SLOVAK TELEKOM
ANNUAL REPORT
2015

LIFE IS FOR SHARING

CONTENT AND STRUCTURE

01 INTRODUCTION OF SLOVAK TELEKOM GROUP

A FOREWORD BY THE CHAIRMAN OF THE BOARD OF DIRECTORS

Dear ladies and gentlemen,

2015 was a year of significance in the history of Slovak Telekom from a number of points of view - with the most important of these being the change in the shareholding structure, being that the Slovak shareholder decided to sell their 49% stake. Our group has passed through the dual-track process where we allowed the parallel purchase of shares for Deutsche Telekom's majority shareholder and simultaneously implemented IPO preparation and the launch of Slovak Telekom shares on the London and Bratislava stock exchanges. Finally, with the direct sale of the Slovak shareholder's shares we concluded 2015 as a telecommunications group with a 100% share being held by Deutsche Telekom as the sole shareholder.

The IPO and divestment process was difficult, but we were pleased with the interest on the part of investors - something that exceeded the potential number of shares placed on the stock exchange. This serves as testimony not only of the hard work of all the employees who prepared the divestment, but also the strong position of Slovak Telekom as a major player not only in Slovakia, but on the European telecommunications market. Foreign investors perceived our results in the region positively and were thus ready to engage themselves in Slovakia.

At the same time I am delighted that after seven years we can report excellent Slovak Telekom Group financial results and one other historical milestone: revenue growth. Our financial indicators are focused on several areas, but in recent years it was with revenues that we endeavoured the most to reverse the longstanding trend of year-on-year decline. Today I can say that thanks to the excellent steps taken in all areas of management and the performance by subsidiaries attained last year, our Group revenue grew by two percent - an extremely important percentage - and if after so many years we can increase our year-on-year revenues by 15 million despite strong competition, this is a significant achievement and a positive signal for the whole market.

Slovak Telekom focuses its strategy on a number of areas, but customer experience and innovation are among of the strongest. It is our ambition to be a technology leader that has delivered excellent results in several segments. 2015 brought us new milestones in the LTE area. The first of them was extended coverage exceeding more than 75 percent of the population. This is an excellent result and stems from 25 months of work. The second milestone came from our own challenges regarding speed: thanks to the amount of the purchased spectrum we can bring new premiere speeds - In June we introduced 225 Mbps LTE-Advanced in Nitra and in November we increased the maximum LTE-Advanced speed to 300 Mbps in Bratislava. This is proof of our capabilities and our ambitions extend even further, as evidenced by the 375 Mbps LTE-Advanced test results in Bratislava. Along with LTE and mobile networks I take great pleasure in the success of another, customer experience and networks and services related factors such as the two P3 Communications Best in Test certificates which confirmed the highest quality of our Slovak networks in independent measurements.

All segments had a thriving year full of innovation and success. In the B2C segment the launch of the new Magenta 1 concept and the exclusive Ťuki TV station resonated, which reaffirmed the strength of our digital television. In the B2B segment we were able to strengthen Cloud portfolio and deliver Magenta Mobile and new business was brought in by the interesting Market Locator service and the useful Family Assistant tools.

Our subsidiaries had no less of a successful year. DIGI Slovakia, Zoznam and Zoznam Mobile even achieved double-digit revenue growth and PosAm had another good year in the field of ICT.

2016 can be rewarding in several ways, as some changes await our customers. One of these is the newly appointed Slovak Telekom Chief Executive Officer: Milan Vašina has made his return to Slovakia after five years – and he acts as the Chief Executive Officer of both Slovak Telekom and T-Mobile Czech Republic. It is my honour to hand over the position of Chief Executive Officer to a top manager with excellent knowledge of our market and strong feel for the telecommunications business.

As I often say, the only certainty within our Group is change. I believe that you will see the company in the right direction and you will appreciate the direction with which we want to further shape the Slovak telecommunications market.

Miroslav Majoroš
Chairman of the Board of Directors

A FOREWORD
BY THE CHIEF EXECUTIVE OFFICER

Dear ladies and gentlemen,

the long-term ambition of Slovak Telekom is not only to be number one on the telecommunications market in Slovakia, but also to expand this position, shape the market, bring several innovations and excellent services. I am very pleased that 2015 managed to meet these attributes and an increasing number of customers appreciated our efforts, as evidenced by a number of indicators.

The first one is year-on-year revenue growth for the first time since 2008. This is a key indicator for the company, being that for years we have endeavoured to maintain a stable performance in traditional business and also introduce many innovations. It is the combination of these innovations that makes sense and appeals to our existing and new customers. The success in revenue growth is appropriately symbolised by the increase in revenues in the fixed network - in which we have provided the Smart offer for two years - perfectly fusing traditional voice and Internet services with the modern Magio TV. Thanks to a well-prepared package, customers receive a voice program or internet and net customer growth has shown very good results. The fixed line still has strong potential and we wish to utilise it.

Over the past few years digital TV has become the accelerator in terms of our endeavours and over the past nine years we have brought much innovation. But 2015 served to confirm the more intensive focus on exclusive content: We extended UEFA Champions' League broadcasting rights for another three years and simultaneously included our very own children's TV station - Ťuki TV – in our roster in collaboration with TV JOJ. It is with this particular channel that we wish to appeal to families and provide high quality content for children in Slovak as well as original formats.

The results were enriched by the new Magenta 1 concept. Slovak Telekom became the first Deutsche Telekom subsidiary in Europe to introduce it. Our version provides an excellent fusion of services: stemming from the tried and tested Smart offer and connected to the Happy post-paid program and later Easy card mobile deals. We wish to continually work with Magenta 1, as proved by last year's gradual expansion: we added new mobile products, made the offer available to small businesses and entrepreneuts, introduced MagentaCloud to customers and added a smaller combination with one fixed and one mobile service.

Slovak Telekom thereby achieved excellent results in the mobile network sector. 2015 was a year of growth in several ways. Year-on-year, we managed to increase our customer base by 15 000, which included predominantly the contracted Happy plan customer segment. This family of mobile products combines the best of the available services and allows the purchase of available modern smartphones that Slovak customers seek. Slovak Telekom thus also performed better in sales of the flagship Sony Xperia Z5, Samsung Galaxy S6 and iPhone 6S. The share of post-paid customers exceeded 65 percent, and after a few years we saw growth in customer value, as confirmed by the ARPU increase (average revenue per user). Slovak Telekom sells powerful combinations of mid-end and high-end devices with higher post-paid programs and holds a solid share of Apple smartphone sales amongst reputable groups of customers.

The interconnection of fixed and mobile areas is noticeable not only with Magenta 1, but also with mobile TV. Magic GO is the product that underwent significant changes last year and the new structure now includes 50 TV channels and the basic version of the Archive features an even better web interface. Magio GO is one of the products that can take full advantage of our 4G network opportunities. The B2B segment continues to invest into Cloud services. In the first quarter of 2015 at the Mobile World Congress in Barcelona the new CloudVPN service that allows the secure connection of branches and employees outside the office was introduced. The CloudVPN service extends the application possibilities of the business and it is always necessary to educate customers about the possibilities and potential of Cloud. Slovak Telekom launched professional consulting services. In order to differentiate ourselves from the competition and at the same time introduce a strong new attribute to our Cloud, we successfully completed an independent audit and received an ISO 27018 certificate for „business continuity management“ and „Data Privacy in Cloud“. At the same time, we expanded the portfolio of new solutions for Magenta Mobile and Magenta Office. At the beginning of the year we decided to take the opportunity to introduce Smart POS – a custom solution for cash registers for entrepreneurs and small businesses.

The New Business segment featured other premier innovations. Market Locator is a service designed for business customers who want to effectively reach customers through targeted campaigns via SMS. The methodology uses a variety of big data and handles a number of parameters. Family Assistant is a service designed for elderly or chronically ill customers and evaluates potentially dangerous situations and allows them to quickly obtain the necessary help.

In terms of technology we had a strong year, as confirmed by the success in the 4G network: extension of coverage to 75.2 percent, increasing speed to 225 and 300 Mbps, Best in Test certificates by P3 Communications. 2015 also brought new fixed network coverage: VDSL and the fibre-optic network were brought to tens of thousands of new homes, even in smaller towns like Bardejov, Detva and VeľkýKrtíš. In the upcoming years we will attempt to extend fixed line and mobile networks in parallel.

Slovak Telekom had a successful year and alongside all the success it is also a profitable company, as evidenced by the respective EBITDA and EBITDA margin.

Our subsidiaries not only had a strong fourth quarter, the whole fiscal year was strong. The growth of returns shows high profitability and success in the subsidiary segments. DIGI benefits from the well-built portfolio of Nová DIGI and even managed to penetrate the mobile segment via DIGI GO. Zoznam launched several successful projects and PosAm achieved a high standard in the ICT area.

I firmly believe that 2016 will see new innovations, confirm our position as an innovator and technological leader and that our customers will truly appreciate the wide range of services we have to offer them.

Milan Vašina
Chief Executive Officer

2015 MILESTONES

FEBRUARY

Slovak Telekom became the partner of the best Slovak cyclist – Peter Sagan: The operator prepared a special website – www. s4gan.sk for fans, thanks to which they could get closer to the popular sportsman and even meet him.

The Company launched Magenta 1 Offer : The new package brought new fixed rate programs and more interesting prices for the whole family. The services include television, internet and mobile calls in one package for the whole family.

MARCH

PosAm is the third largest operational IT service provider in Slovakia. Since March 2015 PosAm has been takeing care of support and operation of terminal equipment such as computers, printers as well astheir users at Tatra banka headquarters and at all of its branches and subsidiaries. In total it represents 4400 devices and 2800 users in more than 120 branches. PosAm thus, according to IDC, is the Slovak number three in outsourcing services on the market.

Since the 1st of March 2015 DIGI Slovakia has been providing its new cable service (Nová káblovka) and faster and more stable internet. The new DIGI Cable TV is of better quality, it is more reliable and features a richer roster. The main advantage of the new DIGI Cable TV is the use of the latest technologies using MPEG-4 video compression and of course clear and crisp ACC standard audio quality.

MAY

Slovak Telekom uses voice recognition: Voice biometrics provides a unique method of verifying customers who are calling customer support by comparing the voice of the customer with the respective voice imprint. This allows the required matter to be facilitated quickly, comfortably and safely - without customers having to remember and provide verification security codes such as PINs, PIDs or ID codes.

JUNE

The Magio Beach opens its gates for the ninth year running: The Magio Beach on the right embankment of the Danube once again managed to create an environment with a summer beach atmosphere. For the first time visitors were able to get to the Magio Beach over the Danube itself - the legendary Propeller boat increased its number of stops by including the Magio Beach during the summer. The popular Telekom beach held a number of accompanying events during the summer - including the public test of LTE / 4G network data transmission with speeds of up to 375 Mbps. During the summer Peter Sagan pedalled to the Magio Beach and along with his fans celebrated his great performance in the Tour de France.

The JOJ Group and Slovak Telekom introduced the new Ťuki TV children's channel: To mark the occasion of International Children's Day, the JOJ Group and Slovak Telekom introduced a new project – a new television station for children known as Ťuki TV, exclusively providing Magio customers with a colourful array of the most popular fairy tales broadcasted in Slovak.

Telekom launched the first commercial 225 Mbps 4G network in Nitra: User equipment receives data from two bands simultaneously with the 225 Mbps 4G network. In addition to achieving higher speeds for end users, the 4G network contributes by combining of bands to the more efficient use of the spectrum in real-life operations.

AUGUST

Slovak Telekom received the Best in Test award for network quality for the second time: According to the independent P3 Communications tests, Slovak Telekom achieved the best results in the overall test results for mobile networks in Slovakia. According to P3, Slovak Telekom obtained the best ratings for voice services in all parts of Slovakia as well as the best mobile network data service in large cities.

PosAm celebrated 25 years on the IT market. POSonium AMerica was established by a group of Apple fans a quarter of a century ago. Today's PosAm is a member of the 'billion club' of IT companies with annual turnover of 43,3 million EUR.

SEPTEMBER

The popular Bratislava Telekom Night Run entered its 7th year. This attractive sports event attracts a number of professional participants and particularly runners of all ages every year. The route starts in front of the Eurovea shopping centre and the runners navigate the streets of the Old Town.

NOVEMBER

Slovak Telekom launched 300 Mbps LTE: The commercial launch of the 300 Mbps LTE Advanced network kicked off in its first location in Bratislava's Petržalka. The ultra-fast mobile connection is achieved by using two 20 MHz channels in the 2600 MHz band.

DIGI Slovakia completed the migration of customers from the original DIGI satellite service to the New DIGI service. The process which began in May 2014 - was difficult, especially in terms of customer communication and technician logistics.

DECEMBER

Slovak Telekom extended the Magio Television platform: Telekom is the only operator in Slovakia that provides television specifically for commercial purposes. The new Magio TV Business possesses settled license rights to television stations and helps to attract visitors to the bars, pubs, sports facilities, and to make matters more pleasant for clients in waiting rooms and in reception areas. The basis of the Magio platform is a rich assortment of channels with exclusive content and a number of live Premier League and UEFA Champion's League broadcasts.

In addition to the Premier League and UEFA Champion's League, DIGI Sport brings the Spanish La Liga. Digi Sport bought the broadcasting rights for all the matches except for one in each round for which Markíza's Dajto has the option. In 2015 Slovak Telekom bought the TV rights to the UEFA Champions League matches for the subsequent three seasons.

DIGI brought its customers DIGI GO mobile television as part of its Christmas campaign. The rich assortment of sports channels can be enjoyed by customers anytime and anywhere through Smartphone and Tablet apps.

Topky.sk from the Zoznam's portfolio became the most searched Slovak medium of the year on Google for the fourth year running. Topky.sk was also the third most searched keyword of 2015 in Slovakia. Zoznam launched the beta version of its Topky.sk news portal in December.

The launch of Municipal Data Centre production operations. The consortium of companies led by PosAm put into operation the largest project in the company's history - the Municipal Data Centre solution (DCOM), implemented as a Data centre for the computerisation of self-governing regions (DEUS). DCOM provides regional and local councils with a package of IT services, alleviating the hassle of caring for IT, enabling them to provide electronic services to residents and businesses. More than 1500 municipalities expressed interest in DCOM services. The project won the 2015 EuroCloud Slovakia Award in April for the Best Cloud Services for the vertical market, and in September it was nominated for the 2015 EuroCloud Europe award.

PosAm – into the new quarter of the century in new premises. During December PosAm moved to its new Bajkalska street premises. Slovak Telekom is headquartered in the same Forum Business Center building.

The Telekom LTE network was available to almost 75,2% of the population by the end of the year. Throughout the year Telekom provided the most modern LTE network to almost every city and hundreds of municipalities. The Telekom high-speed internet signal was expanded to a number of skiing and mountain resorts as well.

SLOVAK TELEKOM GROUP PROFILE

THE SLOVAK TELEKOM GROUP IS PART OF THE WORLDWIDE GROUP OF DEUTSCHE TELEKOM COMPANIES. THE UNMISTAKABLE GRAPHIC SYMBOL OF THE ASSOCIATED COMPANIES IS THE MAGENTA „T“ WHICH ADDITIONALLY INCORPORATES THE INTERNATIONALLY APPLICABLE VALUES RESPECTED AND UPHELD BY THE EMPLOYEES OF ALL COMPANIES WITHIN THE GROUP.

IDENTICAL VALUES FOR ALL THE COMPANIES WITHIN THE DEUTSCHE TELEKOM GROUP:

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

GROUP COMPOSITION

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

As a provider of comprehensive telecommunication services, the Slovak Telekom Group provides its customers with fixed network services, internet connections, digital and cable television services, data services, end-user equipment and call centre services, mobile communication services, internet content (Zoznam and Zoznam Mobile), and security services (Telekom Sec).

All the information featured in this Annual Report and presented in relation to the Slovak Telekom Group additionally relate to all the companies within the Group.

ORGANISATION STRUCTURE

As a shareholder Slovak Telekom exercises its ownership rights pertaining to its subsidiaries by participating at general assemblies and/or exercising the power to call general assemblies for companies in which it is the sole shareholder. Slovak Telekom appoints representatives to the statutory bodies of its subsidiaries, who subsequently report to Slovak Telekom.

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

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

Slovak Telekom is a holding company. The principles of corporate governance apply to all parts thereof, i.e., to the parent company (Slovak Telekom) and its subsidiaries, which in 2015 comprised Zoznam, Zoznam Mobile, Telekom Sec, PosAm and DIGI SLOVKIA. Each of these subsidiaries is a separate legal entity.

SLOVAK TELEKOM A.S.

Slovak Telekom is the largest Slovak multimedia operator providing its products and services under the Telekom brand via fixed and mobile networks. In terms of fixed networks Slovak Telekom is the largest optical fibre and metallic cable broadband internet provider in the country (FTTX, ADSL and VDSL), providing digital television through state-of-the-art IPTV and DVB-S2 satellite technology. In the field of mobile communications the company provides internet connectivity via several high-speed data transmission technologies - namely GPRS/EDGE, UMTS FDD/HSDPA/HSUPA, FLASH-OFDM and LTE. Slovak Telekom's customers receive roaming services in mobile operator networks in destinations all over the world. Slovak Telekom is considered the leader in the provision of telecommunication services to the most demanding segment of business customers, both in terms of the respective range of services as well as in terms of quality.

Slovak Telekom is part of the multinational Deutsche Telekom Group. Deutsche Telekom is a leading international telecommunications company providing services to more than 180 million customers in 50 countries around the world. The majority shareholder of Slovak Telekom is Deutsche Telekom Europe B.V. with a 100% share. Deutsche Telekom AG is the ultimate parent company of Slovak Telekom.

Corporate bodies:

The General Assembly is the supreme body of the company. The competences of the General Assembly are stipulated in Act No. 513/1991, as amended ("Commercial Code") and the company's Articles of Association.

The **Board of Directors** is the statutory body of the company authorised to act on the company's behalf in all matters and represents the company vis-à-vis third parties. The Board of Directors strategically manages all of the company's activities and decides on all corporate matters, unless such powers are vested by law or Articles of Association to other bodies of the company, or delegated by the Board of Directors to other bodies of the company. The Board of Directors appoints the company's Executive Management Board and may delegate some of its powers thereto. The board of Directors additionally approves the Rules of Procedure for the Executive Management Board.

The **Supervisory Board** is the company's controlling body, overseeing the performance of the Board of Directors' competencies and the company's overall business conduct and performance.

The **Slovak Telekom Executive Management Board** is responsible for the day-to-day management of the company in line with the decisions of the Board of Directors. The Board of Directors may delegate any of its responsibilities to the Executive Management Board provided that the Articles of Association and/or Slovak legislation do not prohibit such delegation. The Executive Management Board is composed of the company's top-tier managers. Members of the Executive Management Board are accountable to the Board of Directors for their performance.

ZOZNAM, S.R.O.

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

ZOZNAM's specialised magazines (Môjdom.sk, Dromedar.sk, oPeniazoch.sk, Podkapotou.sk, Feminity.sk, Spuntik.sk, Urobsisam.sk, PC.sk, Androidportal.sk, PlniElanu.sk, Vysetrenie.sk, Karierainfo.sk) provide high-quality content. Zoznam's product portfolio also includes the mail.zoznam.sk free-mail service, the Pauzicka.sk entertainment portal, the Rexik.sk website for children, the Free.sk community portal for multimedia content sharing, the Kariera.sk job portal and the Predpredaj.sk e-ticketing portal. The Catalogue of the companies which provides small companies with a platform for their professional presentation on the internet is another important product provided by Zoznam.

ZOZNAM MOBILE, S.R.O.

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

POSAM, S.R.O.

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

DIGI SLOVAKIA, S.R.O.

DIGI SLOVAKIA provides public telecommunication services by means of television cabling, digital satellite television and the internet. Founded in 2006, DIGI SLOVAKIA became a part of the Slovak Telekom Group in September 2013. During its many years of existence DIGI SLOVAKIA has became an operator with a significant market position.

DIGI SLOVAKIA is strategically focused on providing pay-TV services via DVB-S satellite technology. In addition to digital satellite television DIGI SLOVAKIA provides cable TV and internet to ten Slovak cities - Handlová, Komárno, Prievidza/Bojnice, Ružomberok, Senica, Šala, Žiar nad Hronom, Brezno and Bratislava.

The company's unique portfolio provides five exclusive Digi Sport sports channels which are exclusively featured in Slovakia via rosters of Digi Sport and Slovak Telekom as parent company. The Digi Sport 1 and DigiSport 2 channels are broadcasted under exclusive contracts also in the Czech Republic.

TELEKOM SEC, S. R. O.

TELEKOM SEC was established by a Memorandum of Association dated 22.9.2006.

CODE OF CONDUCT

The Code of Conduct is the key corporate document for the prevention of unethical behaviour and defines corporate culture and principles, entails honest and responsible conduct in the business transactions, emphasises the secure processing of information and its protection, and predominantly defines the core requirements of the behaviour towards customers, competitors, suppliers and third parties. International Anti-Corruption Day is an integral part of the presentation of ethical principles, on the occasion of which Telekom employees held a meeting with Zuzana Wienk, the program director of the Fair-play Alliance.

Compliance with the Code of Conduct is mandatory for all Slovak Telekom employees as well as its subsidiaries PosAm, Zoznam and DIGI Slovakia. The Slovak Telekom Group thereby becomes a trusted partner for customers and suppliers. Any eventual complaints pertaining the violation of the code of conduct may be addressed by phone, post or e-mail to the Ethics Line by all the staff and external partners as well.

INTEGRATED MANAGEMENT SYSTEM

Year 2015 became a milestone for the company's integrated management system when the extension of certification of ISO 27018 and ISO 22301 norms was granted the system became unique compared to the competition. The certification audit was carried out by the TÜV SÜD Slovakia audit company.

Since November 2015 the Slovak Telekom integrated management system has included:

- **A Quality Management System in accordance with ISO 9001** - we repeatedly provide products and services of the required quality to our customers
- **Environmental Management System in accordance with ISO 14001** - we always pay attention to the environment in our work
- **Information Security Management System in accordance with ISO 27001** - we protect our data as well as the data of our customers, employees and business partners
- **Personal data protection management system in the cloud in accordance with ISO 27018** - we protect personal data of our customers in the Cloud in accordance with the relevant legislation and international standards
- **Continuity management system in accordance with ISO 22301** - in the event of an emergency we ensure operation and continuity of critical processes at a defined level
- **Safety management system and health at work in accordance with OHSAS 18001** - we do our best for our employees to have a favourable working environment and our company fulfils all the relevant requirements in this area (this system is not certified, although it is implemented in the company)

The subject of certification remained unchanged in comparison to the previous period and is defined as „the development and provision of ICT services, data services, desktop services and LAN services, including the business segment, government and public administration customer help desk. The subject thereby covers the provision of ICT services (housing of data centres); cloud services and all Slovak Telekom data centres etc.

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

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

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

Zoznam is an active member of IAB Slovakia.

Slovak Telekom is represented in the following international organisations:

- The International Telecommunication Union (ITU) under which it is an associated member of the ITU as part of the standardised sector - Study Group 13 - Future networks including Cloud computing, mobile and next-generation networks.

The company is additionally a member of the following organisations:

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

GOVERNING BODIES

EXECUTIVE MANAGEMENT

Ing. Miroslav Majoroš
Chairman of the Board of Directors and Chief Executive Officer (until 31. 12. 2015)
Chairman of the Board of Directors (from 1. 1. 2016)
Miroslav Majoroš graduated from the Electrical Engineering and Information Technology Faculty at Slovak University of Technology in Bratislava. After graduation in 1983 he worked for Slovak Television and in 1993 he was appointed as its managing officer. From 1994 he worked as Sales Director for industrial sectors for IBM Slovakia, during 1998-2000 as IBM Slovakia General Manager, and from 2000 to 2002 as General Manager for IBM Czech Republic and Slovakia

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

Ing. Milan Vašina
Chief Executive Officer (from 1. 1. 2016)
Milan Vašina graduated from the Brno University of Agriculture, Faculty of Economics. From 1997 to 2002 Milan worked for RadioMobil in the Czech Republic, initially as a marketing communications manager and later as a marketing manager for the residential segment. In 2002 Milan started to work for EuroTel Bratislava as Marketing Director and in 2005 successfully led the rebranding to T-Mobile Slovakia.
From 2007 to 2010 he was the general director of the company. Milan participated in the integration of T-Mobile and Slovak Telekom, where in 2010 he served as executive director for marketing, sales and customer service. Since January 2011 he has been General Director of T-Mobile Czech Republic. Since January 2016 he has also been the CEO of Slovak Telekom.

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

Dipl.-Ing. Branimir Marić
Chief Technology and Information Officer
Branimir Marić graduated in electrical engineering and computer technologies at the Zagreb University of Technology and began his career with Hrvatski Telekom in the field of internet network management and development. Subsequently he became the Head of the Group for customer IP and data networks and worked as the Director of Technical Research and Product Development. Branimir held the position of Executive Director for Group Network Strategy and Platform Development and at the same time he was a member of the Croatian T-Com Executive Board. After the merger between Hrvatski Telekom and T-Mobile Hrvatska in January 2010 Branimir Marić held the post of Operating Director for Service Management and the Network Operations Sector for fixed and mobile networks. Since the 1st of January 2012 he has held the position of Slovak Telekom Chief Operating Officer for Technology and IT.

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

Ing. Ján Adamec
Chief ICT and Corporate Segment Officer
After graduating from the Bratislava Slovak University of Technology, Electrical Engineering Faculty, Ján Adamec joined Slovenské telekomunikácie, a. s. in 1991 and remains employed by the company to this day. In the period from 1991 to 2012 Ján held several key positions focusing on corporate segment care and key accounts. He participated in establishing the state-of-the-art Slovak Telekom Data Centre. From January 2012 he was the Director for ICT Services and Business Sales. On the 1st of October 2012 Ján Adamec was appointed as acting Chief ICT and Corporate Segment Officer. He has held the position of Chief ICT and Corporate Segment Officer since 1 April 2013.

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

Mgr. Petra Berecová
Chief Human Resources Officer (until 29.2.2016)
Petra Berecová graduated from the Bratislava Comenius University, Faculty of Arts, and subsequently from the Faculty of Law. She worked in the automotive industry as the Human resources director in Yazaki Slovakia. She joined T-Mobile Slovensko in 2005 as the manager for remuneration and employee benefits. Petra managed T-Mobile's Human Resources Division from 2007 and as member of top management she contributed to the company's business decisions.
As of the 1st of January 2010 Petra held the post of Executive Vice-President for Human Resources and simultaneously Human Resources Director in T-Mobile Slovensko. From 1st of July 2015 until 29th of February 2016 Petra served as the Slovak Telekom Chief Human Resources Officer.

Uršula Kráľová, MBA
Chief Human Resources Officer (from 1.3.2016)
Uršula Kráľová graduated from the Faculty of Management at the Comenius University in Bratislava. She completed the studies at the Kellog School of Management at Northwestern University in Chicago between 2000 and 2001 with the MBA degree.
She has rich professional experience in the area of advertising, consulting and human resources. In 1997 – 2000, she held the position of Account Director and Associate Account Director at the agency Leo Burnett in Chicago and Hong Kong. In 2002 - 2012, she worked at McKinsey & Co., at first in New Jersey and since 2007 in Prague, in the post of the Associate Principal. She provided consulting services for big companies, mainly in the area of pharmacy and consumer goods.
Since 2012, Uršula has been the HR Director at T-Mobile Czech Republic. Uršula Kráľová has been appointed the new Executive Director for Human Resources of Slovak Telekom as of March 1, 2016.
As of this date, she is the Executive Director for Human Resources in both companies.

