ANNUAL REPORT 2019

SLOVAK TELEKOM

CONTENT

01 AN INTRODUCTION TO THE SLOVAK TELEKOM GROUP

A FOREWORD BY THE CHAIRMAN OF THE BOARD OF DIRECTORS AND CEO

Dear ladies and gentlemen,

in 2019 our Group set off in a new direction. In March, we succeeded in completing a series of customer-centric changes, as evidenced by the creation of a separate transformation and customer experience division - the aim of which is not only to create products focused on the Slovak and Czech markets, but also to deliver a better experience with our services and products.

Several of last year's changes in our portfolio were directed towards new opportunities for our customers. In spring, we made it possible to switch from Happy to ÁNO (YES) rateplans across the board, so customers could get more data or minutes for the same price. In the autumn, we accelerated the internet on both optical and VDSL networks across Slovakia free of charge. And in November, we launched a new version of our mobile TV channel - Magio GO 3.0, as well as a multi-brand Smart TV app.

In the field of B2C, we continued to provide improved options with our TV platforms. In addition to the newer version of Magio GO, we put together the new Premier Sport channel focused on British football - including the Premier League - for our customers, and in the autumn we introduced the new Comedy House. Popular exclusive channels like Ťuki TV, Folklorika and BBC Earth remain on offer.

In the B2B segment, the launch of new ÁNO Biznis (Business) rateplans resonated - providing not only more data, but also optional services directly in the basic monthly fee. We also introduced a new solution for entrepreneurs known as eKasa (e-till) in cooperation with the Slovak Telekom company. At the same time, we partnered up with Microsoft for faster cloud services, including Office 365 and Azure.

High-quality networks are required in order to provide high-quality services and Slovak Telekom invests heavily in them. In 2019, investments were primarily directed towards the building of the optical network - which managed to cover more than 100 000 new households during the year and increased total coverage to 657 000 households. VDSL coverage is also advancing, having risen to include some 666 000 households.

Our mobile networks advanced once again in terms of basic 4G coverage (now covering 94.5% of the population), and we focused even more on strengthening the 4G + network at higher speeds – installing it in 25 localities and towns like Bojnice, Galanta, Hlohovec, Leopoldov, Nove Mesto nad Vahom, Partizanske, Prievidza and Topolcany. VoLTE support has increased significantly, with more than 99 devices.

In addition, Slovak Telekom once again received the Best in Test award from umlaut (formerly P3) - now for the seventh time in a row in five years - achieving the best results in both voice and data categories.

Leading networks and high-quality services were once again reflected in the growth of the customer base. As of the 31st of December 2019, 2 428 000 customers were using Telekom mobile network services. We were also successful in the fixed line field, where all indicators - including TV customers (now 635 000) and broadband access (707 000) grew.

In the area of corporate social responsibility, after 17 years of sustained support for the hearing impaired and bringing about positive change, we won the Good Community Partner award from the prestigious Via Bona Slovakia 2018. In addition to this segment, we continued our enduring dedication to local communities, and we continue to support education, environmental and inclusive care initiatives for our call centre agents.

In 2019, we once again increased the amount of investments that contribute to the digitization of the country – in particular investments pertaining to the optical network, which we perceive in the long term as a digital highway that can help the whole country and the digital economy. In this regard, we also perceive it to be our responsibility to expand the potential of our customers, and that our efforts will additionally be reflected in their daily lives. More and more customers trust us as a provider of both fixed-line and mobile services, and thanks to them we can continue on the path of their connection. And we won't stop until everyone is connected.

Ing. Miroslav Majoroš
Chairman of the Board of Directors

Jose Severino Perdomo Lorenzo
CEO

2019 MILESTONES

JANUARY

One step closer to 5G
The revolutionary Massive MIMO technology for 4G was tested - one of the cornerstones of the fifth generation network that allows even faster data transfer rates.

FEBRUARY/MARCH

Improved Magio TV
Magio TV via vDSL technology allows you to watch or record up to 4 different channels at once - two in HD and two in SD resolution.

APRIL

From the Happy fixed-rate plan to ÁNO - even during the fixation period
All customers were able to switch from the previous generation of Happy fixed-rate plans to the advantageous new Áno fixed-rate plan, even during the fixation period.

MAY

A new version of Wireless Magio internet
The new version of the service allows customers to use up to 500 GB of data per month at full speed and combine services within the Smart Package or Magenta 1 group.

JUNE

Magio beach goes green
The popular Magio Beach has come up with a brand new concept focused on environmental responsibility. With the introduction of returnable cups, wrapper-less ice lollies and paper straws, plastic waste has been reduced to a minimum and bio-waste has been transformed into compost and energy.

JULY

4G+ network for further towns
In the mobile network, 25 new sites with a faster 4G + network and a download speed of up to 200 Mbps were added.

AUGUST

A datafied Slovakia
Thanks to the new Áno flat-rate plans and summer data bundles, mobile traffic achieved a record-breaking data rate during the summer and doubled year-on-year.

SEPTEMBER

National internet acceleration
Telekom has accelerated fixed network internet, with fiber-optic speeds doubling.On ADSL and VDSL technologies, FUP was cancelled.

NOVEMBER

Magenta 1 group bonus data
Telekom enabled customers to share bonus data within the Magenta 1 group with other members of the group.

Magio GO 3.0
The new Magio GO 3.0 provided a better user experience and enabled TV viewing on all mobile devices, the web, the Magio GO TV Box and Smart TV in a new unified design.

DECEMBER

Aeroplane internet
The new service also allows internet access while flying over Europe on board the aircraft of selected airlines.

The best network for the seventh time in a row
In addition, Slovak Telekom once again received the Best in Test award for the seventh time in a row in five years - achieving the best ever score in the test.

Telekom app users double
A year after the launch of the new enhanced designer Telekom app, the number of users doubled and the number of interactions nearly tripled in a year.

ZOZNAM AND ZOZNAM MOBILE

The launch of the new Zoznam TV video portal and the redesign of the Plnielanu.sk online magazine for middle-aged and elderly people, the Predpovede.sk weather forecast website and the Feminity.sk women's website..

The Feminity.sk women's online lifestyle magazine celebrated its 10th birthday with a fashion event for partners.

The mobile version of the outpatient catalogue on the Vyšetrenie.sk health website, a website for the B2B project focused on the HR community ranajkyskarierou.sk (career breakfasts) and a cooperation agreement with the Kariéra.sk job portal with the PSVR Headquarters were launched.

POSAM AND COMMANDER SERVICES

By signing a new contract with ČEZ Distribuce for **the delivery of a field service management solution**, PosAm confirmed its ability to assert itself in the development of unique software solutions outside the domestic market.

More than a dozen Slovak cities, city districts and private providers were added to **the innovative ParkDots smart parking solution portfolio**. The ParkDots solution also succeeded in foreign markets as well as in an international tender for the city of Wroclaw, and **was awarded the smart city award for the implementation of the parking project** in the Greek city of Chania.

Subsidiary Commander Services introduced a new, fully clouded version of the **Commander Control Car monitoring software** for customer testing. The Vehicle Monitoring Service recorded an increase of 10 000 new vehicles, bringing the total number of monitored objects to 40 000.

DIGI SLOVAKIA

New television stations Nicktoons and Lala TV, Docubox and Comedy House were added. The company continued to replace multiple SD channels in HD versions.

A newly designed **DIGI GO** was launched, as was the TV Archive service which allows you to watch the 13 TV channels previous 7 days of programmes.

THE SLOVAK TELEKOM GROUP PROFILE

THE SLOVAK TELEKOM GROUP IS PART OF THE WORLDWIDE GROUP OF THE DEUTSCHE TELEKOM COMPANIES. THE UNMISTAKABLE GRAPHIC SYMBOL OF THE ASSOCIATED COMPANIES IS THE MAGENTA 'T' WHICH ADDITIONALLY INCORPORATES THE INTERNATIONALLY APPLICABLE VALUES UPHELD BY THE EMPLOYEES OF ALL COMPANIES WITHIN THE GROUP.

IDENTICAL VALUES FOR ALL DEUTSCHE TELEKOM COMPANIES:

- Customer satisfaction drives us
- We act responsibly and with respect
- Together or independently – we are one team
- The best place for performance and growth
- I am T – count on me

GROUP STRUCTURE

The Slovak Telekom Group consist of the parent company of Slovak Telekom, a.s. (hereinafter referred to as Slovak Telekom) and its subsidiaries Zoznam, s.r.o. (hereinafter Zoznam), Zoznam Mobile, s.r.o. (hereinafter referred to as Zoznam Mobile), Telekom Sec, s.r.o.(hereinafter referred to as Telekom Sec), PosAm, spol. s.r.o. (hereinafter referred to as PosAm) and DIGI SLOVAKIA, s.r.o. (hereinafter referred to as DIGI SLOVAKIA).

The Slovak Telekom Group - as a provider of comprehensive telecommunication services - provides its customers with fixed network services, Internet connections, digital and cable TV services, data services, consumer device sales, call centre services, mobile communication, Internet content (Zoznam and Zoznam Mobile) and security services (Telekom Sec).

All information mentioned in this Annual Report in connection with the Slovak Telekom Group relates to all companies forming the group.

A DEUTSCHE TELEKOM MEMBER

Slovak Telekom is part of the multinational Deutsche Telekom Group. Deutsche Telekom is a leading global telecommunication company that provides services to more than 180 million customers in 50 countries worldwide. The majority shareholder of Slovak Telekom is Deutsche Telekom Europe B.V. with a 100% stake. The ultimate parent company of Slovak Telekom is Deutsche Telekom AG.

EXECUTIVE BODIES

Jose Severino Perdomo Lorenzo
Chief Executive Office and a member of the Board of Directors

Jose Perdomo Lorenzo graduated as an aerospace engineer in Madrid and worked at Boeing USA until 2000. He then strengthened Spain's McKinsey & Company as a management consultant, focusing on the telecom industry in Europe. In 2006, he joined Telefónica Spain and in 2008 became Vice President of the residential segment in Telefónica O2 in the Czech Republic. Later, he worked at Telefónica Digital in the global team responsible for new digital services. In 2014, he joined the Millicom Group and took over as CEO of Tigo Paraguay, the market leader and a converged telecom operator. Since July 2018, he has been a member of the board of directors and since October 2018 the CEO of Slovak Telekom and T-Mobile Czech Republic.

Stephan Eger
Chief Financial Officer and Deputy CEO (until 31.3.2019)

Stephan Eger has over 20 years of business experience and more than 15 years of experience in management. Stephan started his career at the Finance and Treasury division of Ford motors in Venezuela. He then worked for four years at the Deutsche Bank headquarters in Frankfurt in the field of capital and asset management. After five years at Allianz from 2003 with pan-European, and global managerial responsibility, Stephan started working in 2005 with Lehman Brothers', tasked with managing German sales activities. In 2007 he joined the Deutsche Telekom Group as Head of Investor Relations. Over the past 8 years he has worked as the Deutsche Telekom business leader and reported directly to the CFO of Deutsche Telekom. During his tenure, Deutsche Telekom significantly strengthened its market value and its image of being an undervalued company was changed to that of a premium tradable company compared to its competitors. In addition, Deutsche Telekom won the prestigious Thomson Reuters Excel Award for "Best European Investor Relations Company" across all industrial areas for two consecutive years – 2014 and 2015. In 2015, Stephan Eger was appointed to the position of Chief Financial Officer of T-Mobile Czech Republic. From the 1st of July 2016 until the 31st of March 2019, Stephan Eger was the T-Mobile Czech Republic and Slovak Telekom CFO.

Pavel Hadrbolec
Chief Financial Officer (since 1.4.2019)

Pavel Hadrbolec has extensive experience in the telecommunications industry. In 2000, he joined Oskar (now Vodafone) and was responsible for long-term planning and cash-flow at various analytical and project positions and he helped to bring the third operator to the Czech market. Since 2004 he had worked at T-Mobile Czech Republic, where he held a number of expert and managerial positions in the Finance Division, and also played an important role in the integration of T-Systems and GTS. For the past three years, he has held the post of Vice President of Performance management Europe at Deutsche Telekom's parent company. From the 1st April 2019 he became Chief Financial Officer in both Slovak Telekom and T-Mobile Czech Republic.

Dušan Švalek
Chief Mass Market Segment Officer (until 28. 2. 2019)
Chief Country Officer for Slovakia (since 1.3.2019)

Dušan Švalek completed his education at the Bratislava University of Economics and then at the University of Navarra in the area of business economics and management. He began his career in the Benckiser and Johnson & Johnson, and later served six years at The Boston Consulting Group. In 2004 he joined T-Mobile Slovakia as Director of the Customer Services Division and from 2007 was the Executive Director of the Marketing Division. From July the 1st 2010 until the 31st of December 2010 he was the executive director of marketing and directed product management and development for voice and data services. From July the 1st 2016 he held this post on both the Slovak and Czech markets simultaneously - where he was responsible for marketing, sales and customer service in the B2C segments. Since the 1st of March 2019, he has been Director for Slovakia and is also responsible for the management of the Zoznam and DIGI Slovakia subsidiaries.

Ing. Peter Škodný
Chief ICT and Business Segment Officer (until 28.2.2019)
Chief CX and Transformation Officer (from 1.3.2019 until 30.9.2019)

Peter Škodný has more than 25 years of experience from Accenture in Slovakia and other countries in Europe. He joined the company in 1991 and was active on several managerial positions. Since 1997 he has been responsible for Slovak market and since 2012 he has managed the Hungarian unit as well. He had full responsibility for Accenture operations on both markets across all business dimensions. In 2012 he took over full responsibility for Accenture business in many markets for Deutsche Telekom. Since 2013 he has also been responsible for the Accenture Danubia Czech, Slovak, Hungarian, Croatian, Romanian and Bulgarian Geo Unit.

Tomáš Ryšavý
Chief CX and Transformation Officer (since 1.10.2019)

Tomáš Ryšavý has many years of experience working at T-Mobile Czech Republic. He started his professional career there in 2002 as the head of after-sales services and has passed through several management positions in the areas of procurement and logistics, customer care, and sales channel management, and also worked as product and segment manager for the residential market. Since 2016, he has been a member of the company's top management - initially as Director of Strategy and Transformation. At the beginning of 2019, Ryšavý was entrusted with the management of the HR division, which he successfully navigated through a difficult period of organisational change. Since October 1, 2019 he has been the Executive Director of the Customer Experience and Transformation Division in Slovak Telekom and T-Mobile Czech Republic.

Branimir Marić
Chief Technology and IT Officer

Branimir Maric graduated from Zagreb Technical University Faculty of Electrical Engineering and Computer Science. Branimir Marić started working at the Hrvatski Telekom company in the management and development of the Internet network. Eventually he led the group for customer IP and data networks, was Head of Technical Research and Product Development, executive director of group strategy and the development network platform and also a member of the executive management of the Croatian T-Com. After the merger between Hrvatski Telekom and T-Mobile Hrvatska in January 2010 Branimir Maric held the position of Chief Operating Officer for service management and fixed and mobile network operations. Since the 1st of January 2012, Branimir has been the Slovak Telekom Chief Technology and IT Office.

Jiří Vacek
Chief Human Resources Officer (until 31.1.2019)

Jirí Vacek has more than 20 years experience with HR management in the Czech Republic, Slovakia and abroad. After completing his studies, Jirí worked in the fields of human resources at Walter Czech Republic and Sagem Czech Republic. From 2001 to 2017 Jirí worked for Nestlé - initially as the Human Resources Director for the Czech and Slovak Republics and later as the Regional Director of HR in Switzerland and Italy. In 2017, Jirí Vacek worked for his own company - HR ONE.

Jitka Adámková
Chief Human Resources Officer (since 1.9.2019)
Jitka Adámková is a Doctor of Law (Masaryk University, Brno) and holds an MBA. She started her professional career as a labour law specialist in Zbrojovka Brno, and since 2002 has combined her professional development with the energy sector. Initially, she worked as HR Director in South Moravian Gas, then later for the entire RWE Group in the Czech Republic, where she was a major contributor to restructuring projects. Until 2014, she coordinated HR CEE activities within innogy, then for three years she worked as a manager & COO in innogy Customer Services in the Czech Republic. Finally, she then became o Senior Vice President of Applied Excellence & Change at the innogy Essen headquarters. Jitka Adámková brings extensive managerial experience from the international environment to the Deutsche Telekom Group.

JUDr. Ján Pitoňák
Chief legal and Corporate Affairs Officer (until 28.2.2019)
Chief Wholesale and Corporate Affairs Officer (from 1.3.2019 until 31.12.2019)
Ján Pitonák was educated at the Bratislava Comenius University Law Faculty. He joined the Slovak Telekom Group in August 2000 at EuroTel (later to become T-Mobile Slovakia) in the position of Legal Department Head and later as executive director of the division for legal and regulatory relations. In 2001 he also became a chief clerk. After integration, he worked in the position of Director of Corporate Services. Since the 1st of October 2012 Ján Pitonák has held the position of Executive Director for Legal and Corporate Affairs, in which he is responsible for the area of the regulatory and legal relations of the company, compliance, corporate security and public affairs.

THE BOARD OF DIRECTORS

Chairman:
- Ing. Miroslav Majoroš

Deputy Chairman and CEO:
- Jose Severino Perdomo Lorenzo

Member:
- Daria A. Dodonova

SUPERVISORY BOARD

Chair:
- Danijela Bujič

Members:
- Denisa Herdová
- Dr. Henning Never
- Drahoslav Letko
- Konstantina Bata

THE AUDIT COMMISSION

Chair:
- Daria A. Dodonova

Members:
- Denisa Herdová
- Martin Renner

02 BUSINESS ACTIVITY REPORT

TECHNOLOGY, SERVICES AND PRODUCTS

Slovak Telekom's efforts to focus on several key areas are based on its position as a long-time technology leader. The main pillar is quality networks and technologies - in 2019, the primary focus was on expanding fixed broadband and a record increase in the number of households covered. On top networks, Slovak Telekom can bring quality fixed and mobile services. The goal is to have a rich portfolio, including the best TV offerings on the market, as well as the ambition to provide an ever better customer experience.

THE BEST CONNECTIVITY LEADING OPTICS AND 4G+

Slovak Telekom focuses on two areas of broadband networks. In the area of fixed internet, expansion to new towns and municipalities has played a major role, with the largest increase in the number of households on the optical network - particularly in the second half of the year. More than 100 000 new households now have optics, bringing the total to **657 000 households** across Slovakia. VDSL connections of at least 30 Mbps have also moved forward - covering **666 000 households**.

In the autumn of 2019 the speed of Internet connections was also increased across the board. On the VDSL network this increase was 25 to 33 percent, while optics managed to double their speeds. The network acceleration took place in September and October, and was again divided into phases in individual regions of Slovakia. In the mobile network, investment in the 4G network continued. By the end of 2019 basic 4G network coverage reached 94.5% of the Slovak population. Slovak Telekom placed more emphasis on the **expansion of the 4G + network** with higher speeds and capacity. During 2019, 25 new 4G+ sites increased to 52. Among the new 4G + cities are Bojnice, Galanta, Hlohovec, Levice, Leopoldov, Nové Mesto nad Váhom, Partizánske, Prievidza, Sereď, Sládkovičovo, Topoľčany and Žiar nad Hronom.

The maximum 4G network speed remains 877 Mbps in Bratislava, while 4G + now reaches speeds of up to 200, 300, 400, 500 and 877 Mbps.

In January 2019, the **Massive MIMO technology** test took place in Bratislava, demonstrating the strengthening of network capacity in the current 4G network and its possible use in the next generation: numerous customers simultaneously using higher speeds.

The number of **Voice over LTE** (VoLTE) supported devices is also increasing. Thanks to this, customers can make calls directly on the 4G network and do not have to switch to 3G or 2G. The connection of calls is also faster by about 2 seconds. By the end of the year, VoLTE was available for 99 phones from eleven manufacturers.

In December, Slovak Telekom **won the independent of mobile network measurement test from umlaut (formerly P3 Communications) for the seventh time**. This measurement assessed the quality of voice and data services (such as downloading and uploading files, loading pages, and watching YouTube videos). Telekom won in both categories and improved its results on the international scene by ranking among the TOP 10 best mobile network results worldwide.

In addition to high-quality networks and services, Slovak Telekom also focuses on high-end hardware. The portfolio was enriched not only by Smartphones and tablets, but also laptops, **electric bikes**, scooters, robotic vacuum cleaners and game consoles. Many of the flagships and bestsellers such as the Samsung GALAXY S10 and Note10, Huawei P30 and P30 Pro, Apple iPhone 11, Sony Xperia 1 and 10, Motorola Moto G7 Play premiered. Telekom also added new Smartphone brands such as OnePlus and Xiaomi to the portfolio.

TOP SERVICES: MAGENTA 1 AND ÁNO FIXED-RATE PLANS

In its service catalogue, Telekom focuses on the **Magenta 1** convergence service. Standard benefits are the possibility to get 50 to 100% more data or double the amount of free minutes for included programs in a group. Telekom also provides special discounts on selected phones for Magenta 1. Every month a different model is selected, some of them allow a selection of several categories and types.

In November, Telekom added another benefit to Magento: **donating data to other members**. If the customer does not use all their extra Magenta 1 data, they can donate it to other members in the group via the **Telekom application**.

In the spring, Telekom announced the possibility to switch from the last generation of Happy fixed-rate plans to new ÁNO programs across the board. ÁNO contains much more data and customers can choose from a wide range of hardware that is priced in monthly instalments. In addition, two new variants have been added for business customers: **ÁNO Business L** and **XL** contain more data and the possibility to choose **extra services** such as ESET Mobile Security, Deezer, StreamOn or minutes, SMS and data to the Profi Zone.

The year 2019 also brought other possibilities in the field of mobile data. In the autumn, **EASY** prepaid cards introduced a new daily 1GB data bundle and annual data packages with a volume of 6 or 24 GB of data create a new logic regarding functionality: they pay the customer all year, but they can spend it at the same time.

Telekom has made significant changes in terms of **data roaming for surfing outside the EU**. Some countries have been moved to more advantageous zones (for example, Zone 1 already includes Turkey, Canada, Australia, Serbia or Mexico) and there was increased data volumes in packages – which now include 100 MB, 500 MB and 1 GB. Overall, surfing is cheaper than in the past.

At the same time, Telekom decided to provide customers with a **free package of data** four times. The first wave was intended for summer (July and August), the second at the end of the year (November and December). Extra data from 250 MB to 30 GB per month was also offered to ÁNO fixed-rate plan, Happy and Bez záväzkov (Unbound) customers and in the second wave also to EASY customers (1 GB). Campaigns were designed to encourage customers to transfer data even more.

In May, Telekom launched a new version of **Magio wireless Internet** - thanks to which customers can use LTE technology to replace fixed internet in places that are not covered by a broadband connection or only have ADSL Internet available at low speeds. Three service options are available with 50, 250 and 500 GB data volumes.

In spring, Telekom launched **eKasa** (e-Till). For its introduction, Telekom contacted Slovak producer and ORP seller ELCOM. Telekom's goal is to provide entrepreneurs or small businesses with a quality and wireless connection via a portable Wi-Fi router equipped with a battery. The whole complex solution includes a cash register, a SIM card, a Wi-Fi router and possibly a payment terminal. Connectivity for eKasa is provided through Telekom's industry-leading 4G network.

CUSTOMER EXPERIENCE: DOUBLE THE NUMBER OF NEW TELEKOM APP USERS AFTER ONE YEAR

In December 2019, the new version of the **Telekom application** celebrated the first anniversary of its launch. In a year, the number of unique users increased by as much as 130%, and the number of interactions nearly tripled. The application featured not only to the most used functions, but also to a more transparent and modern design, simplified operation and many new improvements.

Various **special benefits** are also available to customers in the Telekom application. Among the most popular throughout the year were extra data for a free, a welcome drink on Magio beach, free data for Telekom Night Run runners, as well as regular prizes. At the end of the year, Telekom customers were able to try out the new **BETA Aeroplane Internet** for free via the application. The new service allows customers to use data connections on board aircraft on the European routes of selected airlines.

TV SERVICES: THE NEW MAGIO GO AND ENHANCED EXCLUSIVE CONTENT PORTFOLIO

New TV stations and more attractive TV content were added to **Magio TV** and **Magio Sat** in 2019. For entertainment lovers, the Comedy House channel focuses on the comedy genre, offering short humorous formats and sketches, enriched with numerous entertaining home productions. The channel complements the range of **exclusive content** - BBC Earth and Ťuki TV - the most watched channels in their categories.

In addition to our own children's channel, **Ťuki TV**, a new children's channel - **Nick Toons**, designed for pre-school and younger school children, was added. At the same time, Telekom expanded the basic IPTV bundle to feature the Šlágr 2 music channel. The range of films and series and sports content in the **Magio Kino** video rental also expanded.

The new **Premier Sport** sports channel which brings popular broadcasts of football matches from the English Premier League was added to the range of sports channels.

The **Magio GO** Internet TV application underwent a major transformation and brought many new features and improvements. The 3.0 version of the app features a new, clear design across all devices, and allows you to watch TV over the Internet on a TV, web or mobile device with iOS or Android, and the Smart TV app is a new feature.

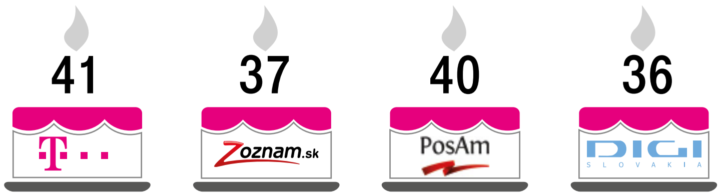
Also introduced was the new generation of **Magio GO TV Box**, which offers the ability to install any application available for Android TV. The new version of Magio GO application also enables a new, simpler way of ordering and payment for the service available directly in the application, in which the customer simply chooses which version they are interested in and activates it by sending an SMS. Since February 2019, the **Magio TV** technology platform has enabled IPTV customers to use a new feature for watching or recording 2HD and 2SD channels simultaneously.

