



ANNUAL REPORT T-SYSTEMS SLOVAKIA S.R.O. 2012

.....T.....Systems.....

CONTENTS

Foreword by the Managing Director	2
Company profile	4
Management of T-Systems Slovakia 2012	6
Our Vision, Mission and Values	7
Portfolio of Delivered ICT Services	8
Quality Management Systems	9
Developments in 2012	10
Economic Development of the Company	11
Cassovar Business Center	12
Expected development in the Future	14
Statement in corporate responsibility	18
Responsibility approach to the employees	18
Responsibility approach to the employees	20
Responsibility towards Environment	23

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FOREWORD BY THE MANAGING DIRECTOR

Dear readers,

Information Technology (IT) has become an essential part of our daily life. Regardless if you are shopping, paying bills online, travelling to foreign destinations, shipping goods for your company or just chatting with friends with your mobile phone: without IT supported platforms, infrastructure and applications our daily habits and life would stop immediately. What's more, the business with this supporting technology is increasing worldwide rapidly. The life cycles of technologies, the frequency of new features and the volume of dates will get faster, higher and bigger every year. Big data and cloud computing are the buzz words and latest trends in our industry. We from T-Systems Slovakia s.r.o. are exactly in the core of this very dynamic business.

Precisions in execution, competitive costs, high grade of innovation, automation and strong customer focus are our core competences, which we have developed in the past 7 years of our existence – IT made by T-Systems Slovakia s.r.o. is a brand known and very much appreciated by our more than 250 customers worldwide. International market research companies rank T-Systems International as one of the leading IT companies on the global market.

Last year we managed in T-Systems Slovakia s.r.o. again an enormous growth in business. It led us to an overall number of more than 2500 employees. As one of the largest employers in east Slovakia we are fully aware of our social responsibility for the region and for our staff.

In 2013 we plan to succeed in our growth story and fight to stay on the leading edge of our business.

Sincerely,

Thomas Bogdain, Managing director T-Systems Slovakia s.r.o.

COMPANY PROFILE

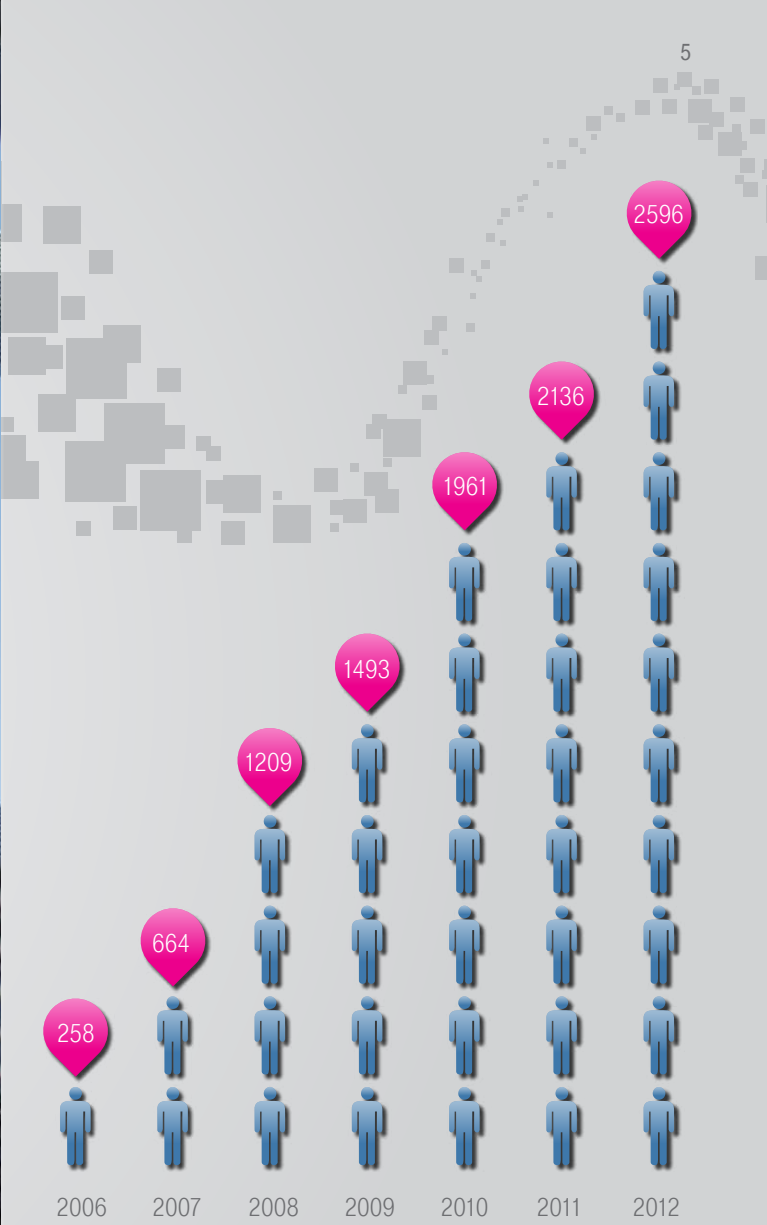
T-Systems Slovakia is a young, fast-growing company providing its services in the information-communication technologies (ICT) sector. The company was established in January 2006 as a subsidiary of T-Systems International GmbH, a company with its headquartering offices in Germany and itself a member of the global group Deutsche Telekom AG. Within the Deutsche Telekom group, the Slovak company offers services as an outsourcer, specializing in corporate clientele in Germany, the European Union, and further across the globe. Thanks to its size, scope of operation and service quality, T-Systems Slovakia s.r.o. makes a sound contribution to the fact that the T-Systems brand is number one in the German market and is ranked amongst the top four ICT service providers in Europe.