THE BOARD OF DIRECTORS

Ing. Miroslav Majoroš – Chairman

Kerstin Günther – Vice-chairman
(from 22.9.2015)

Franco Musone Crispino

Previous members:

- Dr. Robert Hauber (until 1.10.2015)
- Ing. Michal Vaverka – Vice-chairman (until 4.8.2015)
- Ing. Miloš Šujanský, PhD., M.B.A. (until 4.8.2015)
- Ing. Martin Mác (until 4.8.2015)

THE SUPERVISORY BOARD

- Dr. Hans-Peter Schultz – Chairman
- Ing. Michal Lukačovič – Vice-chairman (until 4.8.2015)

Members

- Ing. Denisa Herdová
- Miriam Kvočková
- Ing. Drahoslav Letko
- Konstantina Bata (from 1.10.2015)
- Lamia Tewaag (from 1.10.2015)
- Dr. Hennig Never (from 1.10.2015)
- Mgr. Martin Habán (until 4.8.2015)
- Cornelia Elisabeth Sonntag (until 1.10.2015)
- Ing. Peter Weber (until 1.10.2015)
- Tanja Wehrhahn (until 1.10.2015)

02 REPORT ON THE GROUP'S BUSINESS ACTIVITIES

SERVICES AND PRODUCTS

Slovak Telekom provides its services to all target groups: individuals, households and companies. The services and products are presented in three segments: the mass market (the B2C segment for the needs of individuals and households), corporate customers (the B2B segment) and over the past few years the area of new business. Slovak Telekom is the biggest provider of wholesale services in both fixed and mobile network segments.

When commissioning or operating services and products, Slovak Telekom constantly endeavours to improve customer experience through a variety of communication channels and through communication with the customers.

CUSTOMER EXPERIENCE

In 2015 Slovak Telekom implemented numerous key activities in the area of customer experience.

The most important innovation in the area of digital services was presented by Slovak Telekom in February – www.telekom.sk with its new responsive design. This innovation provided new features, transparent means of shopping and obtaining information about products and services, interactive forms of communication and chat in real time in order to connect customers' needs to what is available on the Internet.

At the beginning of the year Slovak Telekom laid the foundations for an online community in the form of the **Telekom Forum** where customers can easily find information and also help each other. More than 45 000 users actively visit the Telekom Forum every month.

Through its proactive social network communication with customers on Facebook, Slovak Telekom acquired the prestigious „Socially Devoted company" certificate from the global company Socialbakers which analyses brands on social networks.

The **Telekom App** gained new options during the year, such as the option to purchase additional data after the initial data has been fully used, parking payments, public transport tickets and SMS insurance.

In May Slovak Telekom provided its customers with the possibility of using the free Voice biometrics service, thanks to which they could arrange their requirements via customer lines quickly, comfortably and safely without having to remember and recite security codes. Slovak Telekom was the first telecommunications operator to provide this service in Slovakia.

Slovak Telekom launched a **new concept in digital stores** and the thereby related services. In October Slovak Telekom launched the products in the Bratislava Aupark shopping centre, where it also opened the most modern Deutsche Telekom store in Europe. For the first time, customers could try all the new elements and services in one place. The new concept brought an attractive design with an abundance of LED screens, a significantly wider selection of accessories and a special zone designated for presentations. Services were extended to feature the opportunity to use an App to check how many customers are currently waiting to be served and, if necessary, to obtain a ticket before arriving at the store. Furthermore, reservations at a fixed time could be set up up to a week in advance and the possibility to collect preordered mobile hardware from the store was added. Other new features included free water and coffee at company stores as well as free Wi-Fi for all the customers.

At the end of the year Slovak Telekom became the first telecommunications operator to provide customers with the option of rating shop assistants, the design and the services of the company branches via the Staffino App.

B2C: TV SERVICES STRENGTHEN, HARDWARE DOMINATES, MAGENTA 1 LAUNCHED

In the field of mobile services, Telekom continued to work with **Easy Pecka** pre-paid cards which are gradually set to replace the older card profiles. The card's advantages include low-cost calls and SMS, daily price caps for calling to all networks and data services – the customer pays no more than 50 cents a day for calls and SMS to each of the networks. A new feature for Easy Pecka was making 4G network access available with data package use or without it.

The **Happy rate plan** voice packages were continuously enriched by special offers whereby customers could obtain interesting smartphones or tablets. In the spring campaign the two-for-one special offer was introduced, be it for two smartphones or a combination of smartphone-tablet, which was also successful during Christmas campaign. Telekom interchanged several bestsellers in its campaigns and even offered special versions of Tablets under better terms.

During 2015 it was reconfirmed that Slovak users enjoy new phones and devices and prefer a wide variety of brands. Telekom gradually introduced dozens of models to the product range, whilst exclusive devices and flagships were prepared for special pre-orders: the Samsung Galaxy S6, S6 Edge and S6 Edge +, the Sony Xperia Z5 and Z5 Compact, the LG G4, Huawei P8, iPhone 6S and iPhone 6S Plus. For the first time the special offers featured an increasing number of colour options: the classic black and white versions of the devices were usually enriched by another colour (pink, red, blue, green) in the e-shop.

The 4G mobile product trend continued: In the second half of the year Telekom introduced only **4G smartphones** and their share is continually increasing.

In the fixed line segment Telekom introduced the Smart offer in April 2014. Under the name of **Magenta 1** Telekom introduced a totally new service concept for households that combines fixed and mobile networks. Magenta 1 stems from the Smart Offer in which the customer receives at least two fixed line services (internet+TV) plus a mobile fixed rate plan for a discount price. During 2015 Magenta 1 underwent further expansion: fixed voice programs could be combined and in autumn a version of smaller packages was introduced whereby the customer receives the benefits of even a combination of one fixed and one mobile service. Magenta 1 was launched as a household package. However, in August offer was also launched for entrepreneurs.

Of the three fixed services (voice-internet-TV) the TV service segment has an increasingly stronger position. In the course of 2015 Telekom introduced a large number of new channels including HD and significantly extended content of premium packages. Customers also received additional exclusive content: Premier League games continued, the company additionally acquired the rights to broadcast the UEFA Champions League and Spanish La Liga for the next three seasons.

In addition to sports content, Slovak Telekom focused on children and introduced the exclusive **Ťuki TV** children's TV channel with content in Slovak language in cooperation with the TV JOJ. In cooperation with TV Markíza Telekom introduced an original series and television shows produced in Magio Video Požičovňa (Video on demand) – through which viewers not only get to go back to the old days, but also enjoy new programs and exclusive pre-screenings one day before they are broadcasted.

Thanks to the partnership with the Film Europe Magio VOD provided exclusive content from the **BE2CAN** film festival for the second year in a row. Film fans could enjoy high quality titles screened at film festivals in Berlinale, Venice and Cannes in their living rooms.

Slovak Telekom was the first Slovak operator to introduce a TV product tailored specifically for commercial use. The new **Magio Televízia Business** may be used by corporate clients due to the settlement of licensing rights in their commercial and public enclosed spaces such as hotels, waiting rooms, fitness centres, bars and restaurants.

Slovak Telekom additionally focused on **Magio Go** television, significantly expanding the number of channels to 50 including the Archive in the basic package and fundamentally improving the Magio GO web interface. Customers now receive a more modern design, easier control, more transparent electronic program guide and an overview of the broadcast directly in the guide.

B2B: IN THE NAME OF CLOUD AND PROFESSIONAL SERVICES

The B2B sector was once again focused on Cloud. In addition to expanding its portfolio of Cloud services, Slovak Telekom presented a number of M2M, voice and data service innovations.

During the year Slovak Telekom introduced a unique new generation **CloudVPN** into its portfolio, thus allowing safe data connections between branches and out of office staff. Customers can choose to activate and manage services and devices through a self-service web portal. Through the portal, customers can also easily track the status of a service activity, or upgrade purchased packages. CloudVPN provides SMEs with the space to increase efficiency and flexibility, as well as to reduce costs.

After the introduction of the application store in 2014, Slovak Telekom continued to expand this platform; Microsoft Office 365 and Drivebizz CRM were the most popular applications among the customers during last year. Within the IaaS (Infrastructure as a Service) segment Slovak Telekom once again invested in the infrastructure, significantly increased disk capacity and introduced SSDs into portfolio. In October Slovak Telekom **launched professional advisory services** related to Cloud services. A team of Cloud experts provides its customers with a broad know-how through consultations, analyses, technical assistance in migration etc.

Slovak Telekom puts great emphasis on safety, which is in terms of Cloud services one of the most important parameters. Slovak Telekom is one of the first companies in Slovakia that successfully passed an independent audit in November and received ISO 27 018 certification in „business continuity management" and „Data Privacy in Cloud" which confirms that the data protection rules set by the company meet strict international standards.

In 2015 Slovak Telekom continued to introduce M2M innovations. In February Slovak Telekom introduced the **Smart POS** portfolio.

This comprehensive and effective solution brings everything to entrepreneurs in a single package: Cash registers, including apps for Android, a SIM card for the online connection needs, all the necessary licenses, primary product item uploads, initial training and service and reliable technical support. In cooperation with partner **ProfitUp**, Slovak Telekom brought unique business intelligence solutions for the collection, processing and analysis of large amounts of retail data.

Slovak Telekom – under the **Magenta Mobile** and **Magenta Office** products – introduced new portfolio of services for corporate customers. Slovak Telekom managed to significantly reduce the number of possible combinations in the business services bundle from 1420 to 5 basic user profiles from which every company simply selects one. The data with a wide range of applications represent basis for new Magenta Mobile services, - from ESET Mobile Security through to practical solutions such as Microsoft OneDrive cloud and Sygic navigation.

Slovak Telekom – in addition to mobile services for business customers - brought a new fixed voice service package in four simplified versions including office internet under the name of **Magenta Office**.

Support of start-ups and new opportunities is an integral part of the B2B segment. In 2015 Slovak Telekom in cooperation with other Deutsche Telekom operators continued in the international Business Wall of Fame competition which focuses on the area of the Internet of Things (IoT).

NEW BUSINESS SERVICES: BIG DATA AND FAMILY SOLUTIONS

Last year Slovak Telekom introduced many innovative services and products that were developed either independently or in collaboration with partners.

In March Slovak Telekom successfully managed to introduce the unique **Market Locator** service which helps businesses to find and reach potential customers. Tool is based on Big Data and enables identification of the area in which potential clients are located based on criteria such as age, gender and solvency. Moreover, it also provides the ability to create highly targeted SMS campaigns.

In late September Slovak Telekom in collaboration with Falck Healthcare launched the **Rodinný asistent** (Family assistant) service designed to improve lives of the elderly and chronically ill people and their relatives. This very simple product hides sophisticated mechanisms to identify potential risk situations in which people with reduced mobility or poor health may find themselves.

In 2015 Slovak Telekom expanded its **Pôjdeto** paid technical consultancy and maintenance services to include five service kiosks, if necessary customers can use the established remote on-line intervention of technology specialist. Customers can also bring Defective equipment to any Telekom Centre.

In March Telekom launched the unique **Virtuálne číslo** (Virtual number) service. Thanks to this service customers can activate a second telephone number that can be used for internet purposes or in a foreign environment without having to use another SIM card or telephone.

At the end of the year Slovak Telekom introduced a special Tablet for children with the unique **Kidoz PRO** App, thanks to which children could play, watch videos and safely surf the internet. For seniors and inexperienced users Slovak Telekom prepared special tablet (Tablet na doma) with simplified main menu and capability of pairing with fixed lines. Slovak Telekom also introduced the **MagentaCloud** service which provided customers with 20 GB of space to safely store and share documents, photographs and videos.

APPS: SMALL BUT USEFUL

Mobile apps also held a strong position in 2015. Telekom brought customers several applications with special benefits, for example the Premium version for free for a certain period of time.

Slovak Telekom helped customers to navigate through the extensive range of mobile applications through the free **Applications** magazine available in Telekom stores. In addition to reviews, the magazine also featured useful tips that allow smartphone owners to use their devices to the utmost. In cooperation with TV JOJ Plus Telekom introduced the **Top applications** weekend format in which tips on mobile applications were brought to the viewers by trio Juraj Šoko Tabaček, Lukáš Pucho Puchovský and Stano Staško. Further tips could be found on the special website and in the dedicated mobile App.

Mobile applications played an important role in the Christmas campaign in which customers could receive a gift in the form of Magio GO, Deezer, Sygic and ESET Mobile Security applications for free for 12 months.

During the year Telekom introduced several updates to its own **Telekom mobile application** thanks to which customers received continuous access to an overview of their actual consumption, invoices and other useful information.

WHOLESALE SERVICES

The results achieved in wholesale segment in 2015 exceeded expectations. In the environment of decreasing wholesale unit prices Telekom stabilised revenues from the provision of telecommunications services to other operators with annual growth of 1%.

Slovak Telekom further continued to support internet development in Slovakia through its wholesale activities. Our partners' interest in the wholesale model of broadband Internet access continued. By the end of the year Telekom had provided more than 126 000 instances of wholesale ADSL accesses, representing an almost 14% year-on-year.

During 2015 Slovak Telekom prepared a number of adjustments to the reference supply of services provided in the regulated environment. The introduced innovations supported the development of communications in the region and opened up the possibility of wholesale partners using Slovak Telekom's infrastructure to provide their own broadband services to their end customers.

TECHNOLOGY AND NETWORKS

Slovak Telekom continued focusing on expanding the **4G/LTE** network in 2015. Telekom started the year with 52% population coverage and after 12 months coverage had reached **75.2% of the Slovak population**. Telekom's 4G network was available for residents in 134 towns and **several hundred municipalities** by the end of the year. Slovak Telekom brought 4G not only to cities and the countryside, but also to ski and mountain resorts. Therefore, customers could access 4G before the start of the ski season not only in the High Tatras, but also in Chopok, Donovaly, Jasná, Veľká Rača, Vrátna and Ždiar.

At the same time however, Slovak Telekom additionally focused on expansion of higher 4G speeds in new locations. Telekom launched LTE-A with speeds up to 225 Mbps in Nitra in June. The user devices receive data from two zones simultaneously in this case namely the 20 MHz block in the 2600 MHz band and the 10 MHz block in the 1800 MHz band are used. In November Slovak Telekom started commercial operation of **300 Mbps LTE-A in Bratislava - Petržalka**, in this case using blocks of 20 + 20 MHz in the 2600 MHz band. Besides providing higher speeds for end users the combining of bands contributes to more efficient usage of the spectrum in real operation. Combining of bands and increasing speed is possible thanks to the spectrum quantity purchased. Slovak Telekom also performed technology tests: **a public 375 Mbps LTE-A test** took place on the Magio Beach. The rapid 4G expansion among customers was supported not only by new additional data packages but also by the philosophy of including new devices in the portfolio - all new smartphones added to the company portfolio had to support 4G.

Slovak Telekom has achieved its leadership in 4G / LTE on the Slovak telecommunications market not only due to the rapid roll-out of technology and increase in speed, but also due to its focus on network quality. In 2015 Telekom as the only operator in Slovakia was awarded „Two Best in Test" certificates by P3 Communications. This independent consulting company carries out certified measurement of mobile networks in Europe. Measurements in Slovakia included large and small cities and selected main routes. Detailed tests evaluated several parameters, such as the downloading and uploading of files, website loading times, Facebook access, YouTube etc.

In 2015 company focused on expanding its broadband fixed internet in several new locations to provide customers with higher internet speed and better Magio TV quality. With its **optical** and **VDSL** technology, Slovak Telekom chose a variety of new locations in different parts of Slovakia – such as Bardejov, Detva, Svidník, or Veľký Krtíš, thus covering tens of thousands of new households throughout the course of the year.

LEGISLATIVE CONDITIONS AND MARKET REGULATION

LEGISLATIVE CONDITIONS

In 2015 the Act on Electronic Communications was revised predominantly in relation to the implementation of European Union directives on reducing the cost of building high-speed networks and the adoption by the European Union on the introduction of measures to open access to the Internet and roaming on public mobile networks. Both of these legislative changes will have an impact on the market in the Slovak Republic in the upcoming years.

MARKET REGULATION

The Retail market linked to the fixed public telephone network was removed from the list of the seven regulated relevant markets on 14.10. 2015.

During the whole year 2015 Slovak Telekom was regulated on the basis of Regulatory Office decisions on the designation of Slovak Telekom as a significant company including price regulation on six relevant markets:

- Wholesale services of the termination of calls in individual public telephone fixed line networks
- Wholesale services of the termination of voice calls within individual mobile networks
- Wholesale services of the local access provided at a fixed location
- Wholesale services of the central access provided at a fixed location for the products intended for the mass market
- Wholesale services of the high quality access provided at a fixed location
- Wholesale services of the call origination on the public telephone network provided at a fixed location

In 2015 the Regulatory Office began a new round of analysis of three markets (local, central and the high quality access) in respect of which it carried out extensive data collection involving all the companies located on these markets throughout the year. In the case of the wholesale call origination market at a fixed location national consultations were conducted resulting from the proposal of the Regulatory Office for the removal of this market from the list of regulated markets.

In addition to the above mentioned regulation the Regulatory Office retains regulation of Slovak Telekom to be sole provider of universal service as well as it retained the obligation to provide disabled users with equal access to telephone services, operator services and information services and to provide a list of participants as well as access to special end-user equipment appropriate to the respective disability for price of standard terminals.

ECONOMIC COMPETITION

In December 2015 the European Commission ended the proceedings initiated in 2009 and ruled that in 2005-2010 Slovak Telekom (and Deutsche Telekom AG as the parent company) in conflict with European law had abused its dominant position in providing access to local unbundling in the form of refusal of access and margin reduction and imposed a fine of 38.84 million EUR on both companies jointly and without distinction. On 26th december 2014 Slovak Telekom filed a suit against the decision at the General Court of the European Union.

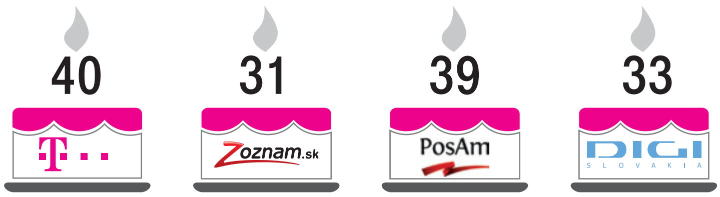
In 2015, Slovak Telekom's activities were not subject to investigation or intervention by the national anti-monopoly regulator.

HUMAN RESOURCES

EMPLOYEES

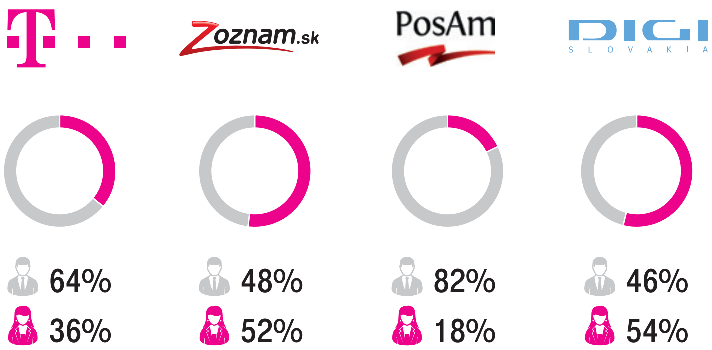
In 2015 Slovak Telekom had **2 977** internal employees. In the stipulated period Zoznam and Zoznam Mobile employed a total of **61** internal employees, PosAm **268** and DIGI Slovakia **166** .

The average age of employees in Slovak Telekom and its affiliated companies was the following in 2015



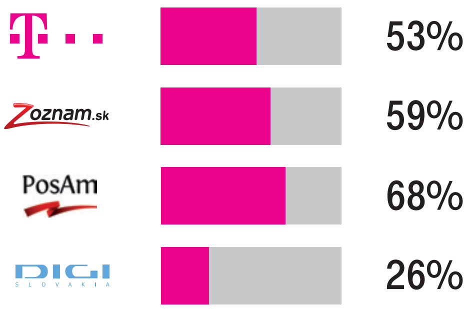
According to data provided up until the last day of 2015, the average age of an employee at Slovak Telekom was **40**, in the case of Zoznam and Zoznam Mobile the average age was **31**, PosAm **39** and DIGI **33**.

Representation of men and women in Slovak Telekom and its affiliated companies was the following in 2015



Amongst employees in full-time employment at Slovak Telekom about **64%** were men and **36%** were women. Zoznam a Zoznam Mobile employed **48%** men and **52%** women, PosAm **82%** men and **18%** women and DIGI **46%** men and **54%** women.

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



53% of Slovak Telekom employees were university educated, **47%** of employees were high school educated. The ratio pertaining to Zoznam and Zoznam Mobile was **59 %** university educated and **41 %** high school educated. PosAm employees are **68%** university educated and **32%** high school educated. With DIGI these figures were **26%** university educated and **74%** high school educated.

REMUNERATION

In 2015 Slovak Telekom continued to streamline the setup and organisation of HR processes, contributing to the improvement of services provided to employees. Slovak Telekom maintained a fair and competitive wage policy and remuneration schemes that reflected the situation in the IT and telecommunications sector in Slovakia.

Employees were remunerated on the basis of individual performance, which directly affects the amount of paid variable part of the salary / individual bonuses and gratuities. Part of the wage policy was the payment of corporate bonuses stemming from the company's financial results.

TRAINING AND DEVELOPMENT

In 2015 Slovak Telekom implemented 1100 internal and external training activities with 9500 participants. The average external cost for training per employee amounted to 300 EUR. Internal coaches ensuring development of the front liners logged 9800 training hours. The number of e-learning courses exceeded 41000. 53 webinars took place and altogether 2900 employees were trained.

Slovak Telekom continued with **Lead and Engage** development activities for all management staff, focused on the development of corporate culture and employee motivation.

The company's talent development efforts continued under the **T Drive** talent program which attracted new talents preparing for leadership roles. The one year plus development consisted of individual 'on the job' activities with a mentor as well as group activities focusing on support for future activities in leading positions. More than a quarter of the participants moved forward in their careers into the leadership roles during or after the official end of the program.

Internal activities included the introduction of a new concept - **Service Star**, featuring fast appraisal of colleagues' pro-customer behaviour peers through the intranet. The **Best Performer** competition continued in support of long-term initiatives for the high performance of the company.

Once again, in 2015 employees received the chance to participate in regular employee surveys and express their opinion on developments within the organization. The Pulse survey monitored the climate across the entire Deutsche Telekom group. The internal staff satisfaction survey mapped cooperation between individual departments. The staff satisfaction and internal customer experience surveys provided more positive evaluations than in 2014.

COOPERATION WITH SECONDARY SCHOOLS AND UNIVERSITIES

In cooperation with the pedagogical community, Slovak Telekom organised the 11th annual **Telekom Day** conference for students and university representatives from all around Slovakia. The all-day conference took place at Slovak Telekom central and was attended by technical departments as well as departments focused on economics and management. The main theme was 'Telekom as a technical innovator' and company experts conducted 16 workshops on this theme.

In 2015 Slovak Telekom started cooperation with high schools focusing on business under the name **Telekom Academy**. The aim was to prepare final year students in the area of communication and sales skills.

In the many years of cooperation with universities Slovak Telekom has supported the project **You too in IT** project which aims to raise awareness of IT studies amongst female students and thus increase their interest in such studies.

COMMUNICATION

EXTERNAL COMMUNICATION

Active communication with media in 2015 brought the company a total of 3750 outputs. Journalists predominantly covered various topics in the field of the telecommunications business, topics related to the sale of government shares in ST resonated, and also product themes received strong publicity. Part of the media coverage focused on themes of corporate responsibility, in particular cooperation with the community of hearing-impaired and education of Internet child safeguards for public.

Throughout the entire year product and technology innovations were presented - supported by press conferences, press releases and active communication with individual journalists.

In terms of corporate topics, journalists expressed the biggest interest in the preparation of IPO and the acquired 100% share of the company by Deutsche Telekom. The media provided a lot of coverage of the 4G/LTE network roll-out and the „Best in Test“ independent award for network quality helped Telekom to maintain its leading position on the Slovak telecommunications market. The interest of journalists was traditionally directed towards the introduction of Smartphones from leading international manufacturers. The introduction of the new iPhone 6S and iPhone 6S Plus and the Samsung Galaxy S6 and S6 Edge, the entire Sony Xperia Z5 family and other flagship brands was also strong attraction for the public.

In 2015 the media also paid more attention to Magio TV, extraordinary interest was raised by the launch of the exclusive Ťuki TV, children's channel, introduced on Children's Day by Telekom in cooperation with TV JOJ. The media additionally focused on the content expansion and addition of new HD channels. Thanks to several major improvements Magio GO mobile television gained considerable media space as well.

Numerous B2B themes generated publicity for the company: the expansion of cloud services and the launch of new propositions such as Magenta Mobile and Magenta Office designed for corporate customers, as well as the Smart POS portfolio of intelligent cash registers. Many innovative products have been introduced during the year, such as Market Locator, Family assistant or Virtual number. As these were completely new products, it was necessary to explain their main benefits.

The media once again expressed great interest in the opening of the Magio Beach. The media also regularly covered accompanying events throughout the summer, such as welcoming of Peter Sagan after his return from the Tour de France and the popular Bažant Cinematographer summer cinema.

Magio Beach was put to regular use as a place for the attractive presentation of new products such as the public test of 375 Mbps LTE and the announcement of the commercial operation of 225 Mbps LTE at a common presentation. Magio Beach has also hosted the press conference for the launch of the community portal for parents of hearing-impaired children NepocujuceDieta.sk, the creation of which was supported by the Telekom Endowment Fund.

In 2015 the media also expressed interest in further themes regarding corporate responsibility to a great extent. In addition to our collaboration with the hearing-impaired community, media attention was also given to the topic of child internet safety. Slovak Telekom - in cooperation with the Institute for Public Affairs - presented the outcome of research called „Children and parents in cyberspace“ at a joint press conference. It was thus possible to present information such as how children use information technology, what kind of idea parents have regarding what their children do on the Internet and what their attitudes towards the threats and negative impacts of information technology are on the children.

INTERNAL COMMUNICATION

In 2015 the main lines of internal communication remained the same as in prior years – fulfilment of the Telekom 2018 strategic program with its five core initiatives aimed at the development of the company: Customer experience, Innovation, Integrated solutions, E-company, and People.

The main goal of the communication campaign was to make sure that all the employees understood the vision, the new long-term strategy and the 2015 objectives. A summer employee survey showed that as much as 89% of the employees understood the new corporate strategy thanks to the activities delivered as part of the communication campaign.

In 2015 internal communication activities continued in a comic-based style, with the speed being prominent element (especially in relation to the theme of 4G / LTE), cycling and Peter Sagan. Significant messages were communicated to employees throughout the year by management through direct mail, the Intranet or through personal meetings.

All the latest news and important information could be found on the staff intranet, electronic communication was used as well as texting to staff. Short image and instructional videos (e.g. a personal greeting from Peter Sagan, Voice Biometrics, and new store in Bratislava Aupark) were a popular part of internal communications.

The internal magazine provided knowledge of new products and services, and new trends in technology, facilitating mutual understanding amongst employees. Communication of certain areas and products was supported by a contest in which several thousands of people participated. The spreading of information was supported by posters in internal areas.

The key activity in supporting the positive customer experience was launching of the redesigned Service Star internal competition. Employees could thus evaluate pro-customer-behaviour of a colleague or colleagues by simply clicking on the star in the selected category (for advice, quick service, good quality work, access, reliability) when selecting the respective profile on the intranet organisational structure. During 2015 employees sent more than 80 000 of these „likes".

Safety awareness and the promotion of natural mindfulness helped to improve internal communication between employees during June safety week - during which they were exposed to various security incident mock-ups (fake mails and spam, strange visitors - intruders in internal spaces, open windows on company cars etc.). Nearly 95% of employees stated in the survey conducted after the campaign they had learned something new and useful for their work.

In 2015 internal communication also dealt with support for the use of the international Telekom Social Network (TSN) platform which facilitates communication and collaboration across the entire Deutsche Telekom Group. Thanks to support activities during the year more than 1200 employees were registered in the TSN in December.

During the year the company's management met with employees at the Telekom business forum which was also available online via the intranet. At the meeting ST management presented all the relevant economic factors, the objectives and strategy of the company and motivated people for the upcoming period.

MARKETING COMMUNICATION

During 2015 Telekom greatly expanded the LTE network by reaching 75% of the population, which created Slovakia's largest and fastest network, as confirmed by independent tests. Technical leadership and the theme of mobile internet and data became a solid base for the correlation with the fastest Slovak, successful cyclist Peter Sagan. The correlation of Sagan and the 4G network created the S4GAN brand which has become the symbol for the fastest network in Slovakia. In the advertising, campaigns stories were

created to bring attractive content and offers that resonated around Slovakia. The campaign won three gold awards in the national creativity competition Zlaty Klinec and a silver Effie for effective marketing communication.