HUMAN RESOURCES AND EMPLOYEES

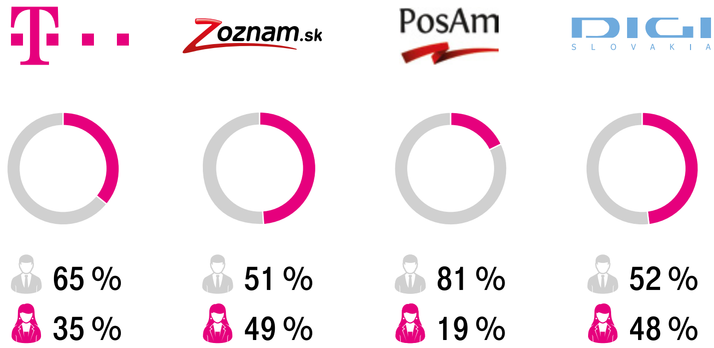
THE GROUP IN NUMBERS

In 2019, Slovak Telekom employed **2 908** internal staff. During the period in question, Zoznam and Zoznam Mobile collectively employed **54** internal staff, PosAm and Commander Services **336** and DIGI Slovakia **137** internal staff.

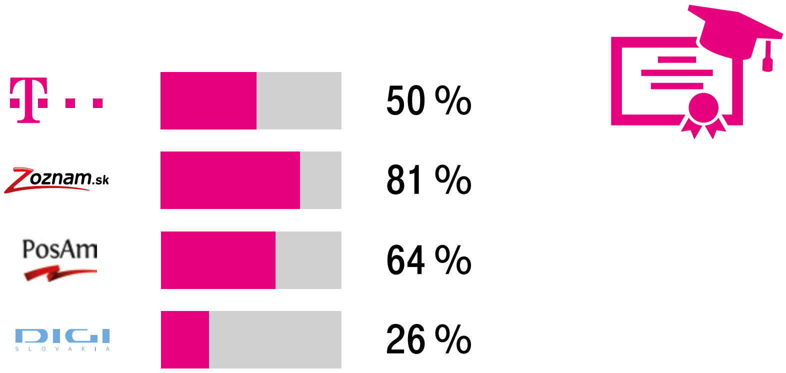
The average age of Slovak Telekom and subsidiary employees in 2019



Percentage of Men and Women in Slovak Telekom and its subsidiaries in 2019



Percentage of Men and Women in Slovak Telekom and its subsidiaries with university education in 2019 The remaining employees had completed secondary education with a school-leaving examination



A HEALTHY COMPANY

Telekom regularly organises the **Health Days event** - both in Bratislava and on a regional level. In 2019, approximately 2000 employees took part; thereby receiving the opportunity to listen to interesting lectures, attend workshops, consultations, exercises with various experts, massages, health tests, measurements and examinations, and receive healthy refreshments. Field workers equipped with tick, insect bite and sunburn kits and vitamins. T-shops organized on-site massages. In addition, all employees were given vitamin packages. At the same time, employees had the opportunity to donate blood in the workplace several times a year. For the support of employees in activities aimed at a healthy lifestyle, the company ranked in the top three positions among dozens of companies for the eighth times in the **Healthy Company of the Year** competition.

SHARING KNOWLEDGE

The importance of development is also reflected in the range of development opportunities for our employees. In addition to individual career development plans for individual positions, Slovak Telekom offers the **T-University** development platform with a wide range of programs. T-University's mission is voluntary development for those who are interested in investing time and energy in their personal growth beyond their work through different types of training, workshops, lectures, e-learning and videos. Employees also work as trainers at T-University and share their know-how and experience with others. T-University programs attracted more than 2 700 participants in 2019. In addition to the T-University, employees can use coaching, mentoring or socio-mapping for individual or team needs.

Slovak Telekom supports digitization and new forms of education, online learning of English and German, a number of digital courses, e-learning, video tutorials and e-books. Employees also have the opportunity to engage in inter-company cooperation or international development programs and gain valuable knowledge from the external environment.

ACTIVITIES FOR STUDENTS

Telekom works with young students through lectures at schools, participation in events, and also supports several non-profit and student organisations.

One of the supported projects is **Aj Ty in IT** (You in IT, too), which aims to raise awareness of IT studies among girls and to stimulate their interest. In 2019, Slovak Telekom traditionally participated in a career event for students know as the Business and Technology **Night Of Chances**. In cooperation with Nexteria, the **Nexteria Leadership Academy** a semester project that provided the opportunity to work on real projects within the company was prepared for students.

Slovak Telekom also participated in various student fairs at schools in which it endeavoured to bring young students closer to how the company works and to show them the possibilities for finding employment after their studies. Telekom also visited schools to enrich their teaching with practical demonstrations.

In 2019, some of our own development activities for students continued. In November, the 14th annual **T-Day** Technology Conference was held. Slovak Telekom also welcomed several students into the **Trainee program** with the aim of developing the personal potential of talented students.

COMMUNICATION

The telecommunications industry is one of the most prominent in terms of communications mix. The continuous development of the telecommunications market and many new trends are reflected in communication - not only in the number of articles or campaigns, but also in the direction of the main messages. Slovak Telekom covers several segments (fixed, mobile) and product lines (fixed voice, fixed internet, TV, mobile flat rates, mobile internet, prepaid cards). Moreover, the demand for communication is also increasing due to a greater number of communication channels: social media has largely entered into mutual communication between the operator and the customer. At the same time, the number of interactions with customers is increasing, and quality and content requirements are increasing.

A Technology leader
Slovak Telekom has long held the position of a technology leader and in 2019 made use of this in three key activities. In January, Telekom demonstrated Massive MIMO field technology at a press conference in Bratislava, which significantly increased network capacity for a larger number of connected customers in the current 4G network.

In the autumn, Telekom implemented VDSL and optical network acceleration in several phases. This was a communication challenge, because each type of network was accelerated during a different week so that the process and follow-up could be successfully implemented.

In December, Slovak Telekom reaffirmed the top quality of its mobile networks and received the seventh Best in Test certificate from umlaut (formerly P3). The attainment of the certificate was communicated at a press conference, where the award and performance in each category was presented, as well as comparison results on the European and international scene. According to all measurements made, Slovak Telekom networks are among the TOP10 networks worldwide, which is the best result in recent years.

Services, solutions and a better customer experience
In addition to communications of technology solutions, a large percentage of media outlets cover services, products and end-user equipment. Most attention was drawn to the Christmas press conference featuring many new products and campaigns, but the fourth quarter was rich in news - including the launch of the new version of Magio GO Mobile 3.0 and the launch of the multi-brand Smart TV application.

However, Telekom launched several innovations throughout the year. In the TV segment, the line of TV solutions was strongly communicated: 2HD + 2SD streams for VDSL customers, new TV channels in the portfolio for TV customers - such as Premier Sport and Comedy House - but also the increasing number of customers.

Customers received better customer experience for new Smartphones and devices. Telekom is very active in this area and introduced dozens of new Smartphones throughout the year, most of which support **VoLTE** - which brings faster call connectivity and higher quality voice services. During the year Telekom successfully launched many models, often as pre – sales such as the **Samsung Galaxy S10 and Note10, the Huawei P30, the Sony Xperia 1, the Motorola Moto One Vision and One Macro and the Apple iPhone 11**.

Unfamiliar Faces replaced Bekim

After two years with Bekim, Slovak Telekom introduced a new communication concept. The most obvious change is that Bekim was replaced by Unfamiliar Faces. The tonality of ads is also changing, becoming more emotional and civil. The new concept aims to bring the communication closer to the customer. Therefore, it is connected by common stories of ordinary people with whom the customer can easily identify. At the end of the year, Slovak Telekom commemorated the Mountain Rescue Service partnership with a communication campaign. The campaign – with its new concept pays tribute to mountain rescuers who the public are unfamiliar with, even though they put their own lives at risk every day.

Telekom communication in 2019 was appreciated by both experts and customers. Telekom - along with the MUW Saatchi & Saatchi agency, - won the Golden Nail two times in the competition of creativity and advertising effectiveness for the integrated communication campaign "Instant outsider". Telekom was also ranked as the **Most Trusted Brand of 2019** from among Internet and TV service Providers in Slovakia.

Slovak Telekom landed on both shortlists for the competition for the best PR projects in Slovakia - **PROKOP**, which was announced and organised by the Association of Public Relations in Slovakia (APRSR) since 2010.

In the Internal Communication category, Telekom won 3rd place for the “Experience what it is like to be different” project, in which - as part of its corporate culture and internal communication – Telekom ran internal promotions and educational campaigns for employees to promote values, reduce prejudice and sensitise attitudes. In the category of crisis communication, Telekom won 2nd place for immediate and open communication in the event of a mobile network failure via traditional media, Facebook, the Telekom Forum and the website header directly through the director for Slovakia. In the strongest category of Corporate Social Responsibility, Philanthropy and PR for NPOs, the “Hearing-impaired child” project supported by the Telekom Foundation at the Pontis Foundation was awarded.

In addition, Telekom personalities flourished; **Tatiana Švrčková** was awarded the PR Person of the Year award for her contribution and development in Public Relations in Slovakia. **Karina Kuzmiaková** - senior marketing communications specialist for the media - won the prestigious 2019 Young Marketer of the Year award for a marketing communication strategy for a specific assignment, and will be one of the world's 30 young marketers to attend the Young Marketers Academy during the most prestigious Cannes Lions 2020 advertising festival.

SOCIAL RESPONSIBILITY

Slovak Telekom is one of the stable pillars of the business environment in Slovakia and has long focused on supporting projects and activities that have a chance to bring change to Slovakia for the better. The company strives to enable everyone to take full advantage of the opportunities that new telecommunications technologies bring. To achieve this, Telekom provides state-of-the-art technology, eliminates barriers, constraints and obstacles and helps people take advantage of the opportunities of today for a better life. Slovak Telekom builds on values embedded in corporate principles and, in its business activities, applies the Code of Ethics as a key document in preventing unethical behaviour.

Slovak Telekom has voluntarily committed itself to conducting business on the principles of accountability and ethics towards all stakeholders as well as with respect to the environment. Slovak Telekom endeavours to contribute towards improving the quality of life for customers, employees, their families, local communities and society as a whole. Slovak Telekom carries out philanthropic activities aimed at communities and supports non-profit organisations directly or through the Telekom Endowment Fund at the Pontis Foundation, through which funds are distributed on the basis of grant mechanisms.

The aim of the Telekom Endowment Fund is to provide and support social innovation and thereby improve society. Through the Fund, Slovak Telekom supports the development of digital skills in the field of education and - with the help of useful technologies - seeks to promote inclusion and diversity in society. Slovak Telekom has been a constant supporter of the hearing-impaired community in Slovakia, the development of civil society, transparent Slovakia and the fight against corruption.

AREAS OF ACTIVITY

AREAS OF ACTIVITY

DISADVANTAGED COMMUNITIES

Slovak Telekom has been helping the hearing-impaired community in Slovakia since 2002

LOCAL COMMUNITIES

Supports employee engagement in the places where they live

SOCIETY

Through direct partnerships supporting interesting and valued projects

ENVIRONMENT

Managing the environment responsibly

EDUCATION

Supporting initiatives that contribute to education in Slovakia

SUPPORT FOR DISADVANTAGED COMMUNITIES

One of the most important long-term activities through which Slovak Telekom has been trying to bring about change in society is the support for the hearing impaired - which we have systematically addressed since 2002. In 2019, Slovak Telekom won in the category **Good Community Partner** at the prestigious **Via Bona Slovakia 2018** awards.

According to expert estimates, there are more than 5 000 people living in Slovakia who use sign language as their primary means of communication. They often find themselves in situations where they cannot speak to their surroundings. That is why the successful Online Interpreter program continued in 2019 a project which significantly improves the ability of the hearing impaired to speak in various, critical and everyday situations. Thanks to the experience from the program, online interpretation has been incorporated into law as a social service. The Telekom Endowment Fund educates and provides grants for the hearing impaired through the **Seeking More Sense** project. In the call for proposals, EUR 30 000 was distributed amongst 12 public benefit projects that lead to an increase in the quality of life of people with hearing disabilities. In addition, over the past year, the Fund also supported a **free sign language course** project involving 20 early intervention consultants. Thanks to the support of Slovak Telekom, 8 consultants of the Good Line operated by the IPčko organisation were able to attend the Slovak Sign Language course.

Approximately 200 children with hearing impairments are born annually in Slovakia, up to 90% of them have hearing parents. Therefore, a unique two-part book entitled **We Have a Child with a Hearing Impairment** was created in Slovakia with the support of the Telekom Endowment Fund alongside the Pontis Foundation. The book helps parents not only with the first steps, but also with a number of other questions that accompany them in the early years of a hearing impaired child. Its uniqueness lies mainly in the fact that it combines the professional perspective of teachers and doctors and the real experiences of families with children.

In addition to supporting the hearing impaired, Slovak Telekom also focused on supporting other disadvantaged communities. In 2019, the Telekom Endowment Fund supported innovative projects that seek to break down barriers in the lives of people with disabilities through digital technologies. In the grant call, five projects were allocated EUR 30 000. These projects improve the quality of life, create new opportunities for the self-fulfilment of people with disabilities, help them in everyday situations and make their leisure time more accessible.

The Telekom Endowment Fund supported a project by the Stopka non-profit organization, which aims to make life easier for people with visual impairments. It developed a set of applications for **Corvus** Smartphones, enabling people with visual impairments to take advantage of the useful features of modern smart phones, such as GPS navigation.

Vstúpte (enter), a non-profit organisation dedicated to people with mental disabilities in adulthood, has succeeded in the grant program **Digital Technologies for Good 2019**, in which it received support for the development of the mobile communication application VstupKO. This will help to overcome the communication barrier for people with mental handicaps and communication difficulties.

RESPONSIBILITY TOWARDS THE COMMUNITY

In 2019, Slovak Telekom - through employee grant programs - sought to motivate employees into engaging in community and monument protection.

In the **Employee Assistance Program 2019**, a grant program of €30 000 has been redistributed to 31 organisations. The Employee Grant Program thus motivates Slovak Telekom employees to engage in their surroundings. Among the supported projects were projects that create conditions for children for sports, education, organisations working with seniors, projects that bring back memories of history, and folklore groups.

In the **Helping Monuments 2019** staff grant program, 15 projects were supported to a total amount of EUR 30 000. All selected projects were recommended by employees of Slovak Telekom. Thanks to the initiative of the employees of the company, it was possible to restore various cultural monuments and landmarks such as the revitalisation of the Carthusian monastery located in the heart of the Slovak Paradise National Park. Thanks to volunteers and supporters of Kapušany Castle joining forces, the popular castle ruins with an observation tower could be restored and preserved.

In 2019 Slovak Telekom continued the **#nezivimpredsudky** (No Bias) educational campaign. Its aim is to create a motivating environment where otherness and specific needs are not evaluated but taken as an opportunity as an environment that contributes to corporate social responsibility through the quality of employee training, services available to clients with disabilities and obstacles in the company. At the same time, it increases the sensitivity of its employees to otherness, helping to break down prejudices and stereotypes. Employees in the first line of contact with the customer went through the training. Through the stories of people with disabilities transferred through virtual reality - which was part of an internal communication campaign - Slovak Telekom employees were involved in the project, and the public could get involved in these stories at Magio Beach.

In the marketing campaign, Slovak Telekom commemorated **21 years of cooperation with the Mountain Rescue Service (HZS)**, in which it paid tribute to the demanding work of mountain rescuers. For more than two decades, Slovak Telekom has been providing telecommunication services for the fire brigade and facilitating the emergency Mountain Rescue Service line. The campaign covered the demanding work of mountain rescuers who often put their own lives in saving others' lives. The primary objective of the campaign was to emphasise the number of the Mountain Rescue Service emergency line (18 300) while educating people on how to behave safely in the mountains.

SUPPORTING EDUCATION

The Telekom Endowment Fund supported the SPy civic association and the **Learning with Hardware** project, which helps teachers to innovate computer science teaching. The project organised training sessions for teachers and pupils in Bratislava using BBC micro:bit and managed to extend BBC micro:bit sets to another 16 schools across Slovakia. The mission of the project is to introduce practical assignments into the teaching of informatics at primary and secondary schools which will show pupils the various possibilities of using informatics and thanks to which pupils will become interested in developing these abilities.

Sensitising society towards vulnerable groups using modern technology was achieved through **Eduma**'s "Virtual Reality as a Tool for Forming Attitudes towards Vulnerable Groups" project. In 2019, virtual reality was used in 31 different activities - in 3 companies, at 7 schools (primary, secondary, and university) and 7 large events.

To mark the occasion of the 30th anniversary of the Velvet Revolution, Slovak Telekom decided to support a project by the **November 89** civic association project, which presents the memories of student leaders of November 89 for the next generation of students. According to a survey conducted by the association, the vast majority of the younger generation do not know what happened in November 1989 and which historical development preceded these events. The project - in cooperation with the personalities of the student movement who helped to shape the democratisation events after November the 17th 1989 in Slovakia - creates a series of short documentaries that capture the theme of revolution from a contemporary perspective. The series of documentary films opens up the current social issues and problems that young people today consider important to solve and change. The project will include an extensive november89.today information and education web portal.

In the employee grant call for **Better Schools 2019**, 22 projects were selected for which grants of EUR 28 205.90 were redistributed. The challenge was to improve and streamline teaching in kindergartens and primary schools through the development of relationships and communication between teachers, pupils and parents. Support was directed at various educational methods that improve skills important in the 21st century. All projects were recommended exclusively by Slovak Telekom employees.

The Telekom Endowment Fund - in cooperation with the Pontis Foundation and the City of Trnava - supported the establishment of the **Future INAK** extra-curricular centre. In its first year, it will open its doors to allow 25 children to experience a world of innovation and technology that they would otherwise not have access to. The uniqueness of the program lies in promoting cooperation between young people without making any distinctions. Its essence is to strengthen children's digital skills, creativity and entrepreneurship and motivate them to further develop themselves and improve their school results.

Slovak Telekom supported the Kultur.fm civic association **Pohni hlavou** project as its main partner. The project has an ambition to support the young generation's ability to work effectively with information and to distinguish facts from misinformation through the development of critical thinking through an interactive program.

REDUCING ECOLOGICAL FOOTPRINT

Ecology and the environment are an important part of social responsibility for Slovak Telekom. The company treats environmental issues with maximum responsibility and the level of environmental protection goes beyond the stipulated valid legislation and adheres to all applicable standards in the field of environmental management and sustainable development.

In 2019, Slovak Telekom integrated environmental protection into popular events for the public. The 13th year of the popular urban **Magio beach** on the right bank of the Danube was held in the spirit of environmental responsibility. Plastic was eliminated, energy for running the beach was been drawn from renewable sources, and bio-waste was recycled to become usable energy for homes. Slovak Telekom has thus shown that spending leisure time and having fun whilst working in a responsible way is also environmentally responsible. The **Telekom Night Run** sporting event was designed in the same spirit, designed to be “green” so as not to create unnecessary waste, and - for example - the runners' T-shirts were made from recycled plastic in Slovakia, and registration was carried out electronically without the need for unnecessary paper forms.

Slovak Telekom encourages its customers to protect the environment. Customers can switch from paper to **electronic invoices** at any time. The electronic invoice contains all the essentials of the paper version, but it protects the environment in several aspects. First of all, paper is not used to distribute invoices electronically, eliminating millions of sheets of paper annually and also saving on the fuel needed to distribute invoices by mail. At the same time, customers can use the new mobile Telekom application or the My Telekom portal, where they can find all their invoices in one place.

DIGI SLOVAKIA

PRODUCTS AND SERVICES

DIGI SLOVAKIA seeks to deliver quality content while maintaining a stable price for its basic package deal. Every year, customers are provided with increasing value in the form of new exclusive content and television programs with the aim of achieving ever greater customer satisfaction.

Extending the television portfolio
In 2019, new television channels such as Nicktoons and Lala TV, Docubox and Comedy House were added. The company continued to replace multiple SD channels with their HD versions.

Sport on DIGI
In 2019, DIGI SLOVAKIA continued to deliver hundreds of football matches from the world's best leagues. Customers could watch the English Premier League, Spain La Liga, German Bundesliga, Italian Serius A, as well as the oldest cup in England - the FA Cup. In addition to football, audiences could also watch tennis from the ATP 500, ATP 1000, WTA Premier Tour, Champions Tournament and other sporting events.

The premiere league continues on PREMIER SPORT
With the start of the new football season, DIGI SLOVAKIA announced it had retained football rights for the most prestigious English league for the next 3 seasons. At the same time, the company announced that English soccer would be broadcast on the new PREMIER SPORT channel, which was to take the place of DIGI SPORT 4 n the channel menu.

The PREMIER SPORT TV license is owned by DIGI SLOVAKIA. This exceptional sports channel was launched on the 9th of August 2019 in the Slovak Republic, not only by the operator DIGI SLOVAKIA but also by Slovak Telekom.

DIGI GO and TV Archív
An important technical innovation in December 2019 was the launch of the DIGI GO application in a new visual form and with several improvements. With DIGI GO, customers always have their favourite programs at hand.

At the end of 2019, the company launched a supplementary TV Archive service which allows customers to watch programs that had already been aired from up to 7 days previously. This additional service is available for up to 13 TV stations.

Football at the cinema
In March 2019 DIGI SLOVAKIA was able to organise live football coverage on large cinema screens in Slovakia for the second year running – something that brought pleasure to many audiences. DIGI plans to conduct similar activities in the future.

SOCIAL RESPONSIBILITY

In 2019, DIGI SLOVAKIA supported the following events: The Peter Sagan Children's Tour, Children's Stars, the MTB Marathon, Bike Fest, The New Film Festival, Snow Volleyball, Young Angels, The Business Golf Tour, The Volleyball Golden League and Star for Stars Digi also supported the Slovan Bratislava and Poprad ice hockey clubs in 2019.

ZOZNAM AND ZOZNAM MOBILE

PRODUCTS AND SERVICES

In 2019, Zoznam continued to improve its products and functionality for its users and clients. Due to the constant increase in demand for video content, Zoznam launched the Zoznam TV video magazine which offers a wide range of content, including news stories, self-produced videos, and partner agency videos. In the short time since launch, monthly video portal traffic is more than 430 000 real users. (436 249 RU / December 2019, IABmonitor)

The online Feminity.sk magazine celebrated its 10th anniversary. At first glance, the most striking change is that the mysterious black colour on the background of the articles was replaced by a fresh white. The text is written in a larger, more elegant and minimalist font, similar to the Feminity magazine's quarterly print. The use of characters of a similar design to link the website to the print version resulted in a unified visual brand identity. The new website design keeps pace with the latest trends in the digital environment, therefore the site has added features that improve site navigation.

Last year, Zoznam also implemented innovations within ad networks to more effectively monetize ad space. One example of this is the deployment of a new video player which allows you to maximize revenue from ad space featured in video content. In cooperation with a supplier, automatic loading of selected advertising areas for the desktop version of web pages was also introduced, which increased the display of ads and thus increased revenues from advertising networks.

The Webslovnik.sk product has been extended with dictionary databases JULS – A Short Dictionary of the Slovak Language, Slovak Spelling Rules, and a Synonymous Dictionary of Slovak.

Last year, the Kariéra.sk job portal gained new functionalities for advertising companies with the aim of simplifying the addition of job offers and streamlining the selection process. By adjusting the job search filter, job seekers found more relevant results, increasing offer responses.

SOCIAL RESPONSIBILITY

Zoznam, s.r.o. (L.t.d.) continuously supports third sector activities, actively contributing to the fulfilment of socially beneficial goals in line with its own corporate culture.

In 2019, the Zoznam provided media support on its portfolio websites for: DOBRÝ ANJEL - NGO, the League Against Cancer CA, Múdry pes CA, SKCH – the Church and Religious Society Specialized Facility, Savio CA, the Drop of Hope Foundation (Nadácia Kvapka nádeje), the Moonlight Camp CA, The Slovak League for Mental Health CA, the Divé Maky CA, and the TEDx conference amongst others.

In 2019, the Kariéra.sk job portal continued with the “Career Breakfast” B2B project. The event has been regularly organised since 2016. The aim of the event is to bring the HR community closer together, to create a space in which human resources professionals can exchange their experiences and make new contacts.

Zoznam provided media support for the “Acceptable” campaign, the Divé maky civic association - whose aim was to break down prejudices (not only) against the Roma minority in the labour market. In addition to media support for the campaign, Zoznam was added to the Responsible Employers list. By signing it, the company declares that in the selection process it assesses jobseekers solely on the basis of the abovementioned knowledge and skills and does not look at ethnic origin or other potentially discriminatory parameters. Zoznam decided to reward all employers who joined responsible, non-discriminatory companies by allowing them to post one job advert on the job portal Kariéra.sk for free.

Through the membership of the company executive - Martin Mác, in the evaluation committee of the Konšpirátori.sk initiative - Zoznam acknowledges the need to distinguish professional media from misinformation sites. The Konšpirátori.sk project provides advertisers with a list of untrustworthy, deceptive, and propaganda spreading sites on which it is not recommended to advertise.

Zoznam remains a member of the Advertising Council self-regulatory body, actively participating in the cultivation of advertising in the online environment.

