Slovak Telekom, a.s.

INDEPENDENT AUDITOR'S REPORT
ON THE AUDIT OF THE EXTRAORDINARY SEPARATE
FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT
ON THE AUDIT OF THE EXTRAORDINARY CONSOLIDATED
FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH
INTERNATIONAL FINANCIAL REPORTING STANDARDS
AS ADOPTED IN THE EUROPEAN UNION
AS AT 31 MAY 2024

AND

REPORT ON OTHER LEGAL AND REGULATORY
REQUIREMENTS

This is a translation of the original auditor's report issued in the Slovak language to the accompanying financial statements translated into the English language.

Extraordinary annual report 2024

Slovak Telekom

Contents

01 An introduction to the Slovak Telekom Group

A foreword by the CEO

Dear ladies and gentlemen,

To mark the separation of a significant part of the passive infrastructure into a separate sister company, we are issuing an extraordinary annual report, and taking stock of the first five months of the Group's operations in 2024.

The actual step of setting aside passive infrastructure itself follows the model adopted by several countries in the Deutsche Telekom group. Slovak Telekom Infra - a sister company incorporated directly under Deutsche Telekom - has been operating in Slovakia since June 1, 2024. The new company manages passive mobile infrastructure and its portfolio includes approx. 1,500 transmitters and masts, towers, and steel structures on roofs throughout Slovakia. Slovak Telekom Infra additionally deals with the management and development of passive infrastructure. In addition to the provision of passive infrastructure services for Slovak Telekom, the goal of the new company will also be the rental of free capacity to potentially interested third parties on the market who want to establish their telecommunications technologies. Thanks to these steps, it is now possible to use and share locations on the market multiple times, whilst simultaneously minimizing the impact on the environment.

Looking at the first five months of 2024, we can conclude that we were indeed successful in several ways. On the financial side, our consolidated revenues (on the level of 349 million EUR) and operating profit have increased, but at the same time we continue to invest in the market, and introduce positive innovations and ESG activities.

We develop investments in networks in both pillars. Our main priority is the expansion of the optical network - which is also used by several other Slovak operators for the provision of services. We build the optics ourselves, but we also use several partnerships. After creating an agreement with Západoslovenska distribučná (Western Slovak Distribution) in June 2023, we managed to create yet another important partnership with Východoslovenska distribučná (Eastern Slovak Distribution) in January 2024 - which once again pinned thousands of new households to our coverage map.

The second pillar is the development of our 5G network – the coverage of which is gradually growing - be it new cities or dozens of municipalities. We are also expanding the number of 5G models in our range, and have introduced a new generation of our very own 5G Smartphones - T Phone 2 and T Phone 2 Pro.

However, the first months of 2024 were extremely rich in terms of the launch of new services. In March, we deployed the new Magenta 1 concept - fixed-mobile service packages with an increasing number of benefits which we are gradually expanding with new types. We furthermore introduced the eagerly awaited Connect my watch service for connecting Smart watches with a second hardware device on instalments - which is advantageous when purchasing new accessories.

And in the Spring, a new innovation for Gen-Z was launched. SWIPE is an entire platform for a new generation of customers - which both includes the possibility of composing a flat rate according to their own needs, whilst at the same time having a wide range of benefits and advantages.

A further important factor was the deployment of the Magenta Moments international customer program in Slovakia - which is widely popular and many attractive offers are added to it every quarter for our mobile package, prepaid card, and fixed service customers.

We further continue to develop ESG activities. In our ENTER platform, we are focusing more and more not only on children, but we are also increasingly active in the field of seniors for which we have already prepared the third year of the grant program for improving digital skills, and we have specifically focused on the topic of security – something we additionally supported via our partnership for the film festival-winning Blažina's Lesson drama, and the creation of a series featuring safety tips.

Another integral part of ESG is the focus on the circular economy - which includes the renting out and refurbishing of routers and set-top boxes, the sale of refurbished Smartphones, and the recycling of mobile phones. In March, we deployed returnable packaging when delivering our devices. At the end of May, the eco coupon initiative commenced - with which we wished to significantly support the collection of old, unused phones and hardware from households.

I personally appreciate the continuation of various activities in the #respect platform - which has been emphasizing the decreasing level of tolerance in society for more than a year, and drawing attention to several hot topics. For example; on World Press Freedom Day in May, we paid respect to journalists who face increasing numbers of hateful comments under their articles.

