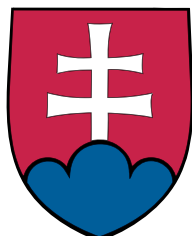


TELECOMMUNICATIONS OFFICE OF THE SLOVAK REPUBLIC



ANNUAL REPORT

2007

April 2008

Report submitted by:
Mgr. Branislav Máčaj, chairman

ANNUAL REPORT 2007

Telecommunications Office of the Slovak Republic,
Továrenská č. 7, P. O. Box 18, 810 06 Bratislava 16
2008

Editor: Roman Vavro

Printed: Vert, spol. s r. o., Rustaveliho 9, 831 06 Bratislava

ISBN 978 - 80 - 969951 - 7 - 2

EAN 9788096995172

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1. THE ORGANIZATION'S IDENTIFYING INFORMATION

| | |
|-------------------------------------|--|
| Name of organization: | Telekomunikačný úrad Slovenskej republiky (Telecommunications Office of the Slovak Republic) |
| Registered office: | Továrenská 7, P.O. BOX 18, 810 06 Bratislava 16 |
| Governmental department: | telecommunications |
| Form of management: | budgetary organization |
| Chairman: | Mgr. Branislav Máčaj |
| Deputy Chairman: | Ing. Juraj Michňa |
| Identification number (IČO): | 308 44 355 |
| Bank connection: | Štátna pokladnica (State Treasury) Radlinského 32, 810 05 Bratislava 15 account number: 7000136022/8180. |

Members of the organization's management in 2007: *Ing. Nataša Svobodová* – director of the TO SR Office, *Ing. Milan Mizera* – director of the Spectrum Management Department, *Ing. Peter Lučenič* – director of the State Supervision Department, *Ing. Vlasta Paulusová* – director of the Finance and Administration Department, *Ing. Kamil Mikulášek* – director of the Technical Regulation Department, *JUDr. Marta Krebsová* – director of the Legal Department.

Main activities in 2007

The main activities of the Telecommunications Office of the Slovak Republic (hereinafter the TO SR or the Office) comprise carrying out state regulation of electronic communication, managing the frequency spectrum, maintaining international relations with regulatory authorities in the area of electronic communications, cooperating with the Council for Broadcasting and Retransmission, exercising state supervision, and imposing sanctions in the electronic communications field.

2. THE TO SR'S MISSION AND MEDIUM-TERM OUTLOOK

Mission for 2007

The mission of the TO SR is to regulate the area of electronic communications, and in particular to fulfil its obligations in support of competition, the development of the EU single market, the protection of end users' interests, settling disputes out of court, and ensuring compliance with the requirements for activities performed under Act no. 610/2003 Coll. on Electronic Communications as amended (hereinafter "the Act"), generally binding legal regulations, technical regulations, technical standards, international agreements binding on the Slovak Republic, and recommendations of international organizations in the area of electronic communications.

The TO SR is the national regulator and pricing authority in the area of electronic communications field. In accordance with the Act, it:

1. Carries out regulation, where „regulation“ means–
 - a) laying down conditions for the establishment and maintenance of a competitive environment in the market,
 - b) setting the conditions under which networks and services are provided,
 - c) regulating competition in the relevant market in the electronic communications field,
 - d) managing numbers and frequencies,
 - e) regulating prices of, for example, access and universal services;
2. Maintains international relations with regulatory authorities in the area of electronic communications;
3. Cooperates with the Ministry to produce a proposal for the national frequency spectrum table and manages the frequency spectrum;
4. Protects the interests of end users in regard to the quality and prices of services;
5. Meets obligations in support of competition, development of the EU single market, the interests of all persons of EU Member States in the territory of the Slovak Republic, network access, the operability of networks and services, and protects the free choice of operator through the application of technical standards;
6. Issues generally binding legal regulations within the limits of this Act;
7. Issues the Bulletin of the Telecommunications Office of the Slovak Republic;
8. Meets its disclosure obligation towards the National Bank of Slovakia and the European Commission (to which it also communicates information falling within the scope of its competence);
9. Sets payments for the provision of electronic communication networks and services, for the use of numbers and for the right to use frequencies;
10. Conducts the out-of-court settlement of disputes;
11. Provides service-related information to end users, conducts user surveys, discloses such surveys, and makes use of them in the course of its activities;
12. Performs tasks related to restricting the ownership of real estate in respect of its use for ensuring services or to restricting the ownership of movables, by restricting or banning the use of telecommunications transmission equipment and lines at times of war or martial law;
13. Exercises supervision and imposes sanctions;
14. Performs other activities in accordance with separate regulations.

Medium-term outlook

In the first half of 2006, the frequencies on which digital terrestrial television and radio broadcasting systems (T-DAB and DVB-T) will be put into regular operation in the Slovak Republic were finally determined at the Regional Radiocommunications Conference (RRC 06 in Geneva). On 31 May 2007, there entered into force the Digital Broadcasting Act, under which the TO SR is to issue a generally binding legal regulation laying down the conditions for the transition from analogue to digital broadcasting. In 2008, the TO SR plans to submit its final text for scrutiny by the Standing Working Committee of the Slovak Government's Legislative Council. After it has been approved, the Office will publish the regulation in its

Bulletin and a notification of its publication will be published in the Collection of Laws of the Slovak Republic. Once the transition conditions have been laid down, a tender procedure will be held to select the operator of the first two multiplexes, the financial interconnection of which is required by law. Another tender will be held to select the operator of the public multiplex. According to requirements and possibilities, the TO SR will also allocate channels for local multiplexes.

In 2008, the TO SR plans to invite tenders for the allocation of frequencies or a block of frequencies in the band 872-876 MHz/917-921 MHz, covering the whole territory of the Slovak Republic. This block of frequencies is designated for the operation of a single nationwide mobile network that is based on digital broadband technology and provides a publicly accessible electronic communication service. As far as end users are concerned, the allocation of this frequency block will above all expand the range of services that are currently available to them, especially in the area of mobile high-speed internet access.

The TO SR is also planning to amend the generally binding legal regulation that lays down details for ensuring the portability of numbers. The aim is to shorten the periods for porting numbers and to remove barriers that may deter those interested in porting numbers from doing so. In addition, the Office will over coming years be reviewing the extent to which undertakings with significant market power have met the obligations it has imposed on them and will continue to analyse relevant markets. Based on the analysis results – i. e. the state of competition – it will either leave the obligations unchanged, expand them, amend them or cancel them.

A continuing objective of the TO SR is to be financially independent. The independence of its personnel has already been ensured. The TO SR should be either a central state administration body with the necessary financial provision made for its activities, or a legal entity established by law to which its existing rights and obligations would be transferred. The TO SR should in future be funded from payments for numbers, frequencies and, on the basis of specific criteria, from special fees paid by the operators of electronic communication services. Such a method of financing would ensure its full independence.

3. THE TO SR'S ACTIVITIES IN 2007

During the course of 2007, the Telecommunications Office of the Slovak Republic, as a state administration body in the area of electronic communications, performed activities as required under the Electronic Communications Act. Its principal activities comprised: conducting regulation, maintaining international relations with regulatory authorities in the area of electronic communications, managing the frequency spectrum, exercising state supervision over electronic communications, and imposing sanctions.

Of the direct and indirect expenditure on its activities, it is estimated that regulation and supervision account for 70%, frequency spectrum management 25%, and other activities 15%. Specific expenses are calculated and tracked according to the budgetary classification of the different items and sub-items of the State Budget, and they represent an aggregate of all expenses related to the respective items and sub-items.

Analysis of relevant markets

In 2007, the TO SR carried out a first round of analyses of relevant markets, as defined by the TO SR Decision of 28 January 2004 on Relevant Markets, with the exception of wholesale market no.7 – *wholesale trunk segments of leased lines*.

The chairman of the TO SR, as a second-level administrative authority, issued four second-instance decisions (decisions concerning remonstrances) on defining an undertaking with significant market power and on laying down obligations designed to promote efficient competition and develop the internal market. The decisions concerned the following markets: retail market no. 7 – *the minimum set of leased lines*, wholesale market no. 3 – *transit services in the fixed public telephone network*, wholesale market no. 5 – *wholesale broadband access*, and wholesale market no. 11 – *broadcasting transmission services, to deliver broadcast content to end users*.

The TO SR issued a first-instance decision in regard to the regulation of prices for call origination and termination on the network of Slovak Telekom a. s. (ST), and the TO SR chairman issued a second-instance decision concerning call termination on the ST network whereby call termination prices were substantially reduced to the European average.

The TO SR launched a second round of analyses of five relevant markets, and it concluded consultations with the European Commission in regard to three of these markets: the retail market no. 1 and 2 – *access to the public telephone network at a fixed location for residential and non-residential customers*; and wholesale market no. 1 – *call origination on the public telephone network provided at a fixed location*.