Zoznam continues to be a member of the IAB Slovakia professional association - the largest Slovak digital association in the field of internet advertising and the digital environment. At the beginning of 2019, representatives of IAB Slovakia bodies were elected at the General Assembly of the Association. Zoznam has personnel representation in the Board of Directors (member of the IAB Slovakia Board of Directors) and the Ethics Committee (member of the IAB Slovakia Ethics Committee).

POSAM AND COMMANDER SERVICES

PRODUCTS AND SERVICES

2019 was exceptional for the PosAm Group. For the first time, the Group lowered the EUR 5 million EBITDA threshold. This was chiefly due to the solid results achieved by PosAm in the traditional software industry and the excellent performance of its Commander Services subsidiary.

Last year was a rich year for PosAm acquisitions and the implementation of large projects. At the beginning of the year, PosAm signed a contract with ČEZ Distribuce for the delivery of a management solution for field service workers after having succeeded in a difficult international tender. At the end of the year, PosAm concluded a significant contract with Česká pojišťovna (Czech Insurance) in the area of claims settlement. PosAm thus confirmed its ability to succeed in developing unique software solutions beyond the domestic market. In the public domain, PosAm extended the contract for the development of the Budget Information System.

Through the innovative ParkDots smart parking solution, PosAm continued to gain market share in the domestic market. More than a dozen Slovak cities, city districts and private providers have been added to the portfolio. In foreign markets, ParkDots has gained ground in Poland, the Netherlands and Greece. ParkDots won an international tender for Wroclaw and won a smart media gold medal for the implementation of a parking project in Chania, Greece. During the year, ParkDots expanded its significance. The parking selection and occupancy monitoring solution via IoT sensors has become a comprehensive city parking system.

A traditional factor pertaining to PosAm's activities is the company's involvement in creating the infrastructure necessary to run software solutions. PosAm has made significant progress in adopting a modern concept of infrastructure creation through software code. In the past year, PosAm has created several large software solutions directly deployed to cloud environments, dominated by the use of the Microsoft Azure cloud. PosAm has strengthened its knowledge in the use of PaaS services, which significantly contribute to rapid deployment and cost-effective operation. PosAm thus fulfills all the prerequisites of a reliable partner for the implementation and operation of cloud solutions.

The Commander Services subsidiary had a successful business and product year. The sales team sold the vehicle monitoring service to almost 10 thousand new vehicles. These vehicles – along with the existing customer base - totalled a remarkable 40 thousand monitored subjects, confirming the high utility value that Commander delivers to its customers. In the Czech Republic, Commander acquired the customer base of the smaller All4Car and at the same time began building its own sales channel. In the product area, Commander has launched a new, fully clouded version of the Commander Control Car monitoring software for customer testing, creating an excellent starting position for further organic and inorganic growth on the domestic and foreign markets.

The overall positive image of the past year comes courtesy of the high capacity utilization of our own capacities which were fully involved in the implementation of large software projects at home and abroad. PosAm enters the next year with a strong portfolio of new contracts and good business development. The PosAm Group is increasingly gaining ground in foreign projects, successfully participating in new trends such as AI, IoT and smart city.

SOCIAL RESPONSIBILITY

PosAm founded the Dionyz Ilkovic Foundation to support the long-term extracurricular activities of science teachers. In addition, PosAm strives to improve material conditions when working with talented pupils. The awarding of the third year of the Dionyz Ilkovich Prize for Outstanding Educators was held for the first time as a project of the Dionyz Ilkovich Foundation. The winner of the third year's prize was teacher Zdenka Baxová from the Ľudovít Štúr Grammar School in Trenčín. In the finals, she met equally impressive teachers - computer science teacher Angelika Hanesz from the Hungarian language elementary school in Buzice and Ivan Hnát from the F.V Sasinka Grammar School in Skalica, who is today enjoying his well-earned retirement after decades of working with chemistry students. The finalists and the winner were decided by an expert jury led by Doc. Mgr. Martin Plesch, PhD. from the Slovak Academy of Sciences and the president of the International Tournament of Young Physicists. The awards were received by the finalists on the 7th of November 2019 during a gala dinner at the Slovak Philharmonic in Bratislava.

03 **FINANCIAL STATEMENTS**

Slovak Telekom, a.s.

CONSOLIDATED FINANCIAL STATEMENTS

prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and Independent Auditor's Report

FOR THE YEAR ENDED 31 DECEMBER 2019

CONTENTS

INDEPENDENT AUDITOR'S REPORT

Independent Auditor's Report

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

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Slovak Telekom, a.s. and its subsidiaries (together - the "Group") as at 31 December 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2019;
- the consolidated statement of profit or loss and other comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

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

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants issued by the International Federation of Accountants ("Code of Ethics") and other requirements of legislation that are relevant to our audit of the consolidated financial statements in the Slovak Republic. We have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 30 to these consolidated financial statements, which describe the infringement decisions of the European Commission and Antimonopoly Office of the Slovak Republic against the Company and the implications thereof. The ultimate outcome of the related proceedings cannot presently be determined.

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Identifikačné číslo organizácie (IČO): 35 739 347.
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Spoločnosť je zapísaná v Obchodnom registri Okresného súdu Bratislava I, pod Vložkou č.: 16611/B, Oddiel: Sro.

Reporting on other information in the consolidated annual report

Management is responsible for the consolidated annual report prepared in accordance with the Slovak Act on Accounting No. 431/2002, as amended (the "Accounting Act"). The consolidated annual report comprises (a) the consolidated financial statements and (b) other information.

Our opinion on the consolidated financial statements does not cover the other information.

In connection with our audit of the consolidated financial statements, our responsibility is to read the consolidated annual report and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

With respect to the consolidated annual report, we considered whether it includes the disclosures required by the Accounting Act.

Based on the work undertaken in the course of our audit, in our opinion:

- the information given in the consolidated annual report for the year ended 31 December 2019 is consistent with the consolidated financial statements; and
- the consolidated annual report has been prepared in accordance with the Accounting Act.

In addition, in light of the knowledge and understanding of the Group and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the consolidated annual report. We have nothing to report in this respect.

Management's responsibilities for the consolidated financial statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of our audit in accordance with International Standards on Auditing, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Slovenská komora audítorov
SKAU
Č. licencie 161
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Licence SKAU No. 161

Ing. Peter Havalda, FCCA
Licence UDVA No. 1071

Bratislava, 12 March 2020

Note

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

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER

thousands of EUR	Notes	2019	2018
Revenue	5	790,040	774,101
Staff costs	6	(130,177)	(132,691)
Material and equipment		(93,579)	(91,645)
Depreciation, amortisation and impairment losses	12, 13, 14	(186,864)	(165,600)
Interconnection and other fees to operators		(60,418)	(59,235)
Impairment losses on financial and contract assets		(9,624)	(8,642)
Other operating income	7	11,686	9,599
Other operating costs	8	(158,791)	(174,283)
Operating profit		162,273	151,604
Financial income	9	110	2,667
Financial expense	10	(4,308)	(1,123)
Net financial result		(4,198)	1,544
Profit before tax		158,075	153,148
Income tax expense	11	(42,065)	(40,331)
Profit for the year		116,010	112,817

The consolidated financial statements on pages 28 to 75 were authorised for issue on behalf of the Board of Directors of the Group on 12 March 2020 and signed on their behalf by:

Perdomo

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Jose Severino Perdomo Lorenzo
Vice-chairman of the Board of Directors

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER

thousands of EUR	Notes	2019	2018
Profit for the year		116,010	112,817
Other comprehensive income			
Gain on remeasurement of defined benefit plans	23	1,379	23
Deferred tax expense	11	(290)	(5)
Other comprehensive income not to be reclassified to profit or loss in subsequent years, net of tax		1,089	18
Other comprehensive income for the year, net of tax		1,089	18
Total comprehensive income for the year, net of tax		117,099	112,835

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER

thousands of EUR	Notes	2019	2018
ASSETS			
Non-current assets			
Property and equipment	12	731,613	712,979
Intangible assets	13	327,007	328,776
Right-of-use assets	14	120,961	-
Deferred tax	11	1,296	1,457
Other receivables	16	7,613	1,394
Contract assets	32	21,092	23,727
Contract costs	32	6,285	5,213
Prepaid expenses and other assets	17	1,710	11,192
		1,217,577	1,084,738
Current assets			
Inventories	18	16,065	15,402
Term deposits	19	3,822	3,432
Loans	20	160,000	217,000
Trade and other receivables	16	160,491	108,190
Contract assets	32	14,030	16,867
Contract costs	32	15,957	15,158
Current income tax receivable		406	569
Prepaid expenses and other assets	17	6,872	14,790
Cash and cash equivalents	21	89,423	73,207
		467,066	464,615
TOTAL ASSETS		1,684,643	1,549,353
EQUITY AND LIABILITIES			
Shareholders' equity			
Issued capital	22	864,113	864,113
Statutory reserve fund	22	172,823	172,823
Other		(1,723)	(2,813)
Retained earnings and profit for the year		189,696	179,988
Total equity		1,224,909	1,214,111
Non-current liabilities			
Deferred tax liability	11	85,391	94,688
Lease liabilities	25	98,388	63
Provisions	23	38,825	30,480
Other payables	24	4,330	4,667
Contract liabilities	32	3,903	4,704
Other liabilities and deferred income	27	48	242
		230,885	134,844
Current liabilities			
Provisions	23	9,986	10,032
Trade and other payables	24	140,592	125,662
Contract liabilities	32	21,429	22,717
Other liabilities and deferred income	27	34,267	37,870
Lease liabilities	25	15,070	156
Current income tax liabilities		7,505	3,961
		228,849	200,398
Total liabilities		459,734	335,242
TOTAL EQUITY AND LIABILITIES		1,684,643	1,549,353

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER

thousands of EUR	Notes	Issued capital	Statutory reserve fund	Other	Retained earnings	Total equity
Year ended 31 December 2018						
At 1 January 2018		864,113	172,823	(2,833)	81,671	1,115,774
Change in accounting policy		-	-	-	52,137	52,137
Restated total equity at 1 January 2018		864,113	172,823	(2,833)	133,808	1,167,911
Profit for the year		-	-	-	112,817	112,817
Other comprehensive income		-	-	18	-	18
Total comprehensive income		-	-	18	112,817	112,835
Transactions with shareholder						
Other changes in equity		-	-	2	-	2
Dividends	22	-	-	-	(66,637)	(66,637)
At 31 December 2018		864,113	172,823	(2,813)	179,988	1,214,111
Year ended 31 December 2019						
At 1 January 2019		864,113	172,823	(2,813)	179,988	1,214,111
Profit for the year		-	-	-	116,010	116,010
Other comprehensive income		-	-	1,089	-	1,089
Total comprehensive income		-	-	1,089	116,010	117,099
Transactions with shareholder						
Other changes in equity		-	-	1	-	1
Dividends	22	-	-	-	(106,302)	(106,302)
At 31 December 2019		864,113	172,823	(1,723)	189,696	1,224,909

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER

thousands of EUR	Notes	2019	2018
Operating activities			
Profit for the year		116,010	112,817
Adjustments for:			
Depreciation, amortisation and impairment losses of property and equipment and intangible assets	12, 13	168,858	165,600
Depreciation of right-of-use assets	14	18,006	-
Interest costs from lease	10	3,053	-
Other interest income, net		(79)	(822)
Income tax expense	11	42,065	40,331
Gain on disposal of property and equipment and intangible assets	7	(3,588)	(5,340)
Other non-cash items		8,601	7,415
Movements in provisions	23	266	3,512
Changes in working capital			
Change in trade receivables and other assets		(20,799)	(14,642)
Change in inventories		(996)	950
Change in trade payables and other liabilities		405	(12,526)
Cash flows from operations		331,802	297,295
Income taxes paid		(47,785)	(44,847)
Net cash flows from operating activities		284,017	252,448
Investing activities			
Purchase of property and equipment and intangible assets	12, 13, 24	(150,734)	(143,126)
Proceeds from disposal of property and equipment and intangible assets		6,368	8,990
Acquisition of interest in subsidiary	4	(250)	(3,795)
Disbursement of loans		(83,000)	(114,000)
Repayment of loans		140,000	80,000
Net cash used in cash pooling		(35,200)	-
Acquisition of term deposits		(3,046)	(3,357)
Termination of term deposits		2,557	6,867
Interest received		110	207
Other cash flows from investing activities		338	-
Net cash flows used in investing activities		(122,857)	(168,214)
Financing activities			
Dividends paid	22	(106,302)	(66,637)
Repayment of financial liabilities	24	(18,960)	(21,194)
Repayment of lease liabilities		(16,281)	-
Interest from lease paid		(3,053)	-
Other charges paid for financing activities		(353)	(521)
Net cash used in financing activities		(144,949)	(88,352)
Effect of exchange rate changes on cash and cash equivalents		5	-
Net increase / (decrease) in cash and cash equivalents		16,216	(4,118)
Cash and cash equivalents at 1 January	21	73,207	77,325
Cash and cash equivalents at 31 December	21	89,423	73,207

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

INDEX TO THE NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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

Slovak Telekom is a joint-stock company incorporated on 1 April 1999 in the Slovak Republic. The Company’s registered office is located at Bajkalská 28, 817 62 Bratislava. The business registration number (IČO) of the Company is 35 763 469 and the tax identification number (DIČ) is 202 027 3893. For shareholders overview of the Company refer to Note 22.

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

Slovak Telekom provides services via authorisations for strong portfolio of radio frequencies: the LTE licence (bands 800 MHz and 2600 MHz) valid until 31 December 2028, authorisation for the provision of mobile services on 900 MHz and 1800 MHz frequency bands, which is valid up to 31 December 2025, and the UMTS licence for 2100 MHz frequency band (including the 28/29 GHz frequency band for backhaul connections), which is valid up to 31 August 2026. Additionally, Slovak Telekom has the authorisation to use the 3700 MHz frequency band in Bratislava, valid until 31 December 2024.

At 31 December 2019 the Company had the following fully consolidated direct subsidiaries:

Name and registered office	Activity	Share and voting rights
DIGI SLOVAKIA, s.r.o. (”DIGI”) Röntgenova 26, 851 01 Bratislava	TV services, broadband services and TV channels production	100%
PosAm, spol. s r.o. (”PosAm”) Bajkalská 28, 821 09 Bratislava	IT services, applications and business solutions	51%
Zoznam, s.r.o. (”Zoznam”) Viedenská cesta 3-7, 851 01 Bratislava	Internet portal	100%
Zoznam Mobile, s.r.o. (”Zoznam Mobile”) Viedenská cesta 3-7, 851 01 Bratislava	Mobile content provider	100%
Telekom Sec, s.r.o. (”Telekom Sec”) Bajkalská 28, 817 62 Bratislava	Security services	100%

On 25 January 2018 the subsidiary of the Slovak Telekom PosAm acquired 100% share and voting rights in company Commander Services s.r.o. (“Commander Services”) (Note 4).

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

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

On 29 January 2010 the Group acquired 51% of the share capital and voting rights in PosAm and obtained control of PosAm. The business combination was accounted for as if the acquirer had obtained a 100% interest in the acquiree due to existence of put & call options which, if triggered, may result in the transfer of the residual 49% equity interest in PosAm to Slovak Telekom. The Group concluded that terms of the transaction represent a contractual obligation to purchase the Group’s equity instrument. The fair value of such liability (i.e. present value of the redemption amount) has been reclassified from equity (non-controlling interest) to financial liabilities (Note 24). Accordingly, the consideration transferred includes the present value of the liability related to the acquisition of 49% of PosAm under the put & call options. There is no time limitation in respect of put option obligation (Note 24) and the put option obligation is presented in current liabilities as the put option can be exercised on demand.

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

Members of the Statutory Boards at 31 December 2019

BOARD OF DIRECTORS

Chairman:
- Ing. Miroslav Majoroš

Vice-chairman:
- Jose Severino Perdomo Lorenzo

Member:
- Daria A. Dodonova

SUPERVISORY BOARD

Chairman:
- Danijela Bujič

Members:
- Ing. Denisa Herdová
- Dr. Henning Never
- Ing. Drahoslav Letko
- Konstantina Bata

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

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

2. ACCOUNTING POLICIES

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

This is the first set of the Group's annual consolidated financial statements in which IFRS 16 Leases has been applied. Changes to significant accounting policies are described in Note 2.21.

2.1 Basis of preparation

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

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

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

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

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

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

Subsidiaries are all entities (including structured entities) over which the Company has control. The Company controls an entity when it has power over the investee defined as existing rights that give it the ability to direct the relevant activities; is exposed, or has rights to variable returns from its involvement with the investee; and has the ability to affect those returns through its power over the investee. In most cases, control involves the Company owning a majority of the ordinary shares in the subsidiary (to which normal voting rights are attached). The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity.

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

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the fair value of the assets transferred, shares issued or liabilities undertaken at the date of acquisition. The excess of the cost of acquisition over the fair value of the net assets and contingent liabilities of the subsidiary acquired is recorded as goodwill. The consideration payable includes the fair value of any asset or liability resulting from a contingent consideration arrangement. If the amount of contingent consideration (a liability) changes as a result of a post-acquisition event (such as meeting an earnings target), the change is recognised in accordance with IFRS 9 either in profit or loss or as a change to other comprehensive income. Put option on share held in subsidiary by minority shareholders is classified as financial liability. The corresponding amount is reclassified from equity (non-controlling interest). Subsequent measurement of the liability is at amortised cost in accordance with IFRS 9.

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

Costs directly attributable to the acquisition are expensed.

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

2.2 Property and equipment

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

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

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

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

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

Buildings	50 years
Masts	30 years
Other structures	8 to 30 years
Duct, cable and other outside plant	8 to 50 years
Telecommunications equipment	4 to 30 years
Radio and transmission equipment	5 to 8 years
Other property and equipment	13 months to 30 years

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

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

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

2.3 Intangible assets

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

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

Software	2 to 16 years
Telecommunications licences	8 to 22 years
Content licences	1 to 4 years
Customer relationships	12 to 15 years

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

Software and licences

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

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

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

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

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

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

Goodwill

Goodwill arises on the acquisition of subsidiaries and represents an excess of consideration transferred over Group's interest in net fair value of the net identifiable assets acquired, liabilities and contingent liabilities of the acquiree and the fair value of non-controlling interest in the acquiree. Following initial recognition, goodwill is carried at cost less any accumulated impairment losses. Goodwill is not amortised but it is reviewed for impairment annually or more frequently, if events or changes in circumstances indicate that the carrying value may be impaired (Note 15). Carrying value of goodwill is compared to its recoverable amount, which is the higher of value in use and fair value less costs to sell. Any impairment is recognised immediately as an expense and is not subsequently reversed. Fair values less costs to sell of cash-generating units with allocated goodwill tested for impairment are in Level 3 of the fair value hierarchy.

2.4 Right-of-use assets

Right-of-use assets represent property and equipment which is leased based on a contract containing a lease according to IFRS 16. The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. The recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

2.5 Impairment of non-financial assets

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

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

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

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

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

Impairment is determined by assessing the recoverable amount of cash-generating unit to which the goodwill relates. For more details on impairment of goodwill refer to Note 15.

2.6 Inventories

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

Phone set inventory impairment allowances are recognised immediately when the phone sets are no longer marketable to secure subscriber contractual commitment or if the resale value on a standalone basis (without the subscriber commitment) is lower than cost.

2.7 Cash and cash equivalents

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

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

From 2019 the Group takes part in cash pooling system of Deutsche Telekom group. Balances of selected bank accounts of the Group are at the end of the business day transferred to bank accounts of parent company and are presented as receivable from cash pooling.

2.8 Financial assets

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, FVOCI and FVTPL. The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. IFRS 9 eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

Trade receivables and debt securities issued by a debtor to the Group are initially recognised when they are originated. All other financial assets are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price determined under IFRS 15.

On initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI – equity investment; or FVTPL. Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

The Group has all financial assets classified and measured at amortised cost.

Financial assets at amortised cost (debt instruments)
This is the only category relevant to the Group. The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows, and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Group's financial assets at amortised cost include Trade and other receivables, Cash and cash equivalents, Term deposits, Loans and Cash pooling in the statement of financial position. Trade and other receivables that were classified as loans and receivables under IAS 39 are now classified at amortised cost under IFRS 9.

These assets are subsequently measured at amortised cost using the effective interest rate method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

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

2.9 Impairment of financial assets

The Group recognises loss allowances for expected credit losses (ECLs) on financial assets measured at amortised cost and contract assets. Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs. For lease receivables, contract assets and trade receivables with a significant financing component, an entity can choose as an accounting policy either to apply the general model for measuring loss allowance or always to measure the loss allowance at an amount equal to the lifetime ECL. The Group has chosen the latter policy.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

Assets that are not individually significant are collectively assessed for impairment. Collective assessment is carried out by grouping together assets with similar risk characteristics. In assessing collective impairment, the Group uses historical information on the timing of recoveries and the amount of loss incurred, and makes an adjustment if current economic and credit conditions are such that the actual losses are likely to be greater or lesser than suggested by historical trends. Indicators used for analysing forward looking estimates, were chosen based on best practice relevant for telecommunication industry.

An impairment loss is calculated as the difference between an asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account. When the Group considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off. If the amount of impairment loss subsequently decreases and the decrease is related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss is reversed through profit or loss.

2.10 Financial liabilities

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest rate method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. The adoption of IFRS 9 has not had a significant effect on the Group's accounting policies related to financial liabilities and derivative financial instruments.

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

Lease liabilities
At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives received, variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date and amounts expected to be paid under residual value of guaranties. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments, change in the assessment to purchase the underlying asset or a change in an index or a rate when the adjustment to the lease payments takes effect.

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has the option, under some of its leases, to lease the assets for additional terms. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy). The Group also revises the lease term if there is change in non-cancellable period of lease, which happens if the lessee does or does not exercise an option not previously included in the entity's determination of the lease term, or when an event occurs that contractually obliges to or prohibits the lessee from exercise an option not previously included in the entity's determination of the lease term. For contracts where no maturity is specified in the contractual agreement (so called evergreen contracts), the assessment of lease term is done for the portfolio as a whole. An estimate is required for the initial lease term as well as any further renewal. Examples of evergreen contracts are contracts with an indefinite term due to silent prolongation or an unlimited number of rights to renew the lease. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. Factors, which are considered in determining the lease term for evergreen contracts are: costs associated with an obligation to return the leased asset in a specified condition or to a specified location, existence of significant leasehold improvements that would be lost if the lease were terminated or not extended, non-contractual relocation costs, costs associated with lost service to existing customers, cost associated with sourcing an alternative item etc.

2.11 Prepaid expenses

The Group has easement rights to use and access technological equipment sited in properties owned by third parties. During 2018, these easements were presented within prepaid expenses in the statement of financial position. Easements were initially recognised at their net present value and amortised over their expected duration. Amortisation of easement rights was presented within other operating costs in the income statement. After adoption IFRS 16 in 2019 easements are recognised as Right-of-use assets.

2.12 Provisions and contingent liabilities

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

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

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

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

2.13 Employee benefit obligations

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

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

The Group also provides defined retirement and jubilee benefit plans granting certain amounts of pension or jubilee payments that an employee will receive on retirement, usually dependant on one or more factors such as an age, years of service and compensation. These benefits are unfunded. The liability recognised in the consolidated statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The last calculation was prepared on 31 December 2019. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using discount rate of weighted-average yields for high-quality (Bloomberg Aa*) - non-cancellable, non-putable corporate bonds. The currency and term of the bonds are broadly consistent with the currency and estimated term of the benefit obligations. Past service costs are recognised immediately in consolidated income statement.

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

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

2.14 Revenue recognition

Revenue is recognised when the Group satisfies a performance obligation by transferring a promised good or service to a customer, who obtains control of that asset that means upon the delivery of services and products and customer's acceptance. Revenue from rendering of services and from sales of equipment is shown net of value added tax and discounts. Revenue is measured at the amount of transaction price that is allocated to the performance obligation.

The Group recognises revenue as follows:

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

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

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

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

In the case of multiple-element arrangements (e.g. mobile contract plus handset) with subsidised products delivered in advance, the transaction price is allocated to the performance obligations in the contract by reference to their relative standalone selling prices. Standalone selling prices of hardware are estimated using price list prices adjusted by margin haircut. Standalone selling prices of service are estimated using average transaction prices adjusted by margin haircut. As a result a larger portion of the total consideration is attributable to the component delivered in advance (mobile handset), requiring earlier recognition of revenue. This leads to the recognition of what is known as a contract asset – a receivable arising from the customer contract that has not yet legally come into existence – in the consolidated statement of financial position.

Some one-time fees (mainly activation fees which are generally paid at contract inception) not fulfil definition of a separate performance obligation but represent a prepayment on future services. Such one-time fees and advanced payments for post-paid services lead to recognition of contract liability which is recognised as revenue appropriately to the minimum contract term. When discounts on service fees are granted unevenly for specific months of a contract while monthly service is provided evenly to the customer, service revenues are recognised on a straight-lined basis.

In accordance with IFRS 15, constant monthly revenue amounts shall be recognized in a contract where performance over the months is constant. One or more discounts on service may be given for one or multiple periods. The discount period can start at the beginning or at a later point in time of the contract term. Additionally discounts may also be granted in stages, meaning that the discount size varies over the minimum contract term. In order to guarantee continuity, straightlining of the discount during minimum contract term is required. This takes place by recognizing a contract asset, which is to be set up over the period with smaller payments and amortized over the remaining contract term.