Where can one see the services provided by T-Systems Slovakia s.r.o.?

Production hailing from T-Systems Slovakia s.r.o. cannot be found in a shop or warehouse. One can come in contact with its services only indirectly. Taking it literally, if the provided ICT services are reliable, an ordinary consumer will not realize that a part of the ICT they utilize is delivered remotely from Slovakia. In its portfolio T-Systems Slovakia s.r.o. has leading brands from the automotive, telecommunication and petroleum industries, as well as financial or consultancy services.

What are ICT services and outsourcing about?

Similarly, as one rarely fixes his or her car alone, but relies on specialists in a garage, large global and multinational companies rely on specialized partners who operate and manage their ICT infrastructure. T-Systems Slovakia s.r.o. remotely manages almost all components forming the ICT landscape, starting from local or long-distance computer or communication networks, through a multitude of servers with different operating systems, SAP systems for enterprise resource management, and ending with customized and customer - specific solutions for such diverse domains as toll collection or research. Since its foundation, T-Systems Slovakia s.r.o. has had its seat in Košice and is very closely linked with this region. Its most important asset and competitive advantage are people, who are highly educated, reliable, ambitious, and dynamic. During six years of its existence, the company has exceeded the threshold of 2 500 people employed, whose average age is 30.4 years. The company was awarded the title of TREND Top Company of the Year 2011 and IT Company of the Year 2011 in Slovakia. In 2012 T-Systems Slovakia also added to these prestigious titles an award from the Ministry of Labour, Social Affairs and Family of the Slovak Republic: Employer friendly towards families, genders and opportunities. It has also received several HR Oscars for innovative human resources development projects. Two modern facilities in one city; this and much more is T-Systems Slovakia s.r.o., your trustworthy partner for ICT service outsourcing.



Management of T-Systems Slovakia 2012

Managing Director, Vice President Production,
Vice President Service

Thomas Bogdain



Head of Production Line
CSS

Thomas Grashoff



Vice President Finance
Marek Resovsky



Head of Production Line
TSS

Igor Kovac



Vice President HR
Ladislav Chudy



Head of Business
Operations Production
Lutz Reinegger



Head of PQIT
Michala Bednarikova



Head of Service
Marcel Sekela



Vision, Mission and Values

T-Systems Slovakia s.r.o. is an integral part of the global group of Deutsche Telekom AG and an important member of its corporate services arm, T-Systems International, GmbH. Its vision and mission reflect the contribution our local company strives to deliver to successfully fulfill the global group's ambitions. Our Vision: *"To be the most trusted outsourcing partner for ICT Services."*

T-Systems
International

T-Systems is one of the leading ICT service providers in the world.

Our Vision

To be the most trusted outsourcing partner for ICT Services.

Our Mission

We deliver high quality, cost efficient and innovative ICT services to customers worldwide.

In 2012 we decided to refresh our vision and to place a greater emphasis on the creation and development of partner relationships with our customers. As a key to building a sustainable trade mark we consider our trustworthiness as a reliable partner in delivering high-quality ICT service to its European and worldwide customers.

We connect our trustworthiness with the quality and professional attitude of our specialists and managers, and thus, as a part of fulfilling the vision, we have an ambition to become the preferred employer. Through continuous professional and personal development we want to keep increasing the flexibility and quality of the provided services.

Our Mission: *"We deliver high quality, cost efficient and innovative ICT services to customers worldwide."* We understand our mission as a broader purpose, reason of the existence of our company in Slovakia and in the Košice region. The mission of T-Systems Slovakia s.r.o. rests on four primary pillars, in which we see a guarantee of our sustainable development:

- **High quality** – we are continuously evolving into a global competence centre which is focusing on the development and operation of virtual ICT solutions
- **Cost efficiency** – we are focusing on the provision of the highest possible quality of ICT services whilst keeping our cost base competitive and sustainable in the long term
- **Innovative attitude** – we are proactively supporting the formulation and development of new ideas to achieve excellence in increasing the efficiency, effectiveness and quality of our ICT services
- **Customer satisfaction** – we are leading our business through international and global collaboration, enabling us to react quickly and respond to the evolving needs of our customers

Portfolio of Delivered ICT Services

T-Systems Slovakia s.r.o. provides information and communication solutions and business processing outsourcing (BPO). For our corporate customers ICT Outsourcing is one of the main methods for improving their own economic performance and flexibility. It is also a way that provides faster and cheaper access for customers to innovations or technological advantage, but above all it is a way of cutting costs. In practice, it is about a partial or full takeover of activities carried out by the customer's ICT departments, or by other providers of ICT services. Within ICT services, T-Systems Slovakia s.r.o. delivers the following services, which can be structured in several levels.:

Delivery and operation of ICT services

- **ICT services in the field of telecommunication systems**
 - Voice and video services, including VoIP and telepresence
 - Network and security related ICT services
- **ICT services in the field of computing (server) systems**
 - Services of ICT infrastructure and global transforms
 - Administration on network and security elements of global Data Center
 - Administration of global virtual platform for Cloud Computing
 - Administration and operation of „SAP as a Service“ global platform
 - Storage, back-up and recovery of data
- **Services of customer operating systems and servers**
 - Administration of MS Windows systems
 - Administration of Linux systems
 - Administration of Unix system and Unix variations
 - Services in the field of customer application and database systems
 - Administration of database and middleware systems
 - Administrations of portals and customer applications