2024 continues to bring our Group several challenges, but also prestigious awards. We are grateful that we managed to win 1st place in the IT and telecommunications category in the Employer of the Year competition - thanks to which I believe that we have an excellently composed team and an environment for fulfilling other goals and that can move us on towards new aims and achievements.

Melinda Szabó
CEO

2024 milestones

JANUARY

Telekom reaches an agreement with Východoslovenská distribučná (Eastern Slovak distribution)
The cooperation will make it possible to use the existing infrastructure of the energy company for the provision of Telekom's fixed services.

Jasná World Cup technologically secured by Telekom
In the ski resort, the operator installed top-notch connectivity with a new 5G network and 26 Wi-Fi points for organizers, journalists, and visitors

FEBRUARY

Telekom announces a change in the position of CEO
After the temporary management of the company by Vladan Pekovič, new CEO Melinda Szabó was announced as of June 1, 2024 for Slovak Telekom and T-Mobile Czech Republic.

New locations added to the 5G coverage map
By mid-February, Telekom covered 55.3% of Slovakia's population with a 5G network and added several tourist locations for the winter season.

MARCH

The renewed Magenta 1 enters the market
As of March 1, the range of Magenta 1 packages was simplified to two main benefits – pay less or get more benefits - which the customer chooses and changes according to their current needs.

APRIL

The eagerly-awaited Connect my watch service starts
The service allows customers to have one number on several devices - while the smart watch can also work independently and remotely. Several generations of models by Samsung were deployed first.

The new SWIPE platform for young people is launched - a program that is created according to your needs
This fully digital product for young people allows customers to order, activate, and flexibly change their flat rate according to their needs via the application. SWIPE is an entire platform with a number of benefits, and Slovak rapper GLEB became the face of the platform.

Change in the position of B2C director
The position of director for the B2C segment will be taken over from Mladen Mitic by Martina Kandera - who has worked in the Deutsche Telekom group for over 20 years and comes directly from German headquarters - where she managed the Channel Strategy Europe segment.

MAY

Telekom introduces the T Phone 2 and T Phone 2 Pro
The new devices combine eco-design with a favourable price-performance ratio. The new devices have a new Snapdragon processor, dual SIM support, more memory, and a better Eco rating.

Telekom separates part of the passive infrastructure into sister company
From June 1, 2024, Slovak Telekom Infra will manage a significant part of the passive infrastructure, i.e. approximately 1,500 transmitters, masts, towers, and steel structures throughout Slovakia.

The Slovak Telekom Group profile

SLOVAK TELEKOM GROUP IS PART OF THE WORLDWIDE DEUTSCHE TELEKOM GROUP OF COMPANIES. THE UNMISSTAKEABLE GRAPHIC SYMBOL OF THE ASSOCIATED COMPANIES IS THE MAGENTA "T," WHICH ALSO REPRESENTS THE INTERNATIONAL VALUES RECOGNIZED BY THE EMPLOYEES OF ALL THE COMPANIES.

Identical values for all Deutsche Telekom Group companies:

- Customer satisfaction and enthusiasm are our driving force.
- We act responsibly and with respect.
- Together or separately - we are one team.
- The best place for performance and growth.
- I am T - count on me.

Composition of the group

The Slovak Telekom Group consists of the Slovak Telekom, a.s. parent company (hereinafter Slovak Telekom) and its subsidiaries - Telekom Sec, s.r.o. (hereinafter Telekom Sec), and DIGI SLOVAKIA, s.r.o. (hereinafter referred to as DIGI SLOVAKIA).

As a provider of complex telecommunications services, the Slovak Telekom Group provides its customers with fixed network services, Internet connections, digital and cable television services, data services, end-user equipment sales, call centre services, mobile communications, and security services (Telekom Sec).

All information in this annual report which is presented in connection with the Slovak Telekom group concerns all the companies that make up the group.

The accounting Slovak Telekom unit does not have an organizational component abroad.

A member of Deutsche Telekom

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

All required financial and non-financial information - including the requirements of EU Regulation 2020/852 establishing a framework to facilitate sustainable investments that are not included in this annual report will be included in Deutsche Telekom's annual report.