The customer can be granted budgets for purchasing future goods and services either at contract inception or in the future by signing a frame contract which guarantees monthly minimum payment to the entity. The budget can be redeemed for hardware purchases and/or new services within the redemption period of the frame contract. A contract liability is created on a monthly basis until the budget is used. At the point of redemption revenue is realised in the amount of the relative standalone selling price of the material right.

Commission costs are assessed as incremental cost of obtaining a contract and are recognised as Contract costs. Contract costs are amortised during estimated customer retention period within dealers commission under other operating costs (related to indirect sales channel) and within wages and salaries under staff costs (related to direct sales channel).

The Group considers the effects of variable consideration and financing component as insignificant.

The Group typically satisfied its performance obligations at the point in time (mainly sales of equipment) and over time (services). The Group is not aware of any unusual payment terms.

Revenue from sales of equipment is recognised when control of that equipment is transferred to a customer and when the equipment delivery and installation is completed. Completion of an installation is a prerequisite for transfer of control on such equipment where installation is not simple in nature and functionally constitutes a significant component of the sale.

Revenue from lease contracts (rent of buildings, technical spaces, cirquits, etc.) is recognised on a straight-line basis over lease period.

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

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

Revenue from sale of hardware (including terminal equipment) and software is recognised when the control of that asset is transferred to a customer, provided there are no unfulfilled obligations that affect customer's final acceptance of the arrangement.

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

2.15 Operating profit

Operating profit is defined as a result before income taxes and financial income and expenses. For financial income and expenses refer to Notes 9 and 10 respectively.

2.16 Foreign currency translation

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

2.17 Taxes

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

Current income tax
Current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted as of the statement of financial position date. Current income tax includes additional levy imposed by the Slovak government on regulated industries effective from 1 September 2012. From 2019, the levy of 6.54% per annum is applied on the basis calculated as the profit before tax determined in accordance with the Slovak Accounting Standards multiplied by ratio of regulated revenues (according to Act on Electronic Communications Nr. 351/2011) on total revenues.

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

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

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

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

2.18 Joint arrangements

Joint arrangements according to IFRS 11 may have either a joint operation or a joint venture form.
The classification depends on contractual rights and obligations of each investor, rather than the legal structure of a joint arrangement.

According to participation in joint operations, the Group recognises assets controlled and liabilities incurred and its share on all jointly held assets and jointly incurred liabilities and its share on revenue and costs generated by the joint operations according to valid terms of relevant contracts.

2.19 Significant accounting judgements, estimates and assumptions

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

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

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

The Group reviewed useful lives of non-current assets during 2019 and changed accounting estimates where appropriate. The table summarizes net (increase) or decrease in depreciation or amortisation charge for the following categories of non-current assets:

thousands of EUR	2019	2020	2021	2022	2023 and after
Telecommunications equipment	189	18	14	(44)	(177)
Duct, cable and other outside plant	583	298	298	279	(1,463)
Radio and transmission equipment	18	(5)	(5)	(5)	(3)
Other	153	(23)	(16)	(13)	(95)
	943	288	291	217	(1,738)

Assessment of the lease term for evergreen leases (i.e. leases with no specified contract maturity, silent prolongation etc.) is mostly affected by the nature and useful live of underlying assets, relocation costs, or the Group's past practice regarding the period over which it has typically used particular types of assets.

Customer relationships
The Group maintains record of customer relationships obtained during the acquisition of control of T-Mobile, DIGI and PosAm (Note 13) and regularly evaluates appropriateness of useful lives used to amortise these intangible assets on the basis of churn of customers acquired through the business combinations. No changes to useful lives were necessary in 2019.

Assessment of impairment of goodwill
Goodwill is tested annually for impairment as further described in Note 2.3 using estimates detailed in Note 15.

Asset retirement obligation
The Group enters into lease contracts for land and premises on which mobile communication network masts are sited. The Group is committed by these contracts to dismantle the masts and restore the land and premises to their original condition. Management anticipates the probable settlement date of the obligation to equal useful life of mast, which is estimated to be 30 years. The remaining useful life of masts ranges from 3 to 30 at 31 December 2019.

Management's determination of the amount of the asset retirement obligation (Note 23) involves the following estimates (in addition to the estimated timing of crystallisation of the obligation):

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

If probable settlement date of the obligation was shortened by 10 years (from 30 years to 20 years) it would cause an increase of asset retirement obligation by EUR 1,025 thousand. If the inflation rate increased by 0.5%, it would cause an increase of asset retirement obligation by EUR 2,097 thousand. If the risk-adjusted, pre-tax discount rate increased by 0.5%, it would cause a decrease of asset retirement obligation by EUR 1,926 thousand. If the amounts necessary to settle future obligations increased by 10%, it would cause an increase of asset retirement obligation by EUR 2,528 thousand.

Provisions and contingent liabilities
The Group is a participant in several lawsuits and regulatory proceedings. When considering the recognition of a provision, management judges the probability of future outflows of economic resources and its ability to reliably estimate such future outflows. If these recognition criteria are met a provision is recorded in the amount of the best estimate of the expenditure required to settle the present obligation at the end of the reporting period. Such judgments and estimates are continually reassessed taking into consideration the developments of the legal cases and proceedings and opinion of lawyers and other subject matter experts involved in resolution of the cases and proceedings. The factors considered for individual cases are described in Notes 23 and 30.

2.20 Comparatives

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

a) Income from material sold is presented on net basis in 2019 financial statements within the Other operating income. In 2018 financial statements income from material sold was presented gross (income from material sold in the amount of EUR 9,611 thousand was presented within the Other operating income, cost of material sold in the amount of EUR 8,372 thousand was presented within the Other operating costs).
b) Income from marketing activities is presented within Revenue in 2019. In 2018 financial statements Income from marketing activities in the amount of EUR 3,849 thousand was presented within the Other operating income.
c) Revenues from repairs of terminal equipment is presented within Revenue in 2019. In 2018 financial statements revenues from repairs of terminal equipment in the amount of EUR 1,141 thousand were presented within the line Other in the Other operating income.
d) Income of rental of premises is presented within Revenue in 2019. In 2018 financial statements Income of rental of premises in the amount of EUR 1,870 thousand was presented within the Other operating income.
e) The presentation of the current contract assets and contract liabilities was amended in the current year financial statements, resulting in a decrease of both Contract assets and Contract liabilities line items by EUR 30,835 thousand in the comparative period.

2.21 Adoption of IFRS during the year

Standards, interpretations and amendments to published standards effective for the Group's accounting period beginning on 1 January 2019

As at 1st January 2019, the Group adopted IFRS 16, Leases (issued in January 2016, effective for annual periods beginning on or after 1 January 2019), which supersedes *IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.* The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model.

The Group adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application.

The new standard resulted in almost all leases being recognised on the balance sheet by lessees, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. Each lease payment was allocated between the liability and finance cost. The finance cost was charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset are depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Leases with a lease term up to 12 months and low-value leases are treated in the same way, even though the standard permits exceptions for short-term and low-value leases. In compliance with the DTAG group accounting policy this exemption was not applied and the Group has a unified approach for all leases.

IFRS 16 provides also practical expedient that permits lessees to make an accounting policy election, by class of underlying asset, to account for each separate lease component of a contract and any associated non-lease components as a single lease component. The Group applies this practical expedient (accounting policy election), and therefore non-lease components which are fixed and paid to lessor, e.g. utilities, maintenance costs, insurance services, etc. are not be separated, but capitalised.

The Group has reviewed substantially all of the Group's leasing arrangements in light of the new lease accounting rules in IFRS 16. The Group leases various properties, technical infrastructure, equipment and cars. The previously standard affects primarily the accounting for the Group's operating leases where the Group is the lessee.

Leases previously classified as finance leases.

The Group did not change the initial carrying amounts of recognised assets and liabilities at the date of initial application for leases previously classified as finance leases (i.e., the right-of-use assets and lease liabilities equal the lease assets and liabilities recognised under IAS 17).

Leases previously accounted for as operating leases.

The Group recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases. The right-of-use assets were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

Lessor accounting under IFRS 16 is substantially unchanged from under IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have an impact for leases where the Group is the lessor.

IFRS 16 adoption effect on opening balances of balance sheet items at the date of initial application (1 January 2019) is as follows:

thousands of EUR	IAS 17 Carrying amount 31 December 2018	IFRS 16 adoption effect	IFRS 16 carrying amount 1 January 2019
Non-current assets			
Right-of-use assets	-	105,761	105,761
Property and equipment	704,392	(271)	704,121
Prepaid expenses and other assets	11,063	(9,265)	1,798
Current assets			
Prepaid expenses and other assets	13,268	(1,183)	12,085
Equity			
Retained earnings and profit for the year	158,439	-	158,439
Non-current liabilities			
Lease liabilities	-	81,764	81,764
Other payables	4,730	(64)	4,666
Current liabilities			
Lease liabilities	-	14,730	14,730
Trade and other payables	113,864	(1,388)	112,476

The lease liabilities as at 1 January 2019 can be reconciled to the operating lease commitments as of 31 December 2018 as follows:

thousands of EUR	
Operating lease commitments as at 31 December 2018	56,864
Finance lease liabilities relating to leases previously classified as finance leases under IAS 17	219
Payments related to evergreen contracts* for periods beyond non-cancellable term as at 31 December 2018	57,435
Total undiscounted lease commitments as at 1 January 2019	114,518
Effect on discounting	(18,024)
Discounted lease liabilities as at 1 January 2019	96,494

* Contracts where no maturity is specified in the contractual agreement or contracts with silent prolongations

Weighted average incremental borrowing rate at 1 January 2019 was 2.96%.

The other amended standards and interpretations are not expected to have a significant impact on the Group's financial statements.

2.22 Accounting policies before 1 January 2019

Accounting policies applicable to the comparative period ended 31 December 2018, which were amended by IFRS 16, are as follows:

2.22.1 Leases

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

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

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

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

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

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

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

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

3. FINANCIAL RISK MANAGEMENT

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

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

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

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

3.1 Market risk

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

3.1.1 Foreign currency risk

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

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

For all planned, but not yet determined, foreign currency denominated cash flows (uncommitted exposure) of the following 12 months (rolling 12 month approach) a hedging ratio of at least 50% is applied. The Group uses term deposits in foreign currencies to hedge these uncommitted exposures (Note 19).

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

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

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

thousands of EUR		2019	2018
Profit before tax	Depreciation of USD by 10%	196	(115)
	Appreciation of USD by 10%	(196)	115
Equity	Depreciation of USD by 10%	155	(91)
	Appreciation of USD by 10%	(155)	91

thousands of EUR		2019	2018
Profit before tax	Depreciation of CZK by 10%	98	50
	Appreciation of CZK by 10%	(98)	(50)
Equity	Depreciation of CZK by 10%	78	40
	Appreciation of CZK by 10%	(78)	(40)

3.1.2 Interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group entered into a master agreement with DT AG in October 2008 based on which the Group provided loans to DT AG. Currently, there is outstanding loan in amount of EUR 160,000 thousand (2018: EUR 217,000 thousand) at fixed interest rate (Note 20). The term deposits in banks outstanding at 31 December 2019 in the amount of EUR 3,822 thousand (2018: EUR 3,432 thousand) have been concluded with fixed interest rate (Note 19). The Group has no material financial instruments with variable interest rates as at 31 December 2019.

3.1.3 Other price risk

Other price risk arises on financial instruments because of changes in commodity prices or equity prices. However, there are no such financial instruments that would have been materially impacted from changes in commodity prices.

3.2 Credit risk

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

The Group is exposed to credit risk from its operating activities and certain financing activities. The Group's credit risk policy defines products, maturities of products and limits for financial counterparties. The Group limits credit exposure to individual financial institutions on the basis of the credit ratings assigned to these institutions by reputable rating agencies and these limits are reviewed on a regular basis. The Group is exposed to concentration of credit risk from holding loan receivable in the amount of EUR 160,000 thousand (2018: EUR 217,000 thousand) provided to DT AG (Germany) and trade receivables from DT AG and other entities in DT group in amount of EUR 52,667 thousand (2018: EUR 13,783 thousand).

For credit ratings see the following tables:

thousands of EUR	2019	2018
Term deposits (Note 19)		
A2	3,822	3,432
	3,822	3,432

thousands of EUR	2019	2018
Loans (Note 20)		
Baa1	160,000	217,000
	160,000	217,000

thousands of EUR	2019	2018
Cash and cash equivalents (Note 21)		
Aa3	1,350	100
A2	41,369	26,988
A3	46,539	45,493
Not rated	165	626
	89,423	73,207

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

IFRS 9 introduced a new, expected-loss impairment model that requires more timely recognition of expected credit losses. Specifically, the Standard requires entities to account for expected credit losses rather than only incurred credit losses as was the case under IAS 39. The Group establishes an allowance for impairment that represents its estimate of expected credit losses in respect of trade, other receivables and contract assets. Cash and cash equivalents and intercompany receivables are also subject to the impairment requirements of IFRS 9, however, the identified impairment loss was immaterial.

Impairment losses are recognised to cover both individually significant credit risk exposures and a collective loss component for assets that are assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables includes the Group's past experience of collecting payments, changes in the internal and external ratings of customers, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

In respect of financial assets, which comprise cash and cash equivalents, loans, term deposits, trade and other receivables and cash pooling, the Group's exposure to credit risk arises from the potential default of the counterparty, with a maximum exposure equal to the carrying amount of these financial assets.

The Group assesses its financial investments at each reporting date to determine whether there is any objective evidence that they are impaired. A financial investment is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that investment. Significant financial investments are tested for impairment on an individual basis. The remaining financial investments are assessed collectively in groups that share similar credit risk characteristics. An impairment loss in respect of a financial investment is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. All impairment losses are recognised in profit or loss. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. The reversal of the impairment loss is recognised in profit or loss.

The table summarises the ageing structure of receivables based on IFRS 9:

		Past due					
thousands of EUR	Not past due	< 30 days	31-90 days	91-180 days	181-365 days	> 365 days	Total
At 31 December 2019							
Trade and other receivables	149,944	5,305	3,158	1,663	2,147	5,887	168,104

		Past due					
thousands of EUR	Not past due	< 30 days	31-90 days	91-180 days	181-365 days	> 365 days	Total
At 31 December 2018							
Trade and other receivables	93,850	4,603	3,747	1,625	1,407	4,352	109,584

No significant individually impaired trade receivables were included in the allowance for impairment losses in 2019 and 2018.

Trade receivables that are past due as at 31 December 2019, but not impaired, are from creditworthy customers who have a good track record with the Group and, based on historical default rates, management believes that no additional impairment allowance is necessary. Management also believes that currently no additional impairment allowance is necessary to trade receivables that are neither past due nor impaired.

For sensitivity of impairment charge of uncollectible receivables refer to Note 16.

3.3 Liquidity risk

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

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

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

thousands of EUR	On demand	Less than 3 months	3 to 12 months	Over 1 year	Total
At 31 December 2019					
Trade and other payables	5,669	121,980	12,944	4,329	144,922
At 31 December 2018					
Trade and other payables	4,918	108,165	12,642	4,604	130,329

For maturity of lease liabilities refer to Note 25.

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

thousands of EUR	Gross amounts	Offsetting	Net amounts
At 31 December 2019			
Current financial assets – Trade receivables	7,876	(6,264)	1,612
Current financial liabilities – Trade payables	7,706	(6,264)	1,442
At 31 December 2018			
Current financial assets – Trade receivables	8,522	(6,814)	1,708
Current financial liabilities – Trade payables	8,131	(6,814)	1,317

For the Group’s accounting policy on offsetting refer to Note 2.8. Balances of Trade receivables and Trade payables are disclosed on nett basis in consolidated financial statements.

3.4 Capital management

The Group's objectives when managing capital are to safeguard the Group’s ability to continue as a going concern in order to provide returns for shareholder and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

The Company’s management proposes to the owner of the Company (through the Board of Directors) to approve dividend payments or adopt other changes in the Company's equity capital in order to optimize the capital structure of the Group. This can be achieved primarily by adjusting the amount of dividends paid to shareholder, or alternatively, by returning capital to shareholder by capital reductions, issue new shares or sell assets to reduce debt. The Group also takes into consideration any applicable guidelines of the ultimate parent company. No changes were made to the objectives, policies or processes in 2019.

The capital structure of the Group consists of equity attributable to shareholder, comprising issued capital, statutory reserve fund, retained earnings and other components of equity (Note 22). The management of the Group manages capital measured in terms of shareholder’s equity amounting to at 31 December 2019 EUR 1,224,909 thousand (2018: EUR 1,214,111 thousand).

3.5 Fair values

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

3.5.1 Recurring fair value measurement

Recurring fair value measurements are those that the accounting standards require or permit in the consolidated statement of financial position at the end of each reporting year. There were no recurring fair value measurements in 2019 and 2018.

3.5.2 Non-recurring fair value measurement

There were no non-recurring fair value measurements in 2019 and 2018.

3.5.3 Financial assets and financial liabilities not measured at fair value

The fair value of other financial assets and financial liabilities approximate their carrying amounts at the statement of financial position date. Non-current receivables and non-current payables are discounted unless the effect of discounting was inconsiderable.

3.6 Presentation of financial instruments by measurement category

thousands of EUR	2019	2018
ASSETS		
Financial assets at amortised cost		
Trade and other receivables (Note 16)	168,104	109,584
Term deposits (Note 19)	3,822	3,432
Loans (Note 20)	160,000	217,000
Cash and cash equivalents (Note 21)	89,423	73,207
LIABILITIES		
Financial liabilities at amortised cost		
Trade and other payables (Note 24)		
Trade payables	64,348	51,765
Uninvoiced deliveries	50,639	54,374
Financial liabilities	20,668	15,553
Liabilities for acquisition of subsidiary	250	500
Other payables	1,974	1,320
Lease liabilities (Note 25)	113,458	219
Financial liabilities at fair value through profit or loss		
Trade and other payables (Note 24)		
Put option	7,043	6,817

4. BUSINESS COMBINATION

On 25 January 2018 the subsidiary of Slovak Telekom PosAm acquired 100% share and voting rights in company Commander Services s.r.o., an unlisted company with its registered seat at Žitná 23, 831 06 Bratislava, Slovak Republic. The change of ownership was registered in the Commercial register of the Slovak Republic on 6 February 2018. Main activity of the new subsidiary is GPS monitoring of motor vehicles.

The Group acquired Commander Services with the aim to enter in to the market of GPS monitoring of motor vehicles.

Consideration transferred
Details of the consideration transferred are:

thousands of EUR	2019
Cash paid (i)	4,284
Contingent consideration (ii)	250
Total consideration transferred	4,534

(i) The Group paid consideration of EUR 3,507 thousand in February 2018 and of EUR 527 thousand in April 2018. Fair values of those instalments at acquisition date were EUR 3,507 thousand and EUR 493 thousand respectively. Instalment paid in April 2018 was adjusted for net cash/debt and change in working capital.

Consideration of EUR 250 thousand was paid in March 2019. Fair value of the instalment at acquisition date was EUR 750 thousand and it was adjusted for materialised risks. On 31 December 2018 the Group had recognised current payable in amount of EUR 250 thousand in Trade and other payables (Note 24).

(ii) Consideration of EUR 250 thousand shall be paid in March 2020. Fair value of the instalment at acquisition date was EUR 250 thousand and it shall be adjusted for financial performance of Commander Services in 2019 (Revenues and Cash contribution targets). If financial performance will be worse than expected, the consideration will be decreased by amounts specified in the contract. On 31 December 2019 the Group had recognised current payable (2018: non-current payable) in amount of EUR 250 thousand in Trade and other payables (Note 24).

Acquisition-related costs of EUR 42 thousand were recognised under Other operating costs in the consolidated income statement.

Assets acquired and liabilities assumed at the acquisition date
The following table summarises assets acquired and liabilities assumed as at the acquisition date 25 January 2018:

thousands of EUR	25 January 2018
Cash and cash equivalents	239
Property and equipment	446
Intangible assets	4,161
Inventories	354
Trade and other receivables	545
Prepaid expenses and other assets	56
Trade and other payables	(314)
Other liabilities and deferred income	(206)
Deferred tax	(853)
Net identifiable assets acquired	4,428
Add: goodwill	106
Net assets acquired	4,534

Trade and other receivables had gross contractual amount of EUR 607 thousand, of which EUR 62 thousand were contractual cash flows not expected to be collected.

Goodwill arose in the acquisition of Commander Services because the consideration transferred for the business combination effectively included amounts in relation to the benefit from expected synergies from GPS monitoring of motor vehicles in Slovak Telekom Group, revenue growth and future market development. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

None of the goodwill is expected to be deductible for income tax purposes.

Impact of acquisition on the results of the Group in 2018
From the date of acquisition, Commander Services has contributed in 2018 by EUR 4,909 thousand to revenue of the Group (net of intercompany revenue) and by EUR 1,613 thousand to the profit before tax of the Group (net of intercompany revenues and expenses). If the combination had taken place at 1 January 2018, contribution to the revenue and profit before tax of the Group for 2018 would be in the same amounts.

5. REVENUE

thousands of EUR	2019	2018
Fixed network revenue	276,177	271,947
Mobile network revenue	282,694	280,940
Terminal equipment	99,456	91,689
System solutions / IT	78,688	77,216
Other	53,025	52,309
	790,040	774,101

6. STAFF COSTS

thousands of EUR	2019	2018
Wages and salaries	97,636	102,027
Defined contribution pension costs	13,354	13,348
Other social security contributions	19,187	17,316
	130,177	132,691

thousands of EUR	2019	2018
Number of employees at year end	3,435	3,529
Average number of employees during the year	3,448	3,526

For expenses resulting from termination, retirement and jubilee benefits (included in line Wages and salaries) refer to Note 23.

7. OTHER OPERATING INCOME

thousands of EUR	2019	2018
Gain on disposal of property and equipment and intangible assets, net	3,588	5,342
Gain from material sold	1,321	1,239
Reversal of impairment of property and equipment (Note 12)	715	655
Other	6,062	2,363
	11,686	9,599

8. OTHER OPERATING COSTS

thousands of EUR	2019	2018
Repairs and maintenance	14,826	15,659
Installation services	236	274
Marketing costs	14,841	15,796
Energy	14,567	13,613
Printing and postage	4,773	4,898
Logistics	5,671	4,351
Rentals and leases (not in scope of IFRS 16)	2,006	20,730
IT services	7,367	6,903
Dealer commissions	21,692	22,599
Recurring frequency and other fees to Regulatory Authority	4,782	4,771
Content fees	17,578	15,261
Legal and regulatory claims (Note 30)	1,005	208
Consultancy	2,853	3,171
Services related to delivery of solutions for customers	42,723	40,128
Fees paid to DT AG group	5,664	5,100
Other	18,297	20,425
Own work capitalised	(20,090)	(19,604)
	158,791	174,283

9. FINANCIAL INCOME

thousands of EUR	2019	2018
Interest on term deposits and bank accounts	46	131
Remeasurement of put option liability (Note 24)	-	1,720
Interest on loans	4	-
Foreign exchange gains, net	-	96
Other	60	720
	110	2,667

10. FINANCIAL EXPENSE

thousands of EUR	2019	2018
Remeasurement of put option liability (Note 24)	226	-
Dividends paid to minority owners of PosAm	321	400
Foreign exchange losses, net	3	-
Interest costs on employee benefits provision	202	205
Interest cost on other non-current provisions	471	489
Interest costs from lease	3,053	-
Bank charges and other financial expense	32	29
	4,308	1,123

11. TAXATION

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

thousands of EUR	2019	2018
Current tax expense	43,006	36,995
Current tax expense of prior periods	378	151
Deferred tax income	(9,426)	(6,448)
Levy on regulated industries	8,107	9,633
Income tax expense reported in the income statement	42,065	40,331

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

thousands of EUR	2019	2018
Profit before income tax	158,075	153,148
Income tax calculated at the statutory rate of 21% (2018: 21%)	33,196	32,161
Effect of non-taxable income and tax non-deductible expenses:		
Cost related to legal and regulatory claims	183	33
Other tax non-deductible items, net	201	(1,647)
Tax charge in respect of prior years	378	151
Levy on regulated industries	8,107	9,633
Income tax at the effective tax rate of 27% (2018: 26%)	42,065	40,331

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

thousands of EUR	1 January 2019	Through equity (change in accounting policy)	Through income statement	Through statement of comprehensive income	31 December 2019
Difference between carrying and tax value of fixed assets	(99,561)	(20,711)	4,544	-	(115,728)
Lease liabilities	-	20,711	2,464	-	23,175
Staff cost accruals	2,665	-	(59)	-	2,606
Allowance for bad debts	4,179	-	(130)	-	4,049
Termination benefits	1,085	-	(212)	-	873
Retirement benefit obligation	2,753	-	95	(290)	2,558
Asset retirement obligation	3,375	-	1,933	-	5,308
Contract assets	(15,000)	-	5,565	-	(9,435)
Contract costs	(4,244)	-	(421)	-	(4,665)
Contract liability	5,164	-	(4,558)	-	606
Other	6,353	-	205	-	6,558
Net deferred tax liability	(93,231)	-	9,426	(290)	(84,095)

thousands of EUR	1 January 2018	Through equity (change in accounting policy)	Through business combination	Through income statement	Through statement of comprehensive income	31 December 2018
Difference between carrying and tax value of fixed assets	(103,988)	-	(853)	5,280	-	(99,561)
Staff cost accruals	2,665	-	-	-	-	2,665
Allowance for bad debts	3,222	621	-	336	-	4,179
Termination benefits	328	-	-	757	-	1,085
Retirement benefit obligation	2,774	-	-	(16)	(5)	2,753
Asset retirement obligation	3,670	-	-	(295)	-	3,375
Contract assets	-	(14,281)	-	(719)	-	(15,000)
Contract costs	-	(4,450)	-	206	-	(4,244)
Contract liability	-	4,932	-	232	-	5,164
Other	6,367	(681)	-	667	-	6,353
Net deferred tax liability	(84,962)	(13,859)	(853)	6,448	(5)	(93,231)