ICT services support

- **Management of transformation and design of ICT services**
 - Services in the field of the design of customer solutions and ICT architectures
 - Transformation of customer ICT systems for ICT outsourcing
 - Project management and management of transformation projects for customers
- **Research, development and support for strategic development of a global company**



Quality Management Systems

T-Systems Slovakia s.r.o. has an ISO 9001 quality certificate since 2007. In compliance with this standard, the company constantly monitors, evaluates and improves systems of its organizational management and its operation. Implementation and certification in relation to this standard have significantly contributed to the maintenance and improvement of the company's market position, savings of its resources, and a more detailed definition of responsibility and authority and the building of corporate culture within the company.

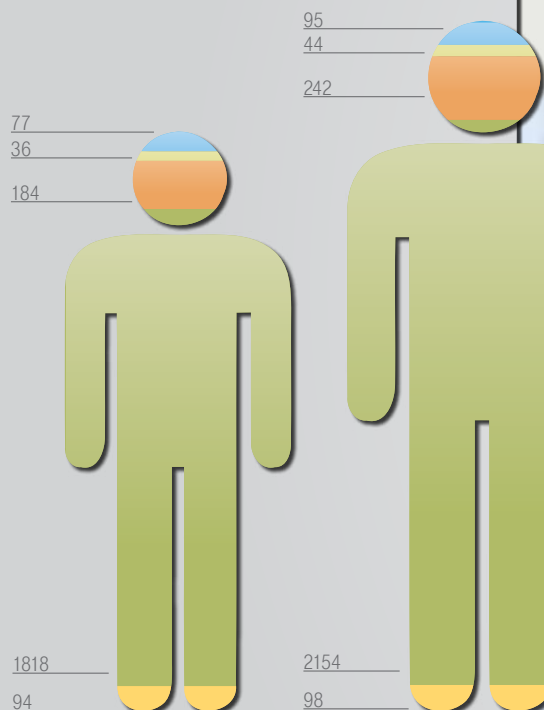
Another certificate, which the company acquired in 2008, ISO 27001, relates to information security management. It includes risk assessment within the company, the design and implementation of security information, and the management of security of information. Both systems make sure that requirements for the quality of services rendered by the company will become main priorities with regard to further growth and development of the company.

With regard to the type of activities and the rendering of services to our clients in the field of Information and Communication Technologies (ICT) it is necessary to precisely specify activities and define standards for the rendering of services in the field of IT. That is why the company underwent a thorough preparation and successfully passed certification for ISO 20000 standard in 2010. The company maintains its level and quality of services rendered in collaboration with the implementation of ITIL processes, which it complies with and improves.

However, the company focuses on the creation of suitable working conditions, safety of employees and equipment as such. Detailed preparation and control audits helped T-Systems Slovakia s.r.o. to acquire ISO 14001 and 18001 standards in 2011. Certifications and regular control audits help the company not only maintain but also to constantly improve both the quality of the services rendered to customers and its employees' working conditions.

DEVELOPMENTS IN 2012

Comparison of the number of employees in 2011 and 2012 based on units.



- General and Administrative
- Processes, Quality, IT
- Production Telecommunications Services & Solutions Service Line
- Production Computing Services & Solutions
- Services



Economic Development of the Company

	2011	2012
Operation and remote administration of operating systems and servers	17 914 746	21 852 635
Operation and remote administration of SAP applications	11 645 792	13 161 494
Operations and remote administration of customer applications	29 221 970	32 802 581
Operation, administration and monitoring of remote	6 813 302	7 134 479
Sale of goods to the end customer	69 974	
ICT Service Management	1 925 124	2 437 190
Project Management	4 276 077	3 221 739
Others	52 292	87 755
	71 919 277	80 697 873

Current liquidity of 2,56 means that the company is able to pay its liabilities.

Return on sales of 4,60% means that there is 4,60 cents of profit per each Euro earned.

Total debt of 46,70% represents a share of foreign capital, i.e. the company covers 53,30% of its assets by its own resources.