Governing bodies

Executive management

Melinda Szabó
CEO (as of June 1, 2024) and Deputy Chairman of the Board of Directors
Melinda Szabó has more than 25 years of experience in the telecommunications business, and has spent a significant part of her professional career at Magyar Telekom, and several years at Vodafone and other companies. In July 2018, Melinda was appointed to the position of Chief Commercial Officer for Residential Services at Magyar Telekom, and in January 2020 became the Commercial Director of Magyar Telekom - with her scope of responsibilities expanded to the SoHo and SMB segments. From September 2022, she worked in the position of Senior Vice President for B2C Growth Europe at Deutsche Telekom and reported directly to Dominique Leroy, member of Deutsche Telekom's board of directors for the European segment. As of June 1, 2024, Melinda is the CEO of Slovak Telekom and T-Mobile Czech Republic.

Vladan Peković
CIO and technology director
Interim general director (from 1.1. to 31.5.2024)
Vladan Pekovič studied electronics at the University of Podgorica and gradually completed courses at ESMT Berlin, ESSEC Business School, and Duke University. Between 2000 and 2004, gained a wealth of experience in technological positions at Ericsson in the USA, Mexico, and Algeria. worked as the director of the technology division at M:Tel for two years, and in July 2009 joined the Deutsche Telekom group. He first held a post in Montenegro as program director, and subsequently as Director of Network and Operations. He leater worked in Poland for a year, and in 2014 became director of IT and Technology in Montenegro. In November 2017, joined Telekom Romania as IT and Technology Director. After three years, he became the CEO of Telekom Romania, and after a further year gained the position of technology and IT director at Slovak Telekom and T-Mobile Czech Republic.

Pavel Hadrbolec
CFO
Pavel Hadrbolec has a wealth of experience in the telecommunications industry. In 2000, Pavel joined the then Oskar (now Vodafone) - where he took care of long-term planning and cash flow in various analytical and project positions, thereby helping to bring a third operator to the Czech market. From 2004, Pavel worked at T-Mobile Czech Republic, where he held several professional and managerial positions in the financial division and played an important role in the integration of T-Systems and GTS. For the past three years, Pavel was vice president of performance management for Europe at parent company Deutsche Telekom. Since April 1, 2019, Pavel has been CFO at Slovak Telekom and T-Mobile Czech Republic.

Jitka Adámková
Human Resources director
Jitka Adámková is a Doctor of Law (Masaryk University, Brno) and holds an MBA. Jitka started her professional career as a labour law specialist in Zbrojovka Brno, and since 2002 she has combined her professional development with the energy industry – first working as HR director at Jihomoravská plynárenská, and later for the entire RWE group in the Czech Republic - where she participated in restructuring projects to a significant extent. Up until 2014, coordinated HR CEE activities within innogy, then for three years she worked as an executive & COO at innogy Customer Services in the Czech Republic. She eventually moved to the position of Senior Vice President for Applied Excellence & Change in the Essen headquarters of the innogy group. Jitka Adámková brings extensive management experience from the international environment to the Deutsche Telekom Group.

Peter Laco
Director for the Enterprise segment
Peter Laco graduated from the Bratislava University of Economics, and a few years later received an MBA degree at Nottingham Trent University in Great Britain. Between 2002 and 2011, Peter gained extensive management experience at KPMG Slovakia. Between 2012 and 2018, he worked at IBM, where he was initially the director of the software division, then later sales director and head of the Slovak branch. Peter came to Slovak Telekom from KPMG - where he gained further experience in the field of management, sales and consulting services. From September 2020, he worked in the position of head of sales to corporate customers, and in June 2021 he became director of the Enterprise segment.

Mladen Mitič
Director for mass market (until 31.5.2024)
Mladen Mitič graduated in information science at the University of Belgrade, and completed an advanced strategy program at the IMD Business School in Lausanne. Mladen brought a wealth of knowledge from the telecommunications arena from several markets and telecommunications groups. He worked in the positions of CRM Consumer Manager and Prepaid Segment Manager at the Serbian Telenor. In Norway's Telenor, Mladen led the marketing and products division with a strong customer focus. At Danish operator TDC Business, Mladen was responsible for marketing, and focused on the areas of branding, FMC, and digitization. In January 2020, Mladen joined the Deutsche Telekom Group and was responsible for the transformation of the EU B2B segment directly in Bonn itself. From mid-September 2021, Mladen has held the position of Mass Market director at Slovak Telekom.

