

Corporate Social Responsibility Report 2006



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Keynote of the Chairman of the Board of Directors of Slovak Telekom



Dear Ladies and Gentlemen,

It is my honour to present you again with our Company's report on responsible business conduct and corporate social responsibility. We have witnessed the improving performance of Slovak economy compared to the previous year, ongoing inflow of international investments and increasing living standard of Slovakia's citizens. Even though this year promises certain challenges for the business environment related to the prepared Labour Code amendment, I believe that the transparency of conducting business in Slovakia keeps increasing, slowly but surely corruption and non-transparent entrepreneurial conditions on the market are being eliminated.

Ethical principles of doing business in Slovakia must continue to be further strengthened, because it is the only way to convince our customers and all citizens that doing business is the basis for creating ever enhancing living standards. That is why I am pleased that as Slovak Telekom we can pride ourselves on having adopted the internationally applicable Code of Conduct of the Deutsche Telekom Group last year. With this, we have stood up for international standards of ethical business conduct with respect to the effective legislation, as well as uncompromising fulfilment of our commitments towards our customers and systematic improvement of working conditions for our employees and creation of a civilised working environment.

However, not everything is by now aligned along the permanent improvement track; there are still numbers of areas where the society requires our help to those in need. The help we provided during the past year reflected the approved firm's strategy for the corporate social responsibility and resulted in particular projects of informatisation of selected communities or in the support to the know-how exchange between teachers from the entire Slovakia, who apply info-communication technologies to teach in an attractive and modern way.

Last year, several projects in culture originated not only thanks to our financial capability but also because of creative ideas of my colleagues. To us, supporting the culture is one of the enduring pillars of our corporate social responsibility.

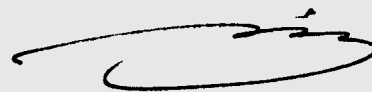
We helped dozens of individuals to overcome their difficult situation and continued supporting non-profit organisations, the activities of which often substitute for the role of the state in spheres such as social assistance or health care.

I am very proud that volunteering has more intensively established as a popular activity among our employees. It is the expression of the personal maturity of our people and so we put great efforts into support of volunteering activities, whether in employees' free-time or during dedicated working hours.

Living environment protection is a principle permanently underlying our work. Over the past year, we managed to reduce energy intensiveness of activities related to our business and so helped maintain the sustainability of available energy resources.

We wish to enhance the systematic and professional facets of our support through introduction of a grant system that will enable the applicants to get topical information on the provided support. A foundation fund to be administered by our company and a selected non-profit organisation will contribute to even more targeted help to all those who really need it.

Dear Ladies and Gentlemen, I am sure that Slovak Telekom will stay among the leaders in the modern telecommunications services also in the future and, what is more, it will also continue to be one of the leaders in responsible corporate social behaviour.



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

About Slovak Telekom

Slovak Telekom, a.s. is a modern and dynamically developing company with many years' tradition. It is also a leader in the provision of modern telecommunications services in Slovakia. It 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 data services. We are a leader in the provision of the broadband Internet access and a dynamically developing multimedia operator providing services in the field of Internet entertainment and digital television.

T-Com is the brand Slovak Telekom, a. s. uses for the provision of fixed network products and services.

Slovak Telekom, a. s. is part of the multinational Deutsche Telekom Group (Frankfurt, Amtlicher Handel: DTE/NYSE: DT).

Deutsche Telekom AG is the majority shareholder of Slovak Telekom, a. s., with a 51% stake. The Ministry of Transport, Post, and Telecommunications of the Slovak Republic is the owner of 34% of shares and the National Property Fund holds 15% of shares.

Slovak Telekom, a. s. owns a 100% of the shares of T-Mobile Slovensko, a. s., which provides a wide portfolio of mobile communication services. T-Mobile Slovensko belongs to the T-Mobile International Division, one of the major mobile communications brands worldwide.

Slovak Telekom is a holding-type company consisting – together with the mother company of Slovak Telekom, a.s. – of the following daughter companies: T-Mobile Slovensko, a.s., RK Tower, s.r.o., Zoznam, s.r.o., Zoznam Mobile, s.r.o., TBDS, a.s. and Telekom Sec, s.r.o. The branches Slovak Telekom, a.s. Rádiokomunikácie, o. z., and Slovak Telekom, a.s., Call Services, o.z. are also a part of the holding.

As the only provider of comprehensive telecommunications services in Slovakia, we offer our customers fixed network services, mobile communication services, Internet access, Internet content, digital television, data services, and sale of terminal equipment, radio and television signal distribution, as well as commercial call centre services. The strategy for Slovak Telekom Group's operations is to provide a broad array of modern and inter-complementary communications solutions based on state-of-the-art technologies, professional experience and specialised approach to the individual needs of the customers.

Executive Management Board of Slovak Telekom



Miroslav Majoroš

Chairman of the Board of Directors and President/CEO



Szabolcs Gáborjáni-Szabó

Member of the Board of Directors
and Senior Executive Vice-President for Finance/CFO



Rüdiger J. Schulz*

Senior Executive Vice-President for Sales and Operating Activities/COO
Acting Executive Vice-President for Information Technology/CIO

*Until 21.11.2006 the position of COO was held by Herbert Müller.



Anna Hudáková

Executive Vice-President for Human Resources/CHRO



Pavol Kukura

Executive Vice-President for Strategy and Regulatory Affairs /CSRO

Financial Results of Slovak Telekom, a.s. in 2006

Total revenues: SKK 15,668 mil.

EBITDA: SKK 7,180 mil.

EBIT: SKK 691 mil.

Net profit: SKK 509 mil.

Total assets: SKK 56,493 mil.

Tangible fixed assets: SKK 33,438 mil.

Equity: SKK 46,332 mil.

Total liabilities: SKK 8,479 mil.

Capital expenditures: SKK 3,826 mil.

Financial results in core fixed line business include the products and services of T-Com, services of Call Services, and Rádiokomunikácie.