Deferred tax asset of EUR 1,296 thousand is recognised in respect of subsidiaries DIGI, PosAm, Commander Services and Zoznam and deferred tax liability of EUR 85,391 thousand in respect of other entities. The Group offsets deferred tax assets and deferred tax liabilities if, and only if, those relate to income taxes levied by the same taxation authority on the same taxable entity.

thousands of EUR	2019	2018
Deferred tax asset to be settled within 12 months	1,380	1,556
Deferred tax asset to be settled after more than 12 months	12	12
Deferred tax liability to be settled after more than 12 months	(96)	(111)
Net deferred tax asset	1,296	1,457

thousands of EUR	2019	2018
Deferred tax asset to be settled within 12 months	17,024	17,543
Deferred tax asset to be settled after more than 12 months	28,984	7,342
Deferred tax liability to be settled within 12 months	(11,096)	(15,845)
Deferred tax liability to be settled after more than 12 months	(120,303)	(103,728)
Net deferred tax liability	(85,391)	(94,688)

12. PROPERTY AND EQUIPMENT

thousands of EUR	Land, buildings and structures	Duct, cable and other outside plant	Telecommu-nications equipment	Radio and transmission equipment	Other	Capital work in progress including advances	Total
At 1 January 2019							
Cost	168,774	1,048,601	451,620	171,956	331,045	69,388	2,241,384
IFRS16 adoption effect	-	-	-	-	(841)	-	(841)
At 1 January 2019 after IFRS 16 adoption	168,774	1,048,601	451,620	171,956	330,204	69,388	2,240,543
Accumulated depreciation	(95,528)	(647,194)	(408,082)	(130,829)	(246,758)	(14)	(1,528,405)
IFRS16 adoption effect	-	-	-	-	569	-	569
At 1 January 2019 after IFRS 16 adoption	(95,528)	(647,194)	(408,082)	(130,829)	(246,189)	(14)	(1,527,836)
Net book value	73,246	401,407	43,538	41,127	84,015	69,374	712,707
Additions	8,934	29,076	6,004	127	17,494	60,001	121,636
Depreciation charge	(4,383)	(39,776)	(14,607)	(15,624)	(25,901)	-	(100,291)
Impairment charge	(226)	-	(19)	-	(32)	-	(277)
Reversal of impairment	715	-	-	-	-	-	715
Disposals	(2,457)	(5)	(6)	(24)	(168)	(72)	(2,732)
Transfers	163	24,499	8,879	8,371	1,723	(43,780)	(145)
At 31 December 2019							
Cost	171,808	1,110,707	294,826	197,148	306,534	85,523	2,166,546
Accumulated depreciation	(95,816)	(695,506)	(251,037)	(163,171)	(229,403)	-	(1,434,933)
Net book value	75,992	415,201	43,789	33,977	77,131	85,523	731,613

Property and equipment, excluding motor vehicles, is locally insured to a limit of EUR 25,223 thousand (2018: EUR 25,206 thousand). Any loss exceeding local limit is insured by DT AG Global Insurance Program up to EUR 700,000 thousand. The Group has the third party liability insurance for all motor vehicles.

thousands of EUR	Land, buildings and structures	Duct, cable and other outside plant	Telecommu-nications equipment	Radio and transmission equipment	Other	Capital work in progress including advances	Total
At 1 January 2018							
Cost	177,163	1,028,028	490,098	208,368	324,938	62,385	2,290,980
Accumulated depreciation	(98,078)	(617,246)	(446,607)	(162,381)	(242,015)	(332)	(1,566,659)
Net book value	79,085	410,782	43,491	45,987	82,923	62,053	724,321
Acquisition through business combination	-	-	-	-	446	-	446
Additions	1,147	17,748	5,083	4,485	17,197	44,954	90,614
Depreciation charge	(3,523)	(36,799)	(16,178)	(15,685)	(24,344)	-	(96,529)
Impairment charge	-	-	(90)	-	(76)	-	(166)
Reversal of impairment	16	305	25	1	27	281	655
Disposals	(5,731)	(16)	(23)	(73)	(506)	(13)	(6,362)
Transfers	2,252	9,387	11,230	6,412	8,620	(37,901)	-
At 31 December 2018							
Cost	168,774	1,048,601	451,620	171,956	331,045	69,388	2,241,384
Accumulated depreciation	(95,528)	(647,194)	(408,082)	(130,829)	(246,758)	(14)	(1,528,405)
Net book value	73,246	401,407	43,538	41,127	84,287	69,374	712,979

13. INTANGIBLE ASSETS

thousands of EUR	Software	Licences	Internally developed intangible assets	Goodwill	Customer relationships	Intangibles under construction	Total
At 1 January 2019							
Cost	541,783	240,684	9,597	113,076	44,733	35,539	985,412
Accumulated amortisation	(485,288)	(144,266)	(4,660)	(3,000)	(19,422)	-	(656,636)
Net book value	56,495	96,418	4,937	110,076	25,311	35,539	328,776
Additions	7,111	23,798	448	-	-	35,026	66,383
Amortisation charge	(33,949)	(29,818)	(1,028)	-	(3,495)	-	(68,290)
Disposals	-	-	-	-	-	(6)	(6)
Transfers	18,411	1,200	118	-	-	(19,585)	144
At 31 December 2019							
Cost	554,136	240,426	9,859	113,076	44,733	50,974	1,013,204
Accumulated amortisation	(506,068)	(148,828)	(5,384)	(3,000)	(22,917)	-	(686,197)
Net book value	48,068	91,598	4,475	110,076	21,816	50,974	327,007

Customer relationships were recognised at acquisition of subsidiaries DIGI, PosAm and Commander Services with total net book value at 31 December 2019 of EUR 21,816 thousand (2018: EUR 25,311 thousand).

Net book value of the category Other includes intangible assets in progress of EUR 47,379 thousand (2018: EUR 35,339 thousand).

For cost and impairment of goodwill refer to Note 15.

thousands of EUR	Software	Licences	Internally developed intangible assets	Goodwill	Customer relationships	Intangibles under construction	Total
At 1 January 2018							
Cost	510,928	244,498	8,245	112,970	290,531	26,341	1,193,513
Accumulated amortisation	(460,507)	(134,214)	(3,697)	(3,000)	(265,460)	-	(866,878)
Net book value	50,421	110,284	4,548	109,970	25,071	26,341	326,635
Acquisition through business combination	-	-	426	106	3,735	-	4,267
Additions	29,645	16,593	839	-	-	19,704	66,781
Amortisation charge	(32,613)	(31,800)	(997)	-	(3,495)	-	(68,905)
Disposals	-	-	-	-	-	(2)	(2)
Transfers	9,042	1,341	121	-	-	(10,504)	-
At 31 December 2018							
Cost	541,783	240,684	9,597	113,076	44,733	35,539	985,412
Accumulated amortisation	(485,288)	(144,266)	(4,660)	(3,000)	(19,422)	-	(656,636)
Net book value	56,495	96,418	4,937	110,076	25,311	35,539	328,776

14. RIGHT-OF-USE ASSETS

The Group has lease contracts for various items:

a) space on telecommunication infrastructure of third parties, rooftops and land to install own telecommunication equipment – the Group uses the space/area on third party landlord's land to construct its own mast or transmission tower. These masts and towers are used for telecommunication equipment (e.g. antennas) of the Group,

b) exclusive easements - an easement is a legal right to use, access, or cross another's property (such as land or common area in a building) for a specific limited purpose. Easements are granted mainly for the reasons to pass a cable over, under, or through an existing area of land,

c) shops – a retail space in a building or a mall,

d) operations buildings (less frequently in residential buildings) to place and operate technical equipment, e.g. servers, network equipment, etc. and also few operations buildings on third-party land,

e) office space - office space serves the Group's employees with space where they can execute their work,

f) vehicles – passenger cars used by the Group's employees.

Set out below, are the carrying amounts of the Group's right-of-use assets as at 1 January 2019 and at 31 December 2019.

thousands of EUR	Leased land	Leased buildings	Leased technical equipment and machinery	Total
At 1 January 2019 (IFRS16 adoption effect)				
Cost	22,234	72,118	11,409	105,761
Accumulated depreciation	-	-	-	-
Net book value	22,234	72,118	11,409	105,761
Additions	3,509	33,369	2,196	39,074
Depreciation charge	(2,972)	(11,988)	(3,046)	(18,006)
Disposals	(363)	(4,834)	(671)	(5,868)
At 31 December 2019				
Cost	25,322	99,748	12,633	137,703
Accumulated depreciation	(2,914)	(11,083)	(2,745)	(16,742)
Net book value	22,408	88,665	9,888	120,961

15. IMPAIRMENT OF GOODWILL

For impairment testing, the goodwill acquired in business combinations has been allocated to individual cash-generating units, as of 31 December 2019 and 2018:

thousands of EUR	T-Mobile	DIGI	PosAm	Commander Services	Zoznam and Zoznam Mobile	Total
Goodwill allocated to cash-generating units	73,313	28,621	6,368	106	4,668	113,076
Impairment	-	-	-	-	(3,000)	(3,000)
	73,313	28,621	6,368	106	1,668	110,076

T-Mobile (Mobile telecommunication business)

The goodwill was recognised at the acquisition of T-Mobile in December 2004. The recoverable amount of the cash-generating unit was determined using cash flows projections based on the ten-year financial plans that present the management's best estimate on market participants' assumptions and expectations. The Group uses ten-year cash flow projections as the payback period of the investments in the telecommunications operations often exceeds 5 years. Cash flows beyond the ten-year period are extrapolated using a 1.5% growth rate (2018: 1.5%) and a discount rate of 4.37 % (2018: 5.81%). The growth rate does not exceed the long-term average growth rate for the market in which the cash-generating unit operates. Further key assumptions on which management has based its determination of the recoverable amount of cash-generating unit include the development of revenue, customer acquisition and retention costs, churn rates, capital expenditures and market share, which are based on past performance and management's expectations for the future. Input parameters used to determine the recoverable amount are classified in Level 3 in accordance with IFRS 13. The recoverable amount of the cash-generating unit based on fair value less costs of disposal calculation exceeded its carrying value. Management believes that any reasonably possible change in the key assumptions on which the cash-generating unit's recoverable amount is based would not cause its carrying amount to exceed its recoverable amount.

DIGI, PosAm, Commander Services, Zoznam and Zoznam Mobile

The recoverable amounts of the cash-generating units were determined using cash flows projections based on the four-year financial plans that have been approved by management and are also used for internal purposes of the cash-generating units. Cash flows beyond the four-year period are extrapolated using a 1.5% growth rate (2018: 1.5%). The growth rate does not exceed the long-term average growth rate for the market in which the cash-generating units operate.

The Group uses following discount rates:

	2019	2018
DIGI (TV business)	4.81%	6.25%
PosAm (IT solutions business)	5.37%	6.76%
Commander Services (GPS monitoring of the motor vehicles)	6.39%	10.30%
Zoznam and Zoznam Mobile (Online business)	6.87%	7.95%

Further key assumptions on which management has based its determination of the recoverable amounts of the cash-generating units include the development of revenue, customer acquisition and retention costs, capital expenditure and market share, which are based on past performance and management's expectations for the future. Input parameters used to determine the recoverable amount are classified in Level 3 in accordance with IFRS 13. In 2019 and 2018, the recoverable amounts of the cash-generating units based on fair value less costs of disposal calculation exceeded its carrying amounts. Management believes that any reasonably possible change in the key assumptions on which the cash-generating unit's recoverable amounts are based would not cause its carrying amounts to exceed its recoverable amounts.

In 2011, the carrying amount of the cash generating unit Zoznam and Zoznam Mobile exceeded its recoverable amount based on fair value less costs of disposal calculation by EUR 3,000 thousand and the Group allocated impairment to goodwill in the same amount.

16. TRADE AND OTHER RECEIVABLES

thousands of EUR	2019	2018
Non-current		
Receivables from instalment sale	6,612	479
Finance lease receivables	1,001	915
	7,613	1,394
Current		
Trade receivables	124,024	106,778
Cash pooling receivable	35,200	-
Other receivables	327	479
Finance lease receivables	940	933
	160,491	108,190

Trade receivables are net of an allowance of EUR 27,102 thousand (2018: EUR 28,983 thousand). If the allowance percentage increases by 1% in each relevant ageing group (except where there is 100% allowance created), the charge for the year would be by EUR 1,018 thousand higher (2018: EUR 785 thousand).

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

thousands of EUR	2019	2018
At 1 January	28,983	20,355
Opening balance adjustment related to IFRS 9	-	7,463
Charge for the year, net	4,308	6,006
Utilised	(6,189)	(4,841)
At 31 December	27,102	28,983

17. PREPAID EXPENSES AND OTHER ASSETS

thousands of EUR	2019	2018
Non-current		
Easements	29	9,277
Other prepaid expenses	1,681	1,915
	1,710	11,192
Current		
Other prepaid expenses	3,402	3,970
Advance payments	3,356	10,615
Other assets	114	205
	6,872	14,790

18. INVENTORIES

thousands of EUR	2019	2018
Materials	8,314	6,958
Goods	7,751	8,444
	16,065	15,402

Inventories are net of an allowance of EUR 1,098 thousand (2018: EUR 1,236 thousand). The write-down of inventories in the amount of EUR 348 thousand (2018: EUR 553 thousand) was recognised in cost of material and equipment.

19. TERM DEPOSITS

thousands of EUR	2019	2018
Term deposits in banks	3,822	3,432
	3,822	3,432

Term deposits include deposits at banks with original maturity more than 3 months from the date of acquisition. Short-term deposits with original maturity of three months or less from the date of acquisition are presented as cash and cash equivalents. For credit ratings see Note 3.2.

20. LOANS

thousands of EUR	2019	2018
Loans to Deutsche Telekom AG	160,000	217,000
	160,000	217,000

The loans granted to Deutsche Telekom AG were not secured. Loans outstanding at 31 December 2019 were provided in December 2019 and were repayable in January 2020 (2018: provided in December 2018, repayable in January 2019). For credit ratings see Note 3.2.

21. CASH AND CASH EQUIVALENTS

thousands of EUR	2019	2018
Cash and cash equivalents	89,423	73,207
	89,423	73,207

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term investments are made for varying periods between one day and three months and earn interest at the respective rates. For credit ratings see Note 3.2.

22. SHAREHOLDERS' EQUITY

On 18 June 2015 Deutsche Telekom Europe B.V. became the sole shareholder of Slovak Telekom.

As at 31 December 2019, Slovak Telekom had authorised and issued 86,411,300 ordinary shares (2018: 86,411,300) with a par value of EUR 10.00 per share (2018: EUR 10.00 per share). All the shares issued were fully subscribed. All the shares represent the rights of shareholder to participate in the managing of Slovak Telekom, on the profit and liquidation balance upon the winding-up of Slovak Telekom with liquidation.

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

Category Other in the Consolidated statement of changes in equity covers mainly changes of equity from retirement benefits (Note 23).

The Financial statements of the Group for the year ended 31 December 2018 were authorised for issue on behalf of the Board of Directors of Slovak Telekom on 14 March 2019.

On 29 April 2019 Deutsche Telekom Europe B.V. while performing competences of the General meeting of Slovak Telekom approved distribution of the prior year profit in the form of dividends. Total dividends of EUR 106,302 thousand (2018: EUR 66,637 thousand) were paid in May 2019, which amounted to EUR 1.23 per share (2018: EUR 0.77 per share).

Approval of the 2019 profit distribution will take place at the Annual General Meeting scheduled for April 2020.

23. PROVISIONS

thousands of EUR	Legal and regulatory claims	Asset retirement obligation	Termination benefits	Employee benefits	Other	Total
	(Note 30)					
At 1 January 2019	3,638	16,071	5,169	13,424	2,210	40,512
Arising during the year	1,285	6,702	4,156	1,021	1,480	14,644
Utilised	(21)	-	(3,396)	(37)	(984)	(4,438)
Reversals	(472)	(810)	(1,774)	(2,110)	(260)	(5,426)
Transfers	-	-	-	-	-	-
Interest impact	-	3,315	-	206	(2)	3,519
At 31 December 2019	4,430	25,278	4,155	12,504	2,444	48,811
Non-current	-	25,278	-	12,504	1,043	38,825
Current	4,430	-	4,155	-	1,401	9,986
	4,430	25,278	4,155	12,504	2,444	48,811

thousands of EUR	2019	2018
Non-current	38,825	30,480
Current	9,986	10,032
	48,811	40,512

Asset retirement obligation

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

Termination benefits

The restructuring of the Group operations resulted in headcount reduction of 179 employees in 2019. The Group expects a further headcount reduction of 171 employees in 2020 as a result of an ongoing restructuring program. A detailed formal plan that specifies the number of staff involved and their locations and functions was defined and authorised by management and announced to the trade unions. The amount of compensation to be paid for terminating employment was calculated by reference to the collective agreement. The termination payments are expected to be paid within twelve months of the statement of financial position date and are recognised in full in the current period. In 2019 the Group recognised an expense resulting from termination benefits in amount of EUR 4,007 thousand (2018: EUR 3,121 thousand) in staff costs.

Retirement and jubilee benefits

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

thousands of EUR	Retirement benefits	Jubilee	Total
Present value of the defined benefit obligation			
At 1 January 2019	13,111	313	13,424
Current service cost	997	24	1,021
Interest cost	202	4	206
Benefits paid	(15)	(22)	(37)
Remeasurement of defined benefit plans	(1,379)	(1)	(1,380)
Curtailment gain	(730)	-	(730)
At 31 December 2019	12,186	318	12,504

thousands of EUR	Retirement benefits	Jubilee	Total
Present value of the defined benefit obligation			
At 1 January 2018	13,210	300	13,510
Current service cost	1,011	25	1,036
Interest cost	205	4	209
Benefits paid	(9)	(18)	(27)
Remeasurement of defined benefit plans	(22)	2	(20)
Curtailment gain	(1,284)	-	(1,284)
At 31 December 2018	13,111	313	13,424

Remeasurement of defined benefit plans related to retirement benefits in amount of EUR 1,379 thousand consists of change in demographic assumptions in amount of EUR 1,955 thousand and change in experience adjustments in amount of EUR 109 thousand partially netted by change in financial assumptions in amount of EUR 685 thousand.

The curtailment gain in amount of EUR 730 thousand resulted mainly from a reduction in the number of participants covered by the retirement plan that occurred in 2019 or was announced for 2020. There were no special events causing any new past service cost during 2019 other than the curtailment mentioned above.

Principal actuarial assumptions used in determining the defined benefit obligation and the curtailment effect in 2019 include the discount rate of 1.16% (2018: 1.58%). The expected expense for 2019 has been determined based on the discount rate as at the beginning of the accounting year of 1.58% (2018: 1.58%). Average retirement age is 63 years and 2 months (2018: 62 years). The expected growth of nominal wages over the long term is 2.0% (2018: 2.0%). The remaining weighted average duration of the defined benefit obligation is 14.1 years (2018: 12.2 years).

The sensitivity analysis for the significant actuarial assumptions as at 31 December 2019 and 2018 is as follows:

thousands of EUR	(Decrease) / increase of employee benefits provision	
	2019	2018
Change of actuarial assumption:		
Discount rate change +100 bp / -100 bp	(1,563) / 1,890	(1,445) / 1,641
Salary change +0.50% / -0.50%	885 / (814)	790 / (749)
Change in life expectation +1 year / -1 year	-/ -	16 / (18)

24. TRADE AND OTHER PAYABLES

thousands of EUR	2019	2018
Non-current		
Financial liabilities for capitalised content licences	4,134	3,875
Liabilities for acquisition of subsidiary (Note 4)	-	250
Other payables	196	542
	4,330	4,667
Current		
Trade payables	64,348	51,765
Uninvoiced deliveries	50,639	54,374
Put option	7,043	6,817
Financial liabilities for capitalised content licences	16,534	11,678
Liabilities for acquisition of subsidiary (Note 4)	250	250
Other payables	1,778	778
	140,592	125,662

Reconciliation of cash used in investing activities:

thousands of EUR	2019	2018
Additions to property and equipment and intangible assets (Notes 12, 13)	188,019	157,395
Additions to capitalised content licences	(24,075)	(17,593)
Non-cash additions from asset retirement obligation	(8,737)	(579)
Change in payables for purchase of property and equipment and intangible assets	(4,473)	3,903
Cash used in investing activities for purchase of property and equipment and intangible assets	150,734	143,126

Reconciliation of cash used in financing activities:

thousands of EUR	2019	2018
Additions to capitalised content licences	24,075	17,593
Change in financial liabilities for capitalised content licences	(5,115)	3,195
Foreign exchange adjustments	-	406
Cash used in financing activities for purchase of intangible assets	18,960	21,194

25. LEASE LIABILITIES

Lease liabilities were recognised on 1 January 2019 in the process of adopting the new leasing standard. See note 2.21 for further information about the change in accounting policy for leases.

thousands of EUR	1.1.2019 before IFRS 16 adoption	1.1.2019 after IFRS 16 adoption	31.12.2019
Up to 1 year	219	14,730	15,070
1 to 5 years	-	45,849	45,639
Over 5 years	-	35,915	52,749
Total other finance lease liabilities	219	96,494	113,458

thousands of EUR	1.1.2019 before IFRS 16 adoption	1.1.2019 after IFRS 16 adoption	31.12.2019
Up to 1 year	225	17,742	18,009
1 to 5 years	-	54,331	53,927
Over 5 years	-	42,445	61,442
Total undiscounted cash flows (lease liability)	225	114,518	133,378

26. IMPACT FROM LEASING CONTRACTS

The following are the amounts recognised from leasing contracts in profit or loss:

thousands of EUR	2019	2018
Depreciation expense of right-of-use assets (Note 14)	18,006	-
Interest expense on lease liabilities (Note 10)	3,053	-
At 31 December	21,059	-

27. OTHER LIABILITIES AND DEFERRED INCOME

thousands of EUR	2019	2018
Non-current		
Other liabilities	48	242
	48	242
Current		
Deferred income	1,592	1,289
Amounts due to employees	20,876	20,624
Other tax liabilities	7,829	10,492
Other liabilities	3,970	5,465
	34,267	37,870

Amounts due to employees include social fund liabilities:

thousands of EUR	2019	2018
At 1 January	265	115
Additions	1,606	1,540
Utilisation	(1,598)	(1,390)
At 31 December	273	265

28. COMMITMENTS

The Group's purchase commitments were as follows:

thousands of EUR	2019	2018
Acquisition of property and equipment	59,673	47,913
Acquisition of intangible assets	9,263	4,922
Purchase of services and inventory	78,805	100,229
	147,741	153,064

29. RELATED PARTY TRANSACTIONS

thousands of EUR	Receivables		Payables		Sales and income		Purchases		Commitments	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
DT AG	201,151	223,234	8,848	9,611	3,824	5,377	7,801	10,789	177	178
Other entities in DT AG group	11,516	7,549	10,256	9,242	29,348	24,879	31,072	24,946	13,604	14,073
	212,667	230,783	19,104	18,853	33,172	30,256	38,873	35,735	13,781	14,251

The Group conducts business with its ultimate parent, Deutsche Telekom AG and its subsidiaries, associates and joint ventures. Business transactions relate mainly to telephone calls and other traffic in the related parties' networks. Other transactions include data services, management, consultancy, other services and purchases of fixed assets. The Group purchased fixed assets in amount of EUR 4,718 thousand (2018: EUR 1,917 thousand) from related parties.

In 2019 the Group granted Deutsche Telekom AG a short-term loan of EUR 160,000 thousand (2018: EUR 217,000 thousand).

In 2016 the Group signed an ICT contract with a duration of 80 months with T-Systems International GmbH ("TSI"). Within this contract, the Group acts as the main subcontractor for the restructuring of the Allianz communication network in the selected countries. DT AG Group entities in relevant countries are service providers for the Group. The total value of the contract amounts to EUR 41,537 thousand. In 2019 the Group recognised revenue with TSI in amount of EUR 5,148 thousand (2018: EUR 5,432 thousand), revenue with other DT AG Group entities in amount of EUR 56 thousand (2018: EUR 68 thousand) and expenses with other DT AG Group entities in amount of EUR 3,809 thousand (2018: EUR 4,069 thousand).

Deutsche Telekom as the ultimate parent company controlling Slovak Telekom is a related party to the Federal Republic of Germany. Slovak Telekom had no individually significant transactions with the Federal Republic of Germany or entities that it controls, jointly controls or where Federal Republic of Germany can exercise significant influence in either 2019 or 2018.

Compensation of key management personnel
The key management personnel as at 31 December 2019, 15 in number (2018: 15) include members of the Management Board, Board of Directors and Supervisory Board.