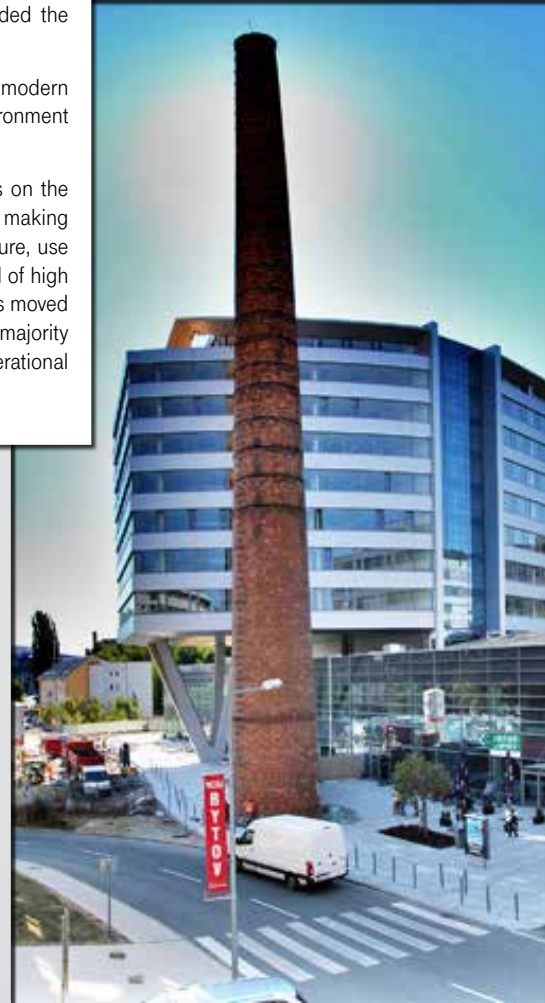
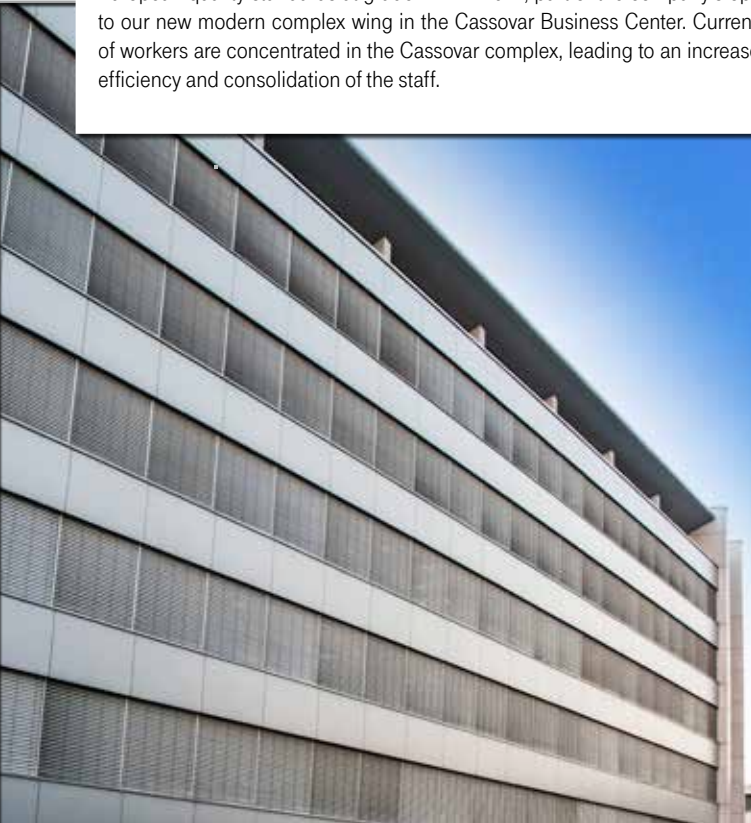
The increase in revenues for services compared to 2011 is valued at 8 778 596 EUR.

Cassovar Business Center

The number of employees working for T-Systems Slovakia s.r.o. in 2012 exceeded the number of 2500. Employees of the company are concentrated in two complexes.

One is the Tesla Business Center, an office complex designed for a dynamic and modern society, requiring flexibility of space and delivering a comfortable working environment located in a strategic location with good transport and communication connections.

The second is the Cassovar complex, which is part of the "Košice Cross." It lies on the border of the historical center, the Old and New Town. Its floor area is 60,000 m², making it the largest commercial office complex in Košice, with its eye-catching architecture, use of the best building technology solutions in its construction and subsequent award of high European quality standards at grade A +. In 2012, part of the company's operations moved to our new modern complex wing in the Cassovar Business Center. Currently, the majority of workers are concentrated in the Cassovar complex, leading to an increase in operational efficiency and consolidation of the staff.



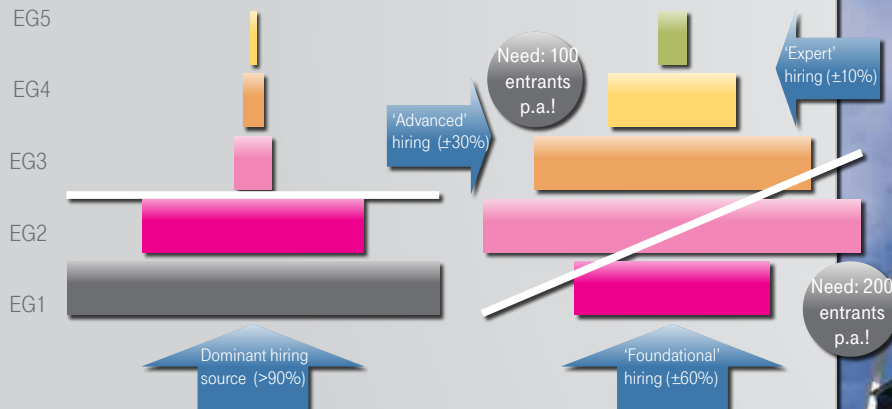


EXPECTED DEVELOPMENT IN THE FUTURE

The year 2013 will be a year of continued growth and development for T-Systems Slovakia s.r.o. On one side we are expecting a quantitative increase of job positions and a resulting increase of service volume served from Košice, thus a breadth-first growth. On the other side we are expecting an increase in the qualitative level of ICT services, therefore a depth-first growth, towards the activities with higher added value. In the long-term our strategy is best reflected by the transition of our knowledge and competence pyramid with the core being in lower-level activities, towards the pyramid whose core is shifting to the tasks requiring more creativity, innovation and responsibility.