As regards preparations for the EU Regulation on International Roaming, the TO SR continued its cooperation with the Ministry of Transport, Posts and Telecommunications of the Slovak Republic (MTPT SR).

The Slovak Supreme Court upheld the TO SR's second-instance decision on defining an undertaking with significant market power and on imposing obligations on T-Mobile Slovensko a. s. in the wholesale market no. 9 – *voice call termination on individual mobile networks*.

Settling disputes over access, interconnection and equipment sharing

In a letter of 9 May 2007, Slovak Telekom a.s. (ST) petitioned the TO SR under Section 70 of Act no. 610/2003 Coll. on Electronic Communications (as amended) to impose a premises sharing obligation on Orange Slovensko a.s. and to issue an interim measure against this company, so that ST would be allowed to share the premises on which optical cables are placed under planning decisions issued by building offices in Bratislava (the city boroughs of Ružinov and Petržalka), Nitra and Trenčín. The TO SR was not competent to handle this petition and referred it to the relevant building offices in accordance with Section 20 of Act no. 71/1967 Coll. on Administrative Proceedings (as amended) and according to the subject-matter and local jurisdiction under Act no. 50/1976 Coll. on Land-Use Planning and Building Regulation.

Interconnection contracts concluded in 2007

| | |
|--|-------------|
| · Slovak Telekom, a. s. (Vol) – GTS Nextra, a. s. (Vol) | 9. 7. 2007 |
| · Slovak Telekom, a. s. (Vol) – Swan , a. s. (Vol) | 9. 7. 2007 |
| · GTS Nextra, a. s. – ŽSR | 15. 2. 2007 |
| · Slovak Telekom, a. s. – Trnavatel , spol. s r. o. | 14. 3. 2007 |
| · Slovak Telekom, a. s. – BHTel s. r. o. | 16. 2. 2007 |
| · UPC Broadband Slovakia, s. r. o. – eTel Slovensko, s. r. o. | 1. 10. 2007 |
| · T-Mobile Slovensko, a. s. – Telefónica O ₂ Slovakia, s. r. o. | 19. 1. 2007 |
| · T-Mobile Slovensko, a. s. – Telefónica O ₂ Slovakia, s. r. o. | 19. 1. 2007 |
| · Orange Slovensko, a. s. – Telefónica O ₂ Slovakia s. r. o. (SMS Interworking) | 8. 2. 2007 |
| · T-Mobile Slovensko, a. s. – Telefónica O ₂ Slovakia s. r. o. (MMS Interworking) | 19. 1. 2007 |

Technical regulation

Regulation of networks and services

In 2007, some new electronic communication services were introduced, such as the transmission of radio and television broadcasts using Internet Protocol (IPTV) and the provision of a comprehensive package of services that includes internet, television transmission and a telephone service – TRIPLE PLAY, and there was a significant expansion of voice services using Internet Protocol (VoIP). Some undertakings also began to migrate their networks to new generation networks. In future, it will be necessary to address the issue of regulation with particular regard to the introduction of new progressive services and the incipient process of network convergence on a platform of new generation networks.

In view of the developing market in VoIP services, the TO SR produced an opinion – *The regulatory approach of the TO SR to the provision of Voice over Internet Protocol services* – which from the view of regulation focused mainly on the issue of caller location for emergency calls to 112 as well as the scope for allocating geographic numbers for the said services.

The TO SR also prepared an amendment to the generally binding legal regulation *Measure no. O-15/2007 of the Telecommunications Office of the Slovak Republic of 1 June 2007 laying down details for the provision of public pay telephones and services for disabled users*. The new text of the measure regulates mainly the penetration of public pay telephones (PPTs) in regard to the lower interest in PPT use and the higher penetration of mobile voice services. The Measure no longer permits any exception to the obligation that each municipality must have at least one PPT. The obligation regarding barrier-free access to the operated PPTs was also amended. After undergoing the scrutiny process, the draft amendment was approved within the legislative process.

In 2007, the TO SR approved the technical specification of equipment used for lawful interception in the company networks of Orange Slovensko a. s., UPC Slovensko a. s. and Telefónica O₂ Slovakia s. r. o.

On the basis of comments from the TO SR, several amendments were made to Act no. 610/2003 on Electronic Communication, largely concerning problems in regard to numbering and to the scope for revoking the notification obligation of undertakings that break the Electronic Communications Act or a general licence for electronic communication networks and services.

Administration of undertakings

As at 31 December 2007, the TO SR had registered 194 new undertakings that met the notification obligation laid down in General Licence 1/2005 (VP 1/2005).

A total of 981 undertakings were registered with the TO SR by the end of 2007, and the networks and/or services they provide break down as follows:

| Type of services | Number |
|--|--------|
| Internet | 806 |
| VoIP | 231 |
| Data transmission | 380 |
| Fixed public electronic communication networks | 305 |
| Radio networks | 580 |
| Leased line | 117 |
| MMDS/MVDS | 22 |
| Radio and TV transmitters | 17 |
| UMTS | 3 |
| Public telephone service | 112 |
| FWA 26 GHz | 2 |
| FWA 3,5 GHz | 4 |
| GSM | 3 |
| Audiotex | 30 |

Number management

In the period under review, the TO SR received 63 applications regarding the assignment, change, validity extension, or return of numbers, and it issued 49 decisions on the management of numbers.

In accordance with the applicable legislation (Section 29(5) of the Electronic Communications Act), the TO SR issued an updated numbering plan in the form of a generally binding legal regulation. The principal change in the updated numbering plan is that it allows an undertaking to assign numbers to another undertaking. The inclusion of this change in the plan was a response to market requirements and Europe-wide trends in the provision of electronic communication services, and it applied mainly to inefficiently used ranges of subscriber numbers assigned to undertakings in the primary assignment.

During 2007, in regard to the obligations imposed on Member States by Commission Decision 2007/116/EC of 15 February 2007, updated by Commission Decision 2007/698/EC of 29 October 2007, the TO SR developed activities aimed at ensuring the smooth introduction of harmonized services of social value in the Slovak Republic. Apart from raising public awareness about the current situation and holding discussions with potential providers of harmonized services and with representatives of the governmental departments concerned, the Office published the harmonized numbers and their associated harmonized services of social value. Parties interested in providing harmonized services of social value were therefore able to apply for the assignment of these numbers. All relevant information on this issue is published by the office on its website in a document entitled *“Opinion of the TO SR on the national numbering range beginning with ‘116 xxx’ for harmonized numbers for harmonized services of social value”*.

Summary of decisions issued on the assignment of numbers:

| Numbering range | Service provided | Number of decisions |
|--------------------|--|---------------------|
| (0)97, (0)98 | Audiotex | 7 |
| (0)800 | Free phone | 3 |
| 16xxx, 17xxx | Regional services of a generally beneficial nature | 8 |
| (0)900 | Premium rate services | 3 |
| (0)18xxx | Nationwide services of a generally beneficial nature | 4 |
| SN | Fixed network subscriber numbers | 5 |
| (0)94x,(0)95x | Mobile public networks | 3 |
| (0)850 | Shared cost services | 2 |
| (0)6 | VoIP subscriber numbers | 10 |
| 12xxx | Interactive services of network operators | 1 |
| 14xxx | Nationwide information and assistance services of public telephone network operators | 1 |
| NRN | Network routing numbers | 2 |
| Decision amendment | Change of undertaking as a result of acquisition | 3 |

Note: under some decisions, more than one numbering range was assigned

Frequency spectrum management

In 2007, the **harmonization of spectrum usage** focused on the implementation of conditions laid down in decisions of the European Conference of Postal and Telecommunications Administrations (ECPT) and the European Commission, as well as on cooperation with the operators of separate networks through the interministerial committee for spectrum usage harmonization.

Before the assignment of frequencies in frequency bands shared with the Slovak Ministry of Defence, interministerial coordination of the 25 spectrum slots was carried out on a continuous basis.

Under the Government's policy resolution on spectrum usage for broadband access, the TO SR produced new annexes to the spectrum usage plan concerning the entry into use of spectrum slots in the bands 40 GHz, for the provision of multimedia services (MWS), and 10 GHz, for multipoint video distribution services (MVDS) operating in the 12 GHz band.

In order to approve the new harmonized standard of the European Telecommunications Standards Institute (ETSI) and ensure the compatibility of different services, the TO SR made amendments to ten annexes of the spectrum usage plan. Of particular importance was the publication of two annexes to the spectrum usage plan in regard to the following bands:

- R-GSM (876-880 MHz/921-925 MHz)
- 870-876 MHz/915-921 MHz - for broadband applications.

At the end of the year, the TO SR responded to interest expressed by several relevant entities and published a plan for the issuance of an individual licence for the use of frequencies in the band 870-876 MHz/915-921 MHz and it also launched a public discussion of this plan.