Martina Kandera
Director for Mass Market (since 17.6.2024)
Martina Kandera worked for Slovak Telekom for almost 20 years and gradually gained a wealth of experience in the field of sales and customer channel management, was responsible for the VSE and SME segments, and led several programs in the retail sector. In January 2022, moved to a new position directly at Deutsche Telekom headquarters where she managed the Channel Strategy Europe segment in which she developed and implemented a new sustainable and forward-looking channel strategy alongside all countries across the many subsidiaries of the DT parent group. At the same time, successfully managed the One Call Center project and the international Winners Circle reward program. At Slovak Telekom, held the new position of Director of the Commercial Mass Market Division since June 17, 2024.

Board of Directors

Chair:
- Armin Sumesgutner (since 29.4.2020)

Vice-Chair:
- José Perdomo Lorenzo (until 31.5.2024)
- Melinda Szabó (since 1.6.2024)

Member:
- Danijela Bujic (since 1.10.2021)

Supervisory Board

Chair:
- Martin Renner (until 29.2.2024)
- Mirela Seserko (since 1.3.2024)

Members:
- Martin Švec (since 2.10.2020)
- Peter Vražda (since 20.3.2023)

Audit Committee

Chair:
- Danijela Bujic (chair since 11.3.2022, member since 11.10.2021)

Members:
- Martin Švec (since 20.3.2023)
- Vladimir Lucev (since 1.3.2024)

02 Business activity report

Technology, services and products

When developing and improving its services and products, Slovak Telekom focuses primarily on customer needs and on providing an excellent customer experience. Slovak Telekom has invested in innovative technologies for a long time - while currently emphasizing 5G and optical networks. Slovak Telekom is active in both B2C and B2B segments and has been intensively focusing on increasing the level of digitization in recent years.

The best connectivity: The advance of 5G and optics

As a technology and telecommunications leader, Telekom once again built on its previous successes and took on a new challenge in the new year. As a technology partner, Telekom provided the best and safest connectivity for the prestigious Audi FIS Ski World Cup skiing event in Jasná. Telekom stretched tens of kilometres of optical fibres into the Demänovská valley and covered the data internet transmissions for journalists, organizers, and visitors. Trouble-free operation was ensured by 26 deployed Wi-Fi points which were located in various zones such as the organizing team area, press centre, and fan zones. At the same time, a 5G network was installed in the centre which for the first time additionally used the free band after the 3G network was switched off - which increased the total capacity of the network not only during the event, but became a permanent part of the mountain slopes.

The 5G network was also installed in other areas during the first months of the year, and by mid-February Telekom had already covered 55.3% of Slovakia's population.

In terms of the fixed network, Slovak Telekom has been expanding its optical network coverage and has already exceeded a million households for more than a year. In January, Telekom also signed a collaboration agreement with Východoslovenská distribučná spoločnosť (Eastern Slovak Distribution).

This mutual agreement makes it possible to use the existing infrastructure of Východoslovenská distribučná for the provision of high-quality connections in areas in the east of Slovakia. Through this cooperation, Slovak Telekom gains access to a part of the Východoslovenská distribučná optical network and will start to provide its portfolio of fixed network services on it, i.e. Magio internet, Magio TV, Smart Package and Magenta 1.

Thanks to the high-quality and extensive optical network, Telekom can regularly bring various innovations, and part of the changes in the portfolio for fixed services was a free optical Internet speed increase. The speed changes concerned not only residential, but also business customers - with certain profiles improved by this change by up to 50% for upload and download.

Similarly to other operators and group members in Deutsche Telekom, Slovak Telekom decided to transfer a significant part of the passive infrastructure to a separate company.

As of June 1, 2024, Slovak Telekom Infra manages approximately 1,500 transmitters and masts, towers, and steel structures on roofs all over Slovakia. Slovak Telekom Infra will deal with the management and development of passive infrastructure.

TOP hardware: T Phone 2, and the new generation Samsung Galaxy

The first quarter is traditionally rich in new hardware products thanks to presentations by manufacturers and the Mobile World Congress fair. As early as in January, Samsung introduced the entire new Samsung Galaxy S24 series, and in the following months several new class A products which gradually went on sale and took over the position of leader in the sales charts - such as the Samsung Galaxy A15, A25, A35, and A55.