When Sagan defended his fourth green jersey in July at the Tour de France, Telekom changed its corporate colour from magenta to green for a week to celebrate the victory with Peter and this gesture won the hearts of fans on social networks. During the race itself Telekom supported Peter with a group of fans in an eye-catching FAN BUS that drew media attention and brought exclusive content to other fans who watched the events over the Internet. Sagan became World Champion in 2015 – meaning the greatest ever result for Slovakia in cycling history.

Telekom racked up points in terms of care on social networks and surpassed the benchmark in the level of customer care on Facebook. Telekom was ranked among the top 5 brands in Slovakia and received a Socially Devoted Company certificate from Socialbakers. Telekom further developed its E-Forum App and customer chat.

During the year Telekom expanded the range of services under the name Magenta 1. With this package - which combines calls, Internet and television – all of the family's telecommunication needs are bundled into one convenient place at a bargain price. Communication wise the special offer was delivered in a family style in which ideal depictions of individual family members the brand represents were featured.

Telekom prepared a campaign for pre-paid Easy card with daily limits of 50 cents for SMS or data services in all networks, which was presented in adverts with the entertaining „What's 50 after all?" song.

The year welcomed innovation and thus Telekom brought a new innovation in the form of Family Assistant - special communication devices intended predominantly for the elderly or chronically ill people in the form of a watch or a special mobile phone that offers continuous remote monitoring and assistance. Telekom constantly expanded its wearables portfolio and helped customers become familiar with mobile applications through the Top applications Project.

The ninth year of Magio Beach brought its visitors summer relaxation and entertainment. This year there was something more – a cycling atmosphere and records. The ‚Tour de Magio Beach' lasted 83 days thanks to the hot summer and a record number of visitors was reached – 270 000 visitors.

The beach also provided record 4G internet speed at 300 Mbit/s. There was no lack of features: a sandy beach, bars and terraces, the Techlounge, beach volleyball, beach tennis and a beach soccer field, a children's area, a chill-out area with a library, Bazant Cinema, an outdoor fitness area, culture and partying. In the Sagan battle competition racers had to beat Sagan's performance in one minute and got to meet him personally in August when 2500 fans came along to greet him.

In the Techlounge visitors watched the Tour de France over digital television and on Magio TV GO Apps. Visitors also listened to music through Deezer and SONY Mobile telephones and Tablets, and tried out new Telekom Apps and the new Magio Beach App. Purchases could be made through the Telekom e-shop and Wi-Fi was free to all.

CORPORATE RESPONSIBILITY

In 2015, Slovak Telekom continued to fulfil its voluntary commitment to doing business based on the principles of ethics and responsibility towards society and the environment. As part of its corporate social responsibility, Slovak Telekom continued its long-standing cooperation with the community of Hearing-impaired.

In Slovakia the hearing-impaired make up about 1% of the population. Some people are born deaf; others lose their hearing gradually or in adulthood. **About 200 children are born annually in Slovakia with hearing impairments.** 95% of them are born to parents with perfect hearing who often lack information on how to stimulate and develop the child. If these children had been properly diagnosed and treated in the first months of their lives, they would not fall behind their peers.

In 2015 Telekom therefore supported the creation of the new **NepocujuceDieta.sk** (hearing impaired child) portal to help parents with hearing-impaired children to become acquainted with what is for them an unknown world. The portal serves as a source of information, but is also communal in nature – families and experts can compare their experience and obtain mutual advice. Ľubka and František Majtán are behind the new portal, having passed the Mobile teacher grant program. They themselves are parents of a hearing-impaired child and when creating the portal they drew on their own experience as well as that of other parents and specialists from the Mobile teacher program.

The NepocujuceDieta.sk civic association in collaboration with the Telekom Foundation fund launched a public collection on the DobraKrajina.sk portal. The aim was to collect money for the **First Children's Audiocentre at the Children's University Hospital in Bratislava.** By the end of 2015 more than half of the target amount had been collected.

With support from the Telekom Foundation Fund the Mobile teacher project has further developed, in which mobile pedagogues from across the country visit families with children with hearing impairment. The teachers assist them in developing communication skills, with overcoming fear of the disability and additionally provide all the required information. **Since the commencement of the project 93 families with hearing-impaired children have been provided with assistance.**

To mark the occasion of International Day of the Hearing-impaired, Slovak Telekom aired edited versions of current TV adverts. These adverts featured hissing as opposed to the regular audio, thereby simulating the way hearing-impaired people perceive their surroundings.

In 2015 Slovak Telekom continued to promote child safety online. Slovak Telekom - in cooperation with the Institute for Public Affairs - presented to the public the results of research titled **„Children and parents in cyberspace“**. According to the research 85% of children can live without computers, mobile devices and the Internet for a few days at most and a third of schoolchildren cannot imagine life without them. The survey brought answers to many other questions such as what children do on the internet and whether they are aware of the risks and dangers that can be found on the Internet. Concurrently, the research focused on the attitudes and behaviour of parents in this area - how and for what purposes they use information technology, what kind of overview they have of what their children do on the Internet and what their attitudes towards the threats and the negative impact of information technology on children are.

Telekom additionally contributes to the environment. Telekom promotes the use of electronic invoices amongst its customers, thus contributing to significant decreases in the use of paper. During the complete renovation of the Košice Telekom building in 2014 a unit to recycle waste heat from telecommunication devices was installed in the building. This heat is re-used to heat the buildings, which contributes to reducing the indirect operating costs and CO2 emissions. **In 2015 Telekom achieved heat savings of almost 50 MWh, equivalent to reducing CO2 emissions by about 25 tons.**

More detailed information as well as other projects carried out can be found in the Corporate Responsibility Report for 2015 which Slovak Telekom has been issuing annually since 2005. Since 2011 the report has been prepared in compliance with international Global Reporting Initiative methodology. The report summarises activities in social, economic and environmental areas.

DIGI SLOVAKIA

PRODUCTS AND SERVICES

Nová DIGI satellite television
The Nová DIGI service was provided in 2015 independently under its own brand along with its roster and extra functions. For the unchanged monthly price of 9.60 EUR customers received the DIGI STANDARD package (over 65 channels) in a more reliable technical quality. In addition, the MAXI package was also featured (over 90 channels). Nová DIGI complimented this program offer with the EXTRA bundles: EXTRA SPORT HD which features four HD sports channels (DIGI Sport 1HD, DIGI Sport 2HD, DIGI Sport 3HD and DIGI Sport 4HD) for a monthly price of 2 EUR. The EXTRA HBO bundle (HBO HD, HBO2 and HBO Comedy) is provided for those interested in the lowest price on the market of 6 EUR and the EXTRA HU bundle (16 most watched Hungarian channels) is available to DIGI customers for 1.30 EUR per month.

As it stood on the 31st of December 2015, DIGI provided 5 HD channels in the basic STANDARD package for the same initial price (Jednotka HD, Markíza HD, JOJ HD, CT1 HD and CT2 HD).

Cable television and internet
Compared to the previously available cable television, Nová KÁBLOVKA is more reliable and offers better picture and sound quality as well as a richer program roster. Customers can now find dozens of channels. In addition to traditional DIGI television channels via KÁBLOVKA, DIGI provides a wide range of documentaries, news, children‘s entertainment and sports programs. Regional broadcasting is also featured, as are and many different genres of TV channels. DIGI INTERNET – akin to DIGI KÁBLOVKA – also underwent positive changes.

DIGI Sport channels
DIGI Sport was launched on the 10th of August 2010 and in the five years of its existence has seen changes made to its logo and studio, as well as its own sports news program. 2015 brought a change from 120 instances of live coverage to 150. In June DIGI Sport broadcast a daring project: the 1st European Games, constituting some 256 hours of live coverage over 16 days. Once again, Telekom offered 3 instances of live coverage from the UEFA Champions League simultaneously during the group phase of the competition.

In addition to the UEFA Champions League (as of August 2013), DIGI Sport has broadcast the English Premier League, the Scottish football Premiership, the Czech Synot league and as of December the Spanish La Liga. In addition to football, in 2015 DIGI Sport broadcast the Czech hockey league, the Porsche Super Cup, the GT Open and the European F3 Open, the Davis Cup tennis final and the Fed Cup, the WTA tournament, Euroleague basketball and individual water, winter sports, athletics, volleyball, basketball and boxing events.

DIGI GO Mobile television
DIGI GO is an application for mobile phones and tablets that allows customers to watch DIGI Sport TV sports channels 1, 2, 3 and 4 in real time through any available Internet connection and can be watched in various degrees of quality depending on the respective internet connection.

HUMAN RESOURCES

In 2015 DIGI Slovakia had 166 internal employees with an average age of 33. Men made up 46% of the DIGI Slovakia full-time staff, with women accounting for 54%, 26% of DIGI Slovakia employees had a university degree and secondary school graduates accounted for 74% of the staff.

The company introduced a new employee assessment scheme in 2015 with the intent of establishing uniform principles for remuneration. Front line staff was subject to a progressive remuneration scheme and motivation programs supporting the business performance of the company. The company also brought new employment benefits and extended its portfolio of staff discounts provided by partners.

As part of its staff development program, DIGI Slovakia primarily focused on developing management skills for staff in management positions as part of a complex development program. In terms of filling vacant positions, in 2015 the company strongly supported the career development of internal staff.

DIGI Slovakia pays attention to the working and social conditions of its employees and to their health and safety at work, primarily concentrating on prevention and a system of cyclical training for employees.

COMMUNICATION

In 2015 DIGI Slovakia communication activities focused on the specific aspects of providing satellite and cable TV, Internet and sports programming services via DIGI Sport. The company's communication primarily focused on its portfolio of services. The largest focus in terms of communication was a new product in the satellite segment - Nová DIGI. The emphasis in communications was placed on DIGI Sport broadcasts new features.

DIGI Slovakia actively communicated via www.digislovakia.sk and made precision use of its Facebook profile. DIGI Sport as a medium continued its activities on the www.digisport.sk website as well as on Facebook.

DIGI Slovakia was presented as a media partner in 2015. DIGI Slovakia itself supported social and cultural events around the country and was a partner at 65 sports events in Slovakia.

CORPORATE RESPONSIBILITY

DIGI SLOVAKIA applies corporate responsibility in its business principles through which it acts responsibly not only in its business decisions and strategies, but also in its environmental conduct and the social impact its business operations has. An individual approach to values, reliability and openness in the relationship with the client create mutual trust for the company.

In 2015 DIGI SLOVAKIA supported the following events: Hviezdy detom (Stars for Children), Rozprávkové Bojnice (Fairytale Bojnice) and Na bicykli detom (Kids on bikes). Support was provided for Studienka Children's home - Social Services Center, the Bratislava Cyril and Methodius Hospital, MsKS Brezno, the Vidiek band, the TOP FEST Music Festival, Senica Ice Arena, the Slovak Football Association, the Slovak Handball Union, MBK Banik Handlova, Prievidza Basketball Club, the Košice CH Hornets water polo club, the Nitra Bystrina volleyball club, the Slovan Bratislava hockey club, the Prestigio triathlon club, the Hlohovec HC SPORTA handball club, Slovakia Ring events, the national Kart Arena carting hall and many others. Through DIGI Sport, 657 various social, cultural and sporting events in Slovakia were supported through advertising and media partnerships.

POSAM

PRODUCTS AND SERVICES

Software Solutions
PosAm develops complex information systems based on individual client requirements and implements its own unique solutions, specialising in the areas of budgeting, sales force automation and insurance claims management, IT service management, workforce management, authorisation, document signing and automated processes related to document flow management. PosAm covers all solution design phases: from consulting and analysis, through to architecture design and development and deployment. With a team of over 90 consultants, architects, analysts and programmers, PosAm carries out the most demanding software solution projects.

Infrastructure solutions
PosAm designs, implements, operates and provides independent and integrated infrastructure component services. In doing so, PosAm utilises TOGAF methodology and progressive technologies from such partners as Cisco Systems, Citrix, Hitachi Data Systems, Hewlett-Packard, IBM, Lenovo, Microsoft, Oracle and VMware. PosAm's solutions include building data centres and data storage centres, data storage and data management, core IT infrastructure design and implementation of end user devices, virtualisation and creating infrastructures for the provision of cloud services, application delivery and the implementation of security features for Internet access.

Consultation Services
High added value expert advisory and consultation services are a natural integral part of PosAm's services and solutions. Their significance increases proportionally to the respective issue complexity and the impact of the delivered solution on the key business processes. Experience and expert knowledge of the technologies, processes and environments make it possible to bring new perspectives into the customer's business issues and help to move their business forward. Consultation services in this context are only the first step towards meeting the customer's objectives; PosAm is able to take responsibility and ensure the remaining phases of the entire process including the design draft, production and solution delivery, as well as its integration in the customer's operation environment.

Outsourcing
PosAm provides operational IT services, customer care, warranty and post-warranty service to leading companies in Slovakia in the energy, telecommunication, banking and insurance sectors. A team of over 80 specialists, partnerships with global technology leaders as well as systems for the operational service management and service desk are the perfect combination for the apt provision of professional services. Transformation to the outsourcing model includes internal process and management optimisation on the customer side, whereby PosAm provides expert advisory and proposes the optimal solutions. As a result, whereas the routine operation is provided by PosAm, the client receives better and more efficient services, thanks to which they can focus on their own business and strategic development. The routine activities are left to PosAm.

ACTIVE SEGMENTS

Banking
For the clients from the banking sector PosAm provides application and infrastructure solutions and operational services designed to optimise internal processes, improve sales efficiency and reduce operating costs.

Software solutions are focused on increasing retail efficiency - such as innovative electronic document authorisation and identity management processes. PosAm thereby manages to shorten the time required for customer service, reduces the cost of processing original paper documents, increases security, protects reputations and improves the sales process and increases client prestige.

The purpose of solutions aimed at IT infrastructure consolidation and optimisation is to reduce operational costs, improve quality parameters, increase security, simplify management and streamline operations. The projects in the area of desktop, server and storage infrastructures combine high technologies from Hitachi Data Systems, HP, IBM, Bull and Citrix with the knowledge of PosAm's consultants and specialists.

The comprehensive support and IT operation services are oriented to optimize costs, improve internal processes and IT services. Outsourcing is a vehicle for the transition from IT administration to IT management.

Insurance and Financial Institutions
In the insurance and finance sector PosAm provides software solutions and services designed to support key business processes of the customers.

Software development and services are designed to support mobile sales by sales representatives, customer relation management and problematic insurance claim settlements. This significantly contributes to more efficient client acquisition, the application of business network management innovation, faster market deployment of new insurance products and increased client satisfaction and loyalty. Sales representative technical support allows the provision of comprehensive customer care and a better insurance system management and its users in both technical and methodological terms. The network now entails more than 20 000 users.

Industry

PosAm provides software and infrastructure solutions and outsourcing services for the industry and network industry segment. The supplied software systems are designed for the management of executives, authorization and document signing. PosAm specializes in storage solutions and comprehensive IT infrastructure consolidation during the set-up phase and during IT infrastructure transformation. Outsourcing services include operational IT services and service desks.

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

Recording a handwritten signature using the signature tablet and its use for the authorisation of persons and signing documents brings new possibilities in the field of paperless communication. The digitised handwritten signature fully eliminates the need for hard copy documents, be it in the office or in the field. The preservation of traditional practices is the greatest advantage, whilst accelerating the process and making it more effective and less costly.

When building and consolidating server, storage and desktop IT infrastructures, PosAm utilises technology provided by Bull, Citrix, Hitachi Data Systems, IBM, Hewlett-Packard and Microsoft.

Telecommunications and media

SAP-based application solutions, core IT infrastructure solutions, as well as operation-oriented IT services are area PosAm covers in the telecommunication segment.

Solutions based on the SAP platform enable more professional management of corporate processes. In terms of data storage, management and data protection systems, PosAm primarily utilises technology designed by Hitachi Data Systems. PosAm also provides cloud solutions using state-of-the-art technology while ensuring the related integration processes.

State Administrations and Local Governance

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

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

Information systems designed by PosAm also facilitate the processes of collecting, storing and utilising information in the financial statement register, coordination, preparation, performance and evaluation of government audits, in addition to the management of development aid financing. In the health sector, the PosAm implements solutions for basic health registers and focuses on health terminology as a crucial element for building the eHealth system.

COMMUNICATION

PosAm's communication activities take into consideration the specific aspects of a company providing services and solutions for corporate clients. A key role is played by Event and Content Marketing tactics and tools.

From among the communicated themes in 2015 PosAm focused on the 25th anniversary of its establishment and the biggest project in its history: The Municipal Data Centre (DCOM). PosAm's support for young robotics engineers from Zvolen triggered a great response, insofar as the young team has won the World Cup in China in the Super Teams competition.

PosAm and its 25 years on the IT market has been repeatedly addressed by the Trend weekly and its 25 years in the business was the theme of the Business Leaders Club event organised by Forbes magazine attended by Marian Marek, the General Director of PosAm. The PosAm corporate website - www.posam.sk/25rokov is dedicated to this topic.

In DCOM project communication the main roles were played by the awards it had won: the EuroCloud Slovakia 2015 Award in April and a EuroCloud Europe 2015 nomination in September.

SOCIAL (CORPORATE) RESPONSIBILITY

PosAm is fully aware of its mission and responsibility towards the society in which it conducts business and therefore supports the wider communities around the brand and supports disadvantaged groups in society.

PosAm supported the young robotics engineers from the primary school in Zvolen, who received first place in the Super Teams competition of the robot RoboCup World Cup in July 2015 in China's Hefei. The students qualified to go to China through their victory in the national round following their first participation.

A Slovak team of young physicists came in 4th place at the prestigious IYPT 2015 World Tournament held in Thailand. The man behind this exceptional success was Miloš Hledík from the Trojsten association who was responsible for preparation of the national team. Members of the Trojsten association - which also exists thanks to the PosAm's support - try to increase young people's interest in mathematics, physics and programming through lectures, competitions and camps.

ZOZNAM, ZOZNAM MOBILE

PRODUCTS AND SERVICES

Zoznam.sk was one of the Slovak Internet leaders in 2015 thanks to a strong product portfolio with a stable user base. More than 40 Internet portals, services and specialised magazines passed through continued development with the emphasis on online trends and user needs.

Zoznam underwent a redesign and improved services for **Katalóg** (company registry) corporate profile product. The result of this innovation are additional services that are available separately provide clients with the opportunity to expand their core business profile according to their needs. Until this point the clients could use corporate profiles in two versions without the possibility of accessories. While the basic free profile contained basic information only, with the full profile companies have automatic access to the complete package of services. In case client is interested in extending a basic profile by including additional services he does no longer need to have a full profile. Katalóg offers the possibility of selection and choice of any number of accessories that are attractive for the presentation of the respective company. The full profile is an excellent alternative for smaller companies that do not have a website or the capacity to fully administer one, nor deal with its responsive design. As the service allows you to insert images, price lists, videos, information on opening hours and contacts for individual departments, the full profile can serve as a fully-fledged company contact point. The redesign of register of companies also affected the visual side of the user interface profiles. The responsive design with intuitive page orientation makes for convenient viewing of company profiles on tablets and smartphones.

Úschovňa.sk, web data storage, provides an **App** with the same name for mobile devices running iOS. iPhone smartphone owners can now take an advantage of Cloud services in the Úschovňa interface designed for mobile devices with iOS. The application with transparent user environment and an intuitive interface allows great comfort when recording, viewing and sharing files, videos and pictures. Of course there is the possibility to personalise the organisation of files in each folder. The ability to automatically upload photos directly from a mobile camera is very useful application functionality. All files are available after being uploaded, even without an Internet connection. The App that provides user interface in Slovak language is available for free download from the App Store. The project's aim was to simplify user access and control of Úschovňa mobile services.

In 2015 the **Predpredaj.sk**, online ticketing portal, expanded its portfolio and experienced a significant increase in the amount of events sold. The events were of different genres, on Predpredaj.sk portal customers could choose from a broad portfolio of musical, cultural and sporting events, or culinary and HR workshops, Business conferences, fashion evenings and traveller projections. An exclusive partnership was established with successful events such as ice shows primarily aimed at children audiences, Masha and the Bear, Lord of the Dance, Dracula, SIAF international air shows, Richard Müller's **15 years without Filip** tour, CAR AT TUNING PARTY, Good Angels Kosice and the Adam Durica tour which will continue in 2016 due to its popularity and high demand.

Zoznam Mobile launched the **SMS Gateway** service. This SMS marketing service provides its clients with the possibility of mass SMS sending. This service is supported by all mobile operators in Slovakia. A wide assortment of advertising campaign settings are available for SMS Gateway users to select based on their requirements: sending of SMS under alias chosen by client, setting the date and time of the SMS campaign, history and current campaign statistics, highly variable settings for sending the messages, the option of adding own database of telephone numbers, great comfort when sending SMS directly from computer.

HUMAN RESOURCES

As of 31st of December 2015, Zoznam had 56 employees working on the basis of an employment contract and five people with work agreements. At the end of the year, Zoznam Mobile employed 5 people on the basis of an employment contract and 1 member of staff based on a work agreement.

According to data provided up until the last day of 2015, the average age of an employee at Zoznam was 31, in case of Zoznam Mobile the average age was 33.

Out of all of the Zoznam's employees in 2015 55 % were women and 45 % were men, in Zoznam Mobile these figures were 33 % women and 67 % men in 2015.

COMMUNICATION

In 2015 external communication strategy was focused on media support for key products and on regular communication concerning the developments and service innovation for individual Zoznam products.

The priority was to increase interaction on social networks with the existing Facebook community and to extend the base. The Feminity magazine reported a 44% increase in fans on its FB Fan Page with the total number reaching more than 190 000. In the context the audiences from the Czech Republic there was an increase of nearly 200%. The organic range of contributions increased by 20% and fan interaction achieved more than 45% growth. The Topky Facebook fan page community currently consists of more than 350 000 fans with an annual increase of 19%. The increase in fans from the Czech Republic during the year was at a rate of 58%. The organic range of contributions increased by 8% and fan engagement saw a 10% increase.

Marketing promotions focused mainly on the e-ticketing portal Predpredaj.sk service, Kariera.sk job portal and the Topky.sk news portal. Predpredaj.sk sold more than 100 000 tickets for concerts of Richard Müller. Müller was the first artist to reach the magical one hundred thousand number in cooperation with Predpredaj.sk. To mark this occasion, the musician was awarded the **Golden Ticket** at an awards ceremony at the Magio Beach. The aim of the event with the media participation in terms of B2B was the communication to event mangers about successful ticket sales through the Predpredaj.sk platform. The result of the B2C communication of the event was the message for fans of the musician to purchase tickets to his concerts as soon as possible, being that the concerts almost immediately sell out.

Kariéra.sk communication was focused on the high school students in their final year as well as ambitious fresh graduate target group. The culmination of the project was represented by the INTERVIEW campaign, which was awarded **second place** in the category of „Online campaigns“ in the Strategies evaluation in November 2015. The first part was focused on collecting the CVs of talented candidates who were interested in an internship in selected prestigious companies that were partners of the project. The gathering of CVs and the selection was carried out with the assistance of an entertaining online logic test. 15 000 users successfully completed the test and competed for placement in the selected company. Second part of the project will close the campaign and raise awareness of how the selected candidates worked in the selected positions within internships.

Throughout the year the portal's **Kariérainfo.sk** educational campaign aimed at HR and labour market topics provided live streams of conferences and workshops on HR topics. In addition to exclusive content, the project aimed to communicate the portal as a professional career guide.

The **Topky.sk** communication portal was implemented on TV JOJ as a program sponsor for Divoké kone (Wild Horses) and Inkognito (Incognito). Animated spots featuring funny hooks targeted brand communication and drew attention to the portal's content with the aim of obtaining new users.

The fourth year of the **Telkáč roka** (TV station of the Year) poll was organised by the **Telkáč.sk** portal and proved to be a success once again. Maximum confidence and transparency in voting for the favourites were the priority in order to maintain its prestigious status in the eyes of both the general and expert public. Viewers voted for their favourites in eleven categories. **Telkáč.sk** found itself at the centre of media attention thanks to the project. Telkáč.sk is a long-term partner of film distribution companies, thanks to which the brand is associated with the film industry on which the content of the portal focuses. In 2015 Zoznam concluded promising advertising collaboration with the Cinemax cinema network to promote its own products in advertising breaks before screenings.

CORPORATE RESPONSIBILITY

In compliance with corporate culture, Zoznam s.r.o. prepares targeted activities for the development of the concept of corporate responsibility. Zoznam regularly supports non-profit organisations, civic associations and humanitarian organisations and assists with the fulfilment of strategic goals in the third sector. In 2015 Zoznam supported the following non-profit organisations by providing free media coverage: The League against Cancer, eSlovensko, Červený nos (Red Nose) Clowndoctors, Želaj si (Make a wish), Pluto, Úsmev ako dar (A smile as a Gift), Savio and Magna Deti v núdzi (Children in need) civic associations, the Kvapka nádeje (Drop of Hope) Foundation, Plamienok, UNICEF, the Child Safety Line, the Moonlight camp civic association, the Open Society Foundation and the Bratislava volunteer centre.

Zoznam provided media support for the ‚European Week of Sport' initiative which was realised during the Bratislava, a sporting city event under the auspices of the European Commission Representation in Slovakia, and Bratislava Self-Governing Region (BSR). The mission of the event was the introduction of physical activity into the daily routine of residents of all ages - with the primary aim of improving the mental and physical health of the population.

In 2015 the Zoznam supported projects such as the **The most beautiful town and village in Slovakia 2015 competition** and **Mayor of the year Slovakia 2015** competition which are implemented nationwide by the SLOVAKREGION information portal. This activity is primarily focused on the promotion of Slovak towns, increasing resident's interest in the events in their local communities and becoming engaged in social life.

With its partnership event **Blogger 2014** Zoznam as an Internet media signed up to the initiative to highlight the importance of having valuable content created by the professional and general public.

Through its **Kariera.sk** website Zoznam undertook the **Novodobí otroci (new-age slaves)** education conference organized by the BSOS civic association in cooperation with the Slovak Interior Ministry. The conference was focused on educating young people regarding human trafficking, focusing on prevention and the attributes of risky job offers.

During last year **Kariera.sk** continued to support voluntary activities as a means of increasing employment among unemployed people and for developing their competences and skills to facilitate their smoother adaptation on the job market in the future. Advertisements for volunteer positions were published on the job portal free of charge as were UNICEF job offers as well. To mark the occasion of the International Day against Corruption the **Topky.sk**, news portal, created a special section named **Fighting against corruption**, the contents of which pointed to the high levels of corruption and its society-wide implications as well as the individual obligation to oppose corrupt practices, how to proceed when dealing with acts of corruption, what steps need to be made and who to contact should such a case arise.

03 FINANCIAL STATEMENTS

Slovak Telekom, a.s.

CONSOLIDATED FINANCIAL STATEMENTS

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

FOR THE YEAR ENDED 31 DECEMBER 2015

CONTENTS

INDEPENDENT AUDITOR'S REPORT

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying consolidated financial statements of Slovak Telekom, a.s. (the "Company") and its subsidiaries (together the "Group"), which comprise the consolidated statement of financial position as at 31 December 2015 and the consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and notes comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

We believe that the audit evidence we have obtained in our audit 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 2015, its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

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

pwc

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 32 to these consolidated financial statements, which describe the infringement decision of the European Commission against the Company and the implications thereof. The ultimate outcome of the related proceedings cannot presently be determined.