Corporate Social Responsibility Strategy of our Company

Corporate social responsibility (CSR) makes part of our Company's business philosophy, which, in addition to ethical conduct in business conduct also focuses at activities with society-wide significance such as protection of the environment, helps improve social conditions of selected communities or provides support to cultural and intellectual heritage of Slovakia. Being socially responsible results in higher employee loyalty towards the company, in strengthening the brand values as well as in reinforcement of the Company's reputation.

Slovak Telekom, a.s., has voluntarily applied the major ethical principles in its daily business, strictly separating the charity – philanthropy issues from sponsorship. We feel to be committed not only in terms of the quality of our products and services, but also of the quality of life of the community we operate in. As a leader in our sector we create and offer modern communication services to every one, services that make the information world closer and allow people to live a life more worthwhile.

Our commitment involves diverse types of activities – financial and non-financial donorships, partnering or employee volunteering.

Slovak Telekom, a.s. strategy in the field of corporate social responsibility is to perform in a systemic, targeted, transparent and efficient way.

On a long run, we wish to focus on those areas of support which were overlooked in the past and where we see a greater need of help.

Our primary interest is in the **socially challenged** – through making info-communication technologies available to them we help these people integrate in the society (eInclusion). Teachers, pupils and students are in the focus of our attention, too, because they are drivers of the knowledge economy and the future, as well as the **general public** – consumers of higher quality of life, new artistic works, performances and methods, cultural values and new information.

Our membership in respectable platforms of the non-profit sector such as Club of Corporate Donors at the Donors' Forum and the Business Leaders Forum we consider to be our strategic advantage. Thanks to that we can contribute to dissemination of corporate social responsibility principles, and also benefit from experience exchange, feedback by organisations operating in the non-governmental sector, from regular and independent evaluation of CSR activities and the efficiency of their impact on the society.

Our corporate social responsibility concentrates our effort in the four main areas:

- Non-financial donorship,
- Financial donorship,
- Sponsorship,
- Environmental protection.

1. Non-financial donorship

Volunteering

- Individual – employees help various communities or welfare service activities during their free time,
- Corporate – partially takes place during the working hours that the company dedicates to welfare objectives (community work, mentoring, health support, educational consultancy, etc.),
- Combination of the above.

Volunteering activities are becoming a broad opportunity, natural to Slovak Telekom Group employees (Slovak Telekom, a.s., T-Mobile Slovensko, a.s. and in future also Zoznam, a.s.) to profess their personal philanthropic values.

Public fund raising

We help the non-profit sector organise fund-raising through third-party donations via fixed line calls. Last year we harmonised financial, tax, accounting and billing statutory requirements to generate maximum revenue for the beneficiary and to achieve optimum presentation of the process in the billing data on invoices of the donating parties. We improved transparency and efficiency of call donations processes for all the parties involved, mainly for the donating customers, who can verify that their invoice clearly shows the contributed money as donations. Our Company gives up any claims to reimbursement of operational costs related to processing of donating calls.

Donating used computers

Given the ever-shortening period of actual use of computers and related technology (workstations, notebooks, printers), we offer a possibility to acquire fully functional equipment at symbolic prices to be used again in health care, schools, non-profit organisations or by individuals.

Tariff discounts

As the only telecommunications operator in Slovakia, our Company offers special discounts regarding:

- telecommunications services for non-profit sector (so-called humanitarian rates),
- economy calling plan for members of the Anti-fascist Fighters Association,
- severally handicapped residential customers.

2. Financial donorship

Financial donorship aims mainly at the support of the continuing eSlovakia programme, through which we have contributed to building of the information society since 2002. The informatisation programme eSlovakia continues with the financial and expert help provided by our company. Besides money, the idea, know-how, knowledge and practical experience of our employees, all of which we dedicate and invest in the digital literacy development, education and information society goals in Slovakia, is equally important.

The follow-up to very successful projects from the past such as the Počítače pre školy (PCs for Schools) project, through which we donated a PC classroom with internet connection to all primary and secondary schools, can be seen in the Slovakia-wide contest Cena Slovak Telekom (Slovak Telekom Award) to award the most innovative teacher in applying info-communication technologies (www.cenast.sk). We continue providing the free-of-charge high-speed internet connectivity to 41 mother centres (organised in the Union of Mother Centres). We also provide communication and financial support to online education (eLearning), such as the project www.mladyzachranar.sk.

We help individual applicants seeking assistance in difficult life situation and small health care, school and non-government institutions. In the future we will continue supporting other projects systematically chosen in line with the publicised criteria, however, in a new form – by means of a grant system.

3. Sponsorship

Projects in culture and entertainment

Our effort is to achieve that Slovak Telekom and its product brand T-Com are perceived as key patrons of art and entertainment. We believe that this goal can be attained through the support to unique artistic experiences, which would reflect the high expectations of our customers as well as the general public. That is why we have intensified the cooperation with the Aréna Theatre and continue supporting its modern playwrights as the theatre's chief partner. Smaller and local cultural projects are also in the focus, we support for example local folklore, music and dance festivals, folklore or theatre festivals, on-line project of multimedia entertainment and film that are related to our company's activities within a given region. We strive to link Slovak Telekom and T-Com brands with entertainment, international film festivals (Art Film, International Film Festival Bratislava), small film-related happenings or events, in line with the T-Station portal development strategy. We are the supporter of the Román 2006 project (Novel 2006) of K. K. Bagala's LCA publishing house, through which our general partnership significantly helped raise interest of the public as well as encouraged original novel writing in Slovakia.

Knowledge economy development is further fostered by means of our active participation and sponsoring of the top-importance conferences and symposia, enabling active exchange of national and international experience in this field.

4. Environmental protection

Every activity of a human being or the society impacts upon the environment. We are aware of that and therefore we strive to control and manage our environmental impact and minimise its negative consequences to the maximum extent possible. Proactive approach to the protection of the environment has positive effect on the credibility as well as economic indicators of any company.