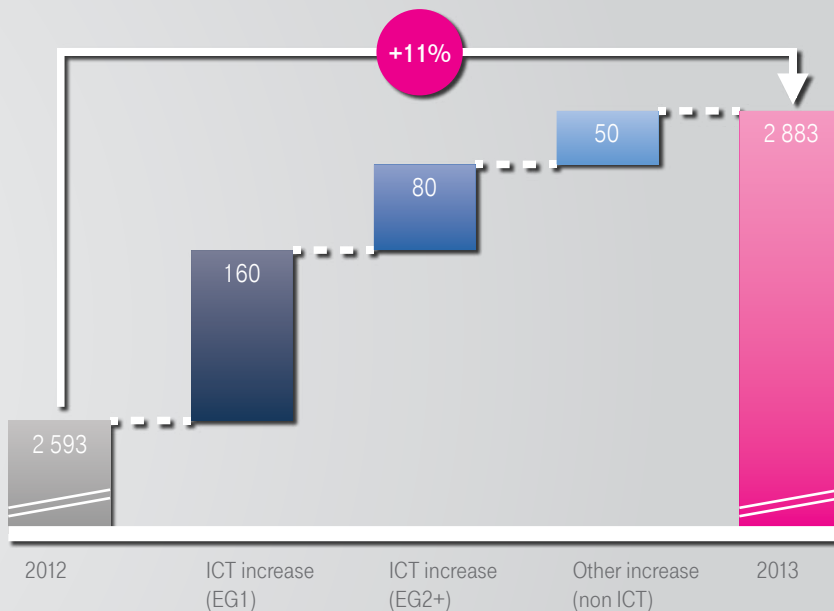
Current mode of operation (2012)

Future mode of operation (2015+)



*EG=Expert Group

In connection with the quantitative growth T-Systems Slovakia s.r.o. plans to actively contribute to increasing the global efficiency of our mother company, by means of increasing internal labour productivity, and by means of increasing the critical volume of provided services and employed ICT specialists. Despite the continuing global economic crisis and continuing pressure on outsourcing cost reduction, we are expecting a net growth in the number of employees (taking into account average fluctuation and productivity growth p.a.) in the extent of 10-15% on top of 2012 year-end figures.



From the viewpoint of managing human resources the above growth scenario presents an ambitious challenge, particularly in absorbing high numbers of new work entrants, not only in the hiring process itself, but also in the process of their continuous development. Simultaneously, T-Systems Slovakia s.r.o. has to face another challenge in transferring more services with a higher added value. The friction between the capability of the labour market to provide specialists mainly to feed the entry level (EG1) of our competence pyramid and the requirement to deliver ICT services relying on advanced and expert know-how and skills (EG2+) is thus going to be a substantial factor in the formation of our strategy throughout 2013.

In 2013 the company plans to continue with the already-started program, supporting active management and development of our advanced human resources (Skill Shift program). With regard to the beginners segment, T-Systems Slovakia s.r.o. launches an innovative pilot program of dual vocational education for the graduates of secondary schools. In the context of this initiative we will work together with regional secondary schools to educate and bring practice-oriented ICT specialists to the market. We intend to run the initiative as a three-year long higher education program which will be concluded by a formal exam and an internationally-acknowledged diploma.

The year 2013 will also be innovative for one of our educational program, the T-Systems Education Academy, which has been running in our company since 2009 in collaboration with the Technical University of Košice and Elfa, s.r.o. In the near-term future we aim to align this program with our ambitions, especially in terms of growth towards services with higher added value. We also plan to include in this form of cooperation other universities and faculties in the region. There is a substantial risk to the above-sketched plans, namely the (lack of) qualified work entrants who would be capable of filling the growth scenario.

A particular risk to T-Systems Slovakia s.r.o. arises from the situation that these scarce resources may become employed by other ICT service providers active in the region. Another risk linked to the competitive environment in the segment of ICT services provisioning, both in Slovakia and in the V4 region, is the drain of qualified resources from within the company to competition, thus filling the growth scenarios of competitors. Both risks have a certain impact on our goal to balance the competence pyramid around the higher value skills. Both situations are, however, analyzed, and our company is working on a strategy of diversifying its labour pools and tighter alignment of the capabilities of a particular work entrant group with the expected professional qualifications.



INNOVATE

Increase the degree of automation of our processes, and introduce novel services to our outsourcing portfolio