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

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

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

Bratislava, 14 March 2016

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

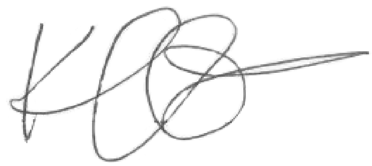
CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER

thousands of EUR	Notes	2015	2014
Revenue	4	782,890	767,551
Staff costs	5	(129,295)	(130,077)
Material and equipment		(114,211)	(99,780)
Depreciation, amortization and impairment losses	11, 12, 13	(189,052)	(194,956)
Interconnection and other fees to operators		(67,390)	(65,741)
Other operating income	6	10,991	12,638
Other operating costs	7	(193,504)	(220,356)
Operating profit		100,429	69,279
Financial income	8	2,036	2,873
Financial expense	9	(2,130)	(1,191)
Net financial result		(94)	1,682
Profit before tax		100,335	70,961
Income tax expense	10	(28,655)	(27,395)
Profit for the year		71,680	43,566

The consolidated financial statements on pages 44 to 89 were authorized for issue on behalf of the Board of Directors of the Group on 14 March 2016 and signed on their behalf by:

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



....
Kerstin Günther
Vice-chairman of the Board of Directors

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER

thousands of EUR	Notes	2015	2014
Profit for the year		71,680	43,566
Other comprehensive income			
(Loss) / gain on remeasurement of available-for-sale investments	20	(115)	86
Deferred tax income	10	-	8
Net other comprehensive income to be reclassified to profit or loss in subsequent periods		(115)	94
Gain / (loss) on remeasurement of defined benefit plans	25	757	(1,825)
Deferred tax (expense) / income	10	(166)	402
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods		591	(1,423)
Total comprehensive income for the year, net of tax		72,156	42,237

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER

thousands of EUR	Notes	2015	2014
ASSETS			
Non-current assets			
Property and equipment	12	766,533	792,167
Intangible assets	13	372,172	404,359
Available-for-sale investments	20	-	32,102
Deferred tax	10	1,066	826
Trade and other receivables	15	1,179	1,725
Prepaid expenses and other assets	17	13,356	13,172
		1,154,306	1,244,351
Current assets			
Inventories	18	11,983	12,109
Investments at amortized cost	19	3,120	3,120
Available-for-sale investments	20	31,079	171,965
Term deposits	21	31,533	219,596
Escrow	25	-	1,000
Loans	22	45,000	150,000
Trade and other receivables	15	100,368	112,107
Prepaid expenses and other assets	17	8,562	6,545
Current income tax receivables		1,550	9,986
Cash and cash equivalents	23	76,440	93,067
		309,635	779,495
Assets held for sale	11	-	8,647
		309,635	788,142
TOTAL ASSETS		1,463,941	2,032,493
EQUITY AND LIABILITIES			
Shareholders' equity			
Issued capital	24	864,113	864,113
Share premium	24	-	386,139
Statutory reserve fund	24	172,823	172,823
Other		(1,400)	(1,907)
Retained earnings and profit for the year		72,996	187,558
		1,108,532	1,608,726
Non-current liabilities			
Deferred tax	10	106,661	115,916
Provisions	25	22,726	25,751
Trade and other payables	26	5,074	638
Other liabilities and deferred income	28	3,363	3,511
		137,824	145,816
Current liabilities			
Provisions	25	9,962	37,420
Trade and other payables	26	137,014	128,959
Other liabilities and deferred income	28	68,286	110,632
Current income tax liabilities		2,323	940
		217,585	277,951
Total liabilities		355,409	423,767
TOTAL EQUITY AND LIABILITIES		1,463,941	2,032,493

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER

thousands of EUR	Notes	Issued capital	Share premium	Statutory reserve fund	Other	Retained earnings	Total equity
Year ended 31 December 2014							
At 1 January 2014		864,113	386,139	172,823	1,812	160,392	1,585,279
Profit for the year		-	-	-	-	43,566	43,566
Other comprehensive income		-	-	-	(1,329)	-	(1,329)
Total comprehensive income		-	-	-	(1,329)	43,566	42,237
Transactions with shareholders:							
Other changes in equity		-	-	-	(2,390)	-	(2,390)
Dividends	24	-	-	-	-	(16,400)	(16,400)
At 31 December 2014		864,113	386,139	172,823	(1,907)	187,558	1,608,726
Year ended 31 December 2015							
At 1 January 2015		864,113	386,139	172,823	(1,907)	187,558	1,608,726
Profit for the year		-	-	-	-	71,680	71,680
Other comprehensive income		-	-	-	476	-	476
Total comprehensive income		-	-	-	476	71,680	72,156
Transactions with shareholders:							
Other changes in equity	24	-	(386,139)	-	31	-	(386,108)
Dividends	24	-	-	-	-	(186,242)	(186,242)
At 31 December 2015		864,113	-	172,823	(1,400)	72,996	1,108,532

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER

thousands of EUR	Notes	2015	2014
Operating activities			
Profit for the year		71,680	43,566
Adjustments for:			
Depreciation, amortization and impairment losses	11, 12, 13	189,052	194,956
Interest income, net		(606)	(2,289)
Income tax expense	10	28,655	27,395
Loss / (gain) on disposal of property and equipment and intangible assets		335	(1,248)
Other non-cash items		6,854	3,709
Movements in provisions		(26,641)	28,164
Changes in working capital			
Change in trade and other receivables		2,928	20,423
Change in inventories		(774)	2,506
Change in trade and other payables		(49,458)	(1,384)
Cash flows from operations		222,025	315,798
Income taxes paid		(28,498)	(50,844)
Net cash flows from operating activities		193,527	264,954
Investing activities			
Purchase of property and equipment and intangible assets		(99,516)	(178,273)
Proceeds from disposal of property and equipment and intangible assets		1,228	2,718
Acquisition of interest in subsidiaries		-	1,638
Acquisition of available-for sale investments		-	(32,937)
Proceeds from disposal of available-for sale investments		170,276	49,981
Disbursement of loans		(205,000)	(150,000)
Repayment of loans		310,000	-
Acquisition of term deposits		(57,230)	(423,519)
Termination of term deposits		244,859	348,276
Interest received		6,770	6,569
Other charges paid for investing activities		(115)	-
Net cash flows from / (used in) investing activities		371,272	(375,547)
Financing activities			
Dividends paid	24	(186,242)	(16,400)
Share premium paid	24	(386,139)	-
Repayment of finance lease liabilities		-	(5)
Repayment of other financial liabilities		(8,071)	(8,378)
Other charges paid for financing activities		(1,059)	(664)
Net cash used in financing activities		(581,511)	(25,447)
Effect of exchange rate changes on cash and cash equivalents		85	23
Net decrease in cash and cash equivalents		(16,627)	(136,017)
Cash and cash equivalents at 1 January	23	93,067	229,084
Cash and cash equivalents at 31 December	23	76,440	93,067

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

INDEX TO THE NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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

Slovak Telekom is a joint-stock company incorporated on 1 April 1999 in the Slovak Republic. The Company's registered office is located at Bajkalská 28, 817 62 Bratislava. The business registration number (IČO) of the Company is 35 763 469 and the tax identification number (DIČ) is 202 027 3893. On 4 August 2000, Deutsche Telekom AG ("Deutsche Telekom" or "DT AG") gained control of the Company through the acquisition of 51% of the shares of Slovak Telekom. The transaction involved the purchase of existing shares from the National Property Fund of the Slovak Republic and the issue of new shares. On 13 December 2013 Deutsche Telekom AG transferred 51% share of Slovak Telekom and voting rights associated with the shares to T-Mobile Global Holding Nr. 2 GmbH, and on 17 December 2013 T-Mobile Global Holding Nr. 2 GmbH transferred 51% share and voting rights associated with the shares to CMobil B.V. The change of the shareholders came into effect by registering in the Central Securities Depository of the Slovak Republic. T-Mobile Global Holding Nr. 2 GmbH became the shareholder of Slovak Telekom on 18 December 2013 and CMobil B.V. became the shareholder of Slovak Telekom on 10 January 2014. The Slovak Republic retained 34% of the shares of the Company through the Ministry of the Economy of the Slovak Republic and the National Property Fund of the Slovak Republic retained 15% of the shares of the Company. CMobil B.V. changed its name to Deutsche Telekom Europe B.V. in March 2015.

On 8 April 2015 the Ministry of the Economy of the Slovak Republic transferred their 34% share and voting rights associated with the shares to the National Property Fund of the Slovak Republic. Subsequently, the National Property Fund of the Slovak Republic sold 49% share and voting rights associated with the shares to Deutsche Telekom Europe B.V. The change of the shareholders became effective by registering in the Central Securities Depository of the Slovak Republic. Deutsche Telekom Europe B.V. became the sole shareholder of Slovak Telekom, a.s. as of 18 June 2015.

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

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

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

At 31 December 2015, the Company had the following fully consolidated direct subsidiaries:

Name and registered office	Activity	Share and voting rights
DIGI SLOVAKIA, s.r.o., Röntgenova 26, 851 01 Bratislava	TV services, broadband services and TV channels production	100%
PosAm, spol. s r.o. Until 31 December 2015: Odborárska 21, 831 02 Bratislava Since 1 January 2016: Bajkalská 28, 821 09 Bratislava	IT services, applications and business solutions	51%
Zoznam, s.r.o., Viedenská cesta 3-7, 851 01 Bratislava	Internet portal	100%
Zoznam Mobile, s.r.o., Viedenská cesta 3-7, 851 01 Bratislava	Mobile content provider	100%
Telekom Sec, s.r.o., Bajkalská 28, 817 62 Bratislava	Security services	100%

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

On 1 September 2013 the Group acquired 100% share capital and voting rights in DIGI.

On 29 January 2010 the Group acquired 51% of the share capital and voting rights in PosAm and obtained control of PosAm. The business combination was accounted for as if the acquirer had obtained a 100% interest in the acquiree due to existence of put & call options which, if triggered, may result in the transfer of the residual 49% equity interest in PosAm to Slovak Telekom. The Group concluded that terms of the transaction represent a contractual obligation to purchase the Group's equity instrument. The fair value of such liability (i.e. present value of the redemption amount) has been reclassified from equity (non-controlling interest) to financial liabilities (Note 26). Accordingly, the consideration transferred includes the present value of the liability related to the acquisition of 49% of PosAm under the put & call options.

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

Members of the Statutory Boards at 31 December 2015

Board of Directors

Chair:	Ing. Miroslav Majoroš
Vice-chair:	Kerstin Günther
Member:	Franco Musone Crispino

Supervisory Board

Chair:	Dr. Hans-Peter Schultz
Member:	Ing. Denisa Herdová
Member:	Miriam Kvočková
Member:	Dr. Henning Never
Member:	Ing. Drahoslav Letko
Member:	Konstantina Bata
Member:	Lamia Tewaag

In 2015 a number of changes were entered in the Commercial Register: Ing. Michal Vaverka, Ing. Miloš Šujanský, PhD., M.B.A. and Ing. Martin Mác left the Board of Directors in August 2015 and were not replaced. Dr. Robert Hauber left the Board of Directors in September 2015 and was not replaced. Ing. Michal Lukačovič, Ing. Martin Habán and Ing. Peter Weber left the Supervisory Board in August 2015 and were not replaced. The Supervisory Board member positions of Ms. Tanja Wehrhahn and Ms. Cornelia Elisabeth Sonntag were replaced by Dr. Henning Never, Ms. Konstantina Bata and Ms. Lamia Tewaag in October 2015.

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

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

2. ACCOUNTING POLICIES

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

2.1 Basis of preparation

The financial statements have been prepared under the historical cost convention, except where disclosed otherwise.

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

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

The preparation of financial statements in conformity with International Financial Reporting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 2.19.

Statement of compliance

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

Basis of consolidation

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

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

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

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

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

Costs directly attributable to the acquisition are expensed.

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

2.2 Property and equipment

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

Historical cost includes all costs directly attributable to bringing the asset into working condition for its use as intended by the management. In case of network, costs comprise all expenditures, including internal costs directly attributable to network construction, and include contractors' fees, materials and direct labour. Costs of subsequent enhancement are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. Maintenance, repairs and minor renewals are charged to the income statement as incurred.

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

Depreciation is calculated on a straight-line basis from the time the assets are available for use over their estimated useful lives. Depreciation charge is identified separately for each significant part of an item of property and equipment.

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

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

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

Residual values and useful lives of property and equipment are reviewed and adjusted in accordance with IAS 8, where appropriate, at each financial year-end. For further details on groups of assets influenced by the most recent useful life revisions refer to Note 2.19.

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

2.3 Assets held for sale

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

2.4 Intangible assets

Intangible assets acquired separately are recognized when control over them is assumed and are initially measured at historical cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and provision for impairment, where required. Intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. With the exception of goodwill, intangible assets have a finite useful life and are amortized using the straight-line method over their estimated useful lives. The assets' residual values and useful lives are reviewed and adjusted in accordance with IAS 8, as appropriate, at each financial year-end. For further details on the groups of assets influenced by the most recent useful life revisions refer to Note 2.19.

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

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

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

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

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

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

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

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

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

Goodwill
Goodwill arises on the acquisition of subsidiaries and represents an excess of consideration transferred over Group's interest in net fair value of the net identifiable assets acquired, liabilities and contingent liabilities of the acquiree and the fair value of non-controlling interest in the acquiree. Following initial recognition, goodwill is carried at cost less any accumulated impairment losses. Goodwill is not amortized but it is reviewed for impairment annually or more frequently, if events or changes in circumstances indicate that the carrying value may be impaired (Note 14). Carrying value of goodwill is compared to its recoverable amount, which is the higher of value in use and fair value less costs to sell. Any impairment is recognized immediately as an expense and is not subsequently reversed. Fair values less costs to sell of cash-generating units with allocated goodwill tested for impairment are in Level 3 of the fair value hierarchy.

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

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

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

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

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

Impairment is determined by assessing the recoverable amount of cash-generating unit to which the goodwill relates. For more details on impairment of goodwill refer to Note 14.

2.6 Inventories

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

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

2.7 Cash and cash equivalents

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

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

2.8 Financial assets

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

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when the rights to receive cash flows from the asset have expired or the Group has transferred its rights to receive cash flows from the asset and has transferred substantially all the risks and rewards of the ownership.

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

Loans and receivables

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

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

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

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

Finance lease receivables

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

Financial assets at fair value through profit or loss

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

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

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

Held-to-maturity investments

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

Available-for-sale investments

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

2.9 Impairment of financial assets

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

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

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

2.10 Financial liabilities

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

Trade and other payables

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

Financial liabilities at fair value through profit or loss

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

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

2.11 Prepaid expenses

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

2.12 Provisions and contingent liabilities

Provisions for asset retirement obligations, restructuring costs and legal and regulatory claims are recognized when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

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

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

Asset retirement obligations

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

2.13 Employee benefit obligations

Retirement and other long-term employee benefits

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

A defined contribution plan is a pension plan under which the Group pays fixed contributions into separate publicly or privately administered entities on a mandatory, contractual or voluntary basis. Once the contributions have been paid, the Group has no further payment obligations. The contribution is based on gross salary payments. The cost of these payments is charged to the income statement in the same period as the related salary cost.

The Group also provides defined retirement and jubilee benefit plans granting certain amounts of pension or jubilee payments that an employee will receive on retirement, usually dependant on one or more factors such as an age, years of service and compensation. These benefits are unfunded. The liability recognized in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The last calculation was prepared on 31 December 2015. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using discount rate of weighted-average yields for high-quality (Bloomberg Aa*) - non-cancellable, non-putable corporate bonds. The currency and term of the bonds are consistent with the currency and estimated term of the benefit obligations. Past service costs are recognized immediately in income statement.

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

Termination benefits

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

2.14 Revenue recognition

Revenue is recognized upon the delivery of services and products and customer acceptance thereof and to the extent that: it is probable that economic benefits will flow to the Group; the revenue can be measured reliably and when specific criteria as stated below have been met. Revenue from rendering of services and from sales of equipment is shown net of value added tax and discounts. Revenue is measured at the fair value of consideration received or receivable.

The Group recognizes revenue as follows:

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

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

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

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

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

Revenue from sales of equipment is recognized when the equipment is delivered and installation is completed. Completion of an installation is a prerequisite for recognizing revenue on such sales of equipment where installation is not simple in nature and functionally constitutes a significant component of the sale.
Revenue from operating leases of equipment is recognized on a straight-line basis over lease period.

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

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

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

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

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

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

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

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

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

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

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

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

2.16 Operating profit
Operating profit is defined as a result before income taxes and financial income and expenses. For financial income and expenses refer to Notes 8 and 9 respectively.

2.17 Foreign currency translation

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

2.18 Taxes

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

Current income tax

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

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the tax authorities.

Deferred tax

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

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

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

2.19 Significant accounting judgements, estimates and assumptions

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

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

Useful lives of non-current assets

The estimation of the useful lives of non-current assets is a matter of judgement based on the Group’s experience with similar assets. The Group reviews the estimated remaining useful lives of non-current assets annually. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the depreciation or amortization period, as appropriate, and are treated as changes in accounting estimates. Management’s estimates and judgements are inherently prone to inaccuracy for those assets for which no previous experience exists.

The Group reviewed useful lives of non-current assets during 2015 and changed accounting estimates where appropriate. The table summarizes net (increase) or decrease in depreciation or amortization charge for the following categories of non-current assets:

thousands of EUR	2015	2016	2017	2018	After 2019
Duct, cable and other outside plant	(1,769)	(356)	317	304	1,504
Switching equipment	(558)	157	88	84	229
Radio equipment	(397)	(117)	397	57	60
Other	(1,032)	(401)	725	301	407

Customer relationships

The Group maintains record of customer relationships obtained during the acquisition of control of T-Mobile, DIGI and PosAm (Note 13) and regularly evaluates appropriateness of useful lives used to amortize these intangible assets on the basis of churn of customers acquired through the business combinations. No changes to useful lives were necessary in 2015. If the useful lives of customer relationships were shortened by one year, the amortization would increase by EUR 9,922 thousand. If the useful lives of customer relationships were shortened by two years, the amortization would increase by EUR 39,133 thousand.

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

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

Assessment of impairment of goodwill
Goodwill is tested annually for impairment as further described in Note 2.5 using estimates detailed in Note 14.

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

Asset retirement obligation
The Group enters into lease contracts for land and premises on which mobile communication network masts are sited. The Group is committed by these contracts to dismantle the masts and restore the land and premises to their original condition. Management anticipates the probable settlement date of the obligation to equal useful life of mast, which is estimated to be 50 years. The remaining useful life of masts ranges from 27 to 50 at 31 December 2015. Management's determination of the amount of the asset retirement obligation (Note 25) involves the following estimates (in addition to the estimated timing of crystallisation of the obligation):

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

If the economic useful life of the masts was shortened by 10 years (from 50 years to 40 years) it would cause an increase of asset retirement obligation by EUR 2,781 thousand. If the inflation rate increased by 0.5%, it would cause an increase of asset retirement obligation by EUR 2,162 thousand. If the risk-adjusted, pre-tax discount rate increased by 0.5%, it would cause a decrease of asset retirement obligation by EUR 1,749 thousand. If the amounts necessary to settle future obligations increased by 10%, it would cause an increase of asset retirement obligation by EUR 1,022 thousand.

Provisions and contingent liabilities
The Group is a participant in several lawsuits and regulatory proceedings. When considering the recognition of a provision, management judges the probability of future outflows of economic resources and its ability to reliably estimate such future outflows. If these recognition criteria are met a provision is recorded in the amount of the best estimate of the expenditure required to settle the present obligation at the end of the reporting period. Such judgments and estimates are continually reassessed taking into consideration the developments of the legal cases and proceedings and opinion of lawyers and other subject matter experts involved in resolution of the cases and proceedings. The factors considered for individual cases are described in Notes 25 and 32.

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

a) Costs related to deliveries by courier to the customers in amount of EUR 1,460 thousand is presented within Other operating costs in 2014 comparatives. In 2014 financial statements these costs were presented within Material and equipment.
b) Presentation of balances within the Note Other operating costs was changed in order to conform to the current year presentation. Amount of EUR 4,046 thousand was adjusted in Installation services and in Own work capitalized in 2014 comparatives.

Reclassification of balances had no impact on balances in the statement of financial position as of 1 January 2014; therefore no opening statement of financial position as at 1 January 2014 is presented in these financial statements.

2.21 Adoption of IFRS during the year

Standards, interpretations and amendments to published standards effective for the Group's accounting period beginning on 1 January 2015

There are no IFRS or IFRIC interpretations that are effective for the first time for the financial year beginning on or after 1 January 2015 that have material impact on the Group.

- IFRIC 21 Levies, issued on 20 May 2013 and European Union ("EU") effective for annual periods beginning on or after 17 June 2014

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

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

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

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

  IFRS 3 Business combinations – scope of exception for joint ventures

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

  IFRS 13 Fair value Measurement – portfolio exception

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

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

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

Standards, interpretations and amendments to published standards that have been published, are not effective for accounting periods starting on 1 January 2015 and which the Group has not early adopted

- Amendments within Annual improvements project 2010 – 2012, issued in November 2013 and EU effective for annual periods beginning on or after 1 February 2015. The improvements consist of changes to seven standards:

  IIFRS 2 Share-based Payment – Definition of vesting condition

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

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

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

IFRS 8 Operating segment - Aggregation of operating segments

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

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

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

IFRS 13 Fair value Measurement – short term receivables and payables

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

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

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

IAS 24 Related Party Disclosures – Key management personnel

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

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

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

- Amendment to IAS 19 – Defined Benefit Plans: Employee Contributions, issued in November 2013 and EU effective for annual periods beginning on or after 1 February 2015.

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

- Amendments within Annual improvements project 2012 – 2014, issued on 25 September 2014 and effective for annual periods beginning on or after 1 January 2016. The effective day has not yet been endorsed by the European Union. The improvements consist of changes to four standards:

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

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

IFRS 7 Financial Instruments: Disclosures – Servicing contract

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

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

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

IAS 19 Employee benefits – discount rate: Regional market issue

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

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

Amendment clarifies the meaning of “elsewhere in the interim report”.

- IFRS 9 Financial Instruments, issued in July 2014 and effective for annual periods beginning on or after 1 January 2018. The effective day has not yet been endorsed by the European Union.

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

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

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

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

- IFRS 14 Regulatory Deferral Accounts, issued in January 2014 and effective for annual periods beginning on or after 1 January 2016. The effective day has not yet been endorsed by European Union.

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

- IFRS 15 Standard on the recognition of revenue from contracts with customers, issued on 28 May 2014 and effective for the periods beginning on or after 1 January 2018. The effective day has not yet been endorsed by the European Union.

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

- Amendment to IFRS 11 Joint Arrangements - Accounting for acquisition of interests in joint operations, issued on 6 May 2014 and EU effective for the periods beginning on or after 1 January 2016.

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

- Amendments to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets, issued on 12 May 2014 and EU effective for the periods beginning on or after 1 January 2016.

  IAS 16 and IAS 38 both establish the principle for the basis of depreciation and amortisation as being the expected pattern of consumption of the future economic benefits of an asset. The IASB has clarified that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The IASB also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption, however, can be rebutted in certain limited circumstances.

- Amendments to IAS 16 Property, Plant and Equipment and IAS 41 Agriculture, issued on 30 June 2014 and EU effective for annual periods beginning on or after 1 January 2016.

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

- Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures (2011), issued on 11 September 2014 and effective for annual periods beginning on or after 1 January 2016. The effective day has not yet been endorsed by the European Union.

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

- Amendment to IAS 27 - Separate Financial Statements - Equity Method in Separate Financial Statements, issued on 12 August 2014 and effective for annual periods beginning on or after 1 January 2016. The effective day has not yet been endorsed by the European Union.

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

- Amendments to IAS 1 – Presentation of Financial Statements: Disclosure Initiative, issued in December 2014 and effective for annual periods beginning on or after 1 January 2016. The effective day has not yet been endorsed by the European Union.

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

- Amendments to IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosures of Interests in Other Entities, and IAS 28 Associates and Joint Ventures, issued in December 2014 and effective for annual periods beginning on or after 1 January 2016. The effective day has not yet been endorsed by the European Union.

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

  The amendment confirms that:

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

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

3. FINANCIAL RISK MANAGEMENT

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

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

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

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

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

3.1 Market risk

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

3.1.1 Foreign currency risk

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

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

The Group can use forward currency contracts, currency swaps or spot-market trading to eliminate the exposure towards foreign currency risk. It is the Group's policy to negotiate the terms of the hedge derivatives to match the terms of the hedged item to maximize hedge effectiveness. Such economic hedge however does not qualify for hedge accounting under the specific rules of IAS 39.

For all planned, but not yet determined, foreign currency denominated cash flows (uncommitted exposure) of the following 12 months (rolling 12 month approach) a hedging ratio of at least 50% is applied. The Group uses term deposits in foreign currencies to hedge these uncommitted exposures (Note 21).

Short-term cash forecasts are prepared on a rolling basis to quantify the Group's expected exposure. The Group's risk management policy requires the hedging of every cash flow denominated in foreign currency exceeding the equivalent of EUR 250 thousand.

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

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

thousands of EUR		2015	2014
Profit before tax	Depreciation of EUR by 10%	450	373
	Appreciation of EUR by 10%	(368)	(306)
Equity	Depreciation of EUR by 10%	351	291
	Appreciation of EUR by 10%	(287)	(238)

3.1.2 Interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group entered into a master agreement with DT AG in October 2008 based on which the Group provided loans to DT AG. Currently, there is outstanding loan in amount of EUR 45,000 thousand at fixed interest rate (Note 22). The term deposits outstanding at 31 December 2015 in the amount of EUR 31,533 thousand have been concluded with fixed interest rate (Note 21).

The Group's exposure to the risk of changes in market interest rates relates mainly to the Group's available-for-sale investments. The Group seeks to optimize its exposure towards interest rate risk using a mix of fixed–rate and floating–rate securities. At the end of 2015, the securities portfolio consists of fixed-rate bonds.

The sensitivity of available-for-sale investments to changes in interest rates is detailed in Note 20.

3.1.3 Other price risk

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

3.2 Credit risk

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

The Group is exposed to credit risk from its operating activities and certain financing activities. The Group's credit risk policy defines products, maturities of products and limits for financial counterparties. The Group limits credit exposure to individual financial institutions and securities issuers on the basis of the credit ratings assigned to these institutions by reputable rating agencies and these limits are reviewed on a regular basis. For credit ratings see Notes 20, 21, 22 and 23. The Group is exposed to concentration of credit risk from holding state bonds in amount of EUR 31,999 thousand issued by the Slovak Republic and loan receivable in the amount of EUR 45,000 thousand provided to DT AG (Germany).

Further, counterparty credit limits and maximum maturity can be decreased based on recommendation by Deutsche Telekom Group Treasury in order to manage bulk risk steering of Deutsche Telekom Group. Group credit risk steering takes into account various risk indicators including, but not limited to CDS level, rating and negative movement of the share price of the counterparty.

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

In respect of financial assets, which comprise cash and cash equivalents, loans, term deposits, investments at amortized cost, available-for-sale investments, trade and other receivables, the Group's exposure to credit risk arises from the potential default of the counterparty, with a maximum exposure equal to the carrying amount of these financial assets. In April 2012 the Group and Poštová banka, a.s. signed an Agreement about establishment of a right of lien on securities. Based on Amendment No. 2 to the Agreement from January 2015 the Group secured its receivables to maximum principal amount of EUR 15,000 thousand. In total, Poštová banka, a.s. pledged 15,000,000 pieces of the state bond SK4120007204 with a nominal value of EUR 15,000 thousand. No other significant agreements reducing the maximum exposure to credit risk had been concluded at 31 December 2015.

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

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

The table summarises the ageing structure of receivables:

thousands of EUR	Neither past due nor impaired	Past due but not impaired					Total
		< 30 days	31-90 days	91-180 days	181-365 days	> 365 days	
At 31 December 2015							
Trade and other receivables	81,637	352	204	108	36	82	82,419
At 31 December 2014							
Trade and other receivables	94,925	252	39	51	65	92	95,424

No significant individually impaired trade receivables were included in the allowance for impairment losses in 2015 and 2014.

Trade receivables that are past due as at the statement of financial position date, but not impaired, are from creditworthy customers who have a good track record with the Group and, based on historical default rates, management believes that no additional impairment allowance is necessary.

For sensitivity of impairment charge of uncollectible receivables refer to Note 15.