Our activities regarding minimisation of our company's impact upon the environment include also the following:

- disposal of oil tanks and facilities containing PCB (printed circuit board) prior to the statutory deadline,
- waste separation, professional disposal and recycling,
- elimination of company cars not having catalytic converter,
- reducing the number of buildings and so emissions released in the air,
- reducing consumption of energies in buildings,
- reducing water consumption,
- sewage treatment by means of our own facilities in sewage water treatment plants and grease and oil substance interceptors,
- regular monitoring of chlorine difluorine methane and other harmful substances in the air,
- reducing old environmental burdens (especially elimination of underground oil tank reservoirs,
- checking up the uninterrupted power supply operation (i.e. motor generators) and measures for emergency plans for protection against dangerous substance leakage, aiming at water and soil protection,
- introduction of collection of terminal telecommunications equipment upon expiry of their lifecycle and ensuring their recycling via an authorised contractual partner.

Socially responsible behaviour is applied both externally and internally, towards our employees and colleagues. Our operations are subject to internationally acknowledged principles of the Sarbanes-Oxley Act aiming at the transparent model of Corporate Governance, Employees' Code of Conduct, efficient internal controlling system and personal responsibility of the management.

We implement our strategy of responsibility towards the community we live and work in. Our initiatives and resources exceeding the scope of statutory requirements are offered for the benefit of the whole society – we offer our arms to those who need support.

Code of Conduct of Slovak Telekom

For several years, employees of our company have followed the Employee Code of Conduct (Ethics) in their work, which shapes the corporate culture. It is based on T-Spirit corporate values, which every employee is obliged to follow and live by. The content of Employee Code of Conduct applicable in the Slovak Telekom Group was expanded and reworked in 2006. At the initiative of the parent company Deutsche Telekom AG a uniform Code of Conduct was developed for all companies of the Group, based on international standards of ethical business conduct and respecting legislation of the countries concerned. As the brand, corporate strategy and culture, and T-Spirit set of values are common to the parent Deutsche Telekom AG and all Slovak Telekom Group companies, we regard this newly formed Code of Conduct to be the key document setting rules for everyday business. The right way of doing business every day starts with the underlying principles for decision-making are morals, ethics, legal standards and corporate values.

The goal of the Code of Conduct is strengthening the credibility and image of Deutsche Telekom Group companies as trustworthy partners, and putting value-driven management and legally correct behaviour into the daily business practice of all employees, both internally between one another, and externally towards business partners.

Among other things, the Code of Conduct introduced an Ethics call line, a new internal control tool. The Ethics line is available to all employees and external partners, to present their comments on adherence to our business principles and employee behaviour.

To the Code of Conduct are linked the Customer Orientation and Behaviour Standards, which we apply in cooperation with clients and colleagues, external and internal partners. They express our commitment to T-Spirit values: employees' priority is to increase continually the value of the Company and correctly react to customers' needs and wishes, to act professionally in providing services, to think and act decisively, and to seek efficiency and innovation. Employees are to fulfil thoroughly their agreements and promises. In external communication as well as within the Company, they are open and truthful. In professional relationships between superiors and subordinates, differences of opinion and personalities are respected, and cooperation is fair and responsible and shows regard for the interests of the team as a whole. The Company fairly remunerates quality performance, endeavours to have the right people in the right positions and takes appropriate steps in case of unfair actions.

Accepting the Code of Conduct is how employees express their loyalty towards the firm, and acknowledge individual and joint responsibility. Acting in accordance with these principles helps our Company fulfil its mission and achieve its vision. The adoption in 2006 of the Deutsche Telekom Group Code of Conduct positioned our company among the international community setting the trend in the highest business ethics.

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

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

Content and Application of Corporate Social Responsibility

Corporate Social Responsibility belongs to basic attributes of a modern company, which wishes to apply high ethical principles voluntarily in its everyday activities. Also we in Slovak Telekom, a.s. feel committed not only in terms of the quality of products and services we provide but also the quality of life within the country we operate. We provide possibilities of effective and high-quality communication – prompt, accurate, and free exchange of and access to information, which is an important phenomenon of life quality. We are aware of societal, ethical as well as environmental responsibility over all our activities in the society as well as in communities, in which we operate. We try to achieve that the Slovak Telekom and its brand T-Com be naturally associated with an image of a telecommunications leader bringing Slovakia's residents a modern lifestyle along with the image of a responsible corporate citizen. Offering our arms to those who need support we are directly engaged in selected philanthropic, sponsoring and volunteering activities.

Our Responsibility towards Customers

Our mission is to be personally responsible for each customer call, to understand customer needs, to deliver what we promise and to constantly improve our services. We want to be perceived as an affordable, reliable and innovative partner, utilising experience and know-how in the field of service integration as a benefit for customers. Our aim is to improve quality of their private and business lives.

The international brand T-Com, under which we have been offering fixed network services since 8 March 2006, has brought multiple benefits to our customers – enabling us to expand the portfolio of product and service offering for various customer groups, leading to integration of voice, data and entertainment into comprehensive services. The most visible change for the customers was related to our sales points now operating under the new name T-Centrum. Services of Slovak Telekom, a.s. are available to customers via T-Centres in 62 towns throughout Slovakia. Opening T-Centres in new locations, we decided to enhance personal customer contact and to shorten distances a customer needs to travel to visit our shop. Synergies within the Slovak Telekom Group have brought in also new benefits for our customers, who can use services of 23 integrated T-Centres and sales points of T-Mobile offering both fixed and mobile services. Dozens of telephones currently on offer by T-Mobile Slovensko, a.s. and other mobile communication products are thus available to customers.

The structure of services offered by T-Centres is dominated by sale of broadband Internet connection, which is now accessible by more than 3.8 million people in Slovakia. In all towns with coverage of the comprehensive service Magio, our customers can test directly at T-Centres advantages of quality digital television, high-speed Internet and telephoning over the Internet – all in one package. A natural component of the service is also presentation computers offering high-speed on-line Internet connection and content services at the portal www.t-station.sk. Our Company also cooperates with professional authorised partners of T-Com, via which we can serve our customers as well as present to them new progressive services increasing comfort of our customers, also outside T-Centres.

Our customers among the most satisfied in Europe

The most important indicator reflecting the work quality of all employees in the field is the customer's perspective. TRI*M index expresses customer satisfaction in numbers. It is applied by companies in various industrial fields worldwide and the result benchmarks individual performance against other companies in a market or particular country. Last year Slovak Telekom, a.s. measured customer satisfaction in a one-off survey and again achieved exceptional success.