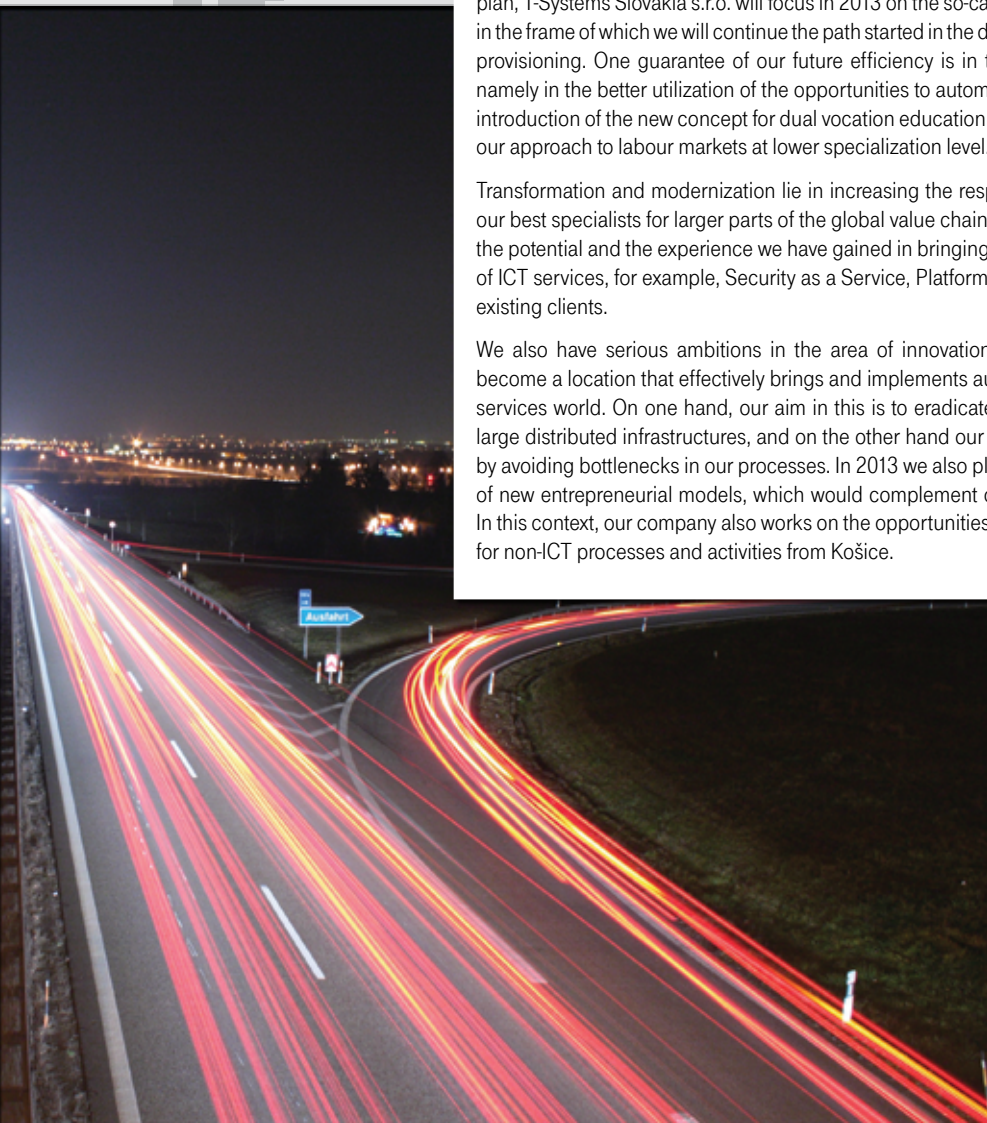
TRANSFORM

Modernize processes, product portfolio and organization towards more dynamic and virtual solutions.



COMPETE

Maintain and win customer satisfaction with T-Systems Slovakia, mainly by means of high quality and efficiency



Along the strategic line T-Systems Slovakia s.r.o. is fully supporting the strategy of its mother group Deutsche Telekom, namely by implementing a triad of fundamental corporate theses.

One of the outstanding challenges for 2013 is the continuous increase in the ICT service efficiency, and in our case, to increase in quality and productivity (per person). To fulfill this plan, T-Systems Slovakia s.r.o. will focus in 2013 on the so-called Total Quality Drive program, in the frame of which we will continue the path started in the domain of automating ICT service provisioning. One guarantee of our future efficiency is in the operational standardization, namely in the better utilization of the opportunities to automate tasks. On the other side, the introduction of the new concept for dual vocation education is also seen a means to diversify our approach to labour markets at lower specialization level.

Transformation and modernization lie in increasing the responsibility and accountability of our best specialists for larger parts of the global value chain. In practice, this means utilizing the potential and the experience we have gained in bringing to the market emerging models of ICT services, for example, Security as a Service, Platform or Software as a Service, to our existing clients.

We also have serious ambitions in the area of innovations: here, our primary goal is to become a location that effectively brings and implements automation scenarios into the ICT services world. On one hand, our aim in this is to eradicate human errors whilst operating large distributed infrastructures, and on the other hand our aim is to increase our efficiency by avoiding bottlenecks in our processes. In 2013 we also plan to start with the development of new entrepreneurial models, which would complement our core business, ICT services. In this context, our company also works on the opportunities to provide outsourcing services for non-ICT processes and activities from Košice.

STATEMENT IN CORPORATE RESPONSIBILITY

Since 2011, the company has been governed by the concept and strategy of social responsibility, based on the concept and strategy of Deutsche Telekom AG.

Responsibility approach to the employees

In addition to the basic principles of rewarding employees stipulated by the Labour Code, the company motivates its employees using a dedicated, so-called Benefit Cafeteria Program. The company is offering individual as well as generally-shared benefits. Generally-shared benefits are offered to all employees in the shape of discounts, benefits, weekend events, offers, awards and special reward programs such Colleague of the Year, Loyalty Club, etc. to its employees. Individual benefits are oriented towards four basic categories: Health, Leisure, Education, and Travel and commuting to work, which are offered in the shape of an annual financial allowance.

Health and Safety

Employees' health is an utmost priority in T-Systems Slovakia s.r.o. The company places an emphasis on following health and safety rules, as well creating suitable working conditions, as evidenced by the successfully- implemented management system for Health and Safety at Work. During a typical year the company organizes so-called Health Days, where employees can test their health condition and take part in various exercises. At the same time, they have an opportunity to help by means of donating blood. After many a busy day at work, they can also enjoy body massages and a range of sport exercises. Throughout the year, several specialists are available to all employees such as general practitioners, dermatologists, orthopedic surgeons and psychologists.