3.3 Liquidity risk

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

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

The table summarizes the maturity profile of the Group's financial liabilities based on contractual undiscounted payments:

thousands of EUR	On demand	Less than 3 months	3 to 12 months	Over 1 year	Total
At 31 December 2015					
Trade and other payables	6,756	112,557	17,701	5,074	142,088
At 31 December 2014					
Trade and other payables	6,415	106,721	15,823	638	129,597

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

thousands of EUR	Gross amounts	Offsetting	Net amounts
At 31 December 2015			
Current financial assets – Trade receivables	15,487	(7,253)	8,234
Current financial liabilities – Trade payables	10,960	(7,253)	3,707
At 31 December 2014			
Current financial assets – Trade receivables	10,686	(5,756)	4,930
Current financial liabilities – Trade payables	9,897	(5,756)	4,141

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

3.4 Capital risk management
The Group manages its capital to ensure its ability to support its business activities on an ongoing basis. It takes into consideration any applicable guidelines of the parent company. No changes were made to the objectives, policies or processes in 2015.

The capital structure of the Group consists of equity attributable to shareholders, comprising issued capital, statutory reserve fund, retained earnings and other components of equity (Note 24). The management of the Group manages capital measured in terms of shareholder's equity amounting to at 31 December 2015 EUR 1,108,532 thousand (2014: EUR 1,608,726 thousand).

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

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

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

thousands of EUR	At 31 December 2015				At 31 December 2014			
	Level 1	Level 2	Level 3	Carrying value	Level 1	Level 2	Level 3	Carrying value
Non-current assets	-							
Available-for-sale investments (Note 20)	-	-	-	-	32,102	-	-	32,065
Current assets								
Available-for-sale investments (Note 20)	31,079	-	-	31,068	171,965	-	-	171,860
Interest receivable on available-for-sale investments (Note 15)	919	-	-	922	4,063	-	-	4,083

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

3.5.2 Non-recurring fair value measurements
In 2013 the Group has written down its non-current assets held for sale to fair value less costs to sell. The valuation was performed by external party using the income approach, so called the direct capitalization method. The main inputs of valuation included market prices for the rent of similar real estates, the cost incurred by the ownership and operation of the buildings, capitalization rates in range of 10.5-15% for occupied premises and 11.5-16% for unoccupied premises and intention of establishment of easements rights by the Group. When calculating the fair value using this method, cash flows generated by the real estates were discounted using appropriate capitalization rates to infinity. Valuation applied the period necessary for the rent of unoccupied premises as well as the period of anew rent of occupied premises after its termination. After that period the market prices for the rent were applied. In 2014 the valuation was adjusted based on the market data from indicative offers from potential buyers in case a lower price was proposed. During 2015 the

Group transferred unsold assets to property and equipment as those ceased to meet the criteria to be classified as held for sale.

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

thousands of EUR	At 31 December 2015				At 31 December 2014			
	Level 1	Level 2	Level 3	Carrying value	Level 1	Level 2	Level 3	Carrying value
Assets held for sale (Note 11)	-	-	-	-	-	-	8,647	8,647

3.5.3 Financial assets and financial liabilities not measured at fair value

The fair value of other financial assets and financial liabilities approximate their carrying amounts at the statement of financial position date. Non-current trade receivables, non-current trade payables and finance lease receivables and payables are discounted unless the effect of discounting was inconsiderable. The main part of finance lease receivables was discounted using interest rate 3.28% (2014: from 2.98% to 3.36%).

3.6 Presentation of financial instruments by measurement category

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

thousands of EUR	2015	2014
Loans and receivables		
Trade and other receivables (Note 15)	101,547	113,832
Term deposits (Note 21)	31,533	219,596
Escrow	-	1,000
Loans (Note 22)	45,000	150,000
Cash and cash equivalents (Note 23)	76,440	93,067
Financial assets held-to-maturity		
Investments at amortized cost (Note 19)	3,120	3,120
Available-for-sale financial assets		
Available-for-sale investments (Note 20)	31,079	204,067

4. REVENUE

thousands of EUR	2015	2014
Fixed network revenue	291,215	299,483
Mobile network revenue	325,781	332,767
Terminal equipment	33,270	36,174
System solutions / IT	88,234	56,233
Other	44,390	42,894
	782,890	767,551

5. STAFF COSTS

thousands of EUR	2015	2014
Wages and salaries	100,976	100,890
Defined contribution pension costs	12,388	13,453
Other social security contributions	15,931	15,734
	129,295	130,077

	2015	2014
Number of employees at period end	3,472	3,649
Average number of employees during the period	3,541	3,741

6. OTHER OPERATING INCOME

thousands of EUR	2015	2014
Gain on disposal of property and equipment and intangible assets, net	-	1,248
Income from material sold, net	1,640	836
Income from rental of premises	2,095	2,447
Reversal of impairment of property and equipment (Note 12)	210	2,456
Income from marketing activities	4,376	3,451
Other	2,670	2,200
	10,991	12,638

7. OTHER OPERATING COSTS

thousands of EUR	2015	2014
Repairs and maintenance	19,895	21,371
Installation services	937	870
Marketing costs	20,762	20,747
Energy	14,112	16,282
Printing and postage	4,272	4,569
Logistics	4,176	3,809
Rentals and leases	18,780	18,627
IT services	7,698	7,345
Dealer commissions	18,855	17,366
Frequency and other fees to Telecommunications Office	2,788	2,773
Content fees	17,670	19,948
Legal and regulatory claims	1,374	42,335
Consultancy	4,293	3,046
Bad debts expenses	4,540	6,198
Services related to delivery of solutions for customers	36,741	24,024
Fees paid to DT AG group	4,823	4,163
Other	24,760	20,010
Own work capitalized	(12,972)	(13,127)
	193,504	220,356

8. FINANCIAL INCOME

thousands of EUR	2015	2014
Interest on term deposits and bank accounts	458	979
Interest on loans	134	45
Interest on available-for-sale investments	221	561
Foreign exchange gains, net	383	402
Other	840	886
	2,036	2,873

9. FINANCIAL EXPENSE

thousands of EUR	2015	2014
Increase of put option liability	806	91
Dividends paid to minority owners of PosAm	818	573
Interest costs on employee benefits provision	216	243
Interest cost on other non-current provisions	49	194
Bank charges and other financial expense	241	90
	2,130	1,191

10. TAXATION

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

thousands of EUR	2015	2014
Current tax expense	35,236	36,102
Deferred tax income	(9,661)	(11,191)
Other income tax	3,080	2,484
Income tax expense reported in the income statement	28,655	27,395

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

thousands of EUR	2015	2014
Profit before income tax	100,335	70,961
Income tax calculated at the statutory rate of 22% (2014: 22%)	22,074	15,611
Effect of income not taxable and expenses not tax deductible:		
(Income) / cost related to legal and regulatory claims	(5)	9,270
Other tax non-deductible items, net	3,502	(234)
Tax charge in respect of prior years	4	264
Other income tax	3,080	2,484
Income tax at the effective tax rate of 29% (2014: 39%)	28,655	27,395

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

thousands of EUR	1 January 2015	Through income statement	Through statement of comprehensive income	31 December 2015
Difference between carrying and tax value of fixed assets	(131,189)	7,292	-	(123,897)
Allowance for investments at amortized cost	2,269	-	-	2,269
Staff cost accruals	3,117	(365)	-	2,752
Allowance for bad debts	2,425	887	-	3,312
Termination benefits	590	418	-	1,008
Retirement benefit obligation	2,609	(80)	(166)	2,363
Other	5,089	1,509	-	6,598
Net deferred tax liability	(115,090)	9,661	(166)	(105,595)

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

Deferred tax asset of EUR 1,066 thousand is recognized in respect of subsidiaries DIGI and PosAm and deferred tax liabilities of EUR 106,661 thousand in respect of other entities within the Group. The Group offsets deferred tax assets and deferred tax liabilities if, and only if, those relate to income taxes levied by the same taxation authority on the same taxable entity.

thousands of EUR	2015	2014
Deferred tax asset to be settled within 12 months	1,039	726
Deferred tax asset to be settled after more than 12 months	51	148
Deferred tax liability to be settled after more than 12 months	(24)	(48)
Net deferred tax asset	1,066	826

thousands of EUR	2015	2014
Deferred tax asset to be settled within 12 months	12,715	10,778
Deferred tax asset to be settled after more than 12 months	5,364	5,872
Deferred tax liability to be settled within 12 months	(705)	(2,989)
Deferred tax liability to be settled after more than 12 months	(124,035)	(129,577)
Net deferred tax liability	(106,661)	(115,916)

11. ASSETS HELD FOR SALE

thousands of EUR	2015	2014
At 1 January	8,647	19,772
Net transfer to property and equipment (Note 12)	(8,230)	(8,501)
Impairment charge	-	(1,697)
Assets sold	(417)	(927)
At 31 December	-	8,647

Assets held for sale at 31 December 2014 comprised buildings and related land which were planned to be sold within one year. Based on the development during 2015 the sale of assets became not highly probable to be finished within 12 months and assets ceased to meet the criteria to be classified as held for sale. The Group transferred unsold assets to property and equipment.

12. PROPERTY AND EQUIPMENT

thousands of EUR	Land and buildings	Duct, cable and other outside plant	Telephone exchanges and related equipment	Radio and transmission equipment	Other	Construction in progress including advances	Total
At 1 January 2015							
Cost	152,417	1,006,902	870,870	342,623	339,090	70,975	2,782,877
Accumulated depreciation	(74,874)	(539,496)	(820,570)	(304,723)	(250,619)	(428)	(1,990,710)
Net book value	77,543	467,406	50,300	37,900	88,471	70,547	792,167
Additions	894	10,329	4,358	2,502	15,672	42,977	76,732
Depreciation charge	(3,771)	(35,580)	(21,897)	(15,941)	(29,828)	-	(107,017)
Impairment charge	(1)	(9)	-	(1)	(50)	-	(61)
Reversal of impairment	-	-	53	96	25	36	210
Disposals	(2,605)	-	(3)	(8)	(172)	(940)	(3,728)
Transfers	1,055	5,044	24,628	17,308	14,332	(62,367)	-
Transfers from assets held for sale (Note 11)	8,230	-	-	-	-	-	8,230
At 31 December 2015							
Cost	186,179	994,087	599,883	319,391	330,303	50,741	2,480,584
Accumulated depreciation	(104,834)	(546,897)	(542,444)	(277,535)	(241,853)	(488)	(1,714,051)
Net book value	81,345	447,190	57,439	41,856	88,450	50,253	766,533

Property and equipment, excluding motor vehicles, is locally insured to a limit of EUR 25,996 thousand (2014: EUR 26,035 thousand). Any loss exceeding local limit is insured by DT AG Global Insurance Program up to EUR 700,000 thousand. The Group has the third party liability insurance for all motor vehicles.

thousands of EUR	Land and buildings	Duct, cable and other outside plant	Telephone exchanges and related equipment	Radio and transmission equipment	Other	Construction in progress including advances	Total
At 1 January 2014							
Cost	122,253	994,528	1,060,574	348,320	340,636	67,005	2,933,316
Accumulated depreciation	(57,087)	(506,453)	(1,002,984)	(302,165)	(246,553)	(428)	(2,115,670)
Net book value	65,166	488,075	57,590	46,155	94,083	66,577	817,646
Additions	4,572	9,831	8,515	4,414	6,872	44,447	78,651
Depreciation charge	(4,035)	(33,476)	(28,540)	(18,123)	(29,865)	-	(114,039)
Impairment charge	(17)	(6)	(60)	-	(156)	-	(239)
Reversal of impairment	1,805	171	25	21	434	-	2,456
Disposals	(355)	(23)	(83)	-	(172)	(176)	(809)
Transfers	1,906	2,834	12,853	5,433	17,275	(40,301)	-
Transfers from assets held for sale (Note 11)	8,501	-	-	-	-	-	8,501
At 31 December 2014							
Cost	152,417	1,006,902	870,870	342,623	339,090	70,975	2,782,877
Accumulated depreciation	(74,874)	(539,496)	(820,570)	(304,723)	(250,619)	(428)	(1,990,710)
Net book value	77,543	467,406	50,300	37,900	88,471	70,547	792,167

13. INTANGIBLE ASSETS

thousands of EUR	Customer relationships	Licenses	Goodwill	Software	Internally developed intangible assets	Other	Total
At 1 January 2015							
Cost	447,621	216,600	112,970	518,746	5,357	17,306	1,318,600
Accumulated amortization	(354,530)	(86,218)	(3,000)	(468,473)	(1,910)	(110)	(914,241)
Net book value	93,091	130,382	109,970	50,273	3,447	17,196	404,359
Additions	-	15,377	-	13,005	461	20,976	49,819
Amortization charge	(23,648)	(21,222)	-	(36,524)	(579)	(1)	(81,974)
Disposal	-	-	-	(6)	(1)	(25)	(32)
Transfers	-	-	-	12,422	264	(12,686)	-
At 31 December 2015							
Cost	306,610	226,036	112,970	446,459	6,049	25,487	1,123,611
Accumulated amortization	(237,167)	(101,499)	(3,000)	(407,289)	(2,457)	(27)	(751,439)
Net book value	69,443	124,537	109,970	39,170	3,592	25,460	372,172

Significant part of customer relationships was recognized at the acquisition of T-Mobile in December 2004. Net book value of those customer relationships for post-paid business customers at 31 December 2015 is EUR 38,390 thousand and remaining useful life is 2 years.

The remaining part of customer relationships was recognized at acquisition of subsidiaries DIGI and PosAm with total net book value at 31 December 2015 of EUR 31,053 thousand.

Net book value of the category Other includes intangible assets in progress of EUR 25,460 thousand (2014: EUR 17,196 thousand). For cost and impairment of goodwill refer to Note 14.

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

14. IMPAIRMENT OF GOODWILL

For impairment testing, the goodwill acquired in business combinations has been allocated to individual cash-generating units, as of 31 December 2015 and 2014:

thousands of EUR	T-Mobile	DIGI	PosAm	Zoznam & Zoznam Mobile	Spolu
Goodwill allocated to cash - generating units	73,313	28,621	6,368	4,668	112,970
Impairment	-	-	-	(3,000)	(3,000)
	73,313	28,621	6,368	1,668	109,970

Mobile telecommunication business (T-Mobile)
The goodwill was recognized at the acquisition of T-Mobile in December 2004. The recoverable amount of the cash-generating unit was determined using cash flows projections based on the ten-year financial plans that present the management's best estimate on market participants' assumptions and expectations. The Group uses 10 year cash flow projections as the payback period of the investments in the telecommunications operations often exceeds 5 years. Cash flows beyond the ten-year period are extrapolated using a 2% growth rate (2014: 2%) and a discount rate of 5.34% (2014: 6.93%). This growth rate does not exceed the long-term average growth rate for the market in which the cash-generating unit operates. Further key assumptions on which management has based its determination of the recoverable amount of cash-generating unit include the development of revenue, customer acquisition and retention costs, churn rates, capital expenditures and market share. The recoverable amount of the cash-generating unit based on fair value less costs of disposal calculation exceeded its carrying value. Management believes that any reasonably possible change in the key assumptions on which the cash-generating unit's recoverable amount is based would not cause its carrying amount to exceed its recoverable amount.

TV business (DIGI)
The recoverable amount of the cash-generating unit was determined using cash flows projections based on the four-year financial plans that have been approved by management and are also used for internal purposes. Cash flows beyond the four-year period are extrapolated using a 1.5% growth rate (2014: 1.5%). This growth rate does not exceed the long-term average growth rate for the market in which the cash-generating unit operates. The Group uses discount rate of 6.86% (2014: 7.12%). Further key assumptions on which management has based its determination of the recoverable amount of the cash-generating unit include the development of revenue, customer acquisition and retention costs, capital expenditure and market share. The recoverable amount of the cash-generating unit based on fair value less costs of disposal calculation exceeded its carrying value. Management believes that any reasonably possible change in the key assumptions on which the cash-generating unit's recoverable amount is based would not cause its carrying amount to exceed its recoverable amount.

IT solutions business (PosAm)
The recoverable amount of the cash-generating unit was determined using cash flows projections based on the four-year financial plans that have been approved by management and are also used for internal purposes. Cash flows beyond the four-year period are extrapolated using a 1.5% growth rate (2014: 1.5%). This growth rate does not exceed the long-term average growth rate for the market in which the cash-generating unit operates. The Group uses discount rate of 7.63% (2014: 7.68%). Further key assumptions on which management has based its determination of the recoverable amount of the cash-generating unit include the development of revenue, customer acquisition and retention costs, capital expenditure and market share. The recoverable amount of the cash-generating unit based on fair value less costs of disposal calculation exceeded its carrying value. Management believes that any reasonably possible change in the key assumptions on which the cash-generating unit's recoverable amount is based would not cause its carrying amount to exceed its recoverable amount.

Online business (Zoznam and Zoznam Mobile)
The recoverable amount of the cash-generating unit was determined using cash flows projections based on the four-year financial plans that have been approved by management and are also used for internal purposes. Cash flows beyond the four-year period are extrapolated using a 1.5% growth rate (2014: 1.5%). This growth rate does not exceed the long-term average growth rate for the market in which the cash-generating unit operates. The Group uses discount rate of 8.14% (2014: 8.15%). Further key assumptions on which management has based its determination of the recoverable amount of the cash-generating unit include the development of revenue, customer acquisition and retention costs, capital expenditure and market share. In 2011, the carrying value of the cash generating unit exceeded its recoverable amount based on fair value less costs of disposal calculation by EUR 3,000 thousand and the Group allocated impairment to goodwill in the same amount. In 2015 and 2014, the recoverable amount of the cash-generating unit based on fair value less costs of disposal calculation exceeded its carrying value. Management believes that any reasonably possible change in the key assumptions on which the cash-generating unit's recoverable amount is based would not cause its carrying amount to exceed its recoverable amount.

15. TRADE AND OTHER RECEIVABLES

thousands of EUR	2015	2014
Non-current		
Trade receivables	751	730
Finance lease receivables (Note 16)	428	995
	1,179	1,725
Current		
Trade receivables	98,494	105,676
Other receivables	234	190
Interest receivable on available-for-sale investments	919	4,063
Finance lease receivables (Note 16)	721	2,178
	100,368	112,107

Trade receivables are net of an allowance of EUR 20,477 thousand (2014: EUR 20,685 thousand). If the allowance percentage increases by 1% in each relevant ageing group, the charge for the period would be by EUR 214 thousand higher.

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

thousands of EUR	2015	2014
At 1 January	20,685	22,383
Charge for the year, net	3,976	5,082
Utilised	(4,184)	(6,780)
At 31 December	20,477	20,685

16. FINANCE LEASE – THE GROUP AS LESSOR

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

a) The Group leases complex telecommunication solutions to the customer. The non-cancellable lease period is 36 months from October 2014 until September 2017 and it covers the major part of the economic life of the leased assets;
b) Ownership of the assets will be transferred to the lessee at the end of the lease period for its residual value (if any) in a case that lessee will request such ownership transfer at least one month before the end of the period;
c) The present value of the minimum lease payments amounts to all of the fair value of the leased assets.

thousands of EUR	2015	2014
Gross investment in the lease		
Not later than 1 year	737	2,259
Later than 1 year and not later than 5 years	433	995
Unearned finance income	(21)	(81)
Present value of minimum lease payments	1,149	3,173

thousands of EUR	2015	2014
Present value of minimum lease payments		
Not later than 1 year (Note 15)	721	2,178
Later than 1 year and not later than 5 years (Note 15)	428	995
	1,149	3,173

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

17. PREPAID EXPENSES AND OTHER ASSETS

thousands of EUR	2015	2014
Non-current		
Easements	9,730	9,764
Subscriber acquisition costs	1,543	1,719
Other prepaid expenses	2,083	1,689
	13,356	13,172
Current		
Subscriber acquisition costs	1,660	1,901
Other prepaid expenses	5,307	3,482
Other assets	1,595	1,162
	8,562	6,545

18. INVENTORIES

thousands of EUR	2015	2014
Materials	3,523	3,260
Goods	8,460	8,849
	11,983	12,109

Inventories are net of an allowance of EUR 1,036 thousand (2014: EUR 1,930 thousand). The write-down of inventories in amount of EUR 901 thousand (2014: EUR 186 thousand) was recognized in cost of material and equipment.

19. INVESTMENTS AT AMORTIZED COST

thousands of EUR	2015	2014
Bank bond	3,120	3,120
	3,120	3,120

The bank bond is net of impairment and the amount of EUR 3,120 thousand approximates the fair value of the bond. The bond matured in 2008.

20. AVAILABLE-FOR-SALE INVESTMENTS

thousands of EUR	2015	2014
At 1 January	204,067	226,498
Additions	-	32,661
Disposals	(170,000)	(49,861)
Amortisation of premium paid	(2,857)	(5,321)
Remeasurement recognised in other comprehensive income	(131)	90
At 31 December	31,079	204,067
Non-current	-	32,102
Current	31,079	171,965

For interest receivable on available-for-sale investments refer to Note 15.

Available-for-sale investments are measured at fair value. In 2015 the Group recognized unrealized loss of EUR 25 thousand (2014: gain of EUR 86 thousand) in other comprehensive income and reclassified gain of EUR 89 thousand from other comprehensive income to income statement (2014: EUR 3 thousand).

Available-for-sale investments comprise of state bonds. Credit quality of current available-for-sale investments is as follows: rating A2: EUR 31,079 thousand (2014: rating AAA: EUR 151,963 thousand, rating A2: EUR 20,002 thousand). Credit quality of non-current available-for-sale investments in 2014 was: rating A2: EUR 32,102 thousand.

If the interest rates of available-for-sale investments were 15 basis points higher / 20 basis points lower and all other variables were held constant, the Group's profit for the year ended 31 December 2015 would increase / decrease by EUR 129 thousand/ EUR 173 thousand (2014: EUR 283 thousand / EUR 377 thousand).

21. TERM DEPOSITS

thousands of EUR	2015	2014
Current	31,533	219,596
	31,533	219,596

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

Credit quality of current term deposits is as follows: rating A2: EUR 31,533 thousand (2014: rating A2: EUR 156,608 thousand, rating A3: EUR 62,988 thousand).

22. LOANS

thousands of EUR	2015	2014
Loans to Deutsche Telekom AG	45,000	150,000
	45,000	150,000

The loans granted to Deutsche Telekom AG were not secured. Deutsche Telekom AG has rating BAA1. Loans were provided in November and December 2015 and are repayable in May and June 2016. The commercial terms of the loans were comparable with those valid in current banking environment.

23. CASH AND CASH EQUIVALENTS

thousands of EUR	2015	2014
Cash and cash equivalents	76,440	93,067
	76,440	93,067

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

Credit quality of cash at banks is as follows: rating A1: EUR 3,195 thousand, rating A2: EUR 48,859 thousand, rating A3: EUR 1 thousand, rating BAA1: EUR 23,771 thousand (2014: rating A2: EUR 29,001 thousand, rating A3: EUR 35,425 thousand, rating BAA1: EUR 27,354 thousand, rating BAA2: EUR 607 thousand, rating BAA3: EUR 5 thousand).

24. SHAREHOLDERS' EQUITY

On 1 April 1999, Slovak Telekom became a joint-stock company with 20,717,920 ordinary shares authorized, issued and fully paid at a par value of EUR 33.20 per share. Deutsche Telekom AG acquired 51% of Slovak Telekom through a privatization agreement effective from 4 August 2000, by which the Company issued 5,309,580 new ordinary shares with a par value of EUR 33.20 per share. The shares were issued at a premium totalling EUR 386,139 thousand. All the newly issued shares were subscribed and fully paid by Deutsche Telekom AG. The privatization transaction also involved the purchase by Deutsche Telekom AG of 7,964,445 existing ordinary shares from the National Property Fund of the Slovak Republic. By acquiring 51% share of Slovak Telekom, Deutsche Telekom obtained 51% of the total voting rights associated with the shares.

On 13 December 2013 Deutsche Telekom AG transferred 51% share of Slovak Telekom and voting rights associated with the shares to T-Mobile Global Holding Nr. 2 GmbH, and on 17 December 2013 T-Mobile Global Holding Nr. 2 GmbH transferred 51% share and voting rights associated with the shares to CMobil B.V. The change of the shareholders came into effect by registering in the Central Securities Depository of the Slovak Republic. T-Mobile Global Holding Nr. 2 GmbH became the shareholder of Slovak Telekom on 18 December 2013 and CMobil B.V. became the shareholder of Slovak Telekom on 10 January 2014. CMobil B.V. changed its name to Deutsche Telekom Europe B.V. in March 2015.

The Extraordinary General Meeting of Slovak Telekom held on 9 February 2015 approved the transformation of the form of shares of Slovak Telekom from physical registered shares to book-entered registered shares and the change of nominal value of shares of Slovak Telekom from the nominal value of EUR 33.20 to a nominal value of EUR 10.00, whereby the total amount of registered capital of Slovak Telekom remained unaltered. The change came into effect by registering in the Commercial register of the Slovak Republic in February 2015.

On 8 April 2015 Ministry of the Economy of the Slovak Republic transferred its 34% share of Slovak Telekom and voting rights associated with the shares to the National Property Fund of the Slovak Republic. Subsequently the National Property Fund of the Slovak Republic sold 49% share of Slovak Telekom and voting rights associated with the shares to the Deutsche Telekom Europe B.V. The change of the shareholders came into effect by registering in the Central Securities Depository of the Slovak Republic. Deutsche Telekom Europe B.V. became the sole shareholder of Slovak Telekom on 18 June 2015.

As of 31 December 2015, Slovak Telekom had authorized and issued 86,411,300 ordinary shares (2014: 26,027,500) with a par value of EUR 10.00 per share (2014: EUR 33.20 per share). All the shares issued were fully subscribed.

The structure of shareholders of the Company at 31 December 2015:

Shareholder' name	Number of shares acquired	Value of acquired shares in EUR	Acquired share	Acquired voting rights
Deutsche Telekom Europe B.V.	86,411,300	864,113,000	100%	100%

The structure of shareholders of the Company at 31 December 2014:

Shareholder' name	Number of shares acquired	Value of acquired shares in EUR	Acquired share	Acquired voting rights
Deutsche Telekom Europe B.V. (former CMobil B.V.)	13,274,025	440,697,630	51%	51%
Ministry of the Economy of the Slovak Republic	8,849,350	293,798,420	34%	34%
National Property Fund of the Slovak Republic	3,904,125	129,616,950	15%	15%
	26,027,500	864,113,000		

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

The statutory reserve fund is set up in accordance with Slovak law and is not distributable. The reserve is created from retained earnings to cover possible future losses. In 2013, after the distribution of 2012 statutory profit, the statutory reserve fund reached the level required by the Slovak law and the Articles of Association of Slovak Telekom, a.s.

Financial statements of the Group for the year ended 31 December 2014 were authorized for issue on behalf of the Board of Directors of Slovak Telekom on 4 March 2015.

On 31 March 2015, the Ordinary General Meeting of Slovak Telekom approved distribution of the prior year profit in the form of dividends with the remaining part of the 2014 profit being retained.

On 4 August 2015 the sole shareholder of Slovak Telekom while performing competences of the General meeting of Slovak Telekom approved distribution of retained profits in the form of dividends and distribution of share premium of the Company.

On the basis of the proposed appropriations, total dividends of EUR 32,545 thousand were paid in April 2015 and of EUR 153,697 thousand were paid in August 2015 (2014: EUR 16,400 thousand) and the share premium of EUR 386,139 thousand was paid to the shareholder in August 2015.

Dividend per share calculated based on new number of shares for the years 2015 and 2014 are: EUR 2.16 per share and EUR 0.19 per share. Dividend per share calculated based on former number of shares for the year 2014 is EUR 0.63 per share.

Approval of the 2015 profit distribution will take place at the Annual General Meeting scheduled for 31 March 2016.