In the course of the spring, other new products from Xiaomi and Motorola were added - and in May, our own series of new products arrived. Across the entire group, Deutsche Telekom deployed the second generation of its T Phone 2 and T Phone 2 Pro mobile phones. The new devices combine eco-design and a convincing price-performance ratio. Once again, they come in two sizes with a new Snapdragon processor, dualSIM card support, more memory, higher IP resistance, and a better Eco Rating.

Telekom delighted customers who wish to use the same number on several devices. The Connect my watch service allows customers to communicate with the world without having to carry a phone with them - by wearing a smart watch with its own eSIM profile which is connected remotely, but at the same time works independently - for example, while running, skiing, or even shopping.

An integral part of the innovation is the possibility to choose the second piece of hardware while on an instalment plan and to choose a smart watch from several brands to add to your mobile phone.

Telekom has expanded its portfolio of green mobile phones. As an active ESG player, Telekom also focuses on sustainable projects and recycling. For this reason, two versions of the recycled Apple iPhone 12 and iPhone 12 Pro models appeared in the portfolio.

Environmental protection is part of the fulfilment of strategic goals at the ESG level, which are inseparable for Slovak Telekom from its long-term plans. This requires actions on several levels - which begin with the extraction of raw mineral materials. Telekom decided to motivate its customers by collecting old mobile phones - which in most cases end up unused at home. After collection, they are handed over for professional recycling, the result of which is the reuse of precious metals that can be used in the production of microchips. For each mobile phone handed over, customers can receive an ECO coupon of up to €70, which they can then use when buying a new device .

TOP services: The New Magenta 1, SWIPE, and the Magenta Moments platform

Telekom renewed the range of popular Magenta 1 service packages. This is one of the biggest changes in Telekom's portfolio in recent years – and one which brought to the market a renewed concept of connecting and managing services. With the arrival of the new version, customers can pay less or get more, while there will be a number of popular benefits to choose from. In addition, these benefits are continuously expanded, and customers can flexibly choose a different combination of benefits every month.

Along with the launch of the new Magenta 1, Telekom prepared another novelty for all customers – the new pan-European Magenta Moments customer program arrived in Slovakia with a number of exclusive offers and new functions directly in the Telekom application itself. Less than a month after the start of the Magenta Moments benefit program, the platform already had dozens of discounts with attractive partners, and the portfolio is continuously expanding.

In addition, Telekom also provides time-limited offers - for example on Valentine's Day or Easter. In addition, Magenta Moments was also connected to other activities - such as the CSR project for the safety of senior citizens which was connected to the distribution of free tickets to the thematic film Blažine lekcie (Blažina's Lesson).

Several events were prepared for Predplatenka (Prepaid) customers, for example: a Valentine's surprise - where new MIXI customers could try a 1 GB package for 7 days for only 14 cents. For others, a package in the form of 8 GB for 7 days was prepared for only €3.

TV platforms also underwent improvements. MAGIO TV entered the new year with several channel innovations - thanks to which it offers viewers even richer and more interesting TV content. In January, the portfolio was expanded to include the Premier Sport 3 HD sports channel, followed by the addition of two more TV channels in February, the globally popular Love Nature 4K travel and nature channel, and another sports channel - Arena Sport 2 HD - which focuses on sports viewers with its rich content.

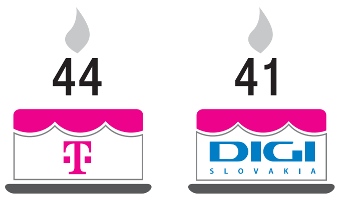
One of the biggest milestones of the first half of 2024 was the launch of SWIPE - a brand-new platform. SWIPE is a fully digital, self-functioning product for young people from 15 to 28 years of age. The customer downloads the dedicated SWIPE application, through which they can order and activate the program. The SWIPE program is composed by everyone according to their own needs - they choose from three components: free minutes/messages, data volume, and data speed. Special discounts also apply to the new SWIPE program. Customers can enjoy exclusive experiences by joining any of the three levels and win a party of their choice or tickets to different parties. The face of SWIPE was the well-known Slovak rapper GLEB, who also made an accompanying music video for the entire platform - its content was created directly by Telekom customers, and GLEB choose from thousands of proposals.