In 2012 the company launched the Work Life Coaching Program, which offers all employees the opportunity to have their own personal consultant. With the help of consultants, our employees can easily overcome problems accompanying their lives.



Work Life balance

Our company puts an emphasis on balancing work life with private life through a range of programs. We are regularly organizing weekend events, sport competitions (indoor football, badminton, etc.), competitions for concert tickets, as well as large company-wide events including family members. To honor diversity in our company, T-Systems Slovakia s.r.o. is supporting a project called "T-Gallery", which enables our employees to present their artistic work.

Management-Employees Relationship

Regular meetings between employees and the Managing Director are an important communication channel and also a popular means to have the employees' voices heard. On a weekly as well as monthly basis we implement meetings on different management levels. Once a year we run an All Staff Meeting, where the top management communicates the strategy of the company and its plans for the coming year to all employees. This is a popular form of interacting between employees and managers, as it allows employees to ask direct questions to the management. Our employees have a representative in the European Workers' Council.

Equal Opportunities

T-Systems Slovakia s.r.o. has implemented an Ethical Code of Practice as well as The Social Charter. In our company there are employees of different nationalities, religions and racial background. The company ensures there is no discrimination among its employees and that all employees are given equal opportunities in terms of both professional and career development.

Education and Trainings

T-Systems Slovakia s.r.o. aims to become a mature and ever-learning organization by means of the continuous development of its employees, which is perceived as the core strength of our organization. The company supports the development of employees' skills and leads them to increase their maturity through a range of programs, training sessions and courses, which can be categorized into the following groups: (1) Hard skills (ICT) training, (2) Soft skills training, (3) Methodology training, and (4) Language training. The company's attitude towards training its employees is also reflected in the company culture that is built into one of our five principles: (the) "Best Place to Perform and Grow". The development of employees is an inevitable part of the success of T-Systems Slovakia during the past six years. Our company belongs amongst the top investors into educational and development programs in the entire Slovak Republic.

Employee Satisfaction

T-Systems Slovakia s.r.o. is a part of Deutsche Telekom Group, which every two years organizes an employee satisfaction survey, in which our company also takes part. We are also measuring employee satisfaction using other tools, such as attrition ratio, and the new employee recommendation program (which is also a financial benefit for the recommender).

Responsibility towards Community

Košice IT Valley

T-Systems Slovakia s.r.o. is an active member - and not to mention one of the founding members - of the association of legal entities operating under the title Košice IT Valley, whose aim is to establish in the East Slovakia region a centre of excellence in information and communication technologies, thus making the regional socio-economic environment more attractive, especially for young people. The association aims to contribute to building an information and knowledge-focused society in the east of the country, building a communication platform between public authorities, local businesses and local educational institutions, which shall thus lead to an accelerated development of the ICT industry in the region. The Association is open for everybody with a will to contribute towards the stated goals

Coalition 2013+

T-Systems Slovakia s.r.o. was also a founding member of an association of legal entities operating under the title of Coalition 2013+, whose main goal is to support and successfully implement the project Košice: European Capital of Culture 2013 (further EHMK) and to ensure sustainability of the project with a continuity guarantee for the future. A representative of T-Systems Slovakia s.r.o. is a member of the Advisory Board of the EHMK project and not-for-profit organization, and thus contributes to key strategic decisions affecting the project. Among the EHMK project, the company participates in the Terra Incognita project under the auspices of the Košice Self-Governing Region. In particular, we support the selection and evaluation of individual projects, as well as consultancy for project communication and PR. The company is also collaborating with the East Slovakian Gallery and aims to offer to the regional community and to our employees an alternative perception of supporting art.



T-Systems Slovakia Scholarship Program

In 2011 T-Systems Slovakia s.r.o. in cooperation with Carpathian Foundation ran the third round of a dedicated scholarship program, the main objectives of which include:

- establishing opportunities for educating young talented people from the East Slovakia region
- preparing and educate young qualified professionals with an inherent interest in the development of East Slovakia region
- increasing the awareness and patriotism to the region, especially among young people
- Increasing the awareness of volunteering amongst young people in eastern Slovakia

The scholarship program is offered to the full-time university students who come from East Slovakia region and belong to a disadvantaged category (e.g., socially weak, etc.). During 2011/2012 our company supported six students in their studies. In 2012/2013 an additional six candidates were supported.

Education Support

Every year T-Systems Slovakia s.r.o. organizes “Summer UniversITy”, which targets the general public willing to learn more about the Linux operating systems. This event was established in 2006 and regularly takes part in collaboration with the Technical University of Košice and the University of Pavol Jozef Safarik in Košice. During the academic year, the company supports an optional course for full-time students in other areas than ICT subjects, Evening UniversITy, the objective of which is to introduce a broader population to ICT. Together with the Technical University of Košice, the company has a long-term commitment to support the so-called T-Systems Education Academy, within which the students can choose from a range of 13 ICT courses that are formally accredited by the Ministry of Education of the Slovak Republic. The curriculum and the lecturers of these courses are a live evidence of T-Systems Slovakia s.r.o.’s engagement in the area of content creation, lecturer training and professional technological support for the courses. In 2012 T-Systems Slovakia s.r.o. also worked with secondary technical schools in the region, in order to increase the attractiveness of IT learning and training in this field. The company is also active in collaboration with primary schools, where cooperates in education of students in the field of ICT. The company is also active in collaboration with some primary schools by sending company employees who volunteer to teach basic skills in ICT.