25. PROVISIONS

thousands of EUR	Legal and regulatory claims	Asset retirement obligation	Acquisition of subsidiary	Termination benefits	Employee benefits	Other	Total
	(Note 32)						
At 1 January 2015	32,145	12,525	1,000	2,680	12,089	2,732	63,171
Arising during the year	730	5,555	-	4,579	862	2,173	13,899
Utilised	(29,021)	-	(1,000)	(2,675)	(28)	(1,495)	(34,219)
Reversals	(394)	-	-	-	(2,120)	(11)	(2,525)
Interest impact	-	(7,861)	-	-	220	3	(7,638)
At 31 December 2015	3,460	10,219	-	4,584	11,023	3,402	32,688
Current	3,460	-	-	4,584	-	1,918	9,962
Non-current	-	10,219	-	-	11,023	1,484	22,726
	3,460	10,219	-	4,584	11,023	3,402	32,688

Analysis of total provisions:

thousands of EUR	2015	2014
Non-current	22,726	25,751
Current	9,962	37,420
	32,688	63,171

Asset retirement obligation

The Group is subject to obligations for dismantlement, removal and restoration of assets associated with its cell site operating leases (Note 2.19). Cell site lease agreements may contain clauses requiring restoration of the leased site at the end of the lease term, creating an asset retirement obligation.

Acquisition of subsidiary

On 1 September 2013 the Group acquired 100% share and voting rights in DIGI for the price of EUR 51,362 thousand. The Group paid part of the purchase price in amount of EUR 40,000 thousand in 2013 and of EUR 10,362 thousand in 2014. Remaining part of the purchase price in the amount of EUR 1,000 thousand was paid to the former owner of DIGI in September 2015. The funds from escrow account were used for the payment.

Termination benefits

The restructuring of the Group operations resulted in headcount reduction of 313 employees in 2015. The Group expects a further headcount reduction of 301 employees in 2016 as a result of an ongoing restructuring program. A detailed formal plan that specifies the number of staff involved and their locations and functions was defined and authorized by management and announced to the trade unions. The amount of compensation to be paid for terminating employment was calculated by reference to the collective agreement. The termination payments are expected to be paid within twelve months of the statement of financial position date and are recognized in full in the current period. In 2015 the Group recognized an expense resulting from termination benefits in amount of EUR 4,677 thousand (2014: EUR 4,446 thousand) in staff costs.

Retirement and jubilee benefits

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

thousands of EUR	Retirement benefits	Jubilee	Total
Present value of the defined benefit obligation			
At 1 January 2015	11,856	233	12,089
Current service cost	798	20	818
Interest cost	216	4	220
Benefits paid	(11)	(17)	(28)
Remeasurement of defined benefit plans	(757)	44	(713)
Curtailment gain	(1,363)	-	(1,363)
At 31 December 2015	10,739	284	11,023

Remeasurement of defined benefit plans related to retirement benefits in amount of EUR 757 thousand consists of experience adjustments in amount of EUR 105 thousand and of change in financial assumptions in amount of EUR 652 thousand.

The curtailment gain in amount of EUR 1,363 thousand resulted mainly from a reduction in the number of participants covered by the retirement plan that occurred in 2015 or was announced for 2016. There were no special events causing any new past service cost during 2015 other than the curtailment mentioned above.

Principal actuarial assumptions used in determining the defined benefit obligation and the curtailment effect in 2015 include the discount rate of 2.07% (2014: 1.84%). The expected expense for 2015 has been determined based on the discount rate as at the beginning of the accounting period of 1.84% (2014: 3.25%). Average retirement age is 62 years (2014: 62 years). The expected growth of nominal wages over the long term is 2.0% (2014: 2.2%) with minor adjustments for the first three years. The weighted average duration of the defined benefit obligation is 13.8 years (2014: 13.4 years).

The sensitivity analysis for the significant actuarial assumptions as at 31 December 2015 and 2014 is as follows:

thousands of EUR	Change of employee benefits provision	
Change of actuarial assumption:	2015	2014
Discount rate change +100 bp / -100 bp	(1,275) / 1,462	(1,418) / 1,711
Salary change +0.50% / -0.50%	702 / (662)	798 / (733)
Change in life expectation +1 year / -1 year	13 / (13)	14 / (15)

26. TRADE AND OTHER PAYABLES

thousands of EUR	2015	2014
Non-current		
Financial payables	5,074	325
Finance lease	-	313
	5,074	638
Current		
Trade payables	70,600	73,110
Uninvoiced deliveries	44,399	36,945
Put option	12,409	11,603
Financial payables	8,677	6,251
Finance lease	322	313
Other payables	607	737
	137,014	128,959

27. FINANCE LEASE – THE GROUP AS LESSEE

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

thousands of EUR	2015	2014
Minimum lease payments		
Not later than one year	322	313
Later than one year and not later than three years	-	313
	322	626

28. OTHER LIABILITIES AND DEFERRED INCOME

thousands of EUR	2015	2014
Non-current		
Deferred income	3,363	3,511
	3,363	3,511
Current		
Deferred income	36,110	36,635
Amounts due to employees	20,604	22,479
Other tax liabilities	7,484	9,110
Liability for legal and regulatory claims (Note 32)	-	38,838
Other liabilities	4,088	3,570
	68,286	110,632

Amounts due to employees include social fund liabilities:

thousands of EUR	2015	2014
At 1 January	157	75
Additions	1,546	1,585
Utilisation	(1,614)	(1,503)
At 31 December	89	157

29. COMMITMENTS

The Group's purchase commitments were as follows:

thousands of EUR	2015	2014
Acquisition of property and equipment	16,476	14,557
Acquisition of intangible assets	4,143	1,833
Purchase of services and inventory	46,577	62,677
	67,196	79,067

30. OPERATING LEASE – THE GROUP AS LESSEE

The future minimum operating lease payments were as follows:

thousands of EUR	2015	2014
Operating lease payments due within one year	12,920	12,433
Operating lease payments due between one and five years	25,575	24,675
Operating lease payments due after five years	17,955	18,943
	56,450	56,051

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

31. RELATED PARTY TRANSACTIONS

thousands of EUR	Receivables		Payables		Sales and income		Purchases		Commitments	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
DT AG	51,091	155,264	7,768	7,285	4,361	4,359	7,810	6,981	5,785	4,431
Other entities in DT AG group	1,579	2,157	2,545	2,358	8,003	10,639	7,433	10,464	649	442
Other shareholders of the Company	-	5	-	-	11	52	6	7	-	-
	52,670	157,426	10,313	9,643	12,375	15,050	15,249	17,452	6,434	4,873

The Group conducts business with its ultimate parent, Deutsche Telekom AG and its subsidiaries, associates and joint ventures. Business transactions relate mainly to telephone calls and other traffic in the related parties' networks. Other transactions include data services, management, consultancy, other services and purchases of fixed assets. The Group purchased fixed assets in amount of EUR 1,196 thousand (2014: EUR 1,191 thousand) from related parties.

In 2015 the Group granted Deutsche Telekom AG a short-term loan of EUR 45,000 thousand (2014: EUR 150,000 thousand). Interest related to the loan amounted to EUR 134 thousand (2014: EUR 45 thousand) (Notes 8, 22).

Until 18 June 2015 the Slovak Government had significant influence over the financial and operating policy decisions of the Group through 49% of the shares of the Company. The shares were owned by the Slovak Republic through the Ministry of the Economy of the Slovak Republic (34%) and by the National Property Fund of the Slovak Republic (15%). The Slovak Government and the companies controlled or jointly-controlled by the Slovak Government ("Slovak Government related entities") were classified as related parties of the Group until 18 June 2015 and therefore revenue and expenses further disclosed cover only this period.

In 2014 the Group paid to the Telecommunications Office of the Slovak Republic a fee of EUR 62,522 thousand for the granted license for the provision of mobile services on 800 MHz and 2600 MHz frequency (LTE license) bands (Note 1). The Group also incurred expenses of EUR 1,375 thousand (2014: EUR 2,773 thousand) with respect to other frequency and telecommunication equipment related fees to the Telecommunications Office.

During 2013 the Group has entered into a contract for the period of 2 years with the Slovak Government related entity on development, implementation and support of software solution of municipalities portal. The total value of the contract was approximately EUR 38,225 thousand. In 2015, the Group recognized revenue related to this contract of EUR 6,245 thousand (2014: EUR 15,852 thousand).

During 2010 the Group has entered into a contract for the period of 5 years with the Slovak Government related entity on establishment and delivery of communication system, lease of terminal equipment, delivery of internet connectivity and other telecommunications services. The total value of the contract was approximately EUR 23,859 thousand. In 2015, the Group recognized revenue related to this contract of EUR 2,666 thousand (2014: EUR 5,353 thousand).

During 2001 the Group has signed a master agreement with the Slovak Government related entity on providing services of communications infrastructure. The contract amount depends on actual services provided during the financial period. In 2015, the Group recognized revenue related to this contract of EUR 4,146 thousand (2014: EUR 10,284 thousand).

During 2015 the Group purchased electricity and electricity distribution services from the Slovak Government related entities for EUR 3,513 thousand (2014: EUR 7,981 thousand).

During 2015 the Group purchased postal and cash collection services for EUR 2,389 thousand (2014: EUR 4,381 thousand) and leased space for EUR 853 thousand (2014: EUR 1,909 thousand) from the Slovak Government related entity.

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

Deutsche Telekom as the ultimate parent company controlling Slovak Telekom is a related party to the Federal Republic of Germany. Slovak Telekom had no individually significant transactions with the Federal Republic of Germany or entities that it controls, jointly controls or where Federal Republic of Germany can exercise significant influence in either 2015 or 2014.

Compensation of key management personnel

The key management personnel, 16 in number (2014: 21) include members of the Executive Management Board, Board of Directors and Supervisory Board.

thousands of EUR	2015	2014
Short term employee benefits	3,045	2,967
Defined contribution pension plan benefits	58	63
Share matching plan	30	18
	3,133	3,048

thousands of EUR	2015	2014
Executive Management Board	3,069	2,950
Board of Directors	32	54
Supervisory Board	32	44
	3,133	3,048

The benefits of Executive Management Board include amount of EUR 96 thousand (2014: EUR 71 thousand) for private spending of members charged to the Group.

32. CONTINGENCIES

Legal and regulatory cases

On 17 October 2014 the European Commission sent an infringement decision to the Company in case AT 39.523 (hereinafter "the Decision"). The Decision found the Company (and DT AG, as parental company) liable for breach of competition law (margin squeeze and refusal to deal) in relation to ULL for the period 12 August 2005 – 31 December 2010 and imposed a fine of EUR 38,838 thousand on DT AG and the Company, jointly and severally. On 26 December 2014 the Company filed an appeal against the Decision to the General Court of the European Union. The fine was paid by the Company in January 2015. Following the European Commission's decision, two competitors of the Company filed action against Slovak Telekom with the civil court in Bratislava on 12 August 2015, claiming compensation for damages of EUR 281,857 thousand plus interest. These claims seek compensation for damages alleged to have been incurred through Slovak Telekom's abuse of its dominant market position, as determined by the European Commission. Other competitors that would have been harmed by the Company anti-competitive conduct during the infringement period may decide to file actions for damages as well.

In 1999, a lawsuit was brought against Company for compensation of damages and loss of profit allegedly caused by switch-off of the Radio CD International ("CDI") broadcasting in 1996. Radio CDI was a program of Slovak Radio directed to the territory of Austria and broadcasted by Company. In 1996, the broadcasting of the Radio CDI was switched off, based on the request of the Council for Radio and Television Broadcasting stating that Radio CDI broadcasting violated the law. In 2011, the first instance court decided that Company is obliged to pay the plaintiff the amount of EUR 32,179 thousand of the principal and 17.6% late interest since 4 September 1996 until fully paid. The parties concluded settlement agreement in March 2015, which was further approved by court in June 2015. The settlement was paid in June 2015.

In 2009, the Anti-Monopoly Office ("AMO") imposed on Company a penalty of EUR 17,453 thousand for abusing its dominant position and violating competition law by price squeeze and tying practices on several relevant markets (voice, data and network access services). Company filed an administrative complaint to the Regional Court in Bratislava in 2009. In January 2012, the Regional Court cancelled the challenged AMO decision. The Regional Court's judgment was cancelled by the Supreme Court in February 2014 upon AMO's appeal. The Supreme Court referred the case back to the Regional Court for further proceedings.

In 2013, two companies filed actions against Company seeking damages allegedly resulting from an unfair conduct of Company. The companies contend that they incurred lost profit amounting to EUR 62,236 thousand plus interest as a consequence of the said conduct. In 2014 both companies increased their claim against the Company by EUR 16,507 thousand. Both proceedings before the first instance District Court Bratislava II are currently suspended. Third damage claim based on the same grounds was raised by another competitor in 2015 in the amount of EUR 58,924 thousand plus interest.

In 2005, the former supplier brought a lawsuit against Company for compensation of damages in total amount of EUR 2,310 thousand. The supplier alleges that by ceasing cooperation with it Company breached the contract between the Company and the supplier. In addition, another company contends that by breaching the said contract Company caused damages not only to the supplier but to the shareholders of such another company as well. Therefore, in 2013, this another company, to which its shareholders ceded their claims to, brought three lawsuits against Company and Deutsche Telekom AG, one of which has been dismissed by the court in 2014. As of 31 December 2015, there are two lawsuits, where the plaintiff is seeking damages in total amount of EUR 6,857 thousand plus costs of proceedings and default interest. In February 2015, the supplier assigned its claim to such another company, which is currently acting as the claimant in relation to all three lawsuits. All the above lawsuits are still pending at the first instance.

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

As at 31 December 2015, the Group recognized provision for known and quantifiable risks related to proceedings against the Group, which represent the Group's best estimate of the amounts, which are more likely than not to be paid. The actual amounts of penalties, if any, are dependent on a number of future events the outcome of which is uncertain, and, as a consequence, the amount of provision may change at a future date.

33. AUDIT FEES

In 2015 the Group obtained from the audit company PricewaterhouseCoopers Slovensko, s.r.o. audit services in amount of EUR 291 thousand (2014: EUR 286 thousand), other assurance services in amount of EUR 62 thousand (2014: EUR 62 thousand), tax advisory services in amount of EUR 0 thousand (2014: EUR 5 thousand) and other non-audit services in amount of EUR 444 thousand (2014: EUR 54 thousand).

34. EVENTS AFTER THE REPORTING PERIOD

There were no other events, which have occurred subsequent to the year-end, which would have a material impact on the financial statements at 31 December 2015.

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 2015

CONTENTS

INDEPENDENT AUDITOR'S REPORT

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying separate financial statements of Slovak Telekom, a.s. (the "Company") standing alone, which comprise the statement of financial position as at 31 December 2015 and the statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and notes comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Separate Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the separate financial statements present fairly, in all material respects, the financial position of the Company standing alone as at 31 December 2015, its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

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

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

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 32 to these separate financial statements, which describe the infringement decision of the European Commission against the Company and the implications thereof. The ultimate outcome of the related proceedings cannot presently be determined.

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

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

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

Bratislava, 14 March 2016

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

INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER

thousands of EUR	Notes	2015	2014
Revenue	4	707,056	700,106
Staff costs	5	(113,514)	(113,149)
Material and equipment		(107,823)	(92,444)
Depreciation, amortization and impairment losses	11, 12, 13	(178,850)	(185,585)
Interconnection and other fees to operators		(67,642)	(65,875)
Other operating income	6	17,389	15,454
Other operating costs	7	(162,699)	(194,400)
Operating profit		93,917	64,107
Financial income	8	3,017	3,618
Financial expense	9	(500)	(521)
Net financial result		2,517	3,097
Profit before tax		96,434	67,204
Income tax expense	10	(26,690)	(26,522)
Profit for the year		69,744	40,682

The financial statements on pages 93 to 136 were authorized for issue on behalf of the Board of Directors of the Company on 14 March 2016 and signed on their behalf by:

Ing. Miroslav Majoroš
Predseda predstavenstva
a Generálny riaditeľ

Kerstin Günther
Podpredseda predstavenstva

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER

thousands of EUR	Notes	2015	2014
Profit for the year		69,744	40,682
Other comprehensive income			
(Loss) / gain on remeasurement of available-for-sale investments	21	(115)	86
Deferred tax income	10	-	8
Net other comprehensive income to be reclassified to profit or loss in subsequent periods		(115)	94
Gain / (loss) on remeasurement of defined benefit plans	26	757	(1,825)
Deferred tax (expense) / income	10	(166)	402
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods		591	(1,423)
Total comprehensive income for the year, net of tax		70,220	39,353

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER

thousands of EUR	Notes	2015	2014
ASSETS			
Non-current assets			
Property and equipment	12	752,614	782,658
Intangible assets	13	299,890	330,276
Investments in subsidiaries	15	69,098	69,098
Available-for-sale investments	21	-	32,102
Trade and other receivables	16	1,179	1,725
Prepaid expenses and other assets	18	13,205	13,059
		1,135,986	1,228,918
Current assets			
Inventories	19	11,426	11,761
Investments at amortized cost	20	3,120	3,120
Available-for-sale investments	21	31,079	171,965
Term deposits	22	31,533	219,596
Escrow	26	-	1,000
Loans	23	45,000	150,000
Trade and other receivables	16	96,705	104,285
Prepaid expenses and other assets	18	7,259	5,762
Current income tax receivable		1,542	9,453
Cash and cash equivalents	24	60,467	82,664
		288,131	759,606
Assets held for sale	11	-	8,647
		288,131	768,253
TOTAL ASSETS		1,424,117	1,997,171
EQUITY AND LIABILITIES			
Shareholders' equity			
Issued capital	25	864,113	864,113
Share premium	25	-	386,139
Statutory reserve fund	25	172,823	172,823
Other		(1,401)	(1,908)
Retained earnings and profit for the year		69,744	186,242
		1,105,279	1,607,409
Non-current liabilities			
Deferred tax	10	99,953	108,432
Provisions	26	22,665	25,673
Trade and other payables	27	4,863	638
Other liabilities and deferred income	28	3,178	3,407
		130,659	138,150
Current liabilities			
Provisions	26	7,109	35,556
Trade and other payables	27	118,666	111,698
Other liabilities and deferred income	28	60,785	103,424
Current income tax liability		1,619	934
		188,179	251,612
Total liabilities		318,838	389,762
TOTAL EQUITY AND LIABILITIES		1,424,117	1,997,171

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER

thousands of EUR	Notes	Issued capital	Share premium	Statutory reserve fund	Other	Retained earnings	Total equity
Year ended 31 December 2014							
At 1 January 2014		864,113	386,139	172,823	1,812	161,960	1,586,847
Profit for the year		-	-	-	-	40,682	40,682
Other comprehensive income		-	-	-	(1,329)	-	(1,329)
Total comprehensive income		-	-	-	(1,329)	40,682	39,353
Transactions with shareholders:							
Other changes in equity		-	-	-	(2,391)	-	(2,391)
Dividends	25	-	-	-	-	(16,400)	(16,400)
At 31 December 2014		864,113	386,139	172,823	(1,908)	186,242	1,607,409
Year ended 31 December 2015							
At 1 January 2015		864,113	386,139	172,823	(1,908)	186,242	1,607,409
Profit for the year		-	-	-	-	69,744	69,744
Other comprehensive income		-	-	-	476	-	476
Total comprehensive income		-	-	-	476	69,744	70,220
Transactions with shareholders:							
Other changes in equity	25	-	(386,139)	-	31	-	(386,108)
Dividends	25	-	-	-	-	(186,242)	(186,242)
At 31 December 2015		864,113	-	172,823	(1,401)	69,744	1,105,279

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER

thousands of EUR	Notes	2015	2014
Operating activities			
Profit for the year		69,744	40,682
Adjustments for:			
Depreciation, amortization and impairment losses	11, 12, 13	178,850	185,585
Interest income, net		(1,398)	(2,377)
Income tax expense	10	26,690	26,522
Loss / (gain) on disposal of property and equipment and intangible assets		373	(1,240)
Dividend income from subsidiaries	8, 31	(851)	(597)
Other non-cash items		5,724	3,604
Movements in provisions		(27,616)	28,637
Changes in working capital:			
Change in trade and other receivables		(349)	8,731
Change in inventories		(563)	2,225
Change in trade and other payables		(47,962)	7,958
Cash flows from operations		202,642	299,730
Income taxes paid		(26,740)	(48,326)
Net cash flows from operating activities		175,902	251,404
Investing activities			
Purchase of property and equipment and intangible assets		(90,528)	(171,135)
Proceeds from disposal of property and equipment and intangible assets		1,166	2,707
Acquisition of interest in subsidiaries		-	1,638
Dividends received	8, 31	851	597
Acquisition of available-for sale investments		-	(32,937)
Proceeds from disposal of available-for sale investments		170,276	49,981
Disbursement of loans	23	(205,000)	(150,000)
Repayment of loans	23	310,000	-
Acquisition of term deposits		(57,230)	(423,519)
Termination of term deposits		244,859	348,276
Interest received		6,750	6,559
Other charges paid for investing activities		(115)	-
Net cash flows from / (used in) investing activities		381,029	(367,833)
Financing activities			
Dividends paid	25	(186,242)	(16,400)
Share premium paid	25	(386,139)	-
Repayment of other financial liabilities		(6,598)	(6,668)
Other charges paid for financing activities		(235)	(83)
Net cash used in financing activities		(579,214)	(23,151)
Effect of exchange rate changes on cash and cash equivalents		86	23
Net decrease in cash and cash equivalents		(22,197)	(139,557)
Cash and cash equivalents at 1 January	24	82,664	222,221
Cash and cash equivalents at 31 December	24	60,467	82,664

NOTES TO THE FINANCIAL STATEMENTS

INDEX TO THE NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Slovak Telekom, a.s. ("the Company" or "Slovak Telekom") is a joint-stock company incorporated on 1 April 1999 in the Slovak Republic. The Company's registered office is located at Bajkalská 28, 817 62 Bratislava. The business registration number (IČO) of the Company is 35 763 469 and the tax identification number (DIČ) is 202 027 3893. On 4 August 2000, Deutsche Telekom AG ("Deutsche Telekom" or "DT AG") gained control of the Company through the acquisition of 51% of the shares of Slovak Telekom. The transaction involved the purchase of existing shares from the National Property Fund of the Slovak Republic and the issue of new shares. On 13 December 2013 Deutsche Telekom AG transferred 51% share of Slovak Telekom and voting rights associated with the shares to T-Mobile Global Holding Nr. 2 GmbH, and on 17 December 2013 T-Mobile Global Holding Nr. 2 GmbH transferred 51% share and voting rights associated with the shares to CMobil B.V. The change of the shareholders came into effect by registering in the Central Securities Depository of the Slovak Republic. T-Mobile Global Holding Nr. 2 GmbH became the shareholder of Slovak Telekom on 18 December 2013 and CMobil B.V. became the shareholder of Slovak Telekom on 10 January 2014. The Slovak Republic retained 34% of the shares of the Company through the Ministry of the Economy of the Slovak Republic and the National Property Fund of the Slovak Republic retained 15% of the shares of the Company. CMobil B.V. changed its name to Deutsche Telekom Europe B.V. in March 2015.

On 8 April 2015 the Ministry of the Economy of the Slovak Republic transferred their 34% share and voting rights associated with the shares to the National Property Fund of the Slovak Republic. Subsequently, the National Property Fund of the Slovak Republic sold 49% share and voting rights associated with the shares to Deutsche Telekom Europe B.V. The change of the shareholders became effective by registering in the Central Securities Depository of the Slovak Republic. Deutsche Telekom Europe B.V. became the sole shareholder of Slovak Telekom, a.s. as of 18 June 2015.

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

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

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

Members of the Statutory Boards at 31 December 2015

Board of Directors

Chair:	Ing. Miroslav Majoroš
Vice-chair:	Kerstin Günther
Member:	Franco Musone Crispino

Supervisory Board

Chair:	Dr. Hans-Peter Schultz
Member:	Ing. Denisa Herdová
Member:	Miriam Kvočková
Member:	Dr. Henning Never
Member:	Ing. Drahoslav Letko
Member:	Konstantina Bata
Member:	Lamia Tewaag

In 2015 a number of changes were entered in the Commercial Register: Ing. Michal Vaverka, Ing. Miloš Šujanský, PhD., M.B.A. and Ing. Martin Mác left the Board of Directors in August 2015 and were not replaced. Dr. Robert Hauber left the Board of Directors in September 2015 and was not replaced. Ing. Michal Lukačovič, Ing. Martin Habán and Ing. Peter Weber left the Supervisory Board in August 2015 and were not replaced. The Supervisory Board member positions of Ms. Tanja Wehrhahn and Ms. Cornelia Elisabeth Sonntag were replaced by Dr. Henning Never, Ms. Konstantina Bata and Ms. Lamia Tewaag in October 2015.

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

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

2. ACCOUNTING POLICIES

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

2.1 Basis of preparation

The financial statements have been prepared under the historical cost convention, except where disclosed otherwise.

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

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

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

Statement of compliance

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

The consolidated financial statements for the year ended 31 December 2015 have been prepared in compliance with International Financial Reporting Standards and IFRIC interpretations as adopted by the European Union. The consolidated financial statements are available at the Company's registered office and in the public administration information system (the Register) administered by the Ministry of Finance of the Slovak Republic.

2.2 Property and equipment

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

Historical cost includes all costs directly attributable to bringing the asset into working condition for its use as intended by the management. In case of network, costs comprise all expenditures, including internal costs directly attributable to network construction, and include contractors' fees, materials and direct labour. Costs of subsequent enhancement are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other maintenance, repairs and minor renewals are charged to the income statement as incurred.

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

Depreciation is calculated on a straight-line basis from the time the assets are available for use over their estimated useful lives. Depreciation charge is identified separately for each significant part of an item of property and equipment.

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

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

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

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

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

2.3 Assets held for sale

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

2.4 Intangible assets

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

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

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

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

Software and licenses

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

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

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

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

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

Goodwill

The goodwill previously recognized through the acquisition of the fully owned subsidiary T-Mobile was separately recognized in the statement of financial position of the integrated company Slovak Telekom as at 1 July 2010. Following initial recognition, goodwill is carried at cost less any accumulated impairment losses. Goodwill is not amortized but it is reviewed for impairment annually or more frequently, if events or changes in circumstances indicate that the carrying value may be impaired (Note 14). Carrying value of goodwill is compared to its recoverable amount, which is the higher of value in use and fair value less costs to sell. Any impairment is recognized immediately as an expense and is not subsequently reversed. Fair values less costs to sell of cash-generating units with allocated goodwill tested for impairment are in Level 3 of the fair value hierarchy.

2.5 Investments in subsidiaries

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

2.6 Impairment of non-financial assets

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

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

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

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

2.7 Inventories

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

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

2.8 Cash and cash equivalents

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

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

2.9 Financial assets

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

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when the rights to receive cash flows from the asset have expired or the Company has transferred its rights to receive cash flows from the asset and has transferred substantially all the risks and rewards of the ownership.

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

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

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

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

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

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

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

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

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

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

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

2.10 Impairment of financial assets

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

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

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

2.11 Financial liabilities

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

Trade and other payables

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

Financial liabilities at fair value through profit or loss

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

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

2.12 Prepaid expenses

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

2.13 Provisions and contingent liabilities

Provisions for asset retirement obligations, restructuring costs and legal and regulatory claims are recognized when: the Company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

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

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

Asset retirement obligations

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

2.14 Employee benefit obligations

Retirement and other long-term employee benefits

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

A defined contribution plan is a pension plan under which the Company pays fixed contributions into separate publicly or privately administered entities on a mandatory, contractual or voluntary basis. Once the contributions have been paid, the Company has no further payment obligations. The contribution is based on gross salary payments. The cost of these payments is charged to the income statement in the same period as the related salary cost.

The Company also provides defined retirement and jubilee benefit plans granting certain amounts of pension or jubilee payments that an employee will receive on retirement, usually dependant on one or more factors such as an age, years of service and compensation. These benefits are unfunded. The liability recognized in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The last calculation was prepared on 31 December 2015. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using discount rate of weighted-average yields for high-quality (Bloomberg Aa*) - non-cancellable, non-putable corporate bonds. The currency and term of the bonds are consistent with the currency and estimated term of the benefit obligations. Past service costs are recognized immediately in income statement.

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

Termination benefits

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

2.15 Revenue recognition

Revenue is recognized upon the delivery of services and products and customer acceptance thereof and to the extent that: it is probable that economic benefits will flow to the Company; the revenue can be measured reliably and when specific criteria as stated below have been met. Revenue from rendering of services and from sales of equipment is shown net of value added tax and discounts. Revenue is measured at the fair value of consideration received or receivable.

The Company recognizes revenue as follows:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

2.17 Operating profit
Operating profit is defined as a result before income taxes and financial income and expenses. For financial income and expenses refer to Notes 8 and 9 respectively.