Spectrum management cooperation with neighbouring countries

The process of issuing individual licences included continuous international coordination of the frequencies concerned. As part of this international coordination process, the TO SR sent 1,643 coordination requests and reviewed 7,232 coordination requests from foreign administrators. Of that number, the vast majority were received from the Polish administrator of fixed service bands.

In regard to implementing the conclusions of the HCM Agreement, the current database of fixed service frequencies was processed and reviewed and, in accordance with Annex no. 2 of the Agreement, frequency registers containing complete data on 53 624 frequencies were sent to neighbouring countries. Frequency registers of neighbouring countries, including data on 31 658 allocated frequencies were also reviewed as required under the Agreement.

Specialist qualification examinations

| Type of certificate | Number |
|---|--------|
| Radiotelephony operator's general certificate for aeronautical mobile service | 183 |
| Radiotelephony operator's restricted certificate for aeronautical mobile service I | 110 |
| Radiotelephony operator's restricted certificate for aeronautical mobile service II | 183 |
| Radiotelephony operator's restricted certificate for inland waterways | 49 |
| Radiotelephony operator's general certificate for maritime mobile service | 32 |
| Radiotelephony operator's restricted certificate for maritime mobile service | 261 |
| Amateur radio operator's certificate | 49 |

Frequency allocation requests

In 2007, the TO SR handled 20 requests from the Slovak Foreign Ministry for the allocation of frequencies for the protection of foreign dignitaries when on official visits to Slovakia.

The requests for state protection and security were dealt with by the interministerial committee for spectrum usage harmonization, with the TO SR making an active contribution to its activities. As part of this committee's work, the TO SR also cooperated in preparations for the revised version of the National Frequency Spectrum Table (NFST).

During 2007, the TO SR assessed 24 notification frequency registers for the satellite service in order to check compatibility with terrestrial services. It also assessed and disclosed 56 frequencies in the short-wave band.

In 2007, the Slovak electronic communication market saw the arrival of a third mobile operator – Telefónica O₂ Slovakia s. r. o. In this regard, the TO SR issued radio equipment operating licences, including 696 for base stations in the 900 MHz band, 82 for base stations in the 1800 MHz band and 1 for a base station in the UMTS band.

Summary of operating authorisations for radio equipment

| Electronic communication service (Type of radio equipment) | Number of individual licences issued in 2007 | | |
|---|--|-----------|----------|
| | Iss-ued | Rev-ok-ed | Amend-ed |
| Land mobile with individual frequency allocation | 390 | 126 | 81 |
| Land mobile on shared frequencies | 100 | 85 | 4 |
| Mobile radiotelephone network – base station GSM 900 | 160 | 120 | 85 |
| GSM 1800 | 41 | 27 | 20 |
| NMT 450 | 0 | 0 | 0 |
| GSM - R | 1 | 0 | 0 |
| UMTS | 39 | 0 | 0 |
| Flash OFDM | 91 | 0 | 0 |
| Aircraft and aeronautical stations | 127 | 67 | 7 |
| Ship stations | 115 | 25 | 8 |
| Amateur stations | 44 | 92 | 217 |
| Fixed point – point | 1523 | 629 | 692 |
| Fixed point – multipoint | 157 | 36 | 3 |
| Radio service – radio | 111 | 106 | 192 |
| Radio service – DRM digital | 0 | 0 | 0 |
| Radio service – television | 1033 | 1028 | 1035 |
| Terrestrial digital video broadcasting DVB-T | 1 | 0 | 17 |
| Retransmission – MMDS | 25 | 17 | 0 |
| Fixed satellite service | 5 | 0 | 2 |
| SNG | 7 | 0 | 0 |
| Radiolocation | 0 | 0 | 0 |
| Special authorisation | 7 | 12 | 2 |
| Wireless microphones | 2 | 0 | 2 |
| Type authorisation | 0 | 0 | 0 |

Note: mobile radio telephone licences – in one licence, the TO SR licensed more than one BTS.

Transfer of rights

In connection with the entry into force of Section 32(23) of Act no. 610/2003 Coll. on Electronic Communication as amended by provisions on the transfer of rights arising from frequency allocations, two decisions on the transfer of rights were issued and, as a result, amendments had to be made to 145 related licences for the operation of radio equipment. The decisions concerned transfer of rights from Amtel Slovensko s. r. o. to Amtel Networks s. r. o. and from GlobalTel a. s. to SWAN a. s. In both cases, the frequencies concerned were in the band 3.5 GHz.

General licences

The TO SR issued the following general licences in 2007:

- General Licence no. VPR-1/2007 for the operation of short-range radio devices used as active medical implants for telemetry data transmission via an inductive loop.
- General Licence no. VPR-2/2007 for the operation of short-range radio devices used as medical membrane implants for the measuring of blood pressure.
- General Licence no. VPR-3/2007 for the operation of short-range radio devices used as medical implants, and their accessories, with very low power output.
- General Licence no. VPR-4/2007 for the operation of short-range radio devices with a built-in antenna which are designed for the transmission of data, voice and other signals and which use various modulation types.
- General Licence no. VPR – 05/2007 for the operation of digital radio transmission equipment included in subscriber terminal stations on MWS networks (Multimedia Wireless Systems).
- General Licence no. VPR – 06/2007 for the operation of radio equipment for the one-way transmission of audio information.
- General Licence no. VPR - 07/2007 for the operation of short-range radio equipment using ultra-broadband technology.

Tender procedures

The TO SR organizes tenders for the allocation of selected frequencies, which are harmonized for the given type of service stated in the national frequency spectrum table and the conditions of which are stipulated in the spectrum usage plan. When the TO SR opens an invitation to tender, it announces it in the TO SR Bulletin and in one periodical with nationwide circulation.

The TO SR has organized the following tenders:

1. For the allocation of frequencies on which to set up and operate a public wireless electronic communication network for the provision of multimedia services (MWS) in the frequency band 41–43.5 GHz, in the areas of
 - Trenčín
 - Bratislava
 - Trnava
2. For the allocation of a block of frequencies with a bandwidth of 56 MHz on which to set up and operate a wireless electronic communication network in the frequency band 28/29 GHz in the Slovak Republic.
4. For the allocation of a block of frequencies with a bandwidth 56 MHz on which to set up and operate a wireless electronic communication network in the frequency band 26 GHz in the Slovak Republic.
5. For the allocation of a block of frequencies with a bandwidth 112 MHz on which to set up and operate a wireless electronic communication network (FWA) in the frequency band 26 GHz in the Slovak Republic.

Inspection activities

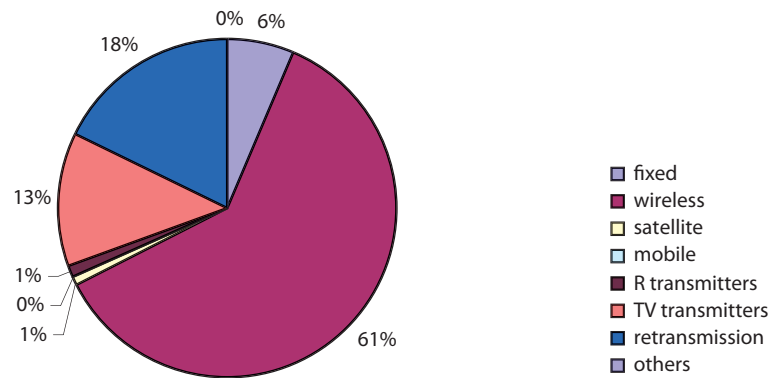
During 2007, the state supervision of electronic communications focused mainly on: inspecting compliance with conditions for the provision of electronic communication networks and services, inspecting compliance with conditions for the placing on the market of telecommunications terminal equipment and radio equipment and their introduction into operation, disturbance protection, and settling disputes out of court.

Inspection activities in 2007 focused mainly on compliance with decisions and measures, including remedial measures imposed by the TO SR.