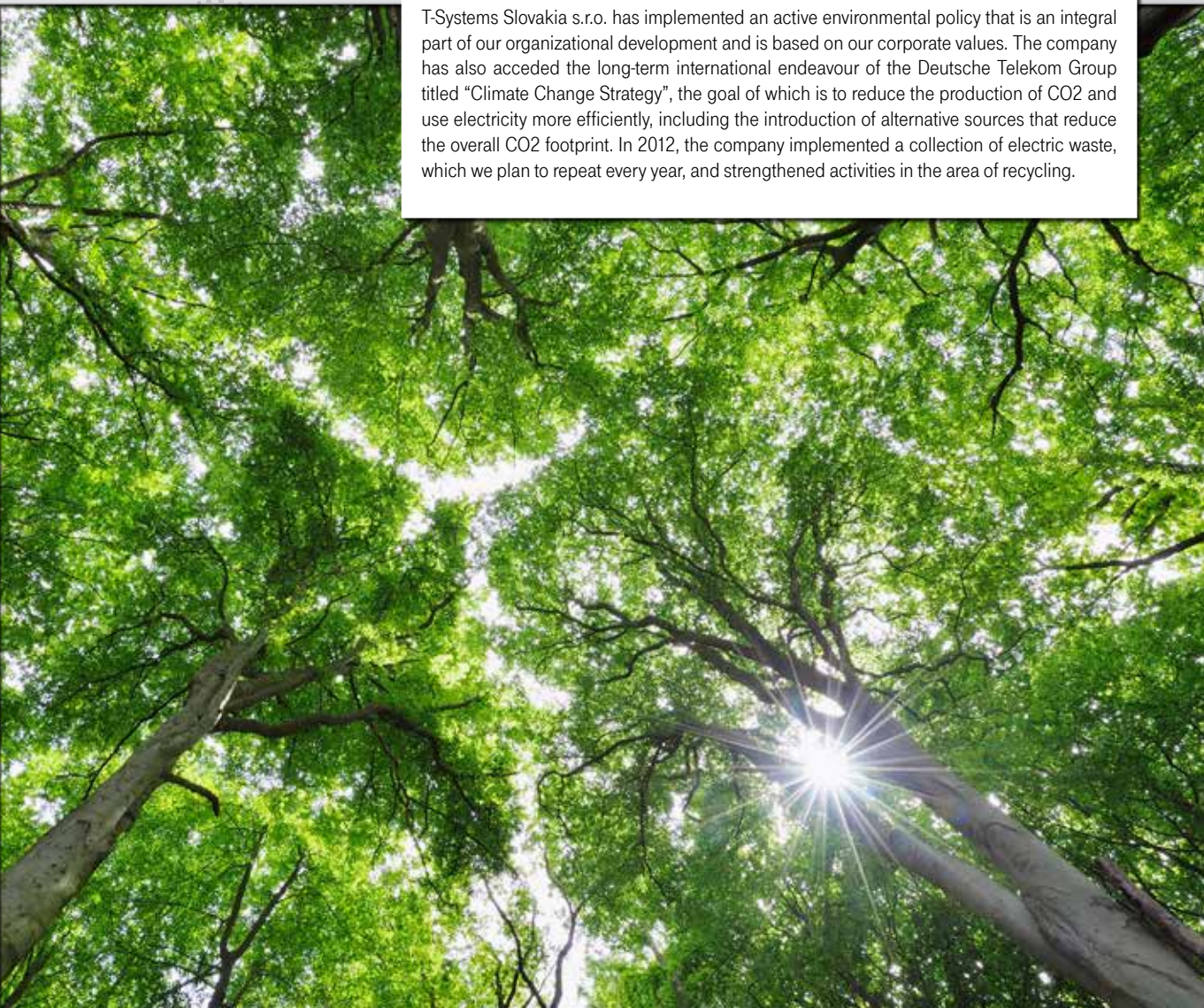
Volunteering and Non-Profit Sector Support

The idea of volunteering and actively supporting the voluntary engagement of our employees in the community started in the past few years. In 2012, the staff participated in voluntary work at Košice dog shelter, the company participated in the nationwide event Our City, employees volunteered to donate blood, as well as teaching ICT in primary schools in Košice. In 2012 the company also supported the children's railway in Košice. Thanks to the help of employees children's railway managed to reconstruct the summer wagon of T-Systems. At the end of the year, the company implemented an internal collection of items for needy people, as well as a St. Nicolaus surprise for children from disadvantaged backgrounds. The company annually reallocates 1.5-2% of taxes amongst various associations and non-profit organizations. Since 2006, we have supported the following: the Society of friends, Children in Orphanages, the Carpathian Foundation, the Dorka Foundation, the Foundation of East Slovakian Oncological Institute, the non-profit organization Oasis: Hope for new life and Children's club for disabled children and young people in Košice.



Responsibility towards Environment

T-Systems Slovakia s.r.o. has implemented an active environmental policy that is an integral part of our organizational development and is based on our corporate values. The company has also acceded the long-term international endeavour of the Deutsche Telekom Group titled "Climate Change Strategy", the goal of which is to reduce the production of CO₂ and use electricity more efficiently, including the introduction of alternative sources that reduce the overall CO₂ footprint. In 2012, the company implemented a collection of electric waste, which we plan to repeat every year, and strengthened activities in the area of recycling.





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