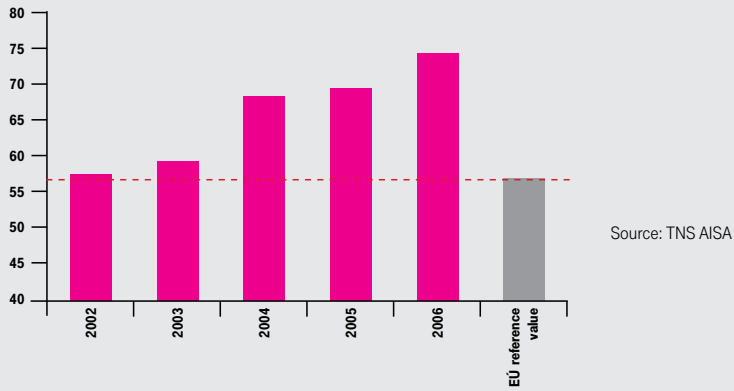
For residential customers, the index of the European Union operators (i.e. reference value) dropped by two points compared to the previous year but Slovak Telekom, a.s. has been above that value for several years and, in fact, achieved a greater index increase than the year before.

In case of business customers, the index of European Union operators (i.e. reference value) went up by one point compared to the previous year. Last year, the TRI*M index of Slovak Telekom, a.s. shot well above all index levels it ever scored.

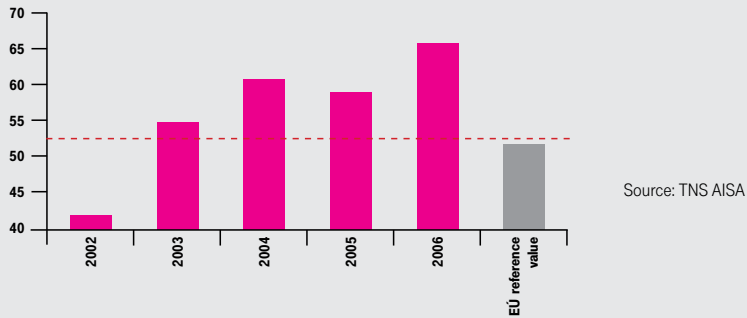
The highest year-on-year increase of 5 points was achieved in 2006.

Both values achieved by Slovak Telekom, a.s. again placed the Company among the absolute top-rank of telecom operators in Europe with excellent satisfaction indices scored among both residential and business customers.

Development of TRI*M index rates achieved by Slovak Telecom compared to the average value achieved by EU fixed line operators



Development of customer satisfaction with voice services, household segment
Source: TNS AISA



Development of customer satisfaction with voice services, business segment
Source: TNS AISA

Our Responsibility towards Vendors and Partners

Given its position, business activities and number of employees, Slovak Telekom is a company, which also is one of the largest purchasers and clients in Slovakia. Also in this field, our conduct is responsible, striving to make the selection of our suppliers and business partners transparent, to ensure that our vendors are certified according to their business, that they observe regulations and standards valid in the European Union and that their business conduct is ethical and in accord with the effective legislation of the Slovak Republic.

In 2006, Slovak Telekom, a.s. cooperated with 1,585 active vendors. Our company is interested in and prefers long-term cooperation with reliable suppliers. Therefore, we regularly review service levels and quality of supplies from vendors providing important commodities.

When opening public tenders for external procurement of products and services as well as with respect to archiving relevant documents, we follow internal company regulations, which are obligatory with regards to all public tenders.

Since October 2006, we have been inviting potential vendors to take part in electronic public tenders and auctions. Electronic form has enabled us to increase procurement transparency. Also thanks to this, the purchasing process is today certified according to SOX and ISO 9001:2000 standards.

In case sensitive information is part of the enquiry process, a confidentiality agreement or a non-disclosure agreement must be concluded with a bidder, covering confidential information and business secrecy. Details pertaining to bids submitted within public tenders are subject to business secrecy.

Our Responsibility towards Employees

The biggest challenge for company managements and human resources management is to create corporate culture and conditions attractive for qualified, capable employees, which motivate and stimulate them to top-quality performance.

In our Company, we apply an array of tools to shape corporate culture, from employee hiring and selection, through remuneration, motivation, development and training, up to the key employee retention programmes, career planning and the like. Considering the high level of competition on the market, Slovak Telekom, a.s. must also consider expenses linked to human resources, i.e. optimum headcount and increasing effectiveness. For several years already we have been successful in implementing the strategic aim to employ high-profile and better compensated employees (given the focus on effectiveness).

At the end of 2006, Slovak Telekom, a.s. had 4,348 employees (including the branch staff), of which 60% were men and 40% women. As of 31 December 2006, the average age of a Slovak Telekom, a.s. employee was 38. Over 40% of employees have a full university education, and 60% secondary school. Some 30% joined Slovak Telekom, a.s. within the last 5 years. During 2006, Slovak Telekom, a.s. (including branches) hired 1,217 new people from outside and 2,103 employees left the Company. The headcount of Slovak Telekom, a.s. dropped by 3,000 between 2004 and 2006.

This period saw approximately 300 employees leaving Slovak Telekom, a.s. for outsourced employers. Outsourcing of real estate administration, internal services and registry, print shop services, interpreting services and logistics did not mean that the employees concerned lost work. On the contrary, all those outsourced were transferred to new employers and continue their work under the same conditions.

Besides outsourcing, Call Services was established as a separate branch in January 2006, taking all employees from call centres and operator services.

Employee survey

In September 2006, a Deutsche Telekom Group employee satisfaction survey was conducted, aimed at collecting employee feedback, and giving employees space for expressing interest in participating in both company operations and improving working conditions. 147,500 employees took part in the survey, representing 68% of staff. This was the second time employees of Slovak Telekom, a.s. took part in such a survey. Some 64% of employees expressed their opinion in an extensive questionnaire, a higher rate than in 2005 by 8%.

Based on employee satisfaction survey results, the management of Slovak Telekom, a.s. defined its priorities for 2007:

- to create managerial tools for proper communication and utilization of the compensation system aimed at encouraging individual and Company performance,
- to improve customer-centric and performance-oriented corporate culture through providing honest feedback and open communication,
- to continue in process simplification and reengineering.