Since 1 July 2016 the companies Slovak Telekom and T-Mobile Czech Republic a.s. have the joint Management Board. All management members are responsible for business and managerial activities of companies on both Slovak and Czech markets. The number of key management personnel include all members of the Management Board, irrespective if they are employed by Slovak Telekom or T-Mobile Czech Republic a.s. Tables below include only benefits earned by the key management personnel in Slovak Telekom.

thousands of EUR	2019	2018
Short term employee benefits	1,749	1,899
Defined contribution pension plan benefits	17	146
	1,766	2,045

thousands of EUR	2019	2018
Management Board	1,753	2,032
Supervisory Board	13	13
	1,766	2,045

30. CONTINGENCIES

Legal and regulatory cases
On 17 October 2014 the European Commission sent an infringement decision to the Company in case AT 39.523 (hereinafter "the Decision"). The Decision found the Company (and DT AG, as parent company) liable for breach of competition law (margin squeeze and refusal to deal) in relation to ULL for the period 12 August 2005 – 31 December 2010 and imposed a fine of EUR 38,838 thousand on DT AG and the Company, jointly and severally. On 26 December 2014 the Company filed an appeal against the Decision to the General Court of the European Union. The fine was paid by the Company in January 2015. On 13 December 2018 the General Court partially annulled the Decision stating that pricing practices were not proved for the entire time period as stated in the Decision and reduced imposed fine by not significant amount. The Company appealed to Court of Justice, judgment on appeal pending.

Following the European Commission's decision, three competitors of the Company filed action against Slovak Telekom with the civil court in Bratislava in 2015 and 2017. These claims seek compensation for damages allegedly incurred due to Company's abuse of its dominant market position, as determined by the European Commission and amount to EUR 214,915 thousand plus interest. Other competitors that believe they have been harmed by the Company anti-competitive conduct during the infringement period may decide to file actions for damages as well.

In 2009, the Anti-Monopoly Office ("AMO") imposed on Company a penalty of EUR 17,453 thousand for abusing its dominant position by price squeeze and tying practices on several relevant markets (voice, data and network access services on its fixed network). Company filed an action for judicial review of AMO decisions to the Regional Court in Bratislava in 2009. In January 2012, the Regional Court cancelled the AMO decision. The Regional Court's judgment was subsequently cancelled by the Supreme Court in February 2014 upon AMO's appeal and the Regional Court confirmed AMO's decisions in June 2017. The penalty was paid in October 2017. The Company appealed, judgment on appeal pending.

Three competitors filed actions against Company in 2013 and 2015 seeking damages allegedly incurred due to Company's conduct as determined by the AMO. The claimants contend that they incurred lost profit amounting to EUR 141,690 thousand plus interest. All three proceedings are ongoing at first instance District Court Bratislava II.

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

As at 31 December 2019, the Group recognised provision for known and quantifiable risks related to proceedings against the Group, which represent the Group's best estimate of the amounts, which are more likely than not to be paid. The actual amounts of penalties, if any, are dependent on a number of future events the outcome of which is uncertain, and, as a consequence, the amount of provision may change at a future date.

31. AUDIT FEES

The Group obtained following services from the audit company PricewaterhouseCoopers Slovensko, s.r.o.:

thousands of EUR	2019	2018
Audit services	378	440
Other assurance services	8	4
Tax advisory services	6	4
Other non-audit services	-	232
	392	680

32. ASSETS AND LIABILITIES RELATED TO CONTRACTS WITH CUSTOMERS

Contract asset is recognised mainly in case of multiple element arrangements (e.g. mobile contract plus handset), when a larger portion of the total consideration is attributable to the component delivered in advance (mobile handset), requiring earlier recognition of revenue.

Contract costs are assessed as incremental cost of obtaining a contract and consists of Dealer commission.

Contract liability is related mainly to one-time fees and advanced payments for post-paid services.

The Group has recognised the following assets and liabilities related to contracts with customers:

thousands of EUR	2019	2018
Non-current assets		
Contract assets	22,284	24,591
Loss allowance	(1,192)	(864)
	21,092	23,727
Contract costs	6,285	5,213
	6,285	5,213
Current assets		
Contract assets	20,158	19,955
Loss allowance	(6,128)	(3,088)
	14,030	16,867
Contract costs	15,957	15,158
	15,957	15,158
Non-current liabilities		
Contract liabilities	3,903	4,704
	3,903	4,704
Current liabilities		
Contract liabilities	21,429	22,717
	21,429	22,717

Revenue recognised in the reporting year that was included in the contract liability balance at the beginning of the year amounted to EUR 22,359 thousand (2018: EUR 19,285 thousand).

Transaction price allocated to the performance obligations that are unsatisfied as of the end of reporting year amounted to EUR 369,014 thousand (2018: EUR 351,137 thousand). Management expects that the transaction price allocated to the unsatisfied contracts as of 31 December 2019 will be recognised as revenue as follows: EUR 279,935 thousand during first year; EUR 88,047 thousand during second year and EUR 1,032 thousand during third-eight year (2018: EUR 263,153 thousand during first year; EUR 84,724 thousand during second year and EUR 3,260 thousand during third-ninth year).

Wages and salaries include also amortisation of costs to obtain a contract with customer in the amount of EUR 3,544 thousand (2018: EUR 3,581 thousand) (Note 6).

Dealer commission includes also amortisation of costs to obtain a contract with customer in the amount of EUR 17,102 thousand (2018: EUR 17,958 thousand) (Note 8).

33. EVENTS AFTER REPORTING YEAR

Slovak Telekom as the sole shareholder of Zoznam and Zoznam Mobile decided to wind up the company Zoznam Mobile without liquidation and to merge it with Zoznam as successor company of the merger. The decisive date of the merger was 1 January 2020. Zoznam became the universal legal successor of Zoznam Mobile.

There were no other events, which have occurred subsequent to the year-end, which would have a material impact on the financial statements at 31 December 2019.

Slovak Telekom, a.s.

SEPARATE FINANCIAL STATEMENTS

prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and Independent Auditor's Report

FOR THE YEAR ENDED 31 DECEMBER 2019

CONTENTS

INDEPENDENT AUDITOR'S REPORT

Independent Auditor's Report

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

Our opinion

In our opinion, the separate financial statements present fairly, in all material respects, the financial position of Slovak Telekom, a.s. (the "Company") as at 31 December 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

What we have audited

The Company's separate financial statements comprise:

- the separate statement of financial position as at 31 December 2019;
- the separate statement of profit or loss and other comprehensive income for the year then ended;
- the separate statement of changes in equity for the year then ended;
- the separate statement of cash flows for the year then ended; and
- the notes to the separate financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the separate financial statements* section of our report.

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

Independence

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants issued by the International Federation of Accountants ("Code of Ethics") and other requirements of legislation that are relevant to our audit of the separate financial statements in the Slovak Republic. We have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 30 to these separate financial statements, which describe the infringement decisions of the European Commission and Antimonopoly Office of the Slovak Republic against the Company and the implications thereof. The ultimate outcome of the related proceedings cannot presently be determined.

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Identifikačné číslo organizácie (IČO): 35 739 347.
Daňové identifikačné číslo (DIČ): 2020270021.
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Spoločnosť je zapísaná v Obchodnom registri Okresného súdu Bratislava I, pod Vložkou č.: 16611/B, Oddiel: Sro.

Reporting on other information in the separate

Management is responsible for the separate annual report prepared in accordance with the Slovak Act on Accounting No. 431/2002, as amended (the "Accounting Act"). The separate annual report comprises (a) the separate financial statements and (b) other information.

Our opinion on the separate financial statements does not cover the other information.

In connection with our audit of the separate financial statements, our responsibility is to read the separate annual report and, in doing so, consider whether the other information is materially inconsistent with the separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

With respect to the separate annual report, we considered whether it includes the disclosures required by the Accounting Act.

Based on the work undertaken in the course of our audit, in our opinion:

- the information given in the separate annual report for the year ended 31 December 2019 is consistent with the separate financial statements; and
- the separate annual report has been prepared in accordance with the Accounting Act.

In addition, in light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the separate annual report. We have nothing to report in this respect.

Management's responsibilities for the separate financial statements

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

In preparing the separate financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the separate financial statements

Our objectives are to obtain reasonable assurance about whether the separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these separate financial statements.

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As part of an audit in accordance with International Standards on Auditing, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

PricewaterhouseCoopers Slovensko, s.r.o.
Licence SKAU No. 161

Ing. Peter Havalda, FCCA
Licence UDVA No. 1071

Bratislava, 12 March 2020

Note

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

INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER

thousands of EUR	Notes	2019	2018
Revenue	4	715,295	703,310
Staff costs	5	(111,268)	(113,907)
Material and equipment		(90,690)	(90,762)
Depreciation, amortisation and impairment losses	11, 12, 13	(173,611)	(153,209)
Interconnection and other fees to operators		(60,324)	(59,097)
Impairment losses on financial and contract assets		(8,674)	(6,555)
Other operating income	6	18,069	17,009
Other operating costs	7	(135,118)	(152,780)
Operating profit		153,679	144,009
Financial income	8	1,452	1,394
Financial expense	9	(3,637)	(702)
Net financial result		(2,185)	692
Profit before tax		151,494	144,701
Income tax expense	10	(39,595)	(38,399)
Profit for the year		111,899	106,302

The financial statements on pages 76 to 119 were authorised for issue on behalf of the Board of Directors of the Company on 12 March 2020 and signed on their behalf by:

Jose Severino Perdomo Lorenzo
Vice-chairman of the Board of Directors

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER

thousands of EUR	Notes	2019	2018
Profit for the year		111,899	106,302
Other comprehensive income			
Gain on remeasurement of defined benefit plans	23	1,379	22
Deferred tax income expense	10	(290)	(5)
Other comprehensive income not to be reclassified to profit or loss in subsequent years, net of tax		1,089	17
Other comprehensive income for the year, net of tax		1,089	17
Total comprehensive income for the year, net of tax		112,988	106,319

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER

thousands of EUR	Notes	2019	2018
ASSETS			
Non-current assets			
Property and equipment	11	724,264	704,392
Intangible assets	12	254,567	255,785
Right-of-use assets	13	117,835	-
Investments in subsidiaries	15	69,158	69,158
Other receivables	16	7,057	1,382
Contract assets	32	21,092	23,727
Contract costs	32	6,285	5,213
Prepaid expenses and other assets	17	1,619	11,063
		1,201,877	1,070,720
Current assets			
Inventories	18	15,191	14,632
Term deposits	19	3,822	3,432
Loans	20	160,000	217,000
Trade and other receivables	16	156,269	105,482
Contract assets	32	14,030	16,867
Contract costs	32	15,957	15,159
Current income tax receivable		-	499
Prepaid expenses and other assets	17	5,707	13,268
Cash and cash equivalents	21	49,499	39,550
		420,475	425,889
TOTAL ASSETS		1,622,352	1,496,609
EQUITY AND LIABILITIES			
Shareholders' equity			
Issued capital	22	864,113	864,113
Statutory reserve fund	22	172,823	172,823
Other		(1,723)	(2,814)
Retained earnings and profit for the year		164,036	158,439
Total equity		1,199,249	1,192,561
Non-current liabilities			
Deferred tax liability	10	80,879	89,431
Lease liabilities	25	95,838	-
Provisions	23	38,768	30,427
Other payables	24	1,756	2,547
Contract liabilities	32	3,775	4,531
Other liabilities and deferred income	27	48	242
		221,064	127,178
Current liabilities			
Provisions	23	8,193	8,350
Trade and other payables	24	125,160	113,802
Contract liabilities	32	18,163	19,482
Other liabilities and deferred income	27	28,573	32,094
Lease liabilities	25	14,519	62
Current income tax liability		7,431	3,080
		202,039	176,870
Total liabilities		423,103	304,048
TOTAL EQUITY AND LIABILITIES		1,622,352	1,496,609

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER

thousands of EUR	Notes	Issued capital	Statutory reserve fund	Other	Retained earnings	Total equity
Year ended 31 December 2018						
At 1 January 2018		864,113	172,823	(2,833)	66,637	1,100,740
Change in accounting policy		-	-	-	52,137	52,137
Restated total equity at 1 January 2018		864,113	172,823	(2,833)	118,774	1,152,877
Profit for the year		-	-	-	106,302	106,302
Other comprehensive income		-	-	17	-	17
Total comprehensive income		-	-	17	106,302	106,319
Transactions with shareholder:						
Other changes in equity		-	-	2	-	2
Dividends	22	-	-	-	(66,637)	(66,637)
At 31 December 2018		864,113	172,823	(2,814)	158,439	1,192,561
Year ended 31 December 2019						
At 1 January 2019		864,113	172,823	(2,814)	158,439	1,192,561
Profit for the year		-	-	-	111,899	111,899
Other comprehensive expense		-	-	1,089	-	1,089
Total comprehensive income		-	-	1,089	111,899	112,988
Transactions with shareholder:						
Other changes in equity		-	-	2	-	2
Dividends	22	-	-	-	(106,302)	(106,302)
At 31 December 2019		864,113	172,823	(1,723)	164,036	1,199,249

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER

thousands of EUR	Notes	2019	2018
Operating activities			
Profit for the year		111,899	106,302
Adjustments for:			
Depreciation, amortisation and impairment losses of property and equipment and intangible assets	11, 12	156,251	153,209
Depreciation of right-of-use assets	13	17,360	-
Interest costs from lease	9	2,954	-
Other interest income, net		(102)	(843)
Income tax expense	10	39,595	38,399
Gain on disposal of property and equipment and intangible assets	6	(3,607)	(5,309)
Dividend income from subsidiaries	8, 29	(1,334)	(416)
Other non-cash items		7,170	6,613
Movements in provisions	23	152	3,525
Changes in working capital:			
Change in trade receivables and other assets		(18,253)	(18,130)
Change in inventories		(891)	861
Change in trade payables and other liabilities		(1,486)	(6,464)
Cash flows from operations		309,708	277,747
Income taxes paid		(43,587)	(43,414)
Net cash flows from operating activities		266,121	234,333
Investing activities			
Purchase of property and equipment and intangible assets	11, 12, 24	(146,496)	(139,768)
Proceeds from disposal of property and equipment and intangible assets		6,370	8,942
Dividends received	8, 29	1,334	416
Disbursement of loans		(83,000)	(114,000)
Repayment of loans		140,000	80,000
Net cash used in cash pooling	16	(35,200)	-
Acquisition of term deposits		(3,046)	(3,357)
Termination of term deposits		2,557	6,867
Interest received		110	208
Other cash flows from investing activities		338	-
Net cash flows used in investing activities		(117,033)	(160,692)
Financing activities			
Dividends paid	22	(106,302)	(66,637)
Repayment of financial liabilities	24	(14,218)	(17,061)
Repayment of lease liabilities		(15,662)	-
Interest from lease paid		(2,954)	-
Other charges paid for financing activities		(9)	(8)
Net cash used in financing activities		(139,145)	(83,706)
Effect of exchange rate changes on cash and cash equivalents		6	-
Net increase / (decrease) in cash and cash equivalents		9,949	(10,065)
Cash and cash equivalents at 1 January	21	39,550	49,615
Cash and cash equivalents at 31 December	21	49,499	39,550

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

INDEX TO THE NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Slovak Telekom, a.s. ("the Company" or "Slovak Telekom") is a joint-stock company incorporated on 1 April 1999 in the Slovak Republic. The Company's registered office is located at Bajkalská 28, 817 62 Bratislava. The business registration number (IČO) of the Company is 35 763 469 and the tax identification number (DIČ) is 202 027 3893. For shareholders overview of the Company refer to Note 22.

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

Slovak Telekom provides services via authorisations for strong portfolio of radio frequencies: the LTE licence (bands 800 MHz and 2600 MHz) valid until 31 December 2028, authorisation for the provision of mobile services on 900 MHz and 1800 MHz frequency bands, which is valid up to 31 December 2025, and the UMTS licence for 2100 MHz frequency band (including the 28/29 GHz frequency band for backhaul connections), which is valid up to 31 August 2026. Additionally, Slovak Telekom has the authorisation to use the 3700 MHz frequency band in Bratislava, valid until 31 December 2024.

Members of the Statutory Boards at 31 December 2019

BOARD OF DIRECTORS

Chairman:
- Ing. Miroslav Majoroš

Vice-chairman:
- Jose Severino Perdomo Lorenzo

Member:
- Daria A. Dodonova

SUPERVISORY BOARD

Chairman:
- Danijela Bujič

Members:
- Ing. Denisa Herdová
- Dr. Henning Never
- Ing. Drahoslav Letko
- Konstantina Bata

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

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

2. ACCOUNTING POLICIES

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

This is the first set of annual financial statements of the Company in which IFRS 16 Leases has been applied. Changes to significant accounting policies are described in Note 2.22.

2.1 Basis of preparation

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

The Company's functional currency is the Euro ("EUR"), the financial statements are presented in Euros and all values are rounded to the nearest thousands, except where otherwise indicated. The financial statements were prepared using the going concern assumption that the Company will continue its operations for the foreseeable future.

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

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

The consolidated financial statements for the year ended 31 December 2019 have been prepared in compliance with International Financial Reporting Standards and IFRIC interpretations as adopted by the European Union. The consolidated financial statements are available at the Company's registered office, on the internet page of the Company and in the public administration information system (the Register) administered by the Ministry of Finance of the Slovak Republic.

2.2 Property and equipment

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

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

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

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

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

Buildings	50 years
Masts	30 years
Other structures	8 to 30 years
Duct, cable and other outside plant	8 to 50 years
Telecommunications equipment	4 to 30 years
Radio and transmission equipment	5 to 8 years
Other property and equipment	18 months to 30 years

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

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

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

2.3 Intangible assets

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

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

Software	2 to 16 years
Telecommunications licences	8 to 22 years
Content licences	1 to 4 years
Customer relationships	13 years

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

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

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

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

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

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

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

2.4 Right-of-use assets

Right-of-use assets represent property and equipment which is leased based on a contract containing a lease according to IFRS 16. The Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. The recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

2.5 Investments in subsidiaries

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

2.6 Impairment of non-financial assets

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

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

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

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

2.7 Inventories

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

Phone set inventory impairment allowances are recognised immediately when the phone sets are no longer marketable to secure subscriber contractual commitment or if the resale value on a standalone basis (without the subscriber commitment) is lower than cost.

2.8 Cash and cash equivalents

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

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

From 2019 the Company takes part in cash pooling system of Deutsche Telekom group. Balances of selected bank accounts of the Company are at the end of the business day transferred to bank accounts of parent company and are presented as receivable from cash pooling.

2.9 Financial assets

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, FVOCI and FVTPL. The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. IFRS 9 eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

Trade receivables and debt securities issued by a debtor to the Company are initially recognised when they are originated. All other financial assets are initially recognised when the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price determined under IFRS 15.

On initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI – equity investment; or FVTPL. Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

The Company has all financial assets classified and measured at amortised cost except for investments in subsidiaries.

Financial assets at amortised cost (debt instruments)
This is the only category relevant to the Company. The Company measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows, and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Company's financial assets at amortised cost include Trade and other receivables, Cash and cash equivalents, Term deposits, Loans and Cash pooling in the statement of financial position. Trade and other receivables that were classified as loans and receivables under IAS 39 are now classified at amortised cost under IFRS 9.

These assets are subsequently measured at amortised cost using the effective interest rate method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

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

2.10 Impairment of financial assets

The Company recognises loss allowances for expected credit losses (ECLs) on financial assets measured at amortised cost and contract assets. Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs. For lease receivables, contract assets and trade receivables with a significant financing component, an entity can choose as an accounting policy either to apply the general model for measuring loss allowance or always to measure the loss allowance at an amount equal to the lifetime ECL. The Company has chosen the latter policy.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

Assets that are not individually significant are collectively assessed for impairment. Collective assessment is carried out by grouping together assets with similar risk characteristics. In assessing collective impairment, the Company uses historical information on the timing of recoveries and the amount of loss incurred, and makes an adjustment if current economic and credit conditions are such that the actual losses are likely to be greater or lesser than suggested by historical trends. Indicators used for analysing forward looking estimates, were chosen based on best practice relevant for telecommunication industry.

An impairment loss is calculated as the difference between an asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account. When the Company considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off. If the amount of impairment loss subsequently decreases and the decrease is related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss is reversed through profit or loss.

2.11 Financial liabilities

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest rate method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. The adoption of IFRS 9 has not had a significant effect on the Company's accounting policies related to financial liabilities and derivative financial instruments.

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

Lease liabilities
At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives received, variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date and amounts expected to be paid under residual value of guaranties. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating a lease, if the lease term reflects the Company exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments, change in the assessment to purchase the underlying asset or a change in an index or a rate when the adjustment to the lease payments takes effect.

The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Company has the option, under some of its leases, to lease the assets for additional terms. The Company applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy). The Company also revises the lease term if there is change in non-cancellable period of lease, which happens if the lesee does or does not exercise an option not previously included in the entity's determination of the lease term, or when an event occurs that contractually obliges to or prohibits the lessee from exercise an option not previously included in the entity's determination of the lease term. For contracts where no maturity is specified in the contractual agreement (so called evergreen contracts), the assessment of lease term is done for the portfolio as a whole. An estimate is required for the initial lease term as well as any further renewal. Examples of evergreen contracts are contracts with an indefinite term due to silent prolongation or an unlimited number of rights to renew the lease. The Company applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. Factors, which are considered in determining the lease term for evergreen contracts are: costs associated with an obligation to return the leased asset in a specified condition or to a specified location, existence of significant leasehold improvements that would be lost if the lease were terminated or not extended, non-contractual relocation costs, costs associated with lost service to existing customers, cost associated with sourcing an alternative item etc.

2.12 Prepaid expenses

The Company has easement rights to use and access technological equipment sited in properties owned by third parties. During 2018 these easements were presented within prepaid expenses in the statement of financial position. Easements were initially recognised at their net present value and amortised over their expected duration. Amortisation of easement rights was presented within other operating costs in the income statement. After adoption IFRS 16 in 2019 easements are recognised as Right-of-use assets.

2.13 Provisions and contingent liabilities

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

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

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

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

2.14 Employee benefit obligations

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

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

The Company also provides defined retirement and jubilee benefit plans granting certain amounts of pension or jubilee payments that an employee will receive on retirement, usually dependant on one or more factors such as an age, years of service and compensation. These benefits are unfunded. The liability recognised in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The last calculation was prepared on 31 December 2019. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using discount rate of weighted-average yields for high-quality (Bloomberg Aa*) - non-cancellable, non-putable corporate bonds. The currency and term of the bonds are broadly consistent with the currency and estimated term of the benefit obligations. Past service costs are recognised immediately in income statement. Remeasurement gains and losses arising from experience-based adjustments and changes in actuarial assumptions are recognised in the period in which they occur within other comprehensive income for retirement benefits and within the income statement for jubilee benefits. Current service cost, past service cost and curtailment gain are included within wages and salaries under staff costs. Interest costs are included within financial expense.

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

2.15 Revenue recognition

Revenue is recognised when the Company satisfies a performance obligation by transferring a promised good or service to a customer, who obtains control of that asset that means upon the delivery of services and products and customer's acceptance. Revenue from rendering of services and from sales of equipment is shown net of value added tax and discounts. Revenue is measured at the amount of transaction price that is allocated to the performance obligation.

The Company recognises revenue as follows:

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

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

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

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

In the case of multiple-element arrangements (e.g. mobile contract plus handset) with subsidised products delivered in advance, the transaction price is allocated to the performance obligations in the contract by reference to their relative standalone selling prices. Standalone selling prices of hardware are estimated using price list prices adjusted by margin haircut. Standalone selling prices of service are estimated using average transaction prices adjusted by margin haircut. As a result a larger portion of the total consideration is attributable to the component delivered in advance (mobile handset), requiring earlier recognition of revenue. This leads to the recognition of what is known as a contract asset – a receivable arising from the customer contract that has not yet legally come into existence – in the statement of financial position.

Some one-time fees (mainly activation fees which are generally paid at contract inception) not fulfil definition of a separate performance obligation but represent a prepayment on future services. Such one-time fees and advanced payments for post-paid services lead to recognition of contract liability which is recognised as revenue appropriately to the minimum contract term. When discounts on service fees are granted unevenly for specific months of a contract while monthly service is provided evenly to the customer, service revenues are recognised on a straight-lined basis.

In accordance with IFRS 15, constant monthly revenue amounts shall be recognized in a contract where performance over the months is constant. One or more discounts on service may be given for one or multiple periods. The discount period can start at the beginning or at a later point in time of the contract term. Additionally discounts may also be granted in stages, meaning that the discount size varies over the minimum contract term. Discounts are straightlined during minimum contract term by recognizing a contract asset, which is to be set up over the period with smaller payments and amortized over the remaining contract term.

The customer can be granted budgets for purchasing future goods and services either at contract inception or in the future by signing a frame contract which guarantees monthly minimum payment to the entity. The budget can be redeemed for hardware purchases and/or new services within the redemption period of the frame contract. A contract liability is created on a monthly basis until the budget is used. At the point of redemption revenue is realised in the amount of the relative standalone selling price of the material right.

Commission costs are assessed as incremental cost of obtaining a contract and are recognised as Contract costs. Contract costs are amortised during estimated customer retention period within dealers commission under other operating costs (related to indirect sales channel) and within wages and salaries under staff costs (related to direct sales channel).

The Company considers the effects of variable consideration and financing component as insignificant.

The Company typically satisfied its performance obligations at the point in time (mainly sales of equipment) and over time (services). The Company is not aware of any unusual payment terms.

Revenue from sales of equipment is recognised when control of that equipment is transferred to a customer and when the equipment delivery and installation is completed. Completion of an installation is a prerequisite for transfer of control on such equipment where installation is not simple in nature and functionally constitutes a significant component of the sale.

Revenue from lease contracts (rent of buildings, technical spaces, cirquits, etc.) is recognised on a straight-line basis over lease period.

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

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

Revenue from sale of hardware (including terminal equipment) and software is recognised when the control of that asset is transferred to a customer, provided there are no unfulfilled obligations that affect customer's final acceptance of the arrangement.