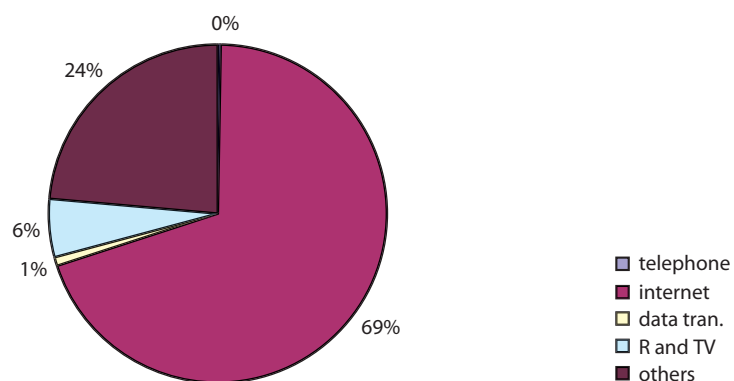
| Type of inspection | Number of inspections | Shortcomings identified |
|--|-----------------------|-------------------------|
| radio transmitters | 55 | 6 |
| television transmitters | 9 | 8 |
| MMDS equipment | 12 | 13 |
| CDS equipment | 33 | 30 |
| mobile network equipment | 165 | 19 |
| FMS equipment | 82 | 13 |
| fixed and satellite network equipment | 100 | 3 |
| equipment of SW applications | 55 | 18 |
| amateur radio service equipment | 7 | 0 |
| RLAN equipment | 79 | 65 |
| HIPERLAN equipment | 9 | 4 |
| public pay telephone equipment | 1049 | 570 |
| compliance with TO SR decisions and measures | 75 | 8 |
| compliance with remedial measures | 2 | 0 |

Key: *MMDS* – multichannel multipoint distribution system for the distribution of unchanged television programmes, *CDS* – cable distribution system, *FMS* – fixed mobile service, *RLAN* – short-range equipment designed for broadband data transmission in radio local area networks (band 2.4 GHz), *HIPERLAN* – low power radio equipment for data transmission, operating on the spread frequency principle.

Furthermore, the TO SR inspected compliance with the provisions of the general licence for the provision of electronic communication networks and electronic services and with general licences for the operation of radio equipment. In this area, it performed 453 inspections and identified 358 shortcomings. For example, of 93 inspections of wireless network provision, it identified 58 shortcomings. The percentage shares of identified shortcomings are shown in the Chart below.



As an example of the inspection of service provision, 141 inspections were performed on the internet access service and 183 shortcomings were identified. The percentage shares of identified shortcomings are shown in the Chart below.



In regard to issued individual licences, the TO SR carried out 182 inspections of radio equipment and identified 131 shortcomings. Inspections of compliance with decisions and measures of the TO SR numbered 75 and revealed eight shortcomings. The TO SR also performed 606 inspections of electronic communication network equipment in accordance with issued licences. During inspections of radio and television transmitters, MMDS transmitters, CDS equipment, amateur radio equipment, RLAN and HIPERLAN equipment, etc., it identified a total of 179 shortcomings.

In addition to these regional inspections, the TO SR performed the following nationwide inspections:

- An inspection of public pay telephones (PPTs) was carried out to check whether the designated provider of the universal service was complying with certain selected obligations. A total of 975 PPTs were checked during the course of the inspection.
- During the months of August and September, inspections were carried out on 136 access points in the band 3.5 GHz (FWA) at selected undertakings. The inspections focused on the undertakings' compliance with obligations imposed under valid spectrum licences for the operation of radio equipment and provision of electronic communication networks and services. The inspections addressed the obligations that the undertakings themselves had assumed during the tender procedure. The obligations concerned the number of district and regional centres at which access points were to be established. The undertakings were found to have met their obligations.
- In the fourth quarter, the TO SR inspected the compliance of the third mobile operator – Telefónica O₂ Slovakia s. r. o. – with obligations regarding the GSM and UMTS band which it had assumed during the tender procedure. The obligations mainly concerned the number of GSM base stations put into operation, own network coverage of the population, and the minimum extent of provided services. During the course of the

inspection, the TO SR checked 186 base stations. The undertaking was found to have met its obligations.

The TO SR's inspection activities were supported by the regular operation of automatic spectrum monitoring systems. Through radio monitoring, the TO SR determined the occupation and time usage of frequencies, checked compliance with the conditions laid down in radio equipment operating licences, and monitored for any unauthorized transmitters.

The control measuring station was used mainly to check for compliance with operational discipline in respect of radiocommunication equipment and with selected technical parameters of radio and television transmitters.

On 13 February 2007, between the times of 20:00 and 24:00, the test measurement of frequency modulation in regard to advertising slots (the loudness of adverts) was carried out by the TO SR at the request of the Council for Broadcasting and Retransmission, and the results were subsequently evaluated in accordance with the Council's requirements.

Administrative proceedings

During 2007, the TO SR held a total of 264 administrative proceedings, and issued 142 decisions concerning breaches of service/network provision conditions laid down in General Licence no. VP 1/2005 for the provision of electronic communication networks and services as amended. It also issued 71 decisions banning the provision of a network/service and nine decisions on non-compliance with the obligation to report number usage to the TO SR on an annual basis.

Market supervision

In the period under review, the TO SR conducted 91 inspections of compliance with conditions for the placing on the market of telecommunications equipment and equipment that could be a source of electromagnetic disturbances. It checked 11 types of telecommunications terminal equipment, 280 types of radio equipment, four types of equipment that could be a source of electromagnetic disturbances. In two cases, it ordered a temporary suspension of supplies and sales, i.e. it suspended the placing on the market of certain products.

Handling of reports on interrupted or impaired reception

In 2007, the TO SR dealt with 340 reports on interrupted or impaired reception, of which 246 concerned the impaired or interrupted reception of television signals, 35 the impaired or interrupted reception of fixed mobile service (FMS) signals, and 14 the impaired or interrupted reception of radio signals, etc.

Out-of-court settlement of disputes over public service quality and payment correctness

In the period under review, the TO SR dealt with 174 disputes, of which 135 were resolved. A settlement and agreement was reached in 60 cases, which represents a success rate of 44%.

Handling of submission, motions and complaints, and provision of information

Service end users and undertakings brought motions before the TO SR regarding problems with services bills and tariffs. Mostly they concerned overcharging for services, charging for unprovided services, charging for cancelled services, contractual penalties, and the application of incorrect tariffs. The motions pertained to number portability, the breach of telecommunications secrecy and the protection of personal data, the provision of incorrect information during the sale of services, the establishment and relocation of telephone stations, the breach of general contractual conditions, the charging for services of higher value added, terminal equipment, the quality of internet access services (especially problems with speed), problems with calling abroad, the range of programme services offered through cable distribution systems, and the reception of TV signals. Altogether during the period under review, the TO SR handled 183 motions from undertakings and end users.

The TO SR's success rate in lawsuits

In appeals against TO SR decisions which were ruled on by the Slovak Supreme Court in 2007, the respondent (TO SR) had a success rate of 100%. The TO SR has up to now had the same success rate in court rulings on appeals against its regulatory decision, i.e. against the decisions by which the TO SR defined an undertaking with significant market power and imposed obligations thereon. The purpose of these obligations is to support efficient competition and to develop the market.

In 2007, the court ruled on five lawsuits brought against the TO SR, including appeals against each type of decision. In four cases, the court rejected the appeal, and in one case the suit was withdrawn. In each type of dispute on which the court ruled in 2007, the TO SR had a success rate of 100%.

Of the eighteen regulatory decisions issued by the TO SR over the period 2005–2007 (i.e., since it acquired the relevant competences), eight were appealed. In percentage terms, undertakings with significant market power brought appeals against around 44% of TO SR's regulatory decisions. The court rejected four of those appeals and its decision on the other four is pending, in other words, the TO SR has a success rate of 100% in the appeals so far brought against it.

Relations with the public and the media

The TO SR actively communicates with the general public and professionals through its website, the media and the TO SR Bulletin. Its views are presented at conferences and through the media. The public addresses questions to the TO SR by telephone, post, e-mail or in person.

In 2007, the TO SR dealt with 67 applications for access to information made under the Freedom of Access to Information Act. The questions most often received from the public were addressed on the TO SR website under Frequently Asked Questions, which are updated as required. For people setting up business, as well as others, a ten-point guide to their rights and obligations in the area of electronic communications was produced.

Last year, the TO SR continued to pass on discarded but functional computers to schools on a free of charge basis. In addition, it let disabled children display their artwork in the entrance hall of its building. In order to support organizations across Slovakia which assist children and young people through various high-quality projects, TO SR employees contributed an hour's salary or a specified amount of their November or December salary to collections for these organizations.

Furthermore, the TO SR issued 48 press releases, as well as many short messages and notices. It also provided information to the media through interviews, presentations of its activities, and at working and informal meetings. As a result, tracked media carried more than 1,700 items either reporting on the TO SR's activities or mentioning it. The majority of items were neutral or ambiguous, while 4.2% were positive and a negligible 0.8% were negative.

International relations

The TO SR maintains international relations with regulatory authorities in the area of electronic communications. Ensuring international relations is one of its permanent activities.

Expenditure on working trips abroad

The TO SR spent SKK 3 227 701 on working trips abroad in 2007, which represents a reduction of SKK 743 000 in comparison with 2006. A total of 269 working trips abroad were made by TO SR employees last year.

Bilateral and multilateral discussions in 2007

In their working trips abroad in 2007, TO SR employees represented Slovakia in the context of its membership of the European Union, NATO, the European Conference of Postal and Telecommunications Administration (ECPT) and the International Telecommunications Union.