Team discussions of survey results translated these priorities into action plans of individual organisational units, defining activities for the upcoming period.

The 2006 employee satisfaction survey confirmed that our employees desire to be informed about Company strategy and objectives and to implement them, and they expect their contribution to fulfilling corporate goals to be recognized.

Also significant is the rise of the survey's credibility in employees' eyes. There is an increasing number of those who believe that survey results are used to improve the work. The active attitude to employee satisfaction survey results strongly correlates to the assessment of all indices monitored. Thus, the survey is an important tool for managers, contributing to the improvement of corporate culture, interpersonal relations and customer service quality, as well as employee performance.

Employee Development and Compensation

Providing high-quality innovative solutions and services to customers calls for constant development and training.

This is why we attend to needs of our employees since they join the Company, in the form of Start Day training as well as focused development in several areas ranging from specialised technical IP/IT and product -related, through managerial and personal development, language training through teambuilding and outdoor activities. In 2006, our employees attended on

average three training activities thus dedicating on average over three days to their development. The total amount invested in training, professional training sessions, personal and managerial development amounts to SKK 43 million.

Training specialists introduced e-learning as an effective self-training method for all employees, developing and launching the total of 20 e-training courses. Last year, Slovak Telekom, a.s. was awarded the prestigious HR Oscar for its EDUCA portal, an electronic education management tool.

In 2006 the pilot project Kariérne príležitosti (Career Opportunities) was launched in Slovak Telekom, a.s. focusing at supporting employee career development. The pilot phase outcome defined career paths for job positions included in the pilot project, as well as other solutions aimed at career support within Slovak Telekom, a.s. The pilot phase was evaluated as successful and the project will continue in 2007 and involve the entire Company.

Slovak Telekom, a.s. defined a new compensation policy in 2004 putting greater emphasis on reflecting performance in salary level. The base period for setting and evaluating goals was changed from monthly to quarterly. New compensation was designed for all Company positions, especially for IT and IP specialists. In 2005 the compensation of 98% of employees was performance-based, proving that Company managers had accepted the new system. The system targets on longer-term periods in order to retain key players, and requires higher responsibility on the part of managers in motivating and compensating the best performance.

In the field of non-financial compensation, i.e. benefits, we successfully annually increase the volume of resources our employees can use according to their preferences within the so-called cafeteria system. This approach enables them to combine various types of benefits, based on their individual needs. Within our offering of benefits, the most wanted are products of our T-Com brand, recreations, contributions to medical care and regeneration and complementary pension saving schemes.

We keep in mind also family members of our employees

Slovak Telekom, a.s. is a company, which is besides employees themselves thoughtful also of their family members.

The Human Resources Unit and Corporate Communications Subunit regularly organise activities such as contests and quizzes open for members of families of our employees. Since our employees' family members may not take part in official contests organised by our Company for the general public, such internal competitions provide them with a chance to win attractive and valuable prizes.

Also children of our employees can enjoy small events and contests we prepare for them on the occasion of Santa Claus Day, Christmas, International Children's Day or the school-year closing day.

When designing the employee benefit scheme, Slovak Telekom, a.s. takes into account also its employee family members, enabling them to make use discounts in selected types of benefits.

Transformation process and leaving employees

An inseparable part of the transformation process, increase of efficiency and competitiveness of the Company is also change of the structure and optimisation of headcount. This is also related to reduction of employment levels due to organisation changes. Our Company strives to utilise the qualification and personality potential of employees whose positions have been cancelled. Due to this reason, the Company enables them firstly to apply for another relevant position within Slovak Telekom, a.s. The company supports them by means of re-qualification and development programmes. Only in case that an employee cannot be offered another appropriate position internally, the Company helps him/her seek placement in the external labour market. Help provided by Slovak Telekom, a.s. lies in legal and psychological support to leaving employees but mainly in the form of above-average severance payments, which is aimed to provide assistance through the challenging period following employment termination. Employees meeting criteria set by the Company are provided also with re-training allowance. Within 2004 – 2006, our Company paid out to leaving employees severance payment totalling at more than SKK 550 million and contributed to their re-training with the amount of over SKK 62 million.

Our Responsibility towards the Community

Slovak Telekom, a.s. as one of the major companies in Slovakia significantly influences the standard of life in the Slovak Republic via its services. The ambition of the Company's business is not, however, simply to meet shareholders' expectations of profit generation while adhering to legal regulations. We also seek ways how to contribute to enhancement of the life quality of Slovak people.

In the past year, Slovak Telekom, a.s. mainly focused its activities on four areas:

- Support of modern education emphasising citizens' digital literacy,
- Support of unique cultural and sports projects,
- Corporate philanthropy aimed at enhancing the life quality of low or no income groups or otherwise disadvantaged people,
- Corporate volunteering with the aim of supporting the activities of selected communities.

Slovak Telekom, a.s. contributed to Slovakia's image of a modern info-communication country

Slovak Telekom, a.s. continued with internetisation and education of the residents of Slovakia also under a new brand, via implementation of the complex eSlovakia programme. The first "magenta" project, Internetizácia materských centier (Internetisation of Mother Centres) was prepared by the company in cooperation with the Union of Mother Centres. Within the initiative, 41 Mother Centres received from Slovak Telekom, a.s. a two-year Internet connection free of charge by the end of 2006. Along with this, we supported the education of women on maternity leave in the field of PC and Internet literacy, and some clever mothers became PC instructors under the Mamičky www.kazdom.veku (Mothers at any age) education project.

In 2006, Slovak Telekom, a.s. further focused its digital literacy support activities on the Slovak educational system. For students of secondary schools, we prepared, for the third year, the successful competition eTablo, for which 21 classes preparing to obtain high-school diplomas registered.

In April 2006, the Company advertised the first year of the contest Cena Slovak Telekom (Slovak Telekom Award). It targeted the creativity and inventive approach of teachers in applying info-communication tools in educating students, and supporting exchange of best practice using computers and the Internet in school subjects. Over the more than five months of the contest over 180 teachers registered their efforts competing in the categories of elementary, secondary and special schools. Based on a 12-member expert commission's evaluation, the most creative teachers won valuable financial prizes from Slovak Telekom, a.s. The 186 works they elaborated has provided the basis of a useful virtual library, available for those interested at www.cenast.sk.