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

2.16 Operating profit

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

2.17 Foreign currency translation

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

2.18 Taxes

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

Current income tax
Current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted as of the statement of financial position date. Current income tax includes additional levy imposed by the Slovak government on regulated industries effective from 1 September 2012. From 2019, the levy of 6,54% per annum is applied on the basis calculated as the profit before tax determined in accordance with the Slovak Accounting Standards multiplied by ratio of regulated revenues (according to Act on Electronic Communications Nr. 351/2011) on total revenues.

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

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

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

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

2.19 Joint arrangements

Joint arrangements according to IFRS 11 may have either a joint operation or a joint venture form.
The classification depends on contractual rights and obligations of each investor, rather than the legal structure of a joint arrangement.

According to participation in joint operations, the Company recognises assets controlled and liabilities incurred and its share on all jointly held assets and jointly incurred liabilities and its share on revenue and costs generated by the joint operations according to valid terms of relevant contracts.

2.20 Significant accounting judgements, estimates and assumptions

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

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

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

The Company reviewed useful lives of non-current assets during 2019 and changed accounting estimates where appropriate. The table summarizes net (increase) or decrease in depreciation or amortisation charge for the following categories of non-current assets:

thousands of EUR	2019	2020	2021	2022	2023 and after
Telecommunications equipment	189	18	14	(44)	(177)
Duct, cable and other outside plant	583	298	298	279	(1,463)
Radio and transmission equipment	18	(5)	(5)	(5)	(3)
Other	153	(23)	(16)	(13)	(95)
	943	288	291	217	(1,738)

Assessment of the lease term for evergreen leases (i.e. leases with no specified contract maturity, silent prolongation etc.) is mostly affected by the nature and useful live of underlying assets, relocation costs, or the Company's past practice regarding the period over which it has typically used particular types of assets.

Assessment of impairment of goodwill
The 2010 legal merger with T-Mobile led to recognition of goodwill. Goodwill is tested annually for impairment as further described in Note 2.6 using estimates detailed in Note 14.

Asset retirement obligation
The Company enters into lease contracts for land and premises on which mobile communication network masts are sited. The Company is committed by these contracts to dismantle the masts and restore the land and premises to their original condition. Management anticipates the probable settlement date of the obligation to equal useful life of mast, which is estimated to be 30 years. The remaining useful life of masts ranges from 3 to 30 at 31 December 2019.

Management's determination of the amount of the asset retirement obligation (Note 23) involves the following estimates (in addition to the estimated timing of crystallisation of the obligation):

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

If probable settlement date of the obligation was shortened by 10 years (from 30 years to 20 years) it would cause an increase of asset retirement obligation by EUR 1,025 thousand. If the inflation rate increased by 0.5%, it would cause an increase of asset retirement obligation by EUR 2,097 thousand. If the risk-adjusted, pre-tax discount rate increased by 0.5%, it would cause a decrease of asset retirement obligation by EUR 1,926 thousand. If the amounts necessary to settle future obligations increased by 10%, it would cause an increase of asset retirement obligation by EUR 2,528 thousand.

Provisions and contingent liabilities
The Company is a participant in several lawsuits and regulatory proceedings. When considering the recognition of a provision, management judges the probability of future outflows of economic resources and its ability to reliably estimate such future outflows. If these recognition criteria are met a provision is recorded in the amount of the best estimate of the expenditure required to settle the present obligation at the end of the reporting period. Such judgments and estimates are continually reassessed taking into consideration the developments of the legal cases and proceedings and opinion of lawyers and other subject matter experts involved in resolution of the cases and proceedings. The factors considered for individual cases are described in Notes 23 and 30.

2.21 Comparatives

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

a) Income from material sold is presented on net basis in 2019 financial statements within the Other operating income. In 2018 financial statements income from material sold was presented gross (income from material sold in the amount of EUR 9,547 thousand was presented within the Other operating income, cost of material sold in the amount of EUR 8,361 thousand was presented within the Other operating costs).
b) Income from marketing activities is presented within Revenue in 2019. In 2018 financial statements Income from marketing activities in the amount of EUR 3,849 thousand was presented within the Other operating income.
c) Revenues from repairs of terminal equipment are presented within Revenue in 2019. In 2018 financial statements revenues from repairs of terminal equipment in the amount of EUR 1,141 thousand were presented within the line Other in the Other operating income.
d) Income of rental of premises is presented within Revenue in 2019. In 2018 financial statements Income of rental of premises in the amount of EUR 2,741 thousand was presented within the Other operating income.
e) The presentation of the current contract assets and contract liabilities was amended in the current year financial statements, resulting in a decrease of both Contract assets and Contract liabilities line items by EUR 30,835 thousand in the comparative period.

2.22 Adoption of IFRS during the year

Standards, interpretations and amendments to published standards effective for the Company's accounting period beginning on 1 January 2019

As at 1st January 2019, the Company adopted IFRS 16, Leases (issued in January 2016, effective for annual periods beginning on or after 1 January 2019), which supersedes *IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.* The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model.

The Company adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application.

The new standard resulted in almost all leases being recognised on the balance sheet by lessees, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. Each lease payment was allocated between the liability and finance cost. The finance cost was charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset are depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Leases with a lease term up to 12 months and low-value leases are treated in the same way, even though the standard permits exceptions for short-term and low-value leases. In compliance with the DTAG group accounting policy this exemption was not applied and the Company has a unified approach for all leases.

IFRS 16 provides also practical expedient that permits lessees to make an accounting policy election, by class of underlying asset, to account for each separate lease component of a contract and any associated non-lease components as a single lease component. The Company applies this practical expedient (accounting policy election), and therefore non-lease components which are fixed and paid to lessor, e.g. utilities, maintenance costs, insurance services, etc. are not be separated, but capitalised.

The Company has reviewed substantially all of the Company's leasing arrangements in light of the new lease accounting rules in IFRS 16. The Company leases various properties, technical infrastructure, equipment and cars. The standard affects primarily the accounting for the Company's operating leases where the Company is the lessee.

Leases previously classified as finance leases.

The Company did not change the initial carrying amounts of recognised assets and liabilities at the date of initial application for leases previously classified as finance leases (i.e., the right-of-use assets and lease liabilities equal the lease assets and liabilities recognised under IAS 17).

Leases previously accounted for as operating leases.

The Company recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases. The right-of-use assets were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

Lessor accounting under IFRS 16 is substantially unchanged from under IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have an impact for leases where the Company is the lessor.

IFRS 16 adoption effect on opening balances of balance sheet items at the date of initial application (1 January 2019) is as follows:

thousands of EUR	IAS 17 carrying amount 31 December 2018	IFRS 16 adoption effect	IFRS 16 carrying amount 1 January 2019
Non-current assets			
Right-of-use assets	-	101,982	101,982
Property and equipment	704,392	(62)	704,330
Prepaid expenses and other assets	11,063	(9,265)	1,798
Current assets			
Prepaid expenses and other assets	13,268	(1,183)	12,085
Equity			
Retained earnings and profit for the year	158,439	-	158,439
Non-current liabilities			
Lease liabilities	-	78,705	78,705
Current liabilities			
Lease liabilities	-	14,062	14,062
Trade and other payables	113,864	(1,295)	112,569

The lease liabilities as at 1 January 2019 can be reconciled to the operating lease commitments as of 31 December 2018 as follows:

thousands of EUR	
Operating lease commitments as at 31 December 2018	56,388
Finance lease liabilities relating to leases previously classified as finance leases under IAS 17	62
Payments related to evergreen contracts* for periods beyond non-cancellable term as at 31 December 2018	52,689
Total undiscounted lease commitments as at 1 January 2019	109,139
Effect on discounting	(16,372)
Discounted lease liabilities as at 1 January 2019	92,767

* Contracts where no maturity is specified in the contractual agreement or contracts with silent prolongations.

Weighted average incremental borrowing rate at 1 January 2019 was 2.96%.

The other amended standards and interpretations are not expected to have a significant impact on the Company's financial statements.

2.23 Accounting policies before 1 January 2019

Accounting policies applicable to the comparative period ended 31 December 2018, that were amended by IFRS 16, are as follows:

2.23.1 Leases

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

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

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

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

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

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

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

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

3. FINANCIAL RISK MANAGEMENT

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

The Company's financial instruments include cash and cash equivalents, loans, term deposits and cash pooling. The main purpose of these instruments is to manage the liquidity of the Company.

The Company holds financial assets which represent its investment in subsidiaries. These financial assets are deemed to be long-term.

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

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

3.1 Market risk

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

3.1.1 Foreign currency risk

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

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

For all planned, but not yet determined, foreign currency denominated cash flows (uncommitted exposure) of the following 12 months (rolling 12 month approach) a hedging ratio of at least 50% is applied. The Company uses term deposits in foreign currencies to hedge these uncommitted exposures (Note 19).

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

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

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

thousands of EUR		2019	2018
Profit before tax	Depreciation of USD by 10%	10	(166)
	Appreciation of USD by 10%	(10)	166
Equity	Depreciation of USD by 10%	8	(132)
	Appreciation of USD by 10%	(8)	132

thousands of EUR		2019	2018
Profit before tax	Depreciation of CZK by 10%	98	50
	Appreciation of CZK by 10%	(98)	(50)
Equity	Depreciation of CZK by 10%	77	40
	Appreciation of CZK by 10%	(77)	(40)

3.1.2 Interest rate risk

The Company's income and operating cash flows are substantially independent of changes in market interest rates. The Company entered into a master agreement with DT AG in October 2008 based on which the Company can provide loans to DT AG. Currently, there is outstanding loan in amount of EUR 160,000 thousand (2018: EUR 217,000 thousand) at fixed interest rate (Note 20). The term deposits in banks outstanding at 31 December 2019 in the amount of EUR 3,822 thousand (2018: EUR 3,432 thousand) have been concluded with fixed interest rate (Note 19). The Company has no material financial instruments with variable interest rates as at 31 December 2019.

3.1.3 Other price risk

Other price risk arises on financial instruments because of changes in commodity prices or equity prices. However, there are no such financial instruments that would have been materially impacted from changes in commodity prices.

3.2 Credit risk

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

The Company is exposed to credit risk from its operating activities and certain financing activities. The Company's credit risk policy defines products, maturities of products and limits for financial counterparties. The Company limits credit exposure to individual financial institutions on the basis of the credit ratings assigned to these institutions by reputable rating agencies and these limits are reviewed on a regular basis. The Company is exposed to concentration of credit risk from holding loan receivable in the amount of EUR 160,000 thousand (2018: EUR 217,000 thousand) provided to DT AG (Germany) and trade receivables from DT AG, subsidiaries and other entities in DT group in amount of EUR 60,472 thousand (2018: EUR 22,372 thousand).

For credit ratings see the following tables:

thousands of EUR	2019	2018
Term deposits (Note 19)		
A2	3,822	3,432
	3,822	3,432

thousands of EUR	2019	2018
Loans (Note 20)		
Baa1	160,000	217,000
	160,000	217,000

thousands of EUR	2019	2018
Cash and cash equivalents (Note 21)		
A2	10,788	23,525
A3	38,626	15,607
Not rated	85	418
	49,499	39,550

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

IFRS 9 introduced a new, expected-loss impairment model that requires more timely recognition of expected credit losses. Specifically, the Standard requires entities to account for expected credit losses rather than only incurred credit losses as was the case under IAS 39. The Company establishes an allowance for impairment that represents its estimate of expected credit losses in respect of trade, other receivables and contract assets. Cash and cash equivalents and intercompany receivables are also subject to the impairment requirements of IFRS 9, however, the identified impairment loss was immaterial.

Impairment losses are recognised to cover both individually significant credit risk exposures and a collective loss component for assets that are assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables includes the Company's past experience of collecting payments, changes in the internal and external ratings of customers, current conditions and the Company's view of economic conditions over the expected lives of the receivables.

In respect of financial assets, which comprise cash and cash equivalents, loans, term deposits, trade and other receivables and cash pooling, the Company's exposure to credit risk arises from the potential default of the counterparty, with a maximum exposure equal to the carrying amount of these financial assets.

The Company assesses its financial investments at each reporting date to determine whether there is any objective evidence that they are impaired. A financial investment is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that investment. Significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. An impairment loss in respect of a financial asset is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. All impairment losses are recognised in profit or loss. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. The reversal of the impairment loss is recognised in profit or loss.

The table summarises the ageing structure of receivables based on IFRS 9:

		Past due					
thousands of EUR	Not past due	< 30 days	31-90 days	91-180 days	181-365 days	> 365 days	Total
At 31 December 2019							
Trade and other receivables	146,301	4,767	3,053	1,635	2,109	5,461	163,326

thousands of EUR	Not past due	Past due < 30 days	31-90 days	91-180 days	181-365 days	> 365 days	Total
At 31 December 2018							
Trade and other receivables	91,213	3,893	4,427	1,602	1,343	4,385	106,864

No significant individually impaired trade receivables were included in the allowance for impairment losses in 2019 and 2018.

Trade receivables that are past due as at 31 December 2019, but not individually impaired, are from creditworthy customers who have a good track record with the Company and, based on historical default rates, management believes that no additional impairment allowance is necessary. Management also believes that currently no additional impairment allowance is necessary to trade receivables that are neither past due nor impaired.

For sensitivity of impairment charge of uncollectible receivables refer to Note 16.

3.3 Liquidity risk

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

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

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

thousands of EUR	On demand	Less than 3 months	3 to 12 months	Over 1 year	Total
At 31 December 2019					
Trade and other payables	5,104	117,556	2,501	1,755	126,916
At 31 December 2018					
Trade and other payables	4,664	105,765	3,373	2,547	116,349

For maturity of lease liabilities refer to Note 25.

The Company has granted credit limit to subsidiary DIGI SLOVAKIA, s.r.o. in amount of EUR 5,000 thousand with interest rate 1M Euribor + 1% margin. The limit was not used as at 31 December 2019.

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

thousands of EUR	Gross amounts	Offsetting	Net amounts
At 31 December 2019			
Current financial assets – Trade receivables	7,876	(6,264)	1,612
Current financial liabilities – Trade payables	7,706	(6,264)	1,442
At 31 December 2018			
Current financial assets – Trade receivables	8,522	(6,814)	1,708
Current financial liabilities – Trade payables	8,131	(6,814)	1,317

For the Company's accounting policy on offsetting refer to Note 2.9. Balances of Trade receivables and Trade payables are disclosed on nett basis in financial statements.

3.4 Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholder and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

The Company's management proposes to the owner of the Company (through the Board of Directors) to approve dividend payments or adopt other changes in the Company's equity capital in order to optimize the capital structure of the Company. This can be achieved primarily by adjusting the amount of dividends paid to shareholder, or alternatively, by returning capital to shareholder by capital reductions, issue new shares or sell assets to reduce debt. The Company also takes into consideration any applicable guidelines of the ultimate parent company. No changes were made to the objectives, policies or processes in 2019.

The capital structure of the Company consists of equity attributable to shareholder, comprising issued capital, statutory reserve fund, retained earnings and other components of equity (Note 22). The management of the Company manages capital measured in terms of shareholder's equity amounting to at 31 December 2019 EUR 1,199,249 thousand (2018: EUR 1,192,561 thousand).

3.5 Fair values

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

3.5.1 Recurring fair value measurement

Recurring fair value measurements are those that the accounting standards require or permit in the statement of financial position at the end of each reporting year. There were no recurring fair value measurements in 2019 and 2018.

3.5.2 Non-recurring fair value measurement

There were no non-recurring fair value measurements in 2019 and 2018.

3.5.3 Financial assets and financial liabilities not measured at fair value

The fair value of other financial assets and financial liabilities approximate their carrying amounts at the statement of financial position date. Non-current receivables and non-current payables are discounted unless the effect of discounting was inconsiderable.

3.6 Presentation of financial instruments by measurement category

thousands of EUR	2019	2018
ASSETS		
Financial assets at amortised cost		
Trade and other receivables (Note 16)	163,326	106,864
Term deposits (Note 19)	3,822	3,432
Loans (Note 20)	160,000	217,000
Cash and cash equivalents (Note 21)	49,499	39,550
LIABILITIES		
Financial liabilities at amortised cost		
Trade and other payables (Note 24)	126,916	116,349
Lease liabilities (Note 25)	110,357	62

4. REVENUE

thousands of EUR	2019	2018
Fixed network revenue	250,950	246,858
Mobile network revenue	282,893	281,065
Terminal equipment	99,489	91,737
System solutions / IT	45,309	48,455
Other	36,654	35,195
	715,295	703,310

5. STAFF COSTS

thousands of EUR	2019	2018
Wages and salaries	83,580	88,065
Defined contribution pension costs	12,564	12,640
Other social security contributions	15,124	13,202
	111,268	113,907

	2019	2018
Number of employees at year end	2,908	2,999
Average number of employees during the year	2,932	2,992

For expenses resulting from termination, retirement and jubilee benefits (included in line Wages and salaries) refer to Note 23.

6. OTHER OPERATING INCOME

thousands of EUR	2019	2018
Gain on disposal of property and equipment and intangible assets, net	3,607	5,309
Gain from material sold	1,344	1,186
Reversal of impairment of property and equipment (Note 11)	715	655
Reinvoicing of TV and employee related costs to subsidiary DIGI	6,618	7,420
Other	5,785	2,439
	18,069	17,009

7. OTHER OPERATING COSTS

thousands of EUR	2019	2018
Repairs and maintenance	14,717	15,686
Installation services	213	251
Marketing costs	12,906	13,954
Energy	14,317	13,359
Printing and postage	4,374	4,491
Logistics	5,660	4,354
Rentals and leases (not in scope of IFRS 16)	397	19,108
IT services	6,984	6,657
Dealer commissions	19,086	20,460
Recurring frequency and other fees to Regulatory Authority	4,782	4,771
Content fees	13,524	12,422
Legal and regulatory claims (Note 30)	969	202
Consultancy	2,088	2,721
Services related to delivery of solutions for customers	33,942	32,226
Fees paid to DT AG group	5,664	5,100
Other	14,097	14,934
Own work capitalised	(18,602)	(17,916)
	135,118	152,780

8. FINANCIAL INCOME

thousands of EUR	2019	2018
Dividends from subsidiaries (Note 29)	1,334	416
Interest on term deposits and bank accounts	46	131
Interest on loans	4	-
Foreign exchange gains, net	7	127
Other	61	720
	1,452	1,394

9. FINANCIAL EXPENSE

thousands of EUR	2019	2018
Interest costs from lease	2,954	-
Interest costs on employee benefits provision	203	205
Interest cost on other non-current provisions	471	489
Bank charges and other financial expense	9	8
	3,637	702

10. TAXATION

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

thousands of EUR	2019	2018
Current tax expense	40,453	34,372
Current tax expense of prior years	219	151
Deferred tax income	(8,841)	(5,338)
Levy on regulated industries	7,764	9,214
Income tax expense reported in the income statement	39,595	38,399

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

thousands of EUR	2019	2018
Profit before income tax	151,494	144,701
Income tax calculated at the statutory rate of 21% (2018: 21%)	31,813	30,387
Effect of non-taxable income and tax non-deductible expenses:		
Dividends	(280)	(87)
Cost related to legal and regulatory claims	183	33
Other tax non-deductible items, net	(105)	(1,299)
Tax charge in respect of prior years	220	151
Levy on regulated industries	7,764	9,214
Income tax at the effective tax rate of 26% (2018: 27%)	39,595	38,399

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

thousands of EUR	1 January 2019	Through equity (change in accounting policy)	Through income statement	Through statement of comprehensive income	31 December 2019
Difference between carrying and tax value of fixed assets	(94,080)	(20,711)	3,782	-	(111,009)
Lease liabilities	-	20,711	2,464	-	23,175
Staff cost accruals	2,379	-	(48)	-	2,331
Allowance for bad debts	3,581	-	205	-	3,786
Termination benefits	1,085	-	(212)	-	873
Retirement benefit obligation	2,753	-	95	(290)	2,558
Asset retirement obligation	3,375	-	1,933	-	5,308
Contract assets	(15,000)	-	7,625	-	(7,375)
Contract costs	(4,244)	-	(421)	-	(4,665)
Contract liability	5,164	-	(6,618)	-	(1,454)
Other	5,556	-	37	-	5,593
Net deferred tax liability	(89,431)	-	8,842	(290)	(80,879)

thousands of EUR	1 January 2018	Through equity (change in accounting policy)	Through income statement	Through statement of comprehensive income	31 December 2018
Difference between carrying and tax value of fixed assets	(97,842)	-	3,762	-	(94,080)
Staff cost accruals	2,553	-	(174)	-	2,379
Allowance for bad debts	2,851	621	109	-	3,581
Termination benefits	323	-	762	-	1,085
Retirement benefit obligation	2,774	-	(16)	(5)	2,753
Asset retirement obligation	3,671	-	(296)	-	3,375
Contract assets	-	(14,281)	(719)	-	(15,000)
Contract costs	-	(4,450)	206	-	(4,244)
Contract liability	-	4,932	232	-	5,164
Other	4,765	(681)	1,472	-	5,556
Net deferred tax liability	(80,905)	(13,859)	5,338	(5)	(89,431)

thousands of EUR	2019	2018
Deferred tax asset to be settled within 12 months	17,024	17,543
Deferred tax asset to be settled after more than 12 months	28,873	7,229
Deferred tax liability to be settled within 12 months	(11,096)	(15,846)
Deferred tax liability to be settled after more than 12 months	(115,680)	(98,357)
Net deferred tax liability	(80,879)	(89,431)

11. PROPERTY AND EQUIPMENT

thousands of EUR	Land, buildings and structures	Duct, cable and other outside plant	Telecommu-nications equipment	Radio and transmission equipment	Other	Capital work in progress including advances	Total
At 1 January 2019							
Cost	168,352	1,045,631	451,100	171,955	307,538	68,545	2,213,121
IFRS16 adoption effect	-	-	-	-	(562)	-	(562)
At 1 January 2019 after IFRS 16 adoption	168,352	1,045,631	451,100	171,955	306,976	68,545	2,212,559
Accumulated depreciation	(95,353)	(645,267)	(407,564)	(130,827)	(229,704)	(14)	(1,508,729)
IFRS16 adoption effect	-	-	-	-	499	-	499
At 1 January 2019 after IFRS 16 adoption	(95,353)	(645,267)	(407,564)	(130,827)	(229,205)	(14)	(1,508,230)
Net book value	72,999	400,364	43,536	41,128	77,771	68,531	704,329
Additions	8,934	29,010	5,991	126	15,491	59,866	119,418
Depreciation charge	(4,338)	(39,444)	(14,599)	(15,624)	(23,055)	-	(97,060)
Impairment charge	(226)	-	(19)	-	(32)	-	(277)
Reversal of impairment	715	-	-	-	-	-	715
Disposals	(2,456)	(6)	(6)	(24)	(153)	(72)	(2,717)
Transfers	163	24,499	8,879	8,371	1,365	(43,421)	(144)
At 31 December 2019							
Cost	171,386	1,107,670	294,293	197,146	281,945	84,905	2,137,345
Accumulated depreciation	(95,595)	(693,247)	(250,511)	(163,169)	(210,558)	(1)	(1,413,081)
Net book value	75,791	414,423	43,782	33,977	71,387	84,904	724,264

Property and equipment, excluding motor vehicles, is locally insured to a limit of EUR 25,000 thousand (2018: EUR 25,000 thousand). Any loss exceeding local limit is insured by DT AG Global Insurance Program up to EUR 700,000 thousand. The Company has the third party liability insurance for all motor vehicles.

thousands of EUR	Land, buildings and structures	Duct, cable and other outside plant	Telecommu-nications equipment	Radio and transmission equipment	Other	Capital work in progress including advances	Total
At 1 January 2018							
Cost	176,791	1,025,255	489,585	208,368	303,108	61,779	2,264,886
Accumulated depreciation	(97,948)	(615,708)	(446,100)	(162,381)	(227,487)	(333)	(1,549,957)
Net book value	78,843	409,547	43,485	45,987	75,621	61,446	714,929
Additions	1,098	17,550	5,071	4,485	15,195	44,615	88,014
Depreciation charge	(3,479)	(36,410)	(16,162)	(15,685)	(20,958)	-	(92,694)
Impairment charge	-	-	(90)	-	(76)	-	(166)
Reversal of impairment	16	305	25	1	26	282	655
Disposals	(5,731)	(16)	(24)	(72)	(490)	(13)	(6,346)
Transfers	2,252	9,388	11,231	6,412	8,516	(37,799)	-
At 31 December 2018							
Cost	168,352	1,045,631	451,100	171,955	307,538	68,545	2,213,121
Accumulated depreciation	(95,353)	(645,267)	(407,564)	(130,827)	(229,704)	(14)	(1,508,729)
Net book value	72,999	400,364	43,536	41,128	77,834	68,531	704,392

12. INTANGIBLE ASSETS

thousands of EUR	Software	Licences	Internally developed intangible assets	Goodwill	Intangibles under construction	Total
At 1 January 2019						
Cost	538,204	224,929	4,847	73,313	34,363	875,656
Accumulated amortisation	(482,444)	(134,898)	(2,528)	-	(1)	(619,871)
Net book value	55,760	90,031	2,319	73,313	34,362	255,785
Additions	6,762	17,205	-	-	33,590	57,557
Amortisation charge	(33,315)	(25,302)	(297)	-	-	(58,914)
Disposals	-	-	-	-	(5)	(5)
Transfers	17,788	1,000	118	-	(18,762)	144
At 31 December 2019						
Cost	549,976	219,733	4,965	73,313	49,186	897,173
Accumulated amortisation	(502,981)	(136,799)	(2,825)	-	(1)	(642,606)
Net book value	46,995	82,934	2,140	73,313	49,185	254,567

Goodwill and customer relationships were recognised at the merger of Slovak Telekom with T-Mobile on 1 July 2010. Goodwill and customer relationships arose on the Slovak Telekom's acquisition of the controlling interest in T-Mobile at 31 December 2004.

thousands of EUR	Software	Licences	Internally developed intangible assets	Goodwill	Customer relationships	Intangibles under construction	Total
At 1 January 2018							
Cost	507,468	234,858	4,879	73,313	249,532	24,783	1,094,833
Accumulated amortisation	(458,038)	(128,554)	(2,273)	-	(249,532)	-	(838,397)
Net book value	49,430	106,304	2,606	73,313	-	24,783	256,436
Additions	29,320	11,529	1	-	-	18,849	59,699
Amortisation charge	(31,967)	(28,093)	(289)	-	-	-	(60,349)
Disposals	-	(1)	-	-	-	-	(1)
Transfers	8,977	292	1	-	-	(9,270)	-
At 31 December 2018							
Cost	538,204	224,929	4,847	73,313	-	34,363	875,656
Accumulated amortisation	(482,444)	(134,898)	(2,528)	-	-	(1)	(619,871)
Net book value	55,760	90,031	2,319	73,313	-	34,362	255,785

13. RIGHT-OF-USE ASSETS

The Company has lease contracts for various items:

a) space on telecommunication infrastructure of third parties, rooftops and land to install own telecommunications equipment – the Company uses the space/area on third party landlord's land to construct its own masts or transmission towers. These masts and towers are used for telecommunications equipment (e.g. antennas) of the Company,

b) exclusive easements - an easement is a legal right to use, access, or cross another's property (such as land or common area in a building) for a specific limited purpose. Easements are granted mainly for the reasons to pass a cable over, under, or through an existing area of land,

c) shops – a retail space in a building or a mall,

d) operations buildings (less frequently in residential buildings) to place and operate technical equipment, e.g. servers, network equipment, etc. and also few operations buildings on third-party land,

e) office space - office space serves the Company's employees with space where they can execute their work,

f) vehicles – passenger cars used by the Company's employees.