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

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

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

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the tax authorities.

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

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

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

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

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

Useful lives of non-current assets
The estimation of the useful lives of non-current assets is a matter of judgement based on the Company's experience with similar assets. The Company reviews the estimated remaining useful lives of non-current assets annually. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the depreciation or amortization period, as appropriate, and are treated as changes in accounting estimates. Management's estimates and judgements are inherently prone to inaccuracy for those assets for which no previous experience exists.

The Company reviewed useful lives of non-current assets during 2015 and changed accounting estimates where appropriate. The table summarizes net (increase) or decrease in depreciation or amortization charge for the following categories of non-current assets:

thousands of EUR	2015	2016	2017	2018	After 2019
Duct, cable and other outside plant	(1,769)	(356)	317	304	1,504
Switching equipment	(558)	157	88	84	229
Radio equipment	(397)	(117)	397	57	60
Other	(1,032)	(401)	725	301	407

Customer relationships
The Company maintains record of customer relationships obtained during the acquisition of control of T-Mobile and recognized at the merger (Notes 1, 13) and regularly evaluates appropriateness of useful lives used to amortize these intangible assets on the basis of churn of customers acquired through the business combination. No changes to useful lives were necessary in 2015. If the useful lives of customer relationships were shortened by one year, the amortization would increase by EUR 9,597 thousand. If the useful lives of customer relationships were shortened by two years, the amortization would increase by EUR 38,390 thousand.

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

Assessment of impairment of goodwill
The 2010 legal merger with T-Mobile led to recognition of goodwill. Goodwill is tested annually for impairment as further described in Note 2.4 using estimates detailed in Note 14.

Asset retirement obligation
The Company enters into lease contracts for land and premises on which mobile communication network masts are sited. The Company is committed by these contracts to dismantle the masts and restore the land and premises to their original condition. Management anticipates the probable settlement date of the obligation to equal useful life of mast, which is estimated to be 50 years. The remaining useful life of masts ranges from 27 to 50 at 31 December 2015. Management's determination of the amount of the asset retirement obligation (Note 26) involves the following estimates (in addition to the estimated timing of crystallisation of the obligation):

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

If the economic useful life of the masts was shortened by 10 years (from 50 years to 40 years) it would cause an increase of asset retirement obligation by EUR 2,781 thousand. If the inflation rate increased by 0.5%, it would cause an increase of asset retirement obligation by EUR 2,162 thousand. If the risk-adjusted, pre-tax discount rate increased by 0.5%, it would cause a decrease of asset retirement obligation by EUR 1,749 thousand. If the amounts necessary to settle future obligations increased by 10%, it would cause an increase of asset retirement obligation by EUR 1,022 thousand.

Provisions and contingent liabilities
The Company is a participant in several lawsuits and regulatory proceedings. When considering the recognition of a provision, management judges the probability of future outflows of economic resources and its ability to reliably estimate such future outflows. If these recognition criteria are met a provision is recorded in the amount of the best estimate of the expenditure required to settle the present obligation at the end of the reporting period. Such judgments and estimates are continually reassessed taking into consideration the developments of the legal cases and proceedings and opinion of lawyers and other subject matter experts involved in resolution of the cases and proceedings. The factors considered for individual cases are described in Notes 26 and 32.

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

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

2.21 Comparatives

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

a) Costs related to deliveries by courier to the customers in amount of EUR 1,460 thousand is presented within Other operating costs in 2014 comparatives. In 2014 financial statements these costs were presented within Material and equipment.
b) Presentation of balances within the Note Other operating costs was changed in order to conform to the current year presentation. Amount of EUR 4,046 thousand was adjusted in Installation services and in Own work capitalized in 2014 comparatives.

Reclassification of balances had no impact on balances in the statement of financial position as of 1 January 2014; therefore no opening statement of financial position as at 1 January 2014 is presented in these financial statements.

2.22 Adoption of IFRS during the year

Standards, interpretations and amendments to published standards effective for the Company's accounting period beginning on 1 January 2015

There are no IFRS or IFRIC interpretations that are effective for the first time for the financial year beginning on or after 1 January 2015 that have material impact on the Company.

- IFRIC 21 Levies, issued on 20 May 2013 and European Union ("EU") effective for annual periods beginning on or after 17 June 2014

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

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

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

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

  IFRS 3 Business combinations – scope of exception for joint ventures

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

  IFRS 13 Fair value Measurement – portfolio exception

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

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

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

Standards, interpretations and amendments to published standards that have been published, are not effective for accounting periods starting on 1 January 2015 and which the Company has not early adopted

- Amendments within Annual improvements project 2010 – 2012, issued in November 2013 and EU effective for annual periods beginning on or after 1 February 2015. The improvements consist of changes to seven standards:

IFRS 2 Share-based Payment – Definition of vesting condition

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

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

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

IFRS 8 Operating segment - Aggregation of operating segments

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

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

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

IFRS 13 Fair value Measurement – short term receivables and payables

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

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

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

IAS 24 Related Party Disclosures – Key management personnel

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

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

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

- Amendment to IAS 19 – Defined Benefit Plans: Employee Contributions, issued in November 2013 and EU effective for annual periods beginning on or after 1 February 2015.

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

- Amendments within Annual improvements project 2012 – 2014, issued on 25 September 2014 and effective for annual periods beginning on or after 1 January 2016. The effective day has not yet been endorsed by the European Union. The improvements consist of changes to four standards:

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

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

  IFRS 7 Financial Instruments: Disclosures – Servicing contract

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

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

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

IAS 19 Employee benefits – discount rate: Regional market issue

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

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

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

- IFRS 9 Financial Instruments, issued in July 2014 and effective for annual periods beginning on or after 1 January 2018. The effective day has not yet been endorsed by the European Union.

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

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

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

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

- IFRS 14 Regulatory Deferral Accounts, issued in January 2014 and effective for annual periods beginning on or after 1 January 2016. The effective day has not yet been endorsed by European Union.

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

- IFRS 15 Standard on the recognition of revenue from contracts with customers, issued on 28 May 2014 and effective for the periods beginning on or after 1 January 2018. The effective day has not yet been endorsed by the European Union.

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

- Amendment to IFRS 11 Joint Arrangements - Accounting for acquisition of interests in joint operations, issued on 6 May 2014 and EU effective for the periods beginning on or after 1 January 2016.

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

- Amendments to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets, issued on 12 May 2014 and EU effective for the periods beginning on or after 1 January 2016.

  IAS 16 and IAS 38 both establish the principle for the basis of depreciation and amortisation as being the expected pattern of consumption of the future economic benefits of an asset.

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

- Amendments to IAS 16 Property, Plant and Equipment and IAS 41 Agriculture, issued on 30 June 2014 and EU effective for annual periods beginning on or after 1 January 2016.

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

- Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures (2011), issued on 11 September 2014 and effective for annual periods beginning on or after 1 January 2016. The effective day has not yet been endorsed by the European Union.

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

- Amendment to IAS 27 - Separate Financial Statements - Equity Method in Separate Financial Statements, issued on 12 August 2014 and effective for annual periods beginning on or after 1 January 2016. The effective day has not yet been endorsed by the European Union.

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

- Amendments to IAS 1 – Presentation of Financial Statements: Disclosure Initiative, issued in December 2014 and effective for annual periods beginning on or after 1 January 2016. The effective day has not yet been endorsed by the European Union.

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

- Amendments to IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosures of Interests in Other Entities, and IAS 28 Associates and Joint Ventures, issued in December 2014 and effective for annual periods beginning on or after 1 January 2016. The effective day has not yet been endorsed by the European Union.

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

The amendment confirms that:

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

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

3. FINANCIAL RISK MANAGEMENT

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

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

The Company holds financial assets which represent its investment in subsidiaries. These financial assets are deemed to be long-term.

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

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

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

3.1 Market risk

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

3.1.1 Foreign currency risk

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

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

The Company can use forward currency contracts, currency swaps or spot-market trading to eliminate the exposure towards foreign currency risk. It is the Company's policy to negotiate the terms of the hedge derivatives to match the terms of the hedged item to maximize hedge effectiveness. Such economic hedge however does not qualify for hedge accounting under the specific rules of IAS 39.

For all planned, but not yet determined, foreign currency denominated cash flows (uncommitted exposure) of the following 12 months (rolling 12 month approach) a hedging ratio of at least 50% is applied. The Company uses term deposits in foreign currencies to hedge these uncommitted exposures (Note 22).

Short-term cash forecasts are prepared on a rolling basis to quantify the Company's expected exposure. The Company's risk management policy requires the hedging of every cash flow denominated in foreign currency exceeding the equivalent of EUR 250 thousand.

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

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

thousands of EUR		2015	2014
Profit before tax	Depreciation of EUR by 10%	511	475
	Appreciation of EUR by 10%	(418)	(389)
Equity	Depreciation of EUR by 10%	399	371
	Appreciation of EUR by 10%	(326)	(303)

3.1.2 Interest rate risk

The Company's income and operating cash flows are substantially independent of changes in market interest rates. The Company entered into a master agreement with DT AG in October 2008 based on which the Company can provide loans to DT AG. Currently, there is outstanding loan in amount of EUR 45,000 thousand at fixed interest rate (Note 23). The term deposits outstanding at 31 December 2015 in the amount of EUR 31,533 thousand have been concluded with fixed interest rate (Note 22).

The Company's exposure to the risk of changes in market interest rates relates mainly to the Company's available-for-sale investments. The Company seeks to optimize its exposure towards interest rate risk using a mix of fixed–rate and floating–rate securities. At the end of 2015, the securities portfolio consists of fixed-rate bonds. The sensitivity of available-for-sale investments to changes in interest rates is detailed in Note 21.

3.1.3 Other price risk

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

3.2 Credit risk

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

The Company is exposed to credit risk from its operating activities and certain financing activities. The Company's credit risk policy defines products, maturities of products and limits for financial counterparties. The Company limits credit exposure to individual financial institutions and securities issuers on the basis of the credit ratings assigned to these institutions by reputable rating agencies and these limits are reviewed on a regular basis. For credit ratings see Notes 21, 22, 23 and 24. The Company is exposed to concentration of credit risk from holding state bonds in amount of EUR 31,999 thousand issued by the Slovak Republic and loan receivable in the amount of EUR 45,000 thousand provided to DT AG (Germany).

Further, counterparty credit limits and maximum maturity can be decreased based on recommendation by Deutsche Telekom Group Treasury in order to manage bulk risk steering of Deutsche Telekom Group. Group credit risk steering takes into account various risk indicators including, but not limited to CDS level, rating and negative movement of the share price of the counterparty.

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

In respect of financial assets, which comprise cash and cash equivalents, loans, term deposits, investments at amortized cost, available-for-sale investments, trade and other receivables, the Company's exposure to credit risk arises from the potential default of the counterparty, with a maximum exposure equal to the carrying amount of these financial assets. In April 2012 the Company and Poštová banka, a.s. signed an Agreement about establishment of a right of lien on securities. Based on Amendment No. 2 to the Agreement from January 2015 the Company secured its receivables to maximum principal amount of EUR 15,000 thousand. In total, Poštová banka, a.s. pledged 15,000,000 pieces of the state bond SK4120007204 with a nominal value of EUR 15,000 thousand. No other significant agreements reducing the maximum exposure to credit risk had been concluded at 31 December 2015.

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

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

The table summarises the ageing structure of receivables:

thousands of EUR	Neither past due nor impaired	Past due but not impaired					Total
		< 30 days	31-90 days	91-180 days	181-365 days	> 365 days	
At 31 December 2015							
Trade and other receivables	84,369	257	181	106	26	65	85,004
At 31 December 2014							
Trade and other receivables	92,234	225	8	42	63	78	92,650

No significant individually impaired trade receivables were included in the allowance for impairment losses in 2015 and 2014.

Trade receivables that are past due as at the statement of financial position date, but not impaired, are from creditworthy customers who have a good track record with the Company and, based on historical default rates, management believes that no additional impairment allowance is necessary.

For sensitivity of impairment charge of uncollectible receivables refer to Note 16.

3.3 Liquidity risk

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

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

The table summarizes the maturity profile of the Company's financial liabilities (including issued financial guarantee) based on contractual undiscounted payments:

thousands of EUR	On demand	Less than 3 months	3 to 12 months	Over 1 year	Total
At 31 December 2015					
Trade and other payables	6,280	107,133	5,253	4,863	123,529
At 31 December 2014					
Trade and other payables	4,814	102,669	4,215	638	112,336

The Company has granted credit limit to subsidiary DIGI SLOVAKIA, s.r.o. in amount of EUR 5,000 thousand with interest rate 1M Euribor + 1% margin. The limit was not used as at 31 December 2015.

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

thousands of EUR	Gross amounts	Offsetting	Net amounts
At 31 December 2015			
Current financial assets – Trade receivables	15,487	(7,253)	8,234
Current financial liabilities – Trade payables	10,960	(7,253)	3,707
At 31 December 2014			
Current financial assets – Trade receivables	10,686	(5,756)	4,930
Current financial liabilities – Trade payables	9,897	(5,756)	4,141

For the Company's accounting policy on offsetting refer to Note 2.9.

3.4 Capital risk management

The Company manages its capital to ensure its ability to support its business activities on an ongoing basis. It takes into consideration any applicable guidelines of the parent company. No changes were made to the objectives, policies or processes in 2015.

The capital structure of the Company consists of equity attributable to shareholders, comprising issued capital, statutory reserve fund, retained earnings and other components of equity (Note 25). The management of the Company manages capital measured in terms of shareholder's equity amounting to at 31 December 2015 EUR 1,105,279 thousand (2014: EUR 1,607,409 thousand).

3.5 Fair value

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

3.5.1 Recurring fair value measurements

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

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

thousands of EUR	At 31 December 2015				At 31 December 2014			
	Level 1	Level 2	Level 3	Carrying value	Level 1	Level 2	Level 3	Carrying value
Non-current assets								
Available-for-sale investments (Note 21)	-	-	-	-	32,102	-	-	32,065
Current assets								
Available-for-sale investments (Note 21)	31,079	-	-	31,068	171,965	-	-	171,860
Interest receivable on available-for-sale investments (Note 16)	919	-	-	922	4,063	-	-	4,083

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

3.5.2 Non-recurring fair value measurements

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

During 2015 the Company transferred unsold assets to property and equipment as those ceased to meet the criteria to be classified as held for sale.

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

thousands of EUR	At 31 December 2015				At 31 December 2014			
	Level 1	Level 2	Level 3	Carrying value	Level 1	Level 2	Level 3	Carrying value
Assets held for sale (Note 11)	-	-	-	-	-	-	8,647	8,647

3.5.3 Financial assets and financial liabilities not measured at fair value

The fair value of other financial assets and financial liabilities approximate their carrying amounts at the statement of financial position date. Non-current trade receivables, non-current trade payables and finance lease receivables and payables are discounted unless the effect of discounting was inconsiderable. The main part of finance lease receivables was discounted using interest rate 3.28% (2014: from 2.98% to 3.36%).

3.6 Presentation of financial instruments by measurement category

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

thousands of EUR	2015	2014
Loans and receivables		
Trade and other receivables (Note 16)	97,884	106,010
Term deposits (Note 22)	31,533	219,596
Escrow	-	1,000
Loans (Note 23)	45,000	150,000
Cash and cash equivalents (Note 24)	60,467	82,664
Financial assets held-to-maturity		
Investments at amortized cost (Note 20)	3,120	3,120
Available-for-sale financial assets		
Available-for-sale investments (Note 21)	31,079	204,067

4. REVENUE

thousands of EUR	2015	2014
Fixed network revenue	268,219	276,683
Mobile network revenue	325,936	333,036
Terminal equipment	33,315	36,187
System solutions / IT	50,636	21,671
Other	28,950	32,529
	707,056	700,106

5. STAFF COSTS

thousands of EUR	2015	2014
Wages and salaries	89,126	88,238
Defined contribution pension costs	11,903	11,837
Other social security contributions	12,485	13,074
	113,514	113,149

	2015	2014
Number of employees at period end	2,977	3,081
Average number of employees during the period	3,043	3,178

6. OTHER OPERATING INCOME

thousands of EUR	2015	2014
Gain on disposal of property and equipment and intangible assets, net	-	1,240
Income from material sold, net	1,488	813
Income from rental of premises	2,307	2,447
Reversal of impairment of property and equipment (Note 12)	210	2,456
Income from marketing activities	4,378	3,451
Other	9,006	5,047
	17,389	15,454

7. OTHER OPERATING COSTS

thousands of EUR	2015	2014
Repairs and maintenance	20,100	21,666
Installation services	902	833
Marketing costs	19,192	18,765
Energy	13,742	15,904
Printing and postage	3,866	4,034
Logistics	4,176	3,808
Rentals and leases	17,547	17,203
IT services	7,773	7,301
Dealer commissions	17,523	16,119
Frequency and other fees to Telecommunications Office	2,788	2,773
Content fees	13,233	14,267
Legal and regulatory claims	1,355	42,335
Consultancy	3,908	2,762
Bad debts expenses	4,167	5,997
Services related to delivery of solutions for customers	22,587	12,448
Fees paid to DT AG group	4,823	4,163
Other	16,386	15,418
Own work capitalized	(11,369)	(11,396)
	162,699	194,400

8. FINANCIAL INCOME

thousands of EUR	2015	2014
Dividends from subsidiaries (Note 31)	851	597
Interest on term deposits and bank accounts	438	969
Interest on loans	134	45
Interest on available-for-sale investments	221	561
Interest from finance lease	48	89
Foreign exchange gains, net	532	561
Other	793	796
	3,017	3,618

9. FINANCIAL EXPENSE

thousands of EUR	2015	2014
Interest costs on employee benefits provision	216	243
Interest cost on other non-current provisions	49	194
Bank charges and other financial expense	235	84
	500	521

10. TAXATION

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

thousands of EUR	2015	2014
Current tax expense	32,544	34,459
Deferred tax income	(8,645)	(10,421)
Other income tax	2,791	2,484
Income tax expense reported in the income statement	26,690	26,522

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

thousands of EUR	2015	2014
Profit before income tax	96,434	67,204
Income tax calculated at the statutory rate of 22% (2014: 22%)	21,215	14,785
Effect of income not taxable and expenses not tax deductible:		
Dividends	(187)	(131)
(Income) / cost related to legal and regulatory claims	(5)	9,270
Other tax non-deductible items, net	2,982	(149)
Tax charge in respect of prior years	(106)	263
Other income tax	2,791	2,484
Income tax at the effective tax rate of 28% (2014: 39%)	26,690	26,522

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

thousands of EUR	1 January 2015	Through income statement	Through statement of comprehensive income	31 December 2015
Difference between carrying and tax value of fixed assets	(123,781)	6,582	-	(117,199)
Allowance for investments at amortized cost	2,270	-	-	2,270
Staff cost accruals	2,840	(367)	-	2,473
Allowance for bad debts	2,378	776	-	3,154
Termination benefits	575	402	-	977
Retirement benefit obligation	2,609	(80)	(166)	2,363
Other	4,677	1,332	-	6,009
Net deferred tax liability	(108,432)	8,645	(166)	(99,953)

thousands of EUR	1 January 2014	Through income statement	Through statement of comprehen-sive income	Through equity	31 December 2014
Difference between carrying and tax value of fixed assets	(133,225)	9,444	-	-	(123,781)
Allowance for investments at amortized cost	2,270	-	-	-	2,270
Staff cost accruals	3,059	(219)	-	-	2,840
Allowance for bad debts	2,323	55	-	-	2,378
Termination benefits	609	(34)	-	-	575
Retirement benefit obligation	1,667	(139)	402	679	2,609
Other	3,355	1,314	8	-	4,677
Net deferred tax liability	(119,942)	10,421	410	679	(108,432)

thousands of EUR	2015	2014
Deferred tax asset to be settled within 12 months	12,711	10,771
Deferred tax asset to be settled after more than 12 months	5,241	5,872
Deferred tax liability to be settled within 12 months	(706)	(2,989)
Deferred tax liability to be settled after more than 12 months	(117,199)	(122,086)
Net deferred tax liability	(99,953)	(108,432)

11. ASSETS HELD FOR SALE

thousands of EUR	2015	2014
At 1 January	8,647	19,772
Net transfer to property and equipment (Note 12)	(8,230)	(8,501)
Impairment charge	-	(1,697)
Assets sold	(417)	(927)
At 31 December	-	8,647

Assets held for sale at 31 December 2014 comprised buildings and related land which were planned to be sold within one year. Based on the development during 2015 the sale of assets became not highly probable to be finished within 12 months and assets ceased to meet the criteria to be classified as held for sale. The Company transferred unsold assets to property and equipment.

12. PROPERTY AND EQUIPMENT

thousands of EUR	Land and buildings	Duct, cable and other outside plant	Telephone exchanges and related equipment	Radio and trans-mission equipment	Other	Capital work in progress including advances	Total
At 1 January 2015							
Cost	152,220	1,004,650	870,655	342,623	325,516	70,032	2,765,696
Accumulated depreciation	(74,821)	(538,844)	(820,451)	(304,723)	(243,771)	(428)	(1,983,038)
Net book value	77,399	465,806	50,204	37,900	81,745	69,604	782,658
Additions	731	10,235	4,228	2,502	7,817	42,286	67,799
Depreciation charge	(3,744)	(35,243)	(21,768)	(15,941)	(25,829)	-	(102,525)
Impairment charge	(1)	(9)	-	(1)	(34)	-	(45)
Reversal of impairment	-	-	53	96	25	36	210
Disposals	(2,605)	-	(3)	(8)	(157)	(940)	(3,713)
Transfers	1,055	5,044	24,628	17,308	13,497	(61,532)	-
Transfers from assets held for sale (Note 11)	8,230	-	-	-	-	-	8,230
At 31 December 2015							
Cost	185,819	991,741	599,538	319,391	311,623	49,942	2,458,054
Accumulated depreciation	(104,754)	(545,908)	(542,196)	(277,535)	(234,559)	(488)	(1,705,440)
Net book value	81,065	445,833	57,342	41,856	77,064	49,454	752,614

Property and equipment, excluding motor vehicles, is locally insured to a limit of EUR 25,000 thousand (2014: EUR 25,000 thousand). Any loss exceeding local limit is insured by DT AG Global Insurance Program up to EUR 700,000 thousand. The Company has the third party liability insurance for all motor vehicles.

thousands of EUR	Land and buildings	Duct, cable and other outside plan	Telephone exchanges and related equipment	Radio and trans-mission equipment	Other	Capital work in progress including advances	Total
At 1 January 2014							
Cost	122,067	992,401	1,060,488	348,320	332,872	64,881	2,921,029
Accumulated depreciation	(57,059)	(506,189)	(1,002,937)	(302,165)	(242,796)	(428)	(2,111,574)
Net book value	65,008	486,212	57,551	46,155	90,076	64,453	809,455
Additions	4,561	9,706	8,386	4,414	3,303	43,505	73,875
Depreciation charge	(4,010)	(33,090)	(28,467)	(18,123)	(26,893)	-	(110,583)
Impairment charge	(17)	(6)	(60)	-	(156)	-	(239)
Reversal of impairment	1,805	171	25	21	434	-	2,456
Disposals	(355)	(23)	(83)	-	(170)	(176)	(807)
Transfers	1,906	2,836	12,852	5,433	15,151	(38,178)	-
Transfers from assets held for sale (Note 11)	8,501	-	-	-	-	-	8,501
At 31 December 2014							
Cost	152,220	1,004,650	870,655	342,623	325,516	70,032	2,765,696
Accumulated depreciation	(74,821)	(538,844)	(820,451)	(304,723)	(243,771)	(428)	(1,983,038)
Net book value	77,399	465,806	50,204	37,900	81,745	69,604	782,658

13. INTANGIBLE ASSETS

thousands of EUR	Software	Licenses	Internally developed intangible assets	Goodwill	Customer relationships	Intangibles under construction	Total
At 1 January 2015							
Cost	515,574	212,813	3,779	73,313	406,622	17,030	1,229,131
Accumulated amortization	(466,293)	(83,523)	(1,463)	-	(347,576)	-	(898,855)
Net book value	49,281	129,290	2,316	73,313	59,046	17,030	330,276
Additions	12,589	12,842	67	-	-	20,418	45,916
Amortization charge	(35,805)	(19,533)	(286)	-	(20,656)	-	(76,280)
Disposals	(7)	-	-	-	-	(15)	(22)
Transfers	12,267	-	264	-	-	(12,531)	-
At 31 December 2015							
Cost	443,033	223,422	4,077	73,313	265,612	24,902	1,034,359
Accumulated amortization	(404,708)	(100,823)	(1,716)	-	(227,222)	-	(734,469)
Net book value	38,325	122,599	2,361	73,313	38,390	24,902	299,890

Goodwill and customer relationships were recognized at the merger of Slovak Telekom with T-Mobile on 1 July 2010. Goodwill and customer relationships arose on the Slovak Telekom's acquisition of the controlling interest in T-Mobile at 31 December 2004. Net book value of customer relationships for post-paid business customers at 31 December 2015 is EUR 38,390 thousand and remaining useful life is 2 years.

thousands of EUR	Software	Licenses	Internally developed intangible assets	Goodwill	Customer relationships	Intangibles under construction	Total
At 1 January 2014							
Cost	505,958	141,143	3,633	73,313	406,622	79,987	1,210,656
Accumulated amortization	(449,662)	(68,710)	(1,190)	-	(326,919)	-	(846,481)
Net book value	56,296	72,433	2,443	73,313	79,703	79,987	364,175
Additions	16,971	9,170	136	-	-	12,890	39,167
Amortization charge	(37,312)	(14,824)	(273)	-	(20,657)	-	(73,066)
Transfers	13,326	62,511	10	-	-	(75,847)	-
At 31 December 2014							
Cost	515,574	212,813	3,779	73,313	406,622	17,030	1,229,131
Accumulated amortization	(466,293)	(83,523)	(1,463)	-	(347,576)	-	(898,855)
Net book value	49,281	129,290	2,316	73,313	59,046	17,030	330,276

14. IMPAIRMENT OF GOODWILL

thousands of EUR	2015	2014
T-Mobile	73,313	73,313
	73,313	73,313

The goodwill previously recognized at the acquisition of T-Mobile was separately recognized in the statement of the financial position of the Company on the merger on 1 July 2010. The recoverable amount of the cash-generating unit was determined using cash flows projections based on the ten-year financial plans that present the management's best estimate on market participants' assumptions and expectations. The Company uses 10 year cash flow projections as the payback period of the investments in the telecommunications operations often exceeds 5 years. Cash flows beyond the ten-year period are extrapolated using a 2% growth rate (2014: 2%) and a discount rate of 5.34% (2014: 6.93%). This growth rate does not exceed the long-term average growth rate for the market in which the cash-generating unit operates. Further key assumptions on which management has based its determination of the recoverable amount of cash-generating unit include the development of revenue, customer acquisition and retention costs, churn rates, capital expenditures and market share. The recoverable amount of the cash-generating unit based on fair value less costs of disposal calculation exceeded its carrying value. Management believes that any reasonably possible change in the key assumptions on which the cash-generating unit's recoverable amount is based would not cause its carrying amount to exceed its recoverable amount.

15. INVESTMENTS IN SUBSIDIARIES

At 31 December 2015 the Company held the following investments in fully consolidated direct subsidiaries:

Name and registered office	Activity
DIGI SLOVAKIA, s.r.o. („DIGI") Röntgenova 26, 851 01 Bratislava	TV services, broadband services and TV channels production
PosAm, spol. s r.o. ("PosAm") Until 31 December 2015: Odborárska 21, 831 02 Bratislava Since 1 January 2016: Bajkalská 28, 821 09 Bratislava	IT services, applications and business solutions
Zoznam, s.r.o. ("Zoznam") Viedenská cesta 3-7, 851 01 Bratislava	Internet portal
Zoznam Mobile, s.r.o. ("Zoznam Mobile") Viedenská cesta 3-7, 851 01 Bratislava	Mobile content provider
Telekom Sec, s.r.o. ("Telekom Sec") Bajkalská 28, 817 62 Bratislava	Security services

thousands of EUR	Share and voting rights	Cost of investment 2015	Cost of investment 2014	Profit / (loss) 2015	Profit / (loss) 2014	Net assets 2015	Net assets 2014
DIGI SLOVAKIA, s.r.o.	100%	52,362	52,362	4,635	4,110	9,663	5,028
PosAm, spol. s r.o.	51%	12,968	12,968	2,558	2,492	11,829	10,941
Zoznam, s.r.o.	100%	2,346	2,346	123	21	2,337	2,214
Zoznam Mobile, s.r.o.	100%	1,410	1,410	4	29	491	487
Telekom Sec, s.r.o.	100%	12	12	2	(3)	2	1
		69,098	69,098				

Financial data for subsidiaries are based on their separate financial statements. At the date of authorization of these separate financial statements for issue, the approved financial statements of subsidiaries for the year ended 31 December 2015 were not available. The table is prepared based on their non-approved financial statements.