The eSlovakia project, within the scope of which all these activities took place, was intended to enhance the internetisation and informatisation of the society. As part of it, the successful project Počítače pre školy (PCs for Schools) historically became the largest activity in informatisation of Slovak elementary and secondary schools in 2004, which has given us something to build on in the eSlovakia programme via additional projects.

In the last year, we also continued our tradition of donating used computers. In this manner we supported 33 organizations donating nearly 360 PCs and 120 PC peripherals. Most of these computers were donated by Slovak Telekom, a.s. to schools, non-profit organisations, medical care institutions as well as disabled individuals. Striving to support modernisation of education process, we donated a sponsorship fee to the Association of Parents at the Gymnázium Stropkov (Secondary Grammar School in Stropkov) for the project Modernizácia a vybavenie jazykovej učebne (Modernisation and Equipment of the Language Classroom).

Support of culture

In the cultural sphere, the Slovak Telekom brand has long been associated with unique projects. In the past year, the company's assistance focused on theatrical art, specifically by continuing co-operation with the Astorka Korzo '90 Theatre in supporting the W. Shakespeare play Romeo and Juliet, and via partnership with the Aréna Theatre. The Aréna Theatre is presenting a series of controversial personalities of recent Slovak history, as part of which Slovak Telekom, a.s. supported the highly successful performance Dr. Gustáv Husák in October 2006.

General partnership of the historic first literary contest Román 2006 Slovak Telekom (Novel 2006), in which 97 promising

Slovak writers participated, was direct support of cultural development. The support of Slovak Telekom helped this ambitious project advance original Slovak literature, test the talent of the Slovak prose-writers in large-scale epic formats, and discover several new writers. The commission awarded the main prize, in its transparent evaluation of anonymous works, to the renowned author Viliam Klimáček, while two talented newcomers, Michaela Rosová and Daniel Štefanec, received special financial prizes.

Our Company also supported, as the general partner, a performance by Radošinské naivné divadlo Theatre titled *Sedem hlavných hriechov* (Seven Deadly Sins), premiering in December 2006. Also taking the position of the general partner, we supported the 3rd year of National Minorities Festival taking place in the last summer in Bratislava and Humenné.

In the field of visual arts, Slovak Telekom, a.s. supported the exhibition of graphics by Lubo Guman, an artist from Prešov, titled *Dva svety* (Two Worlds) in the Michalský dvor Gallery.

Corporate philanthropy

Our Company regularly supports projects, which help people in need and cooperates on a long-term basis in country-wide projects prepared by both domestic and international charity organisations.

Also in 2006, we continued our long-standing support of the *Linky života* (Life Lines) project. Since 2003, Slovak Telekom, a.s. has continuously financed the professional advisory centres and the operation of *Nezábudka* (Forget-me-not) Help line 0850 11 10 22 and *Linka záchran* (Emergency Support Line) 0850 11 13 13, which provide counselling to people with psychological difficulties, and in health and life-threatening situations in cases of accidents. Each line serves on average 15,000 – 20,000 calls per year.

Slovak Telekom, a.s. has been supporting the initiative of the Association of Friends of Children's Homes, *Úsmev ako dar* (The Smile as a Gift) for several years and in 2006, we supported the 24th year of the beneficial concert with the longest tradition in Slovakia, which brings to the forefront the issue of children living without their parents. For just as long, Slovak Telekom, a.s. has also participated in implementing the project of *Nadácie pre deti Slovenska* (Foundation for the Children of Slovakia), *Hodina deťom* (Hour for Children), via the operation of telephone line 18 222 for financial donations. In 2006 our company enhanced the system of mutual cooperation. The implementation process was adapted to make it more effective and transparent towards donors and the Foundation.

Last year, we also for the first time supported the Civil Association *Šanca pre nechcených* (Chance for the Unwanted), which provides multilevel assistance to unwanted children and their mothers. Slovak Telekom, a.s. became general sponsor of the *Náruč záchran* (Arms of Rescue) initiative, under which a countrywide tour of charity concerts was organised in eleven towns and cities of Slovakia. They targeted at raising finances for facilities for women who, despite the harsh situation they faced, decided not only carry to term and give birth, but also to raise their child.

In 2006, Slovak Telekom, a.s. enabled children from low or no income families to take part in children and families' camps organised by the *Klub podnikových médií* (Corporate Media Club) and the *Združenie saleziánskych spolupracovníkov na Slovensku*. (The Association of Salesian Collaborators in the Slovak Republic).

We also supported the *Sociálny taxík* (Social Taxi) project and operation of a local call centre of social aid implemented by the city of Nitra. The financial means provided have been used to transport old and infirm residents to health centres and hospitals and for the operation of a call centre to provide help to people in social need.

Corporate volunteering

Along with furthering nationwide philanthropic activities, we at Slovak Telekom, a.s. develop also our own projects and our employees are willing to give a helping hand and devote their time to productive volunteer work. Also in the last year, we continued helping in the High Tatras areas afflicted with natural disaster. In the course of three voluntary weekends, thanks to the activity of 92 employees of Slovak Telekom, a.s. and T-Mobile Slovensko, a.s. debris wood was removed, ground was prepared for new tree planting, and the creek at *Tatranská Lomnica* was cleared. Our employees also participated in surface-flooding of the Tatra woods and creation of an irrigation canal and a small artificial lake in the *Vodný les* at *Tatranská Lomnica*.

In the past year, our Company's employees also dedicated their free time to collaboration with the *Slniečko* (the Sun) crisis centre for abused women with children near Nitra. Two weekends spent together were linked with work in the garden and surroundings, but also with fun activities like the Santa Claus gift-giving event and a collective baking of Christmas gingerbread.