Set out below, are the carrying amounts of the Company's right-of-use assets as at 1 January 2019 and at 31 December 2019.

thousands of EUR	Leased land	Leased buildings	Leased technical equipment and machinery	Total
At 1 January 2019 (IFRS16 adoption effect)				
Cost	22,234	68,550	11,198	101,982
Accumulated depreciation	-	-	-	-
Net book value	22,234	68,550	11,198	101,982
Additions	3,509	33,369	2,196	39,074
Depreciation charge	(2,972)	(11,478)	(2,910)	(17,360)
Disposals	(363)	(4,834)	(664)	(5,861)
At 31 December 2019				
Cost	25,322	96,180	12,431	133,933
Accumulated depreciation	(2,914)	(10,573)	(2,611)	(16,098)
Net book value	22,408	85,607	9,820	117,835

14. IMPAIRMENT OF GOODWILL

thousands of EUR	2019	2018
T-Mobile	73,313	73,313
	73,313	73,313

The goodwill previously recognised at the acquisition of T-Mobile was recognised in the separate statement of the financial position of the Company on the merger on 1 July 2010. The recoverable amount of the cash-generating unit was determined using cash flows projections based on the ten-year financial plans that present the management's best estimate on market participants' assumptions and expectations. The Company uses ten-year cash flow projections as the payback period of the investments in the telecommunications operations often exceeds 5 years. Cash flows beyond the ten-year period are extrapolated using a 1.5% growth rate (2018: 1.5%) and a discount rate of 4.37% (2018: 5.81%). The growth rate does not exceed the long-term average growth rate for the market in which the cash-generating unit operates. Further key assumptions on which management has based its determination of the recoverable amount of cash-generating unit include the development of revenue, customer acquisition and retention costs, churn rates, capital expenditures and market share, which are based on past performance and management's expectations for the future. Input parameters used to determine the recoverable amount are classified in Level 3 in accordance with IFRS 13. The recoverable amount of the cash-generating unit based on fair value less costs of disposal calculation exceeded its carrying value. Management believes that any reasonably possible change in the key assumptions on which the cash-generating unit's recoverable amount is based would not cause its carrying amount to exceed its recoverable amount.

15. INVESTMENTS IN SUBSIDIARIES

At 31 December 2019 the Company held the following investments in fully consolidated direct subsidiaries:

Name and registered office	Activity
DIGI SLOVAKIA, s.r.o. ("DIGI") Röntgenova 26, 851 01 Bratislava	TV services, broadband services and TV channels production
PosAm, spol. s r.o. ("PosAm") Bajkalská 28, 821 09 Bratislava	IT services, applications and business solutions
Zoznam, s.r.o. ("Zoznam") Viedenská cesta 3-7, 851 01 Bratislava	Internet portal
Zoznam Mobile, s.r.o. ("Zoznam Mobile") Viedenská cesta 3-7, 851 01 Bratislava	Mobile content provider
Telekom Sec, s.r.o. ("Telekom Sec") Bajkalská 28, 817 62 Bratislava	Security services

On 25 January 2018 the subsidiary of the Slovak Telekom PosAm acquired 100% share and voting rights in company Commander Services s.r.o. The change of ownership was registered in the Commercial register of the Slovak Republic on 6 February 2018. Main activity of the new subsidiary is GPS monitoring of motor vehicles.

thousands of EUR	Share and voting rights	Cost of investment 2019	Cost of investment 2018	Profit / (loss) 2019	Profit / (loss) 2018	Net assets 2019	Net assets 2018
DIGI SLOVAKIA, s.r.o.	100%	52,362	52,362	5,486	5,447	31,502	26,016
PosAm, spol. s r.o.	51%	12,968	12,968	2,754	1,310	15,444	13,345
Zoznam, s.r.o.	100%	2,346	2,346	452	342	2,755	3,103
Zoznam Mobile, s.r.o.	100%	1,410	1,410	20	16	199	429
Telekom Sec, s.r.o.	100%	72	72	(1)	(1)	56	57
		69,158	69,158				

Financial data for subsidiaries are based on their separate financial statements. At the date of authorisation of these separate financial statements for issue, the approved financial statements of subsidiaries for the year ended 31 December 2019 were not available. The table is prepared based on their non-approved draft financial statements.

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

Cost of investment in Zoznam and Zoznam Mobile is net of impairment of EUR 1,562 thousand and EUR 938 thousand respectively.

16. TRADE AND OTHER RECEIVABLES

thousands of EUR	2019	2018
Non-current		
Receivables from instalment sale	6,600	467
Finance lease receivables	457	915
	7,057	1,382
Current		
Trade receivables	120,012	104,096
Cash pooling receivable	35,200	-
Other receivables	295	453
Finance lease receivables	762	933
	156,269	105,482

Trade receivables are net of an allowance of EUR 25,712 thousand (2018: EUR 25,859 thousand). If the allowance percentage increases by 1% in each relevant ageing group (except where there is 100% allowance created), the charge for the period would be by EUR 1,007 thousand higher (2018: EUR 774 thousand).

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

thousands of EUR	2019	2018
At 1 January	25,859	17,932
Opening balance adjustment related to IFRS 9	-	7,463
Charge for the year, net	3,425	4,217
Utilised	(3,572)	(3,753)
At 31 December	25,712	25,859

17. PREPAID EXPENSES AND OTHER ASSETS

thousands of EUR	2019	2018
Non-current		
Easements	-	9,277
Other prepaid expenses	1,619	1,786
	1,619	11,063
Current		
Other prepaid expenses	2,688	3,238
Advance payments	2,976	9,923
Other assets	43	107
	5,707	13,268

18. INVENTORIES

thousands of EUR	2019	2018
Materials	7,995	6,602
Goods	7,196	8,030
	15,191	14,632

Inventories are net of an allowance of EUR 931 thousand (2018: EUR 1,174 thousand). The write-down of inventories in the amount of EUR 333 thousand (2018: EUR 411 thousand) was recognised in cost of material and equipment.

19. TERM DEPOSITS

thousands of EUR	2019	2018
Term deposits in banks	3,822	3,432
	3,822	3,432

Term deposits include deposits at banks with original maturity more than 3 months from the date of acquisition. Short-term deposits with original maturity of three months or less from the date of acquisition are presented as cash and cash equivalents. For credit ratings see Note 3.2.

20. LOANS

thousands of EUR	2019	2018
Loans to Deutsche Telekom AG	160,000	217,000
	160,000	217,000

The loans granted to Deutsche Telekom AG were not secured. Loans outstanding at 31 December 2019 were provided in December 2019 and were repayable in January 2020 (2018: provided in December 2018, repayable in January 2019). For credit ratings see Note 3.2.

21. CASH AND CASH EQUIVALENTS

thousands of EUR	2019	2018
Cash and cash equivalents	49,499	39,550
	49,499	39,550

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term investments are made for varying periods between one day and three months, and earn interest at the respective rates. For credit ratings see Note 3.2.

22. SHAREHOLDERS' EQUITY

On 18 June 2015 Deutsche Telekom Europe B.V. became the sole shareholder of Slovak Telekom.

As at 31 December 2019, Slovak Telekom had authorised and issued 86,411,300 ordinary shares (2018: 86,411,300) with a par value of EUR 10.00 per share (2018: EUR 10.00 per share). All the shares issued were fully subscribed. All the shares represent the rights of shareholder to participate in the managing of Slovak Telekom, on the profit and liquidation balance upon the winding-up of Slovak Telekom with liquidation.

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

Category Other in the Statement of changes in equity covers mainly changes of equity from retirement benefits (Note 23).

The Financial statements of the Company for the year ended 31 December 2018 were authorised for issue on behalf of the Board of Directors of Slovak Telekom on 14 March 2019.

On 29 April 2019 Deutsche Telekom Europe B.V. while performing competences of the General meeting of Slovak Telekom approved distribution of the prior year profit in the form of dividends. Total dividends of EUR 106,302 thousand (2018: EUR 66,637 thousand) were paid in May 2019, which amounted to EUR 1.23 per share (2018: EUR 0.77 per share).

Approval of the 2019 profit distribution will take place at the Annual General Meeting scheduled for April 2020.

23. PROVISIONS

thousands of EUR	Legal and regulatory claims	Asset retirement obligation	Termination benefits	Employee benefits	Other	Total
	(Note 30)					
At 1 January 2019	2,154	16,071	5,169	13,424	1,959	38,777
Arising during the year	833	6,702	4,156	1,021	1,315	14,027
Utilised	(21)	-	(3,396)	(37)	(864)	(4,318)
Reversals	(145)	(810)	(1,774)	(2,110)	(204)	(5,043)
Interest impact	-	3,315	-	206	(3)	3,518
At 31 December 2019	2,821	25,278	4,155	12,504	2,203	46,961
Non-current	-	25,278	-	12,504	986	38,768
Current	2,821	-	4,155	-	1,217	8,193
	2,821	25,278	4,155	12,504	2,203	46,961

thousands of EUR	2019	2018
Non-current	38,768	30,427
Current	8,193	8,350
	46,961	38,777

Asset retirement obligation
The Company is subject to obligations for dismantlement, removal and restoration of assets associated with its cell site operating leases (Note 2.20). Cell site lease agreements may contain clauses requiring restoration of the leased site at the end of the lease term, creating an asset retirement obligation.

Termination benefits
The restructuring of the Company's operations resulted in headcount reduction of 179 employees in 2019. The Company expects a further headcount reduction of 171 employees in 2020 as a result of an ongoing restructuring program. A detailed formal plan that specifies the number of staff involved and their locations and functions was defined and authorised by management and announced to the trade unions. The amount of compensation to be paid for terminating employment was calculated by reference to the collective agreement. The termination payments are expected to be paid within twelve months of the statement of financial position date and are recognised in full in the current period. In 2019 the Company recognised an expense resulting from termination benefits in amount of EUR 4,007 thousand (2018: EUR 3,109 thousand) in staff costs.

Retirement and jubilee benefits

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

thousands of EUR	Retirement benefits	Jubilee	Total
Present value of the defined benefit obligation			
At 1 January 2019	13,111	313	13,424
Current service cost	997	24	1,021
Interest cost	202	4	206
Benefits paid	(15)	(22)	(37)
Remeasurement of defined benefit plans	(1,379)	(1)	(1,380)
Curtailment gain	(730)	-	(730)
At 31 December 2019	12,186	318	12,504

thousands of EUR	Retirement benefits	Jubilee	Total
Present value of the defined benefit obligation			
At 1 January 2018	13,210	300	13,510
Current service cost	1,011	25	1,036
Interest cost	205	4	209
Benefits paid	(9)	(18)	(27)
Remeasurement of defined benefit plans	(22)	2	(20)
Curtailment gain	(1,284)	-	(1,284)
At 31 December 2018	13,111	313	13,424

Remeasurement of defined benefit plans related to retirement benefits in amount of EUR 1,379 thousand consists of change in demographic assumptions in amount of EUR 1,955 thousand and change in experience adjustments in amount of EUR 109 thousand partially netted by change in financial assumptions in amount of EUR 685 thousand.

The curtailment gain in amount of EUR 730 thousand resuled mainly from a reduction in the number of participants covered by the retirement plan that occurred in 2019 or was announced for 2020. There were no special events causing any new past service cost during 2019 other than the curtailment mentioned above.

Principal actuarial assumptions used in determining the defined benefit obligation and the curtailment effect in 2019 include the discount rate of 1.16% (2018: 1.58%). The expected expense for 2019 has been determined based on the discount rate as at the beginning of the accounting year of 1.58% (2018: 1.58%). Average retirement age is 63 years and 2 months (2018: 62 years). The expected growth of nominal wages over the long term is 2.0% (2018: 2.0%). The remaining weighted average duration of the defined benefit obligation is 14.1 years (2018: 12.2 years).

The sensitivity analysis for the significant actuarial assumptions as at 31 December 2019 and 2018 is as follows:

thousands of EUR	(Decrease) / increase of employee benefits provision	
	2019	2018
Change of actuarial assumption:		
Discount rate change +100 bp / -100 bp	(1,563) / 1,890	(1,445) / 1,641
Salary change +0.50% / -0.50%	885 / (814)	790 / (749)
Change in life expectation +1 year / -1 year	-/ -	16 / (18)

24. TRADE AND OTHER PAYABLES

thousands of EUR	2019	2018
Non-current		
Financial liabilities for capitalised content licences	1,571	2,015
Other payables	185	532
	1,756	2,547
Current		
Trade payables	63,416	47,208
Uninvoiced deliveries	48,133	57,231
Financial liabilities for capitalised content licences	12,018	8,588
Other payables	1,593	775
	125,160	113,802

Reconciliation of cash used in investing activities:

thousands of EUR	2019	2018
Additions to property and equipment and intangible assets (Notes 11, 12)	176,976	147,713
Additions to capitalised content licences	(17,204)	(12,529)
Non-cash additions from asset retirement obligation	(8,737)	(579)
Change in payables for purchase of property and equipment and intangible assets	(4,539)	5,163
Cash used in investing activities for purchase of property and equipment and intangible assets	146,496	139,768

Reconciliation of cash used in financing activities:

thousands of EUR	2019	2018
Additions to capitalised content licences	17,204	12,529
Change in financial liabilities for capitalised content licences	(2,986)	4,126
Foreign exchange adjustments	-	406
Cash used in financing activities for purchase of intangible assets	14,218	17,061

25. LEASE LIABILITIES

Lease liabilities were recognised on 1 January 2019 in the process of adopting the new leasing standard. See note 2.22 for further information about the change in accounting policy for leases.

thousands of EUR	1.1.2019 before IFRS 16 adoption	1.1.2019 after IFRS 16 adoption	31.12.2019
Up to 1 year	62	14,062	14,519
1 to 5 years	-	44,507	44,551
Over 5 years	-	34,198	51,287
Total other finance lease liabilities	62	92,767	110,357

	1.1.2019 before IFRS 16 adoption	1.1.2019 after IFRS 16 adoption	31.12.2019
Up to 1 year	62	16,925	17,315
1 to 5 years	-	52,227	52,583
Over 5 years	-	39,987	59,626
Total undiscounted cash flows (lease liability)	62	109,139	129,524

26. IMPACT FROM LEASING CONTRACTS

The following are the amounts recognised from leasing contracts in profit or loss:

thousands of EUR	2019	2018
Depreciation expense of right-of-use assets (Note 13)	17,360	-
Interest cost on lease liabilities (Note 9)	2,954	-
At 31 December	20,314	-

27. OTHER LIABILITIES AND DEFERRED INCOME

thousands of EUR	2019	2018
Non-current		
Other liabilities	48	242
	48	242
Current		
Deferred income	275	67
Amounts due to employees	18,086	17,886
Other tax liabilities	6,922	9,381
Other liabilities	3,290	4,760
	28,573	32,094

Amounts due to employees include social fund liabilities:

thousands of EUR	2019	2018
At 1 January	239	90
Additions	1,462	1,470
Utilisation	(1,516)	(1,321)
At 31 December	185	239

28. COMMITMENTS

The Company's purchase commitments were as follows:

thousands of EUR	2019	2018
Acquisition of property and equipment	59,696	47,917
Acquisition of intangible assets	9,263	5,065
Purchase of services and inventory	79,019	100,296
	147,978	153,278

29. RELATED PARTY TRANSACTIONS

	Receivables		Payables		Sales and income		Purchases		Commitments	
thousands of EUR	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
DT AG	201,151	223,028	9,166	9,611	3,824	5,377	7,800	10,789	177	178
Subsidiaries	8,535	9,558	5,574	7,077	10,389	9,948	6,472	9,983	237	214
Other entities in DT AG group	10,786	6,786	9,805	9,242	26,442	23,776	31,023	24,907	13,604	14,073
	220,472	239,372	24,545	25,930	40,655	39,101	45,295	45,679	14,018	14,465

The Company conducts business with its subsidiaries (DIGI, PosAm, Zoznam, Zoznam Mobile, Telekom Sec, Commander) as well as with its ultimate parent, Deutsche Telekom AG and its subsidiaries, associates and joint ventures. Business transactions relate mainly to telephone calls and other traffic in the related parties' networks. Other transactions include data services, management, consultancy, other services and purchases of fixed assets. In 2019 the Company purchased fixed assets in amount of EUR 6,473 thousand (2018: EUR 5,922 thousand) from related parties.

In 2019 the Company granted Deutsche Telekom AG a short-term loan of EUR 160,000 thousand (2018: EUR 217,000 thousand).

In March 2019 the General meeting of PosAm declared a dividend of EUR 334 thousand (2018: EUR 416 thousand), which was paid in April 2019 (Note 8). In December 2019 the General meeting of Zoznam declared a dividend of EUR 750 thousand and the General meeting of Zoznam Mobile declared a dividend of EUR 250 thousand. Dividends from Zoznam and Zoznam Mobile were paid in December 2019. There was no other dividend declared by other subsidiaries in 2019 and 2018.

In 2016 the Company signed an ICT contract with a duration of 80 months with T-Systems International GmbH ("TSI"). Within this contract, the Company acts as the main subcontractor for the restructuring of the Allianz communication network in the selected countries. DT AG Group entities in relevant countries are service providers for the Company. The total value of the contract amounts to EUR 41,537 thousand. In 2019 the Company recognised revenue with TSI in amount of EUR 5,148 thousand (2018: EUR 5,432 thousand), revenue with other DT AG Group entities in amount of EUR 56 thousand (2018: EUR 68 thousand) and expenses with other DT AG Group entities in amount of EUR 3,809 thousand (2018: EUR 4,069 thousand).

Deutsche Telekom as the ultimate parent company controlling Slovak Telekom is a related party to the Federal Republic of Germany. Slovak Telekom had no individually significant transactions with the Federal Republic of Germany or entities that it controls, jointly controls or where Federal Republic of Germany can exercise significant influence in either 2019 or 2018.

Compensation of key management personnel

The key management personnel as at 31 December 2019, 15 in number (2018: 15) include members of the Management Board, Board of Directors and Supervisory Board.

Since 1 July 2016 the companies Slovak Telekom and T-Mobile Czech Republic a.s. have the joint Management Board. All management members are responsible for business and managerial activities of companies on both Slovak and Czech markets. The number of key management personnel include all members of the Management Board, irrespective if they are employed by Slovak Telekom or T-Mobile Czech Republic a.s. Tables below include only benefits earned by the key management personnel in Slovak Telekom.

thousands of EUR	2019	2018
Short term employee benefits	1,749	1,899
Defined contribution pension plan benefits	17	146
	1,766	2,045

thousands of EUR	2019	2018
Management Board	1,753	2,032
Supervisory Board	13	13
	1,766	2,045

30. CONTINGENCIES

Legal and regulatory cases

On 17 October 2014 the European Commission sent an infringement decision to the Company in case AT 39.523 (hereinafter "the Decision"). The Decision found the Company (and DT AG, as parent company) liable for breach of competition law (margin squeeze and refusal to deal) in relation to ULL for the period 12 August 2005 – 31 December 2010 and imposed a fine of EUR 38,838 thousand on DT AG and the Company, jointly and severally. On 26 December 2014 the Company filed an appeal against the Decision to the General Court of the European Union. The fine was paid by the Company in January 2015. On 13 December 2018 the General Court partially annulled the Decision stating that pricing practices were not proved for the entire time period as stated in the Decision and reduced imposed fine by not significant amount. The Company appealed to Court of Justice, judgment on appeal pending.

Following the European Commission's decision, three competitors of the Company filed action against Slovak Telekom with the civil court in Bratislava in 2015 and 2017. These claims seek compensation for damages allegedly incurred due to Company's abuse of its dominant market position, as determined by the European Commission and amount to EUR 214,915 thousand plus interest. Other competitors that believe they have been harmed by the Company anti-competitive conduct during the infringement period may decide to file actions for damages as well.

In 2009, the Anti-Monopoly Office ("AMO") imposed on Company a penalty of EUR 17,453 thousand for abusing its dominant position by price squeeze and tying practices on several relevant markets (voice, data and network access services on its fixed network). Company filed an action for judicial review of AMO decisions to the Regional Court in Bratislava in 2009. In January 2012, the Regional Court cancelled the AMO decision. The Regional Court's judgment was subsequently cancelled by the Supreme Court in February 2014 upon AMO's appeal and the Regional Court confirmed AMO's decisions in June 2017. The penalty was paid in October 2017. The Company appealed, judgment on appeal pending.

Three competitors filed actions against Company in 2013 and 2015 seeking damages allegedly incurred due to Company's conduct as determined by the AMO. The claimants contend that they incurred lost profit amounting to EUR 141,690 thousand plus interest. All three proceedings are ongoing at first instance District Court Bratislava II.

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

As at 31 December 2019, the Company recognised provision for known and quantifiable risks related to proceedings against the Company, which represent the Company's best estimate of the amounts, which are more likely than not to be paid. The actual amounts of penalties, if any, are dependent on a number of future events the outcome of which is uncertain, and, as a consequence, the amount of provision may change at a future date.

31. AUDIT FEES

The Company obtained following services from the audit company PricewaterhouseCoopers Slovensko, s.r.o.:

thousands of EUR	2019	2018
Audit services	288	332
Oher assurance services	2	4
Other non-audit services	-	221
	290	557

32. ASSETS AND LIABILITIES RELATED TO CONTRACTS WITH CUSTOMERS

Contract asset is recognised mainly in case of multiple element arrangements (e.g. mobile contract plus handset), when a larger portion of the total consideration is attributable to the component delivered in advance (mobile handset), requiring earlier recognition of revenue.

Contract costs are assessed as incremental cost of obtaining a contract and consists of Dealers commission.

Contract liability is related mainly to one-time fees and advanced payments for post-paid services.

The Company has recognised the following assets and liabilities related to contracts with customers:

thousands of EUR	2019	2018
Non-current assets		
Contract assets	22,284	24,591
Loss allowance	(1,192)	(864)
	21,092	23,727
Contract costs	6,285	5,213
	6,285	5,213
Current assets		
Contract assets	20,158	19,955
Loss allowance	(6,128)	(3,088)
	14,030	16,867
Contract costs	15,957	15,159
	15,957	15,159
Non-current liabilities		
Contract liabilities	3,775	4,531
	3,775	4,531
Current liabilities		
Contract liabilities	18,163	19,482
	18,163	19,482

Revenue recognised in the reporting year that was included in the contract liability balance at the beginning of the year amounted to EUR 19,288 thousand (2018: EUR 16,461 thousand).

Transaction price allocated to the performance obligations that are unsatisfied as of the end of reporting year amounted to EUR 369,014 thousand (2018: EUR 351,137 thousand). Management expects that the transaction price allocated to the unsatisfied contracts as of 31 December 2019 will be recognised as revenue as follows: EUR 279,935 thousand during first year; EUR 88,047 thousand during second year and EUR 1,032 thousand during third-eight year (2018: EUR 263,153 thousand during first year; EUR 84,724 thousand during second year and EUR 3,260 thousand during third-ninth year).

Wages and salaries include also amortisation of costs to obtain a contract with customer in the amount of EUR 3,544 thousand (2018: EUR 3,581 thousand) (Note 5).

Dealers commission includes also amortisation of costs to obtain a contract with customer in the amount of EUR 17,102 thousand (2018: EUR 17,958 thousand) (Note 7)

33. EVENTS AFTER THE REPORTING YEAR

Slovak Telekom as the sole shareholder of Zoznam and Zoznam Mobile decided to wind up the company Zoznam Mobile without liquidation and to merge it with Zoznam as successor company of the merger. The decisive date of the merger was 1 January 2020. Zoznam became the universal legal successor of Zoznam Mobile.

There were no other events, which have occurred subsequent to the year-end, which would have a material impact on the financial statements at 31 December 2019.

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