees	3,742	3,817
Accrued revenues	1,732	1,467
Other	4,160	2,047
	9,634	**7,331**

18. Intragroup loans

The Company had the following intragroup loans provided:

	Interest rate	**Maturity**	**2009**	**2008**
Institute of Next Generation Networks	0.692 %	28. 12. 2013	299	232
Long-term loan			**299**	**232**
Deutsche Telekom AG	1.375 %	15. 1. 2010	40,000	–
Deutsche Telekom AG	1.220 %	12. 5. 2010	40,000	–
Deutsche Telekom AG	3.560 %	23. 3. 2009	–	49,791
Short-term loan (Note 24)			**80,000**	**49,791**

The loans granted to Deutsche Telekom AG and Institute of Next Generation Networks are not secured.

19. Cash and cash equivalents

	2009	**2008**
Cash	75,312	185,517
Short-term investments	–	83,115
	75,312	**268,632**

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.

Separate Financial Statements. All amounts are in thousands of Euro, unless otherwise stated.

20. Shareholders' equity

On 1 April 1999 Slovak Telekom became a joint-stock company with 20,717,920 ordinary shares authorised, issued and fully paid at a par value of EUR 33.2 per share. Deutsche Telekom AG acquired 51% of Slovak Telekom through a privatisation 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 privatisation transaction also involved the purchase by Deutsche Telekom AG of 7,964,445 existing ordinary shares from the Slovak Government.

As of 31 December 2009 Slovak Telekom had authorised and issued 26,027,500 ordinary shares (2008: 26,027,500) with a par value of EUR 33.2 per share. All the shares issued were fully subscribed. Due to the change of the functional currency of the Company from the Slovak Crown to euro as at 1 January 2009, there was an increase in the share capital of the Company of EUR 158 thousand. Statutory reserve fund of the Company was used to cover the increase in the share capital.

The statutory reserve fund is set up in accordance with Slovak law and is not distributable. The reserve is created from retained earnings to cover possible future losses. On 28 April 2009 the General Meeting approved the prior year profit distribution and decided to transfer 10% of prior year statutory profits to the reserve fund, with the remaining 2008 profit being retained.

In 2009, the Company declared and paid a dividend of EUR 14.17 per share (2008: EUR 3.83 per share). On the basis of this proposed appropriation, total dividends in the amount of EUR 368,680 thousand (2008: EUR 99,582 thousand) were paid in April 2009. Part of the dividends paid; in amount of EUR 174,791 thousand was settled against the loan provided to Deutsche Telekom AG. Approval of the 2009 profit distribution will take place at the Annual General Meeting scheduled for 27 April 2010.

21. Trade and other payables and deferred income

	2009	2008
Non-current		
Deferred income	7,512	9,363
	7,512	**9,363**
Current		
Trade payables to third parties	41,858	45,426
Trade and other payables to related parties (Note 24)	2,793	2,712
Amounts due to employees	10,217	13,651
Deferred income	28,990	28,848
Other	5,931	6,369
	89,789	**97,006**

Separate Financial Statements. All amounts are in thousands of Euro, unless otherwise stated.

22. Provisions

	Legal claims	Termination benefits	Retirement and jubilee benefits	Other	Total
At 1 January 2009	1,396	3,165	1,636	1,472	7,669
Arising during the year	3,276	3,516	322	325	7,439
Reversals	(2,423)	(400)	(536)	(153)	(3,512)
Utilised	(64)	(2,772)	(64)	(1,180)	(4,080)
At 31 December 2009	2,185	3,509	1,358	464	7,516
Non-current	–	–	1,358	155	1,513
Current	2,185	3,509	–	309	6,003
	2,185	**3,509**	**1,358**	**464**	**7,516**

Legal claims
The provision includes amounts in respect of legal claims brought against the Company. It is the opinion of the Company's management that the outcome of these legal claims will not result in any significant loss beyond the amounts provided at 31 December 2009.

Termination benefits
The restructuring of the Company's operations resulted in headcount reduction of 219 employees in 2009. The Company expects a further headcount reduction of 268 employees in 2010 as a result of an ongoing restructuring program. An agreement has been reached with local trade union representatives based on a detailed formal plan that specifies the number of staff involved and their locations and functions. The amount of compensation to be paid for terminating employment was calculated by reference to the specific conditions included in the agreement with the trade unions. The termination payments are expected to be paid within twelve months of the statement of financial position date and are recognized in full in the current period.

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

	Retirement benefits	Jubilee	Total
Present value of the defined benefit obligation			
At 1 January 2009	2,524	202	2,726
Interest cost	109	8	117
Current service cost	116	11	127
Benefits paid	(46)	(18)	(64)
Actuarial gains	(510)	(26)	(536)
At 31 December 2009	2,193	177	2,370
Past service cost not recognised in the statement of financial position	(1,012)	–	(1,012)
Liability recognised in the statement of financial position at 31 December 2009	**1,181**	**177**	**1,358**

Separate Financial Statements. All amounts are in thousands of Euro, unless otherwise stated.