Human resources and employees

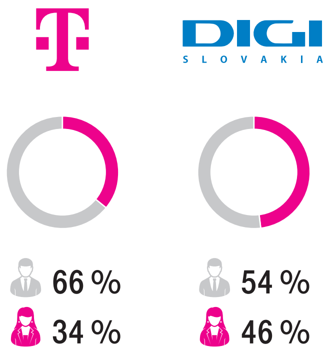
The Group in numbers

In the period between 1.1.2024 - 31.5. 2024, Slovak Telekom employed 2,368 internal employees. In the respective period, subsidiaries DIGI Slovakia employed 125 internal employees.

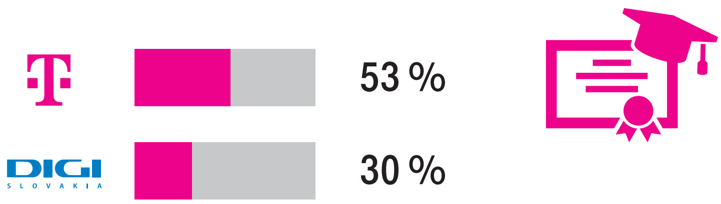
Average age of Slovak Telekom and its subsidiary employees in 2024



Percentage of males and females in Slovak Telekom and its subsidiaries in 2024



Percentage of employees in Slovak Telekom and its subsidiaries with a university degree. The remaining employees had completed secondary education with a high school diploma.



Diversity, inclusion and equality of employees

This year, we continued the activities started last year. We supported parents at MD/RD with regular information from the world of the company; we offered several types of training - for example on the topic of parental preparation. We also met our parents live as part of Children's Day in Žilina and Košice. We launched a program to connect part-time positions and our parents on parental leave who have the necessary skills for these positions. Colleagues were given the opportunity to participate in a conference to support women in business. And we managed to hold our own "At T, we can be ourselves" conference - where we presented diversity and inclusion from our point of view, welcomed interesting guests from Slovakia and abroad, and held several workshops on topics from different corners of diversity. In addition to these activities, our inclusive approach and support of women in managerial and IT positions was also translated into internal and external communication.

Healthy society

In terms of traditional benefits supporting a healthy lifestyle and prevention, we have expanded the ulekára.sk service to include the possibility of ordering directly from specialized doctors. On the basis of the long-term well-being strategy "Zdravé Téčko" (Healthy T), a number of thematic events took place during the first half of the year, which were focused on the prevention of physical and mental health, personal development, and connecting communities. The biggest events included: Health Days, The Dry February Challenge, blood donation, and The May Step Challenge.

Health Days were organized by Telekom in Bratislava, Žilina, Košice – and this year also in Banska Bystrica - where employees could learn from a drop of blood how they are doing in terms of hemoglobin, cholesterol, triglycerides, and uric acid values, and also blood sugar. Eye examinations and vision measurements, smokerlyzer-monitor CO breath tests, examination of moles with a digital dermatoscope, massages, counselling and healthy snacks were all available. In total, more than 350 employees participated.

All other events saw a significant increase in active participants, and - in addition to prevention - were always associated with good deeds. 35 teams consisting of 180 committed employees took part in the step challenge. Most managed to walk more than 140,000 steps in 14 days - thanks to which we contributed almost EUR 3,000 to non-profit organizations supporting children. About 100 employees participated in the Dry February challenge - which is almost 10 times more than in 2023. In Bratislava alone, 45 employees decided to donate blood, thus we filled the possible capacity for the day.

Sharing knowledge

In addition to individual professional development plans for specific positions, employees also have access to the T-University development platform with free lessons. At T-University, every employee who wants to invest time and energy in their personal growth can develop voluntarily.

From 1.1.- 31.5. 2024, 2,053 employees graduated from T-University and a total of 5,760 participations in all development activities were recorded.