Through working trips abroad, bilateral and multilateral international relations were maintained with national telecommunication regulatory authorities. As a member of the ITU, the TO SR participated in the World Telecommunications Conference (WRC) and in specialist seminars concerning, for example, frequency planning for new services and the collection and processing of data on the telecommunications market. As for the ECPT, the TO SR played an active part in its work and in its committees and groups (including the harmonized documents that they produced).

In relation to the European Union, the TO SR's main activities concern the implementation of the European regulatory framework for electronic communication networks and services. In this regard, the TO SR attends regular meetings of the Independent Regulators Group (IRG), the European Regulators Group (ERG), the Communications Committee (CO-COM), the Radio Spectrum Committee (RSC), and the Radio Spectrum Policy Group (RSPG). The TO SR also cooperated in the production of the 13th Implementation Report of the European Commission.

One of the TO SR's most important international activities of 2007 was the attendance of its representatives at the World Telecommunications Conference (WRC 2007), held in Geneva from 15 October to 16 November. One of the most discussed issues throughout

the conference was the difficulties of finding and subsequently allocating new frequency bands for IMT 2000 (IMT Advanced).

In connection with the Regional Arrangement concerning the Radio Telephone Service on Inland Waterways (RAINWAT), the TO SR regularly provides the Belgian Administration with all data relevant to the establishment of an international database of ATIS codes, MMSI codes and call signs assigned in licences for the operation of radio equipment (ship stations sailing under the Slovak flag), as required by RAINWAT.

Given that a bilateral agreement has yet to be concluded with the Ukrainian Administration concerning the preferential assignment of frequency channels in the band E-GSM, the TO SR has taken steps aimed at reaching such an agreement, the result of which would be to simplify the whole process of coordinating the frequencies in this band which have been assigned to the third mobile operator.

In 2007, the TO SR held three bilateral and one multilateral international coordination meeting on the implementation of terrestrial digital video broadcasting (DVB-T) in the band UHF 470 - 862 MHz for a transition period lasting until the end of 2012. At discussions held with the Hungarian Administration on 27–29 March 2007, 104 coordination requests of Slovakia and all the coordination requirements of Hungary were raised. On 14–17 May 2007, the administrations of Slovakia, Ukraine, Poland and Hungary met to discuss the implementation of DVB-T over a transition period and, at the request of Slovakia, the modification of the T-DAB MA02 Allotment Plan in the L-Band, representing 32 new allotments.

As part of the implementation of DVB-T during the transition period, 185 of Slovakia's requests and all of the coordination requests of Poland and Ukraine were coordinated with administrations of Poland and Ukraine. On 6–7 November 2007, the Slovak and Austrian administrations held discussions on the transitional implementation of DVB-T and coordinated Slovakia's requests for three DVB-T layers for the transition period, including the condition that their entry into operation be preceded by a mutual exchange of information and that any subsequent occurrence of mutual disturbance be addressed. Discussions between the Czech and Slovak administration on the implementation of DVB-T over a transition period were held on 21–22 November 2007 and resulted in a conclusion compatible with the discussions held with the Austrian Administration.

4. BUDGET OF THE TO SR FOR 2007

Breakdown of binding indicators of the 2007 State Budget

| Indicator | Original (in '000 SKK) | Adjusted (in '000 SKK) |
|---|------------------------|------------------------|
| 1. Income | 320 500 | 320 500 |
| 2. Current expenditure (600) | 106 358 | 102 652 |
| of which: wages and salaries (610) | 54 018 | 55 347 |
| 3. Acquisition of capital assets (710) | 2 000 | 7 500 |
| 5. Funds from the EU budget | 0 | 155 |
| 07T – Policy formulation and implementation 07T0302 – Regulation of the electronic communications market | 108 358 | 110 307 |

1. Letter of the MTPT SR no. 103393/2007-SRVS/z.8651 of 21 February 2007.
Budgetary measure of the Ministry of Finance of the Slovak Republic (MF SR) no. 3 adjusts the binding indicator "EU funds" for the TO SR

| | | |
|-------------------------------------|-------|------------|
| Total expenditure of EU funds (600) | + SKK | 155 022.84 |
| goods and services (630) | + SKK | 155 022.84 |
2. Letter of the MTPT SR no. 111056/2007-SRVS/z.28870 of 25 June 2007
Budgetary measure of the MF SR no. 12/2007 adjusts the binding indicator–
Current expenditure (600) by + SKK 1 794 000
of which:

| | | |
|--------------------------|-------|-----------|
| wages and salaries (610) | + SKK | 1 329 000 |
| insurance premiums (620) | + SKK | 465 000 |
3. Letter of the MTPT SR no. 112721/2700-SRVS z.33308 of 27 July 2007
Budgetary measure of the MTPT SR no. 36 adjusts the binding indicator–
Current expenditure (600) by + SKK 0
of which:

| | | |
|---|-------|-----------|
| insurance premiums and contributions to insurance companies (620) | - SKK | 500 000 |
| goods and services (630) | - SKK | 1 900 000 |
| current transfers (640) | + SKK | 2 400 000 |
4. Letter of the MTPT SR no. 116906/2007-SRSV/z.42498 of 8 October 2007
Budgetary measure of the MTPT SR no. 59 adjusts the binding indicator–
Current expenditure (600) by + SKK 0
of which:

| | | |
|--------------------------|-------|--------|
| goods and services (630) | - SKK | 60 000 |
| current transfers (640) | + SKK | 60 000 |
5. Letter of the MTPT SR no. 116838/2007-SRSV/z. 42549 of 16 October 2007
Budgetary measure of the MTPT SR no. 61 adjusts the binding indicator–
Current expenditure (600) by + SKK 0
of which:

| | | |
|--------------------------|-------|---------|
| goods and services (630) | - SKK | 140 000 |
| current transfers (640) | + SKK | 140 000 |
6. Letter of the MTPT SR no. 118192/2007-SRSV/z.45976 of 30 October 2007
Budgetary measure of the MF SR no. 23/2007 adjusts the binding indicator–
Current expenditure (600) by+ SKK 0
of which:

| | | |
|---------------------------|-------|-----------|
| goods and services (630) | - SKK | 5 500 000 |
| capital expenditure (700) | + SKK | 5 500 000 |
7. Letter of the MTPT SR no. 121201/2007-1910 of 12 December 2007
Budgetary measure of the MTPT SR no. 98 adjusts the binding indicator–
Current expenditure (600) by - SKK 0
of which:

| | | |
|---|-------|---------|
| insurance premiums and contributions to insurance companies (620) | + SKK | 920 000 |
| goods and services (630) | - SKK | 920 000 |

| Item, subitem | Amount/budgeted in,000 SKK | Actual expenditure 2007 in,000 SKK | In % |
|--|-------------------------------|---------------------------------------|--------|
| 610 wages and salaries | 55 347 | 55 347 | 100,00 |
| 620 insurance premiums and contributions to health insurers | 19 683 | 19 683 | 100,00 |
| 630 goods and other services | 24 522 | 24 491 | 100,00 |
| 631 travel expenses | 3 485 | 3 485 | 100,00 |
| 632 energy, water, communication | 4 461 | 4 459 | 100,00 |
| 633 material and supplies | 2 605 | 2 606 | 100,00 |
| 634 transport | 2 128 | 2 120 | 100,00 |
| 635 routine and standard maintenance | 1 109 | 1 109 | 100,00 |
| 636 rental | 726 | 725 | 100,00 |
| 637 other services | 10 006 | 9 987 | 100,00 |
| 640 current transfers (severance payments) | 3 100 | 3 089 | 100,00 |
| 630 goods and other services funded by the EU | 155 | 155 | 100,00 |
| 600 Current expenditure | 102 807 | 102 765 | 100,00 |
| 700 Capital expenditure | 7 500 | 7 454 | 100,00 |
| Budget expenditure | 110 307 | 110 219 | 100,00 |

Evaluation of budget expenditure

600 Current expenditure

a) 610 – wages and salaries

The original budget allocation of SKK 54 018 000 was adjusted by one budgetary measure. The increase in wages was used to strengthen financial incentives for TO SR employees who performed additional work, especially in regard to preparing licences, dealing with a higher number of radio equipment operating applications, analysing markets, and preparing documents for the issuance of the third operator's licence.

The budget allocation adjusted by the budgetary measure represented SKK 55 347 000, of which 100% was used (only SKK 28 remained unused).

b) 620 – insurance premiums and employer's contributions to insurance companies

The original budget allocation of SKK 18 798 000 was adjusted by three budgetary measures. The budget allocation adjusted by the budgetary measure represented SKK 19 683 000, of which 100% was used.

c) 630 – goods and services

The original budget allocation of SKK 33 042 000 was adjusted by six budgetary measures. The budget allocation adjusted by these budgetary measures represented SKK 24 522 000, and taking into account EU funds of SKK 155 022.84, it came to SKK 24 677 022.84. Of the amount excluding EU funds, SKK 24 490 980 or 100% was used, and of the EU funds, SKK 155 022.84 or 100% was used. Savings made in this category during period under review amounted to only SKK 31 020.

d) 640 – current transfers

The original budget allocation of SKK 500 000 for current transfers was adjusted by three budgetary measures. The adjusted budget allocation represented SKK 3 100 000, of which SKK 3 088 900 or 100% was used.