Cooperation with universities

Also in 2006, Slovak Telekom, a.s. continued its intensive cooperation with students and the academic and pedagogical community. The highlight of the cooperation was the second annual Students' Conference TELEKOM DAY 2006, held in November and hosting over 100 university students and teachers from universities. The main topic of the conference was the new Magio product along with other current telecommunications and information industry topics and trends. Our Company has traditionally always been an exhibitor in the students' event Dni kariéry (Career Days), where we were represented by a team comprising various Company business units. Slovak Telekom, a.s. received four awards from students – first place in the categories Best Booth of the National Career Days and Best Firm of the National Career Days, and second place in the categories Best Communication with Students and Best Job Offer. In the area of cooperation of Technical Universities and Slovak Telekom, a.s., the year 2006 saw kick-off of projects with direct participation of university students. Projects focus on testing of new technologies, i.e. the students have an opportunity to learn using cutting-edge technologies, which may help them in future in seeking a job.

Our Responsibility towards the Environment

Global warming puts environmental problems overreaching borders of countries and continents more and more to the centre of attention of the humankind. In this respect, the main topics are protection of the ozone layer around the Earth, elimination of water and air pollution, nuclear safety, waste disposal and questions related to biodiversity. From the viewpoint of a broader perspective it is necessary to formulate and subsequently also implement the principle of sustainability. With its commitment to sustainability, the Deutsche Telekom Group, including also Slovak Telekom, a.s. endorses the global knowledge that only the harmony and balance of the three fundamental pillars – namely economy growth, environmental protection and social dimension – can ensure development of the modern society.

Each activity of a human being or the society has an impact on the environment. We are aware of that and therefore we strive to control and manage our environmental impact and to minimise negative consequences to the maximum extent possible. Proactive approach to environmental protection has positive impact on credibility as well as economic indicators of any company.

Slovak Telekom, a.s. declares environmental protection as one of the fundamental principles of responsible business conduct. Our Company adopted the following documents above the level of obligations imposed by the Slovak legislation:

- Sustainability Charter within the European Telecommunications Network Operators ´ Association – ETNO (in 2004),
- Sustainable Development Strategy for Slovak Telekom (in 2005),
- Sustainability Roadmap and Strategy for 2006-2008.

Acceding to the Sustainability Charter of ETNO, we committed to reasonably link our business activities with environmental, social and economic responsibility wherever possible, and to minimise any negative impacts such activities may cause.

Signing the document, we committed:

- to implement in our Company internationally recognised human rights, labour standards and environmental protection as requested under the Global Compact (initiative promoting responsible business conduct) of UNO,
- to increase efficiency of utilisation of natural resources and to contribute to protection against climatic changes on Earth,
- to systemically reduce our own impact on the environment,
- to improve development of sustainable services and to serve as role model.

Our Company joined the efforts of the most advanced European companies to equally recognise economic, societal and environmental aspects of business. In this manner, we significantly contribute to improvement of the environment, business morale, quality of life of the citizens as well as employees and also to the perception of Slovak Telekom, a.s. as a highly responsible and credible company.

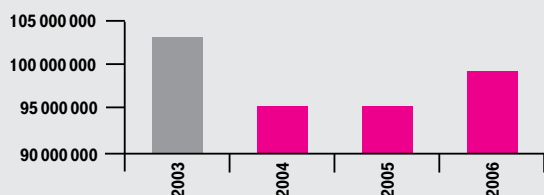
Protection of atmosphere, Earth’s ozone layer and protection against climate changes

Our company contributes to air pollution and to the processes leading to climate changes mainly in an indirect way – by electricity and heat consumption. We aim at reducing the production of polluting substances by means of more economical consumption of energies, more rational use of motor vehicles, reduction of fuel consumption and step-by-step changeover to alternative fuel types, i.e. compressed natural gas.

When providing the telecommunications services we use air conditioners containing substances damaging the Earths’ ozone layer (Freons). This is why we proactively carry out check-ups of chlorine difluorine methane on a half-year basis and so far we have not reported any fluorine leak into the air or other breach of rules, either. We contribute to mitigation of consequences resulting from climate changes by reducing gas emissions into the air.

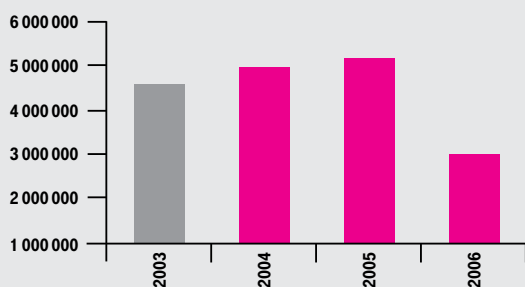
Electricity consumption increased in 2006 despite rationalisation measures, which is caused by implementation of yet more energy demanding technologies.

Electricity consumption in ST, a.s. over 2003 - 2006 (in kWh)



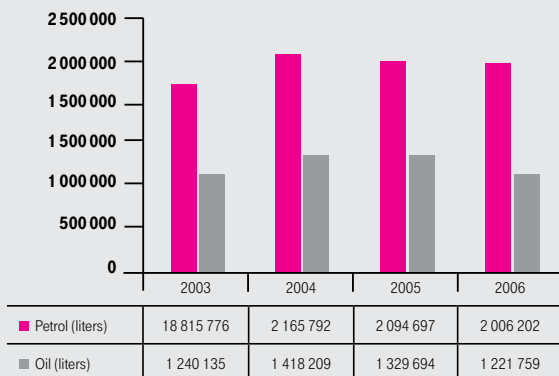
We strive to offset the increase of electricity consumption with reduction of activities via which our Company directly affects the quality of air. We have focused on economy in operation of our own heating plants (natural gas consumption), substitute energy sources (oil consumption) and in transportation (fuel consumption). Consumption of gas dropped in Slovak Telekom, a.s. by 34.69% year-over-year.

Natural gas consumption in ST, a.s. over 2003 - 2006 (in m³)



Fuel consumption in Slovak Telekom, a.s. decreased by 8% (oil) and 4% (petrol) against the previous year.