Principal actuarial assumptions used in determining the defined benefit obligation include discount rates of 3.931% and 4.308% to calculate the present value of the obligation and interest costs, respectively and an average retirement age of 62 years. The expected growth of nominal wages is 1.8%.

23. Commitments

The Company's non-current assets purchase commitments were as follows at 31 December:

	2009	2008
Non-current assets expenditures contracted for but not completed due within one year	15,182	3,093
Non-current assets expenditures contracted for but not completed due between one and five years	9,626	498
	24,808	**3,591**

The aggregate future minimum lease payments under non-cancellable operating leases and other purchase contracts at 31 December were as follows:

	2009	2008
Operating commitments due within one year	24,864	23,312
Operating commitments due between one and five years	31,519	29,149
Operating commitments due after five years	11,991	5,405
	68,374	**57,866**

The Company has commitments under operating leases and other purchase contracts relating primarily to outsourcing of real estate management (EUR 16,773 thousand); office rental (EUR 11,387 thousand) and provision of satellite digital TV (EUR 18,809 thousand).

24. Related party transactions

	Receivables		Payables		Sales and income		Purchases	
	2009	2008	2009	2008	2009	2008	2009	2008
Deutsche Telekom AG	80,666	50,087	864	1,114	2,882	3,027	3,948	4,684
T–Home Group	335	540	143	94	1,031	2,968	540	1,173
T–Systems Group	351	578	487	300	3,910	3,520	3,295	2,314
T–Mobile Slovensko	101,905	123,698	1,299	1,204	120,771	294,821	11,240	14,666
Tower Slovakia	–	–	–	–	–	27,484	–	–
Other	–	–	–	–	46	1,063	1	7,715
	183,257	**174,903**	**2,793**	**2,712**	**128,640**	**332,883**	**19,024**	**30,552**

The Company conducts business with its subsidiaries (T-Mobile Slovensko, Zoznam, Zoznam Mobile, INGN, Telekom Sec) as well as with its ultimate parent, Deutsche Telekom AG and its subsidiaries, associates and joint ventures. Business transactions relate mainly to telephone calls and other traffic in the related parties' networks. Other transactions include data services, management, consultancy and other services.

The Company granted Deutsche Telekom AG a short-term loan of EUR 80,000 thousand (2008: EUR 49,791thousand). Interest related to loan provided to Deutsche Telekom AG through out the year 2009 amounted to EUR 1,466 thousand (2008: EUR 412 thousand) (Note 18).

Separate Financial Statements. All amounts are in thousands of Euro, unless otherwise stated.

In March 2009 the General Meeting of T-Mobile Slovensko declared a dividend of EUR 100,704 thousand, which falls due on 30 April 2010. In December 2008 the General Meeting of T-Mobile Slovensko declared a dividend of EUR 270,390 thousand, of which EUR 149,372 thousand was paid in 2008 and the remainder of EUR 121,018 thousand was paid in 2009 (Note 8, 16).

The Company purchased shares in TBDS in July 2007 from Tower Slovakia and the related payable of EUR 54,272 thousand was not settled at 31 December 2007. This liability was effectively forgiven on the liquidation of Tower Slovakia and offset against the receivable from income from Tower Slovakia's liquidation of EUR 50,720 thousand. The income was subsequently offset against the Company's investment of EUR 23,236 thousand giving rise to a gain of EUR 27,484 thousand, as disclosed in the other operating income (Note 7).

Compensation of key management personnel

	2009	2008
Management remuneration	**2,310**	**1,644**

Key management personnel, 19 in number (2008: 19), include members of the Board of Directors, Supervisory Board and the Executive Management Board.

25. Contingencies

Legal and regulatory cases

The Company has been charged by the Anti-Monopoly Office ("AMO") with abusing its dominant position and violating competition law by price squeeze and tying practices. AMO imposed a penalty of EUR 17,453 thousand when issuing its second stage decision on 9 April 2009. The Company appealed against this decision on Regional court on 8 June 2009. On 22 June 2009 the Company received the Regional Court Resolution about enforceability postponement of AMO decision in this case. As management believes that it is possible rather than probable that this case will result in an obligation to pay the penalty, a provision has not been made in these financial statements.

On 27 September 2007 the Regional Court in Bratislava overturned the second stage decision of AMO, which had imposed on the Company a penalty of EUR 29,377 thousand for not allowing competitors to access local lines (unbundling of local loops) and thus abusing its dominant position. The Company had provided in full against this penalty in 2005, but this provision was released after the Regional Court found in favour of the Company. Subsequently AMO initiated a new proceeding against the Company on this same issue and on 20 May 2009 the Company received from AMO the second stage decision imposing a penalty of EUR 29,377 thousand. The Company appealed against this decision on Regional court on 10 June 2009. On 23 June 2009 the Company received the Regional Court Resolution about enforceability postponement of AMO decision in this case. As the Company was successful in its appeal against the original decision and as management believes it is possible rather than probable that this case will result in an obligation to pay the penalty, a provision has not been made in these financial statements.