This increase was related to staff reductions made by the TO SR in accordance with Slovak Government Resolution no. 856 of 11 October 2006, point C15, which required all organizations fully or partly subsidized from the State Budget to reduce their planned number of employees. Consequently, the TO SR released 31 employees as at 30 September 2007, which required retirement and severance payments totalling SKK 2 756 920.

Expenditure on working trips abroad and evaluation of the their contribution to the organization

The TO SR spent SKK 3 227 701 on working trips abroad in 2007, which represents a reduction of SKK 743 000 in comparison with 2006. A total of 269 working trips abroad were made last year.

700 Capital expenditure in 2007 (in '000 SKK)

| | Budget allocation in '000 SKK | Actual expenditure in '000 SKK |
|---|--|---|
| <i>Total capital expenditure</i> | <i>7 500</i> | <i>7 454</i> |
| Interior equipment | 485 | 451 |
| Purchase of computer equipment | 511 | 510 |
| Purchase of telecommunications equipment | 66 | 66 |
| Preparatory and project documentation | 259 | 258 |
| Reconstruction and modernization of buildings | 6 179 | 6 169 |

In period under review, the TO SR used the budgeted capital expenditure for the reconstruction of state-owned buildings under its management, for the purchase of telecommunications equipment required for the inspection work of state supervision departments, and for the purchase of other computer and telecommunications equipment.

Most of the TO SR's capital expenditure budget was used for the reconstruction and modernization of buildings, an item under which it spent SKK 6 100 000 on air conditioning in order to create a more pleasant working environment for TO SR employees.

Income in 2007

| Item | Amount budgeted in '000 SKK | Implementation in SKK | Implementation in % |
|----------------|--|----------------------------------|--------------------------------|
| Untaxed income | 320 500 | 494 626 | 154.33 |

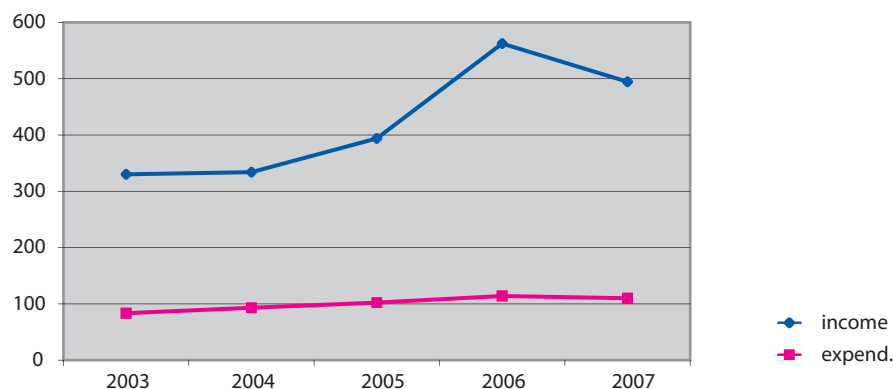
Income amounted to SKK 494 625 558 as at 31 December 2007, which exceeded the amount budgeted by SKK 174 125 558 or 54.33%. Of that income, SKK 435 423 320 was

received from undertakings as an administrative charge payable under TO SR-issued licences for the right of use of frequencies in accordance with Section 6(5) of Act no. 610/2003 Coll. on Electronic Communications as amended. These are annual charges imposed on the undertakings in the licensing decision.

*Income account – income broken down by type of activity
as at 31 December 2007*

| Income of the TO SR in 2007 (in ,000 SKK) | |
|---|----------------|
| amateur radio service | 17 |
| land mobile service | 44 986 |
| fixed and satellite service | 253 135 |
| radio stations – old numbering | 134 961 |
| individual licences | 2 324 |
| Total for frequency management: | 435 423 |
| notification obligation | 49 216 |
| numbering | 6 859 |
| Total for technical regulation: | 56 075 |
| finances and penalties | 2 749 |
| sale of vehicles and land | 62 |
| rent | 113 |
| other payments, credit notes, damages | 204 |
| Other income – total | 3 128 |
| Income of the TO SR in 2007 – total: | 494 626 |

Income and expenditure (in mil. SKK)



The sharp rise in the TO SR's income in 2006 was caused by a one-off payment of SKK 150 million for the allocation of frequencies to the third mobile operator.

5. PERSONNEL

In 2007, the TO SR saw a further increase in its tasks arising under Act no. 610/2003 Coll. on Electronic Communications as amended, under amendments to laws concerning personnel and remuneration, economics, and safety at work, and under other laws relating to the TO SR's activities; at the same time, it faced demanding tasks in workforce organization in order to comply with the Slovak Government's Resolution no. 856 of 11 November 2006 (point C 15), which required a reduction in the total number of employees. To meet these intensive tasks, the TO SR paid increased attention to personnel issues.

The required reduction of the TO SR's staff and the increase in new, complex tasks necessitated a thorough analysis of its organizational structure and the work of each organizational unit, with the objective of reducing their segmentation, optimizing management and decision-making processes, and achieving staff savings in accordance with Government's Resolution. After making a thorough analysis of all of its needs, the TO SR implemented an organizational change as of 1 April 2007 whereby the number of departments reporting directly to the TO SR chairman was reduced from 21 to seven. Subsequent organizational changes saw the number of employment positions cut back by 10%, from 207 to 187.

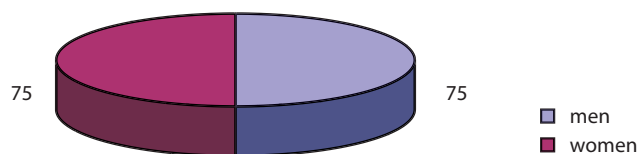
Employees

The TO SR's registered number of employees averaged 171 in 2007. The actual number of employees as at 31 December 2007 stood at 150 (down by 33 in comparison with 2006), of which:

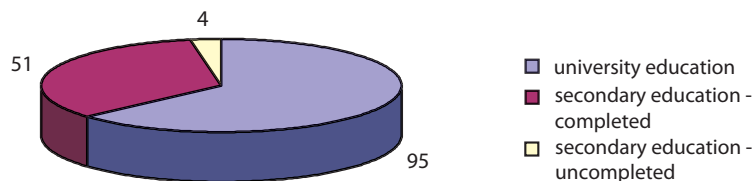
- 126 were civil service employees,
- 24 were employees performing work in the public interest.

The TO SR employed 75 women as at 31 December 2007, of whom 11 (or 14.7%) were in managerial positions (female managers made up 7.3% of the total staff). Two female members of staff are on maternity leave.

Ratio of male and female employees of the TO SR as at 31 December 2007



Educational attainment of employees of the TO SR as at 31 December 2007



In 2007, the TO SR saw the share of its staff who are university educated rise by 5.9% in comparison with 2006 and by 7.4% against 2005. The TO SR is managing gradually to raise the level of educational attainment of its staff, and this is reflected in the quality improvement of its task implementation.

In 2007, the TO SR provided for employee training in accordance with approved employee training concept and on the basis of the approved training plan. In this regard, various forms of training were used over the course of the year, but, above all, staff attended specialist courses run by training agencies and English language training provided by the TO SR mainly through contracted teachers. The largest share of training hours is accounted for self-learning conducted over the internet and specialist literature.

The TO SR's spending on trainings, courses, seminars and conferences came to SKK 803 975. The total time spent on training represented 1 848 days, which equates to 11 days of training per employee.

Days of training per employee

| Training | | | | | Total number of days | Days per employee |
|------------|---------|--------------|---------------|------|----------------------|-------------------|
| specialist | English | under the EU | self-learning | ECDL | | |
| 335 | 302 | 82 | 1 125 | 1,5 | 1 848 | 11 |

Social matters

The TO SR's tasks in the social area were reflected in the collective agreements for 2007 negotiated for civil servants and employees performing work in the public interest. In order to improve the working and social conditions of employees, the TO SR planned activities for which funds had been assigned to particular items of the social fund.

Utilization of social fund money

| Utilization of social fund money | in SKK | in % |
|-------------------------------------|-------------------|-------------|
| Contribution to food and meals | 389 493,40 | 89,7 |
| Contribution to rest and relaxation | 181 000,00 | 97,8 |
| Contribution to social assistance | 15 000,00 | 100,0 |
| Contribution to transport | 75 350,00 | 75,0 |
| Total | 660 843,40 | 93,5 |

In social matters, the TO SR met all of its tasks arising under the 2007 collective agreements. That year's unused social fund money of SKK 46 190.65 is being used to support social policies in 2008.