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

Cost of investment in Zoznam and Zoznam Mobile is net of impairment of EUR 1,562 thousand and EUR 938 thousand respectively.

16. TRADE AND OTHER RECEIVABLES

thousands of EUR	2015	2014
Non-current		
Trade receivables	751	730
Finance lease receivables (Note 17)	428	995
	1,179	1,725
Current		
Trade receivables	94,876	97,874
Other receivables	189	170
Interest receivable on available-for-sale investments	919	4,063
Finance lease receivables (Note 17)	721	2,178
	96,705	104,285

Trade receivables are net of an allowance of EUR 19,288 thousand (2014: EUR 19,821 thousand). If the allowance percentage increases by 1% in each relevant ageing group, the charge for the period would be by EUR 202 thousand higher.

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

thousands of EUR	2015	2014
At 1 January	19,821	21,027
Charge for the year, net	3,651	5,555
Utilised	(4,184)	(6,761)
At 31 December	19,288	19,821

17. FINANCE LEASE – THE COMPANY AS LESSOR

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

a) The Company leases complex telecommunication solutions to the customer. The non-cancellable lease period is 36 months from October 2014 until September 2017 and it covers the major part of the economic life of the leased assets;
b) Ownership of the assets will be transferred to the lessee at the end of the lease period for its residual value (if any) in a case that lessee will request such ownership transfer at least one month before the end of the period;
c) The present value of the minimum lease payments amounts to all of the fair value of the leased assets.

thousands of EUR	2015	2014
Gross investment in the lease		
Not later than 1 year	737	2,259
Later than 1 year and not later than 5 years	433	995
Unearned finance income	(21)	(81)
Present value of minimum lease payments	1,149	3,173

thousands of EUR	2015	2014
Present value of minimum lease payments		
Not later than 1 year (Note 16)	721	2,178
Later than 1 year and not later than 5 years (Note 16)	428	995
	1,149	3,173

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

18. PREPAID EXPENSES AND OTHER ASSETS

thousands of EUR	2015	2014
Non-current		
Easements	9,731	9,764
Subscriber acquisition costs	1,543	1,719
Other prepaid expenses	1,931	1,576
	13,205	13,059
Current		
Subscriber acquisition costs	1,660	1,902
Other prepaid expenses	4,532	2,893
Other assets	1,067	967
	7,259	5,762

19. INVENTORIES

thousands of EUR	2015	2014
Materials	3,169	2,960
Goods	8,257	8,801
	11,426	11,761

Inventories are net of an allowance of EUR 1,009 thousand (2014: EUR 1,907 thousand). The write-down of inventories in amount of EUR 897 thousand (2014: EUR 180 thousand) was recognized in cost of material and equipment.

20. INVESTMENTS AT AMORTIZED COST

thousands of EUR	2015	2014
Bank bond	3,120	3,120
	3,120	3,120

The bank bond is net of impairment and the amount of EUR 3,120 thousand approximates the fair value of the bond. The bond matured in 2008.

21. AVAILABLE-FOR-SALE INVESTMENTS

thousands of EUR	2015	2014
At 1 January	204,067	226,498
Additions	-	32,661
Disposals	(170,000)	(49,861)
Amortisation of premium paid	(2,857)	(5,321)
Remeasurement recognised in other comprehensive income	(131)	90
At 31 December	31,079	204,067
Non-current	-	32,102
Current	31,079	171,965

For interest receivable on available-for-sale investments refer to Note 16.

Available-for-sale investments are measured at fair value. In 2015 the Company recognized unrealized loss of EUR 25 thousand (2014: gain of EUR 86 thousand) in other comprehensive income and reclassified gain of EUR 89 thousand from other comprehensive income to income statement (2014: EUR 3 thousand).

Available-for-sale investments comprise of state bonds. Credit quality of current available-for-sale investments is as follows: rating A2: EUR 31,079 thousand (2014: rating AAA: EUR 151,963 thousand, rating A2: EUR 20,002 thousand). Credit quality of non-current available-for-sale investments in 2014 was: rating A2: EUR 32,102 thousand.

If the interest rates of available-for-sale investments were 15 basis points higher / 20 basis points lower and all other variables were held constant, the Company's profit for the year ended 31 December 2015 would increase / decrease by EUR 129 thousand/ EUR 173 thousand (2014: EUR 283 thousand / EUR 377 thousand).

22. TERM DEPOSITS

thousands of EUR	2015	2014
Current	31,533	219,596
	31,533	219,596

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

Credit quality of current term deposits is as follows: rating A2: EUR 31,533 thousand (2014: rating A2: EUR 156,608 thousand, rating A3: EUR 62,988 thousand).

23. LOANS

thousands of EUR	2015	2014
Loans to Deutsche Telekom AG	45,000	150,000
	45,000	150,000

The loans granted to Deutsche Telekom AG were not secured. Deutsche Telekom AG has rating BAA1. Loans were provided in November and December 2015 and are repayable in May and June 2016. The commercial terms of the loans were comparable with those valid in current banking environment.

24. CASH AND CASH EQUIVALENTS

thousands of EUR	2015	2014
Cash and cash equivalents	60,467	82,664
	60,467	82,664

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

Credit quality of cash at banks is as follows: rating A1: EUR 496 thousand, rating A2: EUR 45,059 thousand, rating A3: EUR 1 thousand, rating BAA1: EUR 14,315 thousand (2014: rating A2: EUR 27,797 thousand, rating A3: EUR 30,930 thousand, rating BAA1: EUR 22,671 thousand, rating BAA2: EUR 607 thousand, rating BAA3: EUR 5 thousand).

25. SHAREHOLDERS' EQUITY

On 1 April 1999, Slovak Telekom became a joint-stock company with 20,717,920 ordinary shares authorized, issued and fully paid at a par value of EUR 33.20 per share. Deutsche Telekom AG acquired 51% of Slovak Telekom through a privatization agreement effective from 4 August 2000, by which the Company issued 5,309,580 new ordinary shares with a par value of EUR 33.20 per share. The shares were issued at a premium totalling EUR 386,139 thousand. All the newly issued shares were subscribed and fully paid by Deutsche Telekom AG. The privatization transaction also involved the purchase by Deutsche Telekom AG of 7,964,445 existing ordinary shares from the National Property Fund of the Slovak Republic. By acquiring 51% share of Slovak Telekom, Deutsche Telekom obtained 51% of the total voting rights associated with the shares.

On 13 December 2013 Deutsche Telekom AG transferred 51% share of Slovak Telekom and voting rights associated with the shares to T-Mobile Global Holding Nr. 2 GmbH, and on 17 December 2013 T-Mobile Global Holding Nr. 2 GmbH transferred 51% share and voting rights associated with the shares to CMobil B.V. The change of the shareholders came into effect by registering in the Central Securities Depository of the Slovak Republic. T-Mobile Global Holding Nr. 2 GmbH became the shareholder of Slovak Telekom on 18 December 2013 and CMobil B.V. became the shareholder of Slovak Telekom on 10 January 2014. CMobil B.V. changed its name to Deutsche Telekom Europe B.V. in March 2015.

The Extraordinary General Meeting of Slovak Telekom held on 9 February 2015 approved the transformation of the form of shares of Slovak Telekom from physical registered shares to book-entered registered shares and the change of nominal value of shares of Slovak Telekom from the nominal value of EUR 33.20 to a nominal value of EUR 10.00, whereby the total amount of registered capital of Slovak Telekom remained unaltered. The change came into effect by registering in the Commercial register of the Slovak Republic in February 2015.

On 8 April 2015 Ministry of the Economy of the Slovak Republic transferred its 34% share of Slovak Telekom and voting rights associated with the shares to the National Property Fund of the Slovak Republic. Subsequently the National Property Fund of the Slovak Republic sold 49% share of Slovak Telekom and voting rights associated with the shares to the Deutsche Telekom Europe B.V. The change of the shareholders came into effect by registering in the Central Securities Depository of the Slovak Republic. Deutsche Telekom Europe B.V. became the sole shareholder of Slovak Telekom on 18 June 2015.

As of 31 December 2015, Slovak Telekom had authorized and issued 86,411,300 ordinary shares (2014: 26,027,500) with a par value of EUR 10.00 per share (2014: EUR 33.20 per share). All the shares issued were fully subscribed.

The structure of shareholders of the Company at 31 December 2015:

Shareholder' name	Number of shares acquired	Value of acquired shares in EUR	Acquired share	Acquired voting rights
Deutsche Telekom Europe B.V.	86,411,300	864,113,000	100%	100%

The structure of shareholders of the Company at 31 December 2014:

Shareholder' name	Number of shares acquired	Value of acquired shares in EUR	Acquired share	Acquired voting rights
Deutsche Telekom Europe B.V. (former CMobil B.V.)	13,274,025	440,697,630	51%	51%
Ministry of the Economy of the Slovak Republic	8,849,350	293,798,420	34%	34%
National Property Fund of the Slovak Republic	3,904,125	129,616,950	15%	15%
	26,027,500	864,113,000		

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

The statutory reserve fund is set up in accordance with Slovak law and is not distributable. The reserve is created from retained earnings to cover possible future losses. In 2013, after the distribution of 2012 statutory profit, the statutory reserve fund reached the level required by the Slovak law and the Articles of Association of Slovak Telekom, a.s.

Financial statements of the Company for the year ended 31 December 2014 were authorized for issue on behalf of the Board of Directors of the Company on 4 March 2015.

On 31 March 2015, the Ordinary General Meeting of Slovak Telekom approved distribution of the prior year profit in the form of dividends with the remaining part of the 2014 profit being retained.

On 4 August 2015 the sole shareholder of Slovak Telekom while performing competences of the General meeting of Slovak Telekom approved distribution of retained profits in the form of dividends and distribution of share premium of the Company.

On the basis of the proposed appropriations, total dividends of EUR 32,545 thousand were paid in April 2015 and of EUR 153,697 thousand were paid in August 2015 (2014: EUR 16,400 thousand) and the share premium of EUR 386,139 thousand was paid to the shareholder in August 2015.

Dividend per share calculated based on new number of shares for the years 2015 and 2014 are: EUR 2.16 per share and EUR 0.19 per share. Dividend per share calculated based on former number of shares for the year 2014 is EUR 0.63 per share.

Approval of the 2015 profit distribution will take place at the Annual General Meeting scheduled for 31 March 2016.

26. PROVISIONS

thousands of EUR	Legal and regulatory claims (Note 32)	Asset retirement obligation	Acquisition of subsidiary	Termination benefits	Employee benefits	Other	Total
At 1 January 2015	30,502	12,525	1,000	2,613	12,089	2,500	61,229
Arising during the year	390	5,555	-	4,439	862	1,464	12,710
Utilised	(29,021)	-	(1,000)	(2,613)	(28)	(1,352)	(34,014)
Reversals	(394)	-	-	-	(2,120)	-	(2,514)
Interest impact	-	(7,860)	-	-	220	3	(7,637)
At 31 December 2015	1,477	10,220	-	4,439	11,023	2,615	29,774
Current	1,477	-	-	4,439	-	1,193	7,109
Non-current	-	10,220	-	-	11,023	1,422	22,665
	1,477	10,220	-	4,439	11,023	2,615	29,774

Analysis of total provisions:

thousands of EUR	2015	2014
Non-current	22,665	25,673
Current	7,109	35,556
	29,774	61,229

Asset retirement obligation

The Company is subject to obligations for dismantlement, removal and restoration of assets associated with its cell site operating leases (Note 2.20). Cell site lease agreements may contain clauses requiring restoration of the leased site at the end of the lease term, creating an asset retirement obligation.

Acquisition of subsidiary

On 1 September 2013 the Company acquired 100% share and voting rights in DIGI for the price of EUR 51,362 thousand. The Company paid part of the purchase price in amount of EUR 40,000 thousand in 2013 and of EUR 10,362 thousand in 2014. Remaining part of the purchase price in the amount of EUR 1,000 thousand was paid to the former owner of DIGI in September 2015. The funds from escrow account were used for the payment.

Termination benefits

The restructuring of the Company's operations resulted in headcount reduction of 303 employees in 2015. The Company expects a further headcount reduction of 273 employees in 2016 as a result of an ongoing restructuring program. A detailed formal plan that specifies the number of staff involved and their locations and functions was defined and authorized by management and announced to the trade unions. The amount of compensation to be paid for terminating employment was calculated by reference to the collective agreement. The termination payments are expected to be paid within twelve months of the statement of financial position date and are recognized in full in the current period. In 2015 the Company recognized an expense resulting from termination benefits in amount of EUR 4,611 thousand (2014: EUR 4,383 thousand) in staff costs.

Retirement and jubilee benefits

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

thousands of EUR	**Retirement benefits**	**Jubilee**	**Total**
Present value of the defined benefit obligation			
At 1 January 2015	11,856	233	12,089
Current service cost	798	20	818
Interest cost	216	4	220
Benefits paid	(11)	(17)	(28)
Remeasurement of defined benefit plans	(757)	44	(713)
Curtailment gain	(1,363)	-	(1,363)
At 31 December 2015	10,739	284	11,023

Remeasurement of defined benefit plans related to retirement benefits in amount of EUR 757 thousand consists of experience adjustments in amount of EUR 105 thousand and of change in financial assumptions in amount of EUR 652 thousand.

The curtailment gain in amount of EUR 1,363 thousand resulted mainly from a reduction in the number of participants covered by the retirement plan that occurred in 2015 or was announced for 2016. There were no special events causing any new past service cost during 2015 other than the curtailment mentioned above.

Principal actuarial assumptions used in determining the defined benefit obligation and the curtailment effect in 2015 include the discount rate of 2.07% (2014: 1.84%). The expected expense for 2015 has been determined based on the discount rate as at the beginning of the accounting period of 1.84% (2014: 3.25%). Average retirement age is 62 years (2014: 62 years). The expected growth of nominal wages over the long term is 2.0% (2014: 2.2%) with minor adjustments for the first three years. The weighted average duration of the defined benefit obligation is 13.8 years (2014: 13.4 years).

The sensitivity analysis for the significant actuarial assumptions as at 31 December 2015 and 2014 is as follows:

thousands of EUR	Change of employee benefits provision	
Change of actuarial assumption:	2015	2014
Discount rate change +100 bp / -100 bp	(1,275) / 1,462	(1,418) / 1,711
Salary change +0.50% / -0.50%	702 / (662)	798 / (733)
Change in life expectation +1 year / -1 year	13 / (13)	14 / (15)

27. TRADE AND OTHER PAYABLES

thousands of EUR	2015	2014
Non-current		
Financial payables	4,863	325
Finance lease	-	313
	4,863	638
Current		
Trade payables	69,277	69,787
Uninvoiced deliveries	41,547	35,554
Financial payables	6,917	5,320
Finance lease	322	313
Other payables	603	724
	118,666	111,698

28. OTHER LIABILITIES AND DEFERRED INCOME

thousands of EUR	2015	2014
Non-current		
Deferred income	3,178	3,407
	3,178	3,407
Current		
Deferred income	32,307	33,243
Amounts due to employees	18,140	20,002
Other tax liabilities	6,730	8,262
Liability for legal and regulatory claims (Note 32)	-	38,838
Other liabilities	3,608	3,079
	60,785	103,424

Amounts due to employees include social fund liabilities:

thousands of EUR	2015	2014
At 1 January	108	38
Additions	1,474	1,507
Utilisation	(1,545)	(1,437)
At 31 December	37	108

29. COMMITMENTS

The Company's purchase commitments were as follows:

thousands of EUR	2015	2014
Acquisition of property and equipment	16,478	14,585
Acquisition of intangible assets	4,150	1,882
Purchase of services and inventory	46,581	62,840
Guarantee to subsidiary	1,100	-
	68,309	79,307

30. OPERATING LEASE – THE COMPANY AS LESSEE

The future minimum operating lease payments were as follows:

thousands of EUR	2015	2014
Operating lease payments due within one year	12,630	12,146
Operating lease payments due between one and five years	25,428	24,528
Operating lease payments due after five years	17,955	18,943
	56,013	55,617

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

31. RELATED PARTY TRANSACTIONS

thousands of EUR	Receivables		Payables		Sales and income		Purchases		Commitments	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
DT AG	51,091	155,264	7,768	7,410	4,361	4,359	7,810	6,981	5,785	4,431
Subsidiaries	7,441	3,654	4,871	5,272	8,187	4,687	8,645	8,089	13	241
Other entities in DT AG group	1,577	2,157	2,545	2,233	7,931	10,507	7,433	10,464	649	442
Other shareholders of the Company	-	5	-	-	11	52	6	7	-	-
	60,109	161,080	15,184	14,915	20,490	19,605	23,894	25,541	6,447	5,114

The Company conducts business with its subsidiaries (DIGI, PosAm, Zoznam, Zoznam Mobile, Telekom Sec) as well as with its ultimate parent, Deutsche Telekom AG and its subsidiaries, associates and joint ventures. Business transactions relate mainly to telephone calls and other traffic in the related parties' networks. Other transactions include data services, management, consultancy, other services and purchases of fixed assets. The Company purchased fixed assets in amount of EUR 4,082 thousand (2014: EUR 5,239 thousand) from related parties.

In 2015 the Company granted Deutsche Telekom AG a short-term loan of EUR 45,000 thousand (2014: EUR 150,000 thousand). Interest related to the loan amounted to EUR 134 thousand (2014: EUR 45 thousand) (Notes 8, 23).

In March 2015 the General meeting of PosAm declared a dividend of EUR 851 thousand (2014: EUR 597 thousand), which was paid in April 2015 (Note 8). There was no dividend declared by other subsidiaries in 2015 and 2014.

Until 18 June 2015 the Slovak Government had significant influence over the financial and operating policy decisions of the Company through 49% of the shares of the Company. The shares were owned by the Slovak Republic through the Ministry of the Economy of the Slovak Republic (34%) and by the National Property Fund of the Slovak Republic (15%). The Slovak Government and the companies controlled or jointly-controlled by the Slovak Government ("Slovak Government related entities") were classified as related parties of the Company until 18 June 2015 and therefore revenue and expenses further disclosed cover only this period.

In 2014 the Company paid to the Telecommunications Office of the Slovak Republic a fee of EUR 62,522 thousand for the granted license for the provision of mobile services on 800 MHz and 2600 MHz frequency (LTE license) bands (Note 1). The Company also incurred expenses of EUR 1,375 thousand (2014: EUR 2,773 thousand) with respect to other frequency and telecommunication equipment related fees to the Telecommunications Office.

During 2010 the Company has entered into a contract for the period of 5 years with the Slovak Government related entity on establishment and delivery of communication system, lease of terminal equipment, delivery of internet connectivity and other telecommunications services. The total value of the contract was approximately EUR 23,859 thousand. In 2015, the Company recognized revenue related to this contract of EUR 2,666 thousand (2014: EUR 5,353 thousand).

During 2001 the Company has signed a master agreement with the Slovak Government related entity on providing services of communications infrastructure. The contract amount depends on actual services provided during the financial period. In 2015, the Company recognized revenue related to this contract of EUR 4,146 thousand (2014: EUR 10,284 thousand).

During 2015 the Company purchased electricity and electricity distribution services from the Slovak Government related entities for EUR 3,425 thousand (2014: EUR 7,828 thousand).

During 2015 the Company purchased postal and cash collection services for EUR 2,194 thousand (2014: EUR 3,945 thousand) and leased space for EUR 853 thousand (2014: EUR 1,909 thousand) from the Slovak Government related entity.

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

Deutsche Telekom as the ultimate parent company controlling Slovak Telekom is a related party to the Federal Republic of Germany. Slovak Telekom had no individually significant transactions with the Federal Republic of Germany or entities that it controls, jointly controls or where Federal Republic of Germany can exercise significant influence in either 2015 or 2014.

Compensation of key management personnel

The key management personnel, 16 in number (2014: 21) include members of the Executive Management Board, Board of Directors and Supervisory Board

thousands of EUR	2015	2014
Short term employee benefits	3,045	2,967
Defined contribution pension plan benefits	58	63
Share matching plan	30	18
	3,133	3,048

thousands of EUR	2015	2014
Executive Management Board	3,069	2,950
Board of Directors	32	54
Supervisory Board	32	44
	3,133	3,048

The benefits of Executive Management Board include amount of EUR 96 thousand (2014: EUR 71 thousand) for private spending of members charged to the Company.

32. CONTINGENCIES

Legal and regulatory cases

On 17 October 2014 the European Commission sent an infringement decision to the Company in case AT 39.523 (hereinafter "the Decision"). The Decision found the Company (and DT AG, as parental company) liable for breach of competition law (margin squeeze and refusal to deal) in relation to ULL for the period 12 August 2005 – 31 December 2010 and imposed a fine of EUR 38,838 thousand on DT AG and the Company, jointly and severally. On 26 December 2014 the Company filed an appeal against the Decision to the General Court of the European Union. The fine was paid by the Company in January 2015. Following the European Commission's decision, two competitors of the Company filed action against Slovak Telekom with the civil court in Bratislava on 12 August 2015, claiming compensation for damages of EUR 281,857 thousand plus interest. These claims seek compensation for damages alleged to have been incurred through Slovak Telekom's abuse of its dominant market position, as determined by the European Commission. Other competitors that would have been harmed by the Company anti-competitive conduct during the infringement period may decide to file actions for damages as well.

In 1999, a lawsuit was brought against Company for compensation of damages and loss of profit allegedly caused by switch-off of the Radio CD International ("CDI") broadcasting in 1996. Radio CDI was a program of Slovak Radio directed to the territory of Austria and broadcasted by Company. In 1996, the broadcasting of the Radio CDI was switched off, based on the request of the Council for Radio and Television Broadcasting stating that Radio CDI broadcasting violated the law. In 2011, the first instance court decided that Company is obliged to pay the plaintiff the amount of EUR 32,179 thousand of the principal and 17.6% late interest since 4 September 1996 until fully paid. The parties concluded settlement agreement in March 2015, which was further approved by court in June 2015. The settlement was paid in June 2015.

In 2009, the Anti-Monopoly Office ("AMO") imposed on Company a penalty of EUR 17,453 thousand for abusing its dominant position and violating competition law by price squeeze and tying practices on several relevant markets (voice, data and network access services). Company filed an administrative complaint to the Regional Court in Bratislava in 2009. In January 2012, the Regional Court cancelled the challenged AMO decision. The Regional Court's judgment was cancelled by the Supreme Court in February 2014 upon AMO's appeal. The Supreme Court referred the case back to the Regional Court for further proceedings.

In 2013, two companies filed actions against Company seeking damages allegedly resulting from an unfair conduct of Company. The companies contend that they incurred lost profit amounting to EUR 62,236 thousand plus interest as a consequence of the said conduct. In 2014 both companies increased their claim against the Company by EUR 16,507 thousand. Both proceedings before the first instance District Court Bratislava II are currently suspended. Third damage claim based on the same grounds was raised by another competitor in 2015 in the amount of EUR 58,924 thousand plus interest.

In 2005, the former supplier brought a lawsuit against Company for compensation of damages in total amount of EUR 2,310 thousand. The supplier alleges that by ceasing cooperation with it Company breached the contract between the Company and the supplier. In addition, another company contends that by breaching the said contract Company caused damages not only to the supplier but to the shareholders of such another company as well. Therefore, in 2013, this another company, to which its shareholders ceded their claims to, brought three lawsuits against Company and Deutsche Telekom AG, one of which has been dismissed by the court in 2014. As of 31 December 2015, there are two lawsuits, where the plaintiff is seeking damages in total amount of EUR 6,857 thousand plus costs of proceedings and default interest. In February 2015, the supplier assigned its claim to such another company, which is currently acting as the claimant in relation to all three lawsuits. All the above lawsuits are still pending at the first instance.

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

As at 31 December 2015, the Company recognized provision for known and quantifiable risks related to proceedings against the Company, which represent the Company's best estimate of the amounts, which are more likely than not to be paid. The actual amounts of penalties, if any, are dependent on a number of future events the outcome of which is uncertain, and, as a consequence, the amount of provision may change at a future date.

33. AUDIT FEES

In 2015 the Company obtained from the audit company PricewaterhouseCoopers Slovensko, s.r.o. audit services in amount of EUR 224 thousand (2014: EUR 221 thousand), other assurance services in amount of EUR 62 thousand (2014: EUR 62 thousand), tax advisory services in amount of EUR 0 thousand (2014: EUR 5 thousand) and other non-audit services in amount of EUR 440 thousand (2014: EUR 50 thousand).

34. EVENTS AFTER THE REPORTING PERIOD

There were no other events, which have occurred subsequent to the year-end, which would have a material impact on the financial statements at 31 December 2015.

INDEPENDENT AUDITOR'S REPORT (ADDENDUM)

pwc

Report on Verifying Consistency of the Annual Report with the Financial Statements, as required by § 23 of Act No. 540/2007 Coll. (Addendum to the Auditor's Report)

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

We have audited the separate financial statements of Slovak Telekom, a.s. ("the Company") at 31 December 2015, on which we issued the Independent Auditor's Report on 14 March 2016 and on which we expressed an unqualified audit opinion and emphasis of matter paragraph as follows:

"Opinion
In our opinion, the separate financial statements present fairly, in all material respects, the financial position of the Company standing alone as at 31 December 2015, its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Emphasis of Matter
Without qualifying our opinion, we draw attention to Note 32 to these separate financial statements, which describe the infringement decision of the European Commission against the Company and the implications thereof. The ultimate outcome of the related proceedings cannot presently be determined."

We have also audited the consolidated financial statements of the Company and its subsidiaries (together "the Group") at 31 December 2015, on which we issued the Independent Auditor's Report on 14 March 2016 and on which we expressed an unqualified audit opinion and emphasis of matter paragraph as follows:

"Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2015, its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Emphasis of Matter
Without qualifying our opinion, we draw attention to Note 32 to these consolidated financial statements, which describe the infringement decision of the European Commission against the Company and the implications thereof. The ultimate outcome of the related proceedings cannot presently be determined."

In accordance with the Act No. 431/2002 Coll. on Accounting, as amended, we also verified whether accounting information included in the Annual Report at 31 December 2015 is consistent with the audited financial statements referred to above.

Management's Responsibility for the Annual Report

The Company's management is responsible for the preparation, accuracy, and completeness of the Annual Report in accordance with the Slovak Accounting Act.

pwc

Auditor's Responsibility for Verifying Consistency of the Annual Report with the Financial Statements

Our responsibility is to express an opinion on whether the accounting information presented in the Annual Report is consistent, in all material respects, with the information in the Company's separate financial statements and in the Group's consolidated financial statements. We conducted the verification in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements, and plan and perform the verification to obtain reasonable assurance whether the accounting information presented in the Annual Report is consistent, in all material respects, with the Company's separate financial statements and the Group's consolidated financial statements.

The scope of work includes performing procedures to verify that the accounting information presented in the Annual Report is consistent with the Company's separate and the Group's consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement in the Annual Report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's and Group's preparation and fair presentation of the Annual Report in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's and the Group's internal control. We did not verify those data and information in the annual report that were not derived from the Company's separate or the Group's consolidated financial statements.

We believe that the verification performed provides sufficient and appropriate basis for our opinion.

Opinion

In our opinion, the accounting information presented in the annual report prepared for the year ended on 31 December 2015 is consistent, in all material respects, with the audited financial statements referred to above.

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

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

Ing. Štefan Čupil, FCCA
UDVA licence No. 1088

Bratislava, 23 March 2016

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

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