Fuel consumption in ST, a.s. over 2003 - 2006 (in liters)

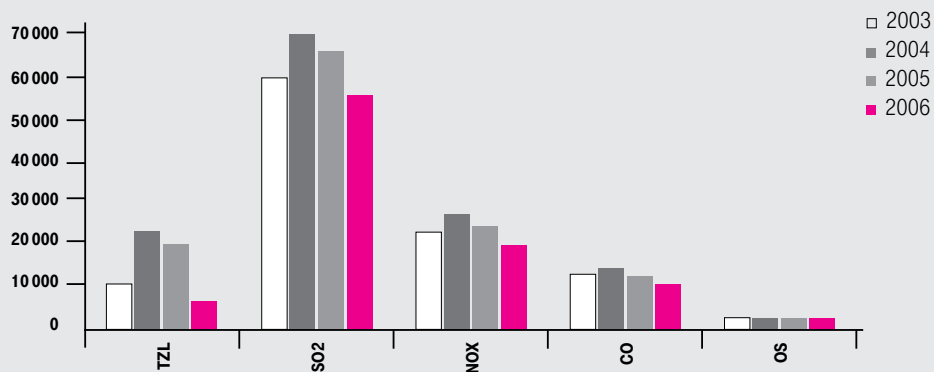


Decrease of emissions released into the air from Company's own sources:

Air pollution from emissions from heating plants, motor generators (diesel) and transportation at ST, a.s. over the period 2003 - 2006 (in tonnes)

Year	SP	SO2	NOX	CO	OS
2003	7,2551	58,0307	22,6584	6,6699	1,0396
2004	7,7895	66,8622	24,9463	6,9788	1,0782
2005	5,9729	60,8890	23,6056	6,2784	0,7819
2006	4,2160	55,5605	19,2151	4,3749	0,5561
Variance in %	-29,42%	-8,75%	-18,60%	-30,32%	-28,88%
Notes	TZL			Solid pollutants	
	SO2			Sodium oxides	
	NOX			Nitrogen oxides	
	CO			Carbon oxide	
	OS			Organic substances – total organic carbon	

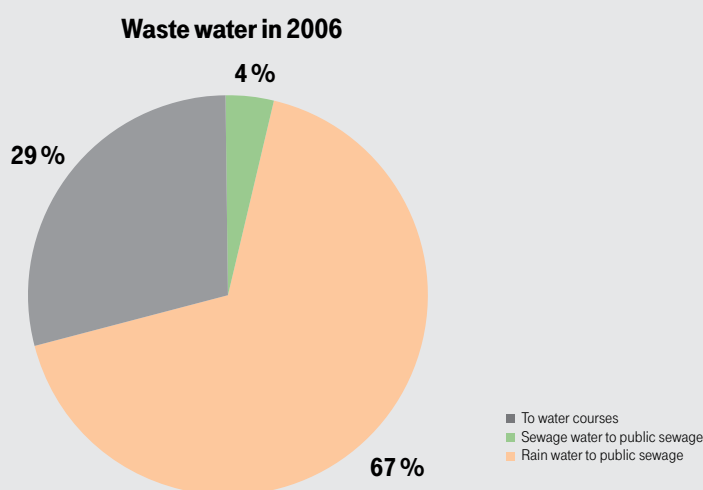
Air pollution from emissions from heating plants, motor generators and transportation in ST, a.s. over 2003 - 2006 (in tonnes).



Water management and protection

In relation to operation of its equipment, Slovak Telekom, a.s. uses potentially dangerous substances for various components of environment, water and soil, such as petroleum products, heavy metals, acids and Freons.

We assign great environmental significance to water consumption and treatment of substances, which can jeopardise the surface and underground water quality. In 2006 we closed operation and removed nine obsolete underground oil tank reservoirs, which constituted increased risk concerning pollution of surface and underground water. In eleven facilities we implemented measures for elimination of leakage of dangerous substances into the environment in case of disaster. We also paid special attention to waste water quality and sewage treatment in our own facilities – sewage treatment plants and grease and oil traps as by means of these facilities we can directly influence quality of water.



We also focused at operability checks of substitute energy sources – motor generators and also at safe storage of the respective fuel – i.e. motor oil. Inspections of the state administration bodies have concluded that our Company met tougher legislative requirements in the field of water protection.

Waste management

Slovak Telekom, a.s. produces various types of waste, from which some 10% constitute dangerous waste. In 2006, we targeted primarily at removal of equipment containing polychlorine biphenyls and at compliance with obligations imposed by EU directives on electronic appliances and electronic waste.

Polychlorine biphenyls are chemical compounds, which are closely monitored due to their impact on the environment. These substances are very stable in the environment and therefore are carried in an unchanged form in food to bodies of animals and humans, where they are accumulated in adipose tissue. Such bioaccumulation causes several health problems from less serious through reproduction and growth-related through cancer. This is why we adopted Waste Management Programmes for Contaminated Facilities and today we can conclude that all 163 facilities containing polychlorine biphenyls have been replaced with environmentally-friendly ones or dismantled well before the deadline set under legislation, i.e. 31 December 2010. In this way, we decreased the risk of leakage of such dangerous compounds to the environment.

European legislation governing the field of production and import of electronic equipment and electronic waste treatment came into force in Slovakia on 13 August 2005. Slovak Telekom applied the standard more extensively in 2006, when the Company became importer of electronic equipment from abroad. Over a very short time, it became necessary to ensure compliance with several legislative obligations, with some of them necessitated by introduction of new processes or redesign of existing ones. A positive outcome is that their fulfilment and compliance with the legislation was observed by the inspection carried out by the Slovak Inspectorate of the Environment operating in the area. The aim of the legislation was to increase share of material revaluation (recycling) of electronic devices, which become waste. Slovak Telekom introduced collection of terminal equipment upon expiry of their lifecycle ensuring also their recycling via an authorised contractual partner, which is a tangible contribution to pursuing the key objective.

Environmental protection qualitatively improved in the year 2006. This is emphasised also by an investment of SKK 9.6 million into equipment decreasing environmental impact of our Company. In line with goals set by the Deutsche Telekom Group, we are increasing proactive approach to environmental protection, setting specific goals, increasing internal inspections efficiency and checks of inputs with regards to all vendors and declaring towards the public, our customers and shareholders our positive attitude to environmental protection. We support protection of the environment via sponsored projects, environmental marketing orientation, increasing environmental awareness and engaging our employees in environmental activities. Use of communication and information services instead of transportation of persons and goods is saving natural resources of the entire society.