6. THE TO SR'S OBJECTIVES AND AN OVERVIEW OF THEIR FULFILMENT

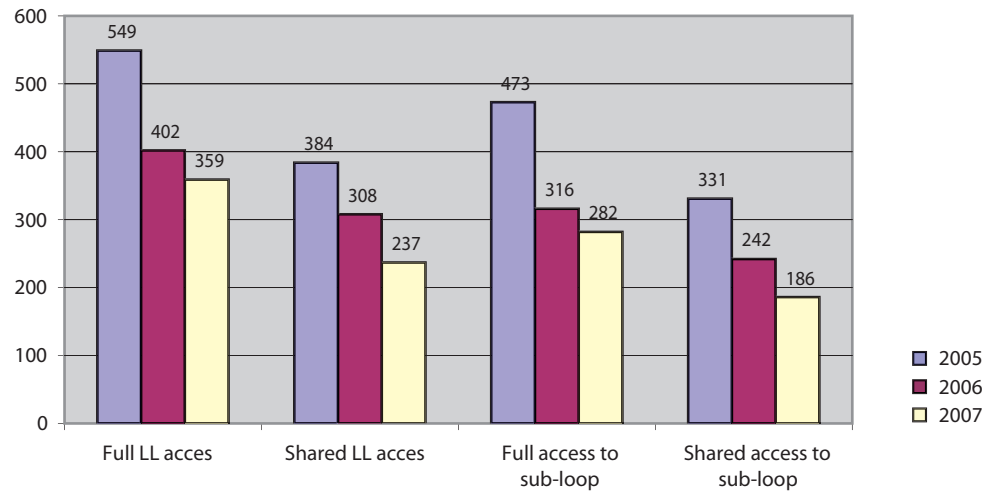
In accordance with its statute, the Telecommunications Office of the Slovak Republic is answerable to the Slovak parliament and its activities are determined above all by the approved national policy for electronic communications and the Electronic Communications Act.

The TO SR met one of its key objectives when, on 1 April 2007, it changed its organizational structure. Under the new structure, the number of departments is reduced, the number of directors is down by a third from what it was originally, and there are fewer section heads. This change has ensured that the TO SR is efficiently managed. The new organizational structure, which came into effect on 1 October 2007, meant reductions in the number of employees and subsequently the number of regional workplaces (from eight to four), the objective being to save capital funds of the State Budget and at the same time ensure effective spending of public funds.

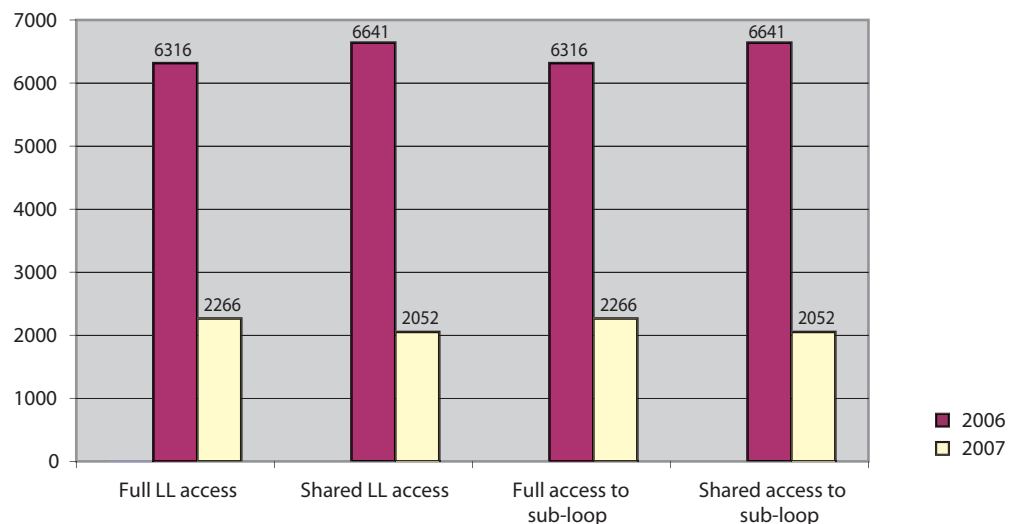
As for other objectives met by the TO SR, the second round of analyses of relevant markets was continued in order to establish whether efficient competition existed in these markets, and tenders were organized for the allocation of frequencies that will allow operators to build up networks and increase competition in the provision of digital television, internet and voice services for end users, as well as in the provision of the "last mile" for alternative operators, etc.

The TO SR chairman issued a final decision on the obligations of an undertaking with significant market power in the broadband access market. The obligations imposed will contribute to better conditions for the development of competition in, for example, the provision of high-speed ADSL internet and IPTV services. The increased scope for competition in the provision of these services will support a further rise in the number of end users and force both further improvements in their quality and a reduction in their prices. The TO SR chairman also laid down the obligations of an undertaking with significant market power in the following markets: *broadcasting transmission services, to deliver broadcast content to end users, transit services in the fixed public telephone network, and provision of the minimum set of leased lines*. The TO SR ordered a reduction in the network interconnection tariffs that an undertaking with significant market power in a fixed network charges its rivals. It launched an in-depth inspection of the extent to which undertakings were complying with their obligations and imposed sanctions in the event of any breach thereof. Fines were imposed on undertakings which, for example, were late in publishing their tariffs or failed to send the TO SR, either on time or at all, the data required for issuing a payment assessment for the provision of networks and services. Some undertakings were lawfully banned from performing activities.

The market saw other favourable changes in 2007. Prices for unbundled access to the local loop (LLU) were reduced to the average level for EU countries. The drop in prices for full/shared access to the local loop, or sub-loop, represented around 20% in comparison with 2006 and around 40% against 2005. The Chart below shows the decline in prices (excluding VAT).

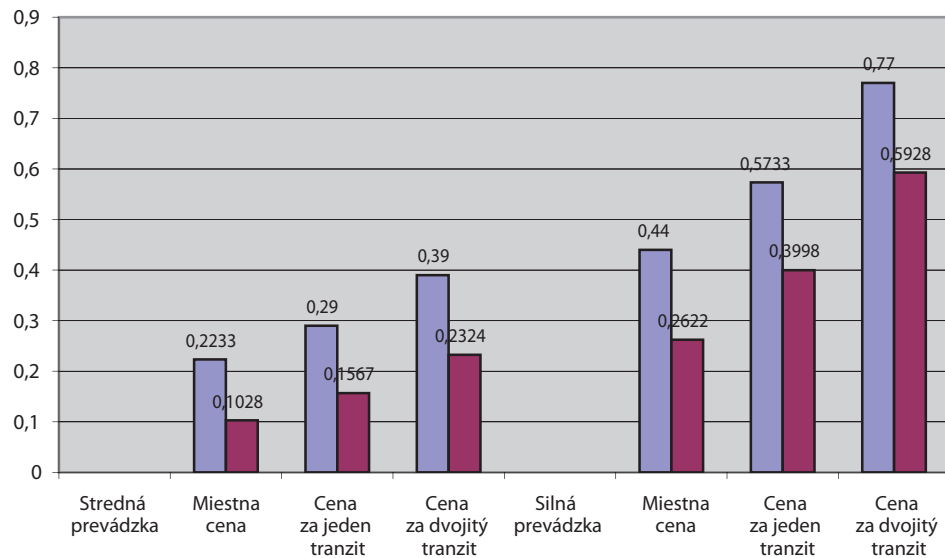


As regards prices for establishing full access to the local loop or sub-loop, they fell by around 64% in comparison with 2006. The decline in prices for establishing shared access to the local loop or sub-loop represented around 69% year-on-year. The Chart below shows the decline in prices (excluding VAT).



Last year also saw the removal of certain administrative barriers to the provision of the number portability service and the services of carrier selection (CS) and carrier pre-selection (CPS). The tariffs that undertakings charge for calls misdirected to a ported number fell by one-third year-on-year. The interconnection fees between two mobile operators charged each other declined by around 7.2%.