The highest participation was for courses that primarily addressed digital skills:

- Morning Digi Talks
- A selection of the best AI tools
- ChatGPT and its advanced features
- Generating consistent graphics, icons, and logos with AI
- Basic English phrases for every occasion
- From A2 to B1 - how to finally become an "independent user of the language"
- How to open unpleasant topics

In the spring, under the auspices of T-University, the "Kickstart your career development at T" days were held - the aim of which was to increase awareness of internal career growth opportunities. 489 employees participated – who had the opportunity to try out interviews, the assessment centre, and also participate in a number of development activities – from among which the greatest interest was in the following topics:

- Decide well!
- Motivation in practice: tips from neuroscience for energy and efficiency in everyday work
- My growth path
- Personal development and time management
- Personal vision
- How to overcome fear and one's own limits

Employer branding activities

In the first half of 2024, we intensively continued our employer branding activities. We launched a new employer branding campaign: "We are ourselves", which seamlessly follows the internal strategy in the area of diversity and inclusion, as well as the employer branding strategy of Deutsche Telekom: "Question today, create tomorrow".
During the spring months, we participated in several events with high school and university students across Slovakia - such as Night of Chances IT, Allheads IT Bratislava, MiniErasmus, Girls day under the baton of AjTyvIT, and Ideathon under the auspices of the Alliance for Young People, with the aim of presenting Slovak Telekom as an interesting, modern, and potential employer for the future.

Communication

Marketing communication

In 2024, Telekom continued the Rešpekt communication platform set up the previous year - through which it endeavours to discuss tolerance, respect, and mutual respect in society.

Slovak Telekom will continue to focus on the customer and improving the customer experience. The selection of services and benefits in the media roadmap has also adapted to this. Communication in the first half of 2024 was characterized by innovations and improved services that bring benefits to customers. Three product-image campaigns were broadcast on television.

Magenta Moments (January - February 2024)

In January 2024, Telekom launched a completely new program of Magenta Moments benefits - available exclusively for its customers in the Telekom application. To build awareness of the contest, surprise, and discounts from partners-packed program, Telekom used the adaptation of an international campaign featuring a magenta carpet that is laid out for every Telekom customer on their way to the experience. In addition to the image element of the campaign, product carriers were also created locally - communicating specific benefits from the main partners. In addition to television, the campaign could also be seen in print, on citylights, online, and heard on the radio.

The new Magenta 1

On March 1st, Telekom launched the renewed Magenta 1 service on the market - bringing a new discount system, bundling approach, and service management. The more you connect, the more benefits you get - that's the benefit of the new Magenta 1 - which brings benefits to families who combine their services under one family number. They have a choice of movie streaming services, even faster optical Internet, Wow Wi-Fi, double data, and much more. This benefit, Magenta 1 as a family service, and respect became the central idea of the campaign. It was important to find a real family - and ideally a well-known personality, so Branko Radivojevič - a Slovak hockey legend and his real family - became the face of the campaign.

SWIPE – a flat rate for young people under 28

At the beginning of May, Telekom introduced a new mobile program for young people between the ages of 15 and 28 which they can customize as they wish. At the same time, the program in the application offers interesting benefits - including competitions for tickets to music events. The whole philosophy of "the world according to you" was transferred to the advertising campaign - the face of which became the well-known rapper - Gleb. Gleb created a new track especially for this campaign - for which Generácia Z had to come up with a video. For the first time, Telekom's advertisement was not created by creatives in an advertising agency, but by young people themselves. The campaign launched on May 1st with three activation videos on social networks in which Gleb invited young people to send him ideas for his music video. The campaign continued with two product spots with Gleb as the protagonist that dramatized the advantages of the mobile program. The highlight of the campaign was a clip created based on selected ideas by Gleb's fans. The premiere of the video clip was attended by 600 people - which is the full capacity of Bratislava's Kácečko. The video clip ran as a one-minute v TV spot, and at full length as an online video.

Slovak Telekom additionally implemented several non-television campaigns and activities.

A tribute to journalists

The most prominent image campaign built on the Rešpekt platform in the first half of the year was a tribute to journalists which focused on supporting and recognizing the importance of free journalism. This campaign was created as a response to the growing number of attacks against the media and independent journalists. A key element of the campaign was the display of vulgar messages and insults that Slovak journalists have to face on a daily basis. Important Slovak media such as Aktuality, Nový čas, Denník N, Hospodárske noviny and SME participated in the campaign.

Jasná B2B

At the end of January, an important event took place in Slovakia - the Women's Downhill Skiing World Cup in Jasná. By providing connectivity for this event, a unique opportunity arose to present technological solutions from the T-Business portfolio and build the image of technological competence and technological leadership. At the same time, communication on social networks focused on Respect for athletes and Respect for fan activities and created a synergy with the Respect platform.