On 10 September 2007 the Regional Court in Bratislava overturned the second stage decision of AMO, which had imposed on the Company a penalty of EUR 2,656 thousand for abusing its dominant position in tendering for complex telecommunication project. The Company had provided in full against this penalty in 2006, but this provision was released after the Regional Court found in favour of the Company. Subsequently AMO initiated a new proceeding against the Company on this same issue and on 4 May 2009 AMO issued its second stage decision imposing a penalty of EUR 2,423 thousand. The Company appealed against this decision on Regional court on 10 June 2009. On 23 June 2009 the Company received the Regional Court Resolution about enforceability postponement of AMO decision in this case. As the Company was successful in its appeal against the original decision and as management believes it is possible rather than probable that this case will result in an obligation to pay a penalty, a provision has not been made in these financial statements.

The Company is involved in legal and regulatory proceedings in the normal course of business. Management is confident that the Company will suffer no material loss as a result of such proceedings in excess of the provisions already recognized in the financial statements (Note 22).

Separate Financial Statements. All amounts are in thousands of Euro, unless otherwise stated.

26. Financial instruments

Fair values

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

	Carrying amount		Fair value	
	2009	**2008**	**2009**	**2008**
Financial assets				
Non-current				
■ Held-to-maturity investments	–	3,397	–	3,422
Current				
■ Cash and cash equivalents	75,312	268,632	75,312	268,632
■ Held-to-maturity investments	31,023	30,240	31,123	29,594
■ Trade receivables	49,007	51,936	49,007	51,936
Financial liabilities				
Current				
■ Trade payables	44,651	48,138	44,651	48,138

Cash and cash equivalents, trade receivables and trade payables have short maturities and their carrying amounts at the reporting date approximate their fair values.

The fair value of the held-to-maturity investments amounted to EUR 31,123 thousand at 31 December 2009 (2008: EUR 33,016 thousand). This value was established based on market values provided by banks who act as depositors of the securities.

If the interest rates of the held-to-maturity investments were 15 basis points higher/20 basis points lower and all other variables were held constant, the Company's profit for the year ended 31 December 2009 and equity at 31 December 2009 would increase/decrease by EUR 32 thousand/EUR 42 thousand (2008: EUR 46 thousand/EUR 62 thousand).

27. Fees paid to auditors

In 2009 the Company paid to audit company Ernst & Young EUR 289 thousand for assurance services (2008: EUR 318 thousand) and EUR 84 thousand for other services (2008: EUR 19 thousand).

Separate Financial Statements. All amounts are in thousands of Euro, unless otherwise stated.

28. Events after the reporting period

On 29 January 2010, the Company acquired 51% of the share capital of PosAm, spol. s r. o. (“PosAm”), a company based in Slovakia specialising in the provision of the IT services, application and infrastructure solutions to the corporate customers. The final purchase price for the acquisition is influenced by the amount of contingent consideration (earn-out) that will be paid in two years. The amount of earn-out depends on the EBITDA level for the years 2010–2011.

The carrying amount of the net assets of PosAm immediately before the acquisition was:

	Previous carrying value (non-audited)
Assets	
Property, plant and equipment	828
Intangible assets	677
Deferred tax asset	13
Inventories	218
Trade and other receivables	3,338
Prepaid expenses and other assets	326
Cash and cash equivalents	2,285
Liabilities	
Trade payables	1,157
Other payables and deferred income	1,485
Provisions	115
Income tax payable	87
Net assets	**4,841**

The information about the fair value of the acquired identifiable net assets of PosAm was not available at the date the financial statements were issued.

In December 2009, the Board of Directors of the Company approved the concept of the integration of Slovak Telekom, a. s. with its 100% owned subsidiary T-Mobile Slovensko, a. s. This merger will become effective on 1 July 2010 after the fulfilment of all legal conditions expected to be performed in the first half of 2010. Slovak Telekom, a. s. will become the legal successor while T-Mobile Slovensko, a. s. will be dissolved without liquidation. The assets, rights and obligations including labour rights and duties will be transferred to the successor. The resolution about the integration is subordinated to the approval of the General Meeting of the Company held in April 2010.

There were no events, which have occurred subsequent to the year-end, which would have a material impact on the financial statements at 31 December 2009.

Separate Financial Statements. All amounts are in thousands of Euro, unless otherwise stated.

Independent Auditor's Report

ERNST & YOUNG

Ernst & Young Slovakia, spol. s r.o.
Hodžovo námestie 1A
811 06 Bratislava
Slovenská republika

Tel: +421 2 3333 9111
Fax: +421 2 3333 9222
www.ey.com/sk

Independent Auditors' Report

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

We have audited the accompanying separate financial statements of Slovak Telekom, a. s. ('the Company'), which comprise the statement of financial position as at 31 December 2009 and statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 controls 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 separate financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2009, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

11 March 2010
Bratislava, Slovak Republic

Ernst & Young

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

Ing. Jana Švarcová
SKAU Licence No. 932

THIS IS A TRANSLATION OF THE ORIGINAL SLOVAK REPORT