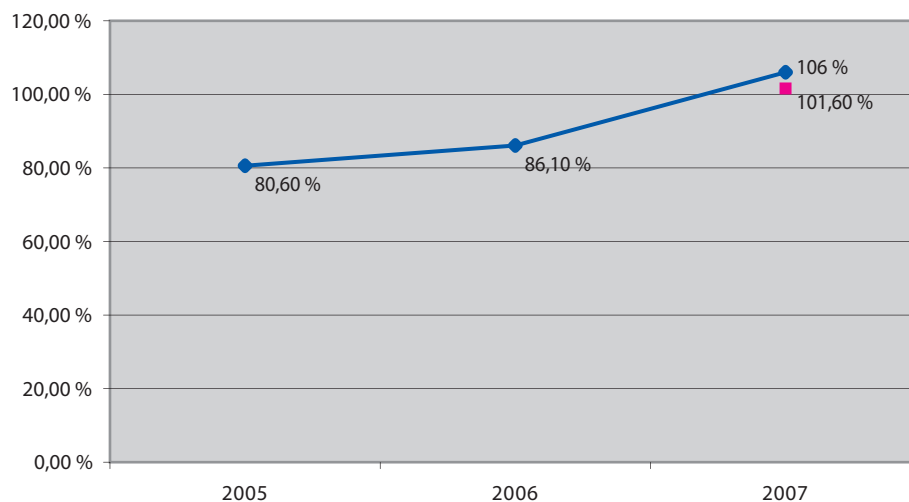
Under a decision of the TO SR chairman concerning a remonstrance made by Slovak Telekom against a TO SR decision, ST is required to adjust prices for call termination on its network. As a result of that decision, standard-rate prices for call termination will fall by around 54%, and peak-rate prices by more than 40%. This will in practice mean cheaper interconnection of fixed networks, thereby paving the way for the reduction of prices charged to end users. The decision entered into force on 14 August 2007. The Chart below shows the decline in prices (excluding VAT).



The penetration of fixed broadband access increased from 4.3% as at October 2006, to 8.8% by the end of December 2007, representing a rise of more than 100 %. Overall penetration of broadband access in Slovakia at the end of 2007 was much higher, at 17.24%. This figure includes all technologies using a speed of at least 144 kbit/s, which is seen as the minimum for comparisons of broadband access penetration among EU Member States.

The third mobile operator launched its services at the beginning of February 2007. The effect of this event was to expand and improve the quality of services for users, and consequently to increase mobile penetration. According to the operators' information, the total penetration at the end of December represented 112.5 %.

Mobile penetration as at October



Note: the figure of 101.6% is based on a methodology that only takes into account customers who carried out at least one operation within the previous three months.

As at 21 December 2006, the electronic communications sector reported turnover of SKK 58 181 million, up by around 1% in comparison with 2005. Overall material investment rose by around 0.7% against 2005, and stood at SKK 13 136 million. The share of GDP in current prices for 2006 came to 3.56 %. The data for 2007 are not yet available.

7. EVALUATION AND ANALYSES OF THE TO SR'S DEVELOPMENT IN 2007

For the TO SR to be successful in its tasks, the main prerequisite is the completion of its staff complement, supported by the opportunity to use the services of respected consultancy and audit companies, as is the case in a majority of EU countries. The task of completing the staff complement is addressed in accordance with the Civil Service Act.

The TO SR cooperates with:

- the Council for Broadcasting and Retransmission on a long-term basis in the area of radio and television broadcasting and retransmission;
- the Antimonopoly Office of the Slovak Republic in addressing anti-competitive behaviour among undertakings;
- the Transport Research Institute (TRI) in work related to the issuing of the TO SR Bulletin. TRI representatives have been exemplary in meeting contractual conditions and have shown willingness to meet the TO SR's requests;
- the Ministry of Transport, Posts and Telecommunications of the Slovak Republic, particularly in preparations for the draft amendment to the Electronic Communications Act;
- the Ministry of Culture of the Slovak Republic, especially in preparing the Digital Broadcasting Act;
- the Research Institute of Posts and Telecommunications in a relatively broad scope and on the basis of conditions laid down in different contracts;
- members of the ERG and IRG (regulatory agencies of EU Member States in the area of electronic communications), and in doing it has gained important information on how to address current regulatory issues. Advisory documents produced by these groups have often been of assistance to the TO SR's work;
- the European Commission on a regular basis and mainly in regard to the results of analyses of relevant markets and in preparations for the EC implementation report;
- the Slovak Trade Inspectorate, mainly in regard to the placing of equipment on the market and the settling of disputes out of court;
- special-interest and professional associations, mainly in the preparation of general licences, generally binding legal regulations and so on.

The TO SR considers its cooperation with the above parties to be positive. In addition, its cooperation with the media in the provision of information has been at a good level for a long period.

The Telecommunications Office of the Slovak Republic has an unsubstitutable role in the regulation of telecommunications activities. Its contribution to the state and, ultimately, the citizens is in the following areas:

- a) finance – the funds the TO SR brings to the State Budget are several times higher than the amount it receives from it;
- b) decision-making – by its decisions, the TO SR creates the conditions for establishing and maintaining a competitive environment in the electronic communications market. The result of increasing pressure on telecommunications undertakings in this way is that the public receive improved services at competitive prices;

- c) oversight – the TO SR exercises state supervision and imposes sanctions where it finds infringements of the law; for example, it prevents business being conducted without the respective authorization and reduces financial evasion where payments are not made for authorizations and licences;
- d) remedial measures – it orders the elimination of the shortcomings identified and the cessation of activities that are against the law;
- e) protective measures – it protects against the disturbance of radio, television and radio networks and organizes the settlement of disputes out of court.

The relationship between the TO SR's activities and the funds that it uses is set out in the section „Budget of the TO SR for 2007“. Of the direct and indirect expenditure on its activities, it is estimated that regulation and supervision account for 60%, frequency spectrum management 25%, and other activities 15%. Specific expenses are calculated and tracked according to the budgetary classification of the different items and sub-items of the State Budget, and they represent an aggregate of all expenses related to the respective items and sub-items.

Clearly, it will be necessary to change how the TO SR is financed. First of all, it must be funded outside the budget of the Slovak Ministry of Transport, Posts and Telecommunications so as to avoid suspicions that the TO SR, as the regulatory authority in electronic communications, is dependent on the framers of the national policy on electronic communications.

At the end of 2007, there entered into force the Electronic Communications Amendment Act, which, inter alia, made amendments on the basis of experience gained from the law's application in practice. In the same year, the TO SR cooperated with the Slovak Ministry of Transport, Posts and Telecommunications in preparing the amendment to the Electronic Communications Act, and it drafted and submitted amendments aimed at removing the shortcomings that had been revealed by the law's application.

8. PRINCIPAL GROUPS OF USERS OF THE TO SR'S OUTPUTS IN 2007

The outputs of the TO SR are provided for the following groups of users:

- a) **recording network and/or service providers and assigning numbers** – providers of electronic communication networks and/or services.
- b) **issuing licences for the operation of radio equipment** – natural and legal persons.

They include:

- holders of individual licences,
- holders of standard licences,
- holders of special licences,
- holders of amateur licences,
- operators authorized under certain general licences.

- c) issuing certificates of specialist qualification** – natural persons who must prove their specialist qualification to operate a selected item of radio equipment.

The selected items of radio equipment comprise:

- radio station,
- aircraft station,
- aircraft land station,
- aeronautical station,
- aeronautical land station,
- land station,
- ship station,
- coastal station,
- amateur station.

The types of specialist qualification certificates comprise:

- Radiotelephony operator's general certificate for aeronautical mobile service
- Radiotelephony operator's restricted certificate for aeronautical mobile service
- Radiotelephony operator's restricted certificate for aeronautical mobile service II
- Operator's general certificate for maritime mobile service
- Operator's restricted certificate for maritime mobile service
- Radiotelephony operator's general certificate for maritime mobile service
- Radiotelephony operator's restricted certificate for maritime mobile service
- Radiotelephony operator's restricted certificate for inland waterways
- Land radiotelegraph operator's certificate
- Amateur radio operator's certificate
- Long-range radiotelephony operator's certificate for maritime mobile service
- Short-range radiotelephony operator's certificate for maritime mobile service

- d) state supervision** – supervision of electronic communications (undertakings, distributors, users).

Supervision is exercised by:

- inspecting compliance with obligations and conditions laid down by Act no. 610/2003 Coll. on Electronic Communications as amended and by decisions and measures of the TO SR in regard to the provision of networks, services or networks and services;
- inspecting compliance with conditions for the placing on the market of telecommunications equipment and equipment that could be a source of electromagnetic disturbances, and for introducing such equipment into operation;
- inspecting the technical condition of telecommunications equipment, networks and lines;
- measures requiring the elimination of identified shortcomings or the cessation of activities that breach conditions laid down in Act no. 610/2003 Coll. on Electronic Communications as amended;
- disturbance protection, including monitoring and ascertaining sources of disturbance of networks, services and equipment;

- e) settling disputes out of court** – end users (disputes over the correctness of payments and the quality of the public service, particularly in regard to the provision of the uni-

versal service, where complaint proceedings have taken place and the user is not satisfied with how the complaint has been handled).

- f) **settling disputes between undertakings** – undertakings which are not able to reach agreement on conditions for access, interconnection or the shared placement and use of equipment.

Bratislava
10 April 2008