Connect my watch (apríl-máj 2024)

In April 2024, the new additional Connect my watch service provided customers the opportunity to use their smart watch to the full - even if their phone remained at home. The launch of the service was accompanied by an ATL campaign in print media, on citylights, and in the online environment. Its main message was the headline "Enjoy your flat rate through your watch" and was focused on specific examples of when the customer can use the service. For example: when running, swimming, cycling, in the fitness centre, and when walking the dog.

T Phone 2 (from May 2024)

At the end of May, 2024 (24.5), Telekom started a non-televised over-the-line campaign with new models of its own T Phone 2 and T Phone 2 Pro Smartphones. The campaign was an adaptation of an international creative campaign which states that the new models bring “5G to every pocket”.

As with the campaign for the very first T Phone, the concept was aimed at a broad audience - as these 5G-enabled Smartphones are affordable for just about everyone. Communication was deployed in the online environment in the form of banners and video, in print, on citylights, and on the radio.

External communication

During the first five months of the year, external communication encompassed several important company milestones and activities.

The first press conference held was for the launch of the 5G network and the deployment of top connectivity at the Jasná ski resort for the FIS Downhill Skiing World Cup. Part of the meeting with journalists took place directly on the slope itself, and at the transmitter on Priehyba at an altitude of 1342 meters above sea level.

At the end of January, the arrival of the pan-European Magenta Moments customer program was presented - which offers a number of benefits to customers of fixed services, mobile flat-rates, and prepaid cards. The first range of offers was presented, as were important launch partners such as Slovnaft, Martinus, Regal Burger and Pelikán.

Significant changes in the portfolio also focused on Magenta 1 fixed and mobile service package - which have been operating in a new form since March, and customers can choose from two main benefits: paying less, or getting more benefits. The benefits themselves are composed according to the available credit, and the customer can choose between twice as much data + its forwarding donation, content services such as Max and CANAL+ and extra TV packages.

Telekom covered both main topics (Magenta Moments and Magenta 1) at a large joint-press conference where the general increase in fixed Internet speeds from March was additionally announced.

In February, Telekom became a partner for the release of the award-winning film Blažine lekcie (Blažina’s Lesson). The film’s premiere was timed to commemorate Safer Internet Day, and the drama highlights the unfair practices of illegal enrichment by fraudsters among a group of senior citizens. In addition to the press conference and the premiere, Telekom also staged employee shows in five cities, and the film events also included specialized lectures by experts in several cities where fraud was discussed. In addition, Telekom additionally issued two sets of useful rules - the Ten Commandments for safe Internet for seniors, and the Ten Commandments on how to protect yourself from telephone scams.

In spring, Telekom organized several press conferences and meetings with journalists. In March, Telekom combined two topics at one event - insofar as they cover hardware services and the use of accessories: the highly-anticipated Connect my watch service on Samsung devices (the possibility of using the same number on a Smartphone and a Smart watch) and the Second hardware on instalments plan (so that customers have the opportunity to buy watches more advantageously).

In April, the external communication team prepared the most stylish press conference of the year - in the dance studio with graffiti on the walls and dance numbers in the dance space, introducing the platform and flat rate for young people - SWIPE. The presentation included several performances, a practical demonstration of the new application, and an interview with Ambassador Gleb.

The May press conference again combined two related topics: the launch of two new Smartphones – the T Phone 2 and the T Phone 2 Pro - was combined with the presentation of an eco-coupon for the collection of old phones. The two latest Smartphones for Deutsche Telekom are more environmentally friendly than their predecessors, and have a high eco rating. The proposal with the eco coupon was the start of the summer campaign, and at the briefing the mechanism of collecting phones, the cycle of disassembling their materials, as well as the use of benefits and details regarding the use of the eco coupon for the purchase of new hardware were presented to journalists.

Activities continued in the new Rešpekt communication platform, where Telekom paid tribute to journalists who increasingly face criticism, slander, and hate speech on the occasion of World Press Freedom Day in May.

Social responsibility

"We will not stop until everyone is involved" and the values: "We are here for the customer, Always get things done, Act with respect and honesty, Team together, team separately, I am T - rely on me, and Stay curious and develop" are the basic pillars of the responsible business (hereinafter referred to as "RB") of Slovak Telekom, as well as "Act responsibly".

RB's strategy focuses on four key areas: 1) A climate neutral future, 2) Circularity, 3) The best team in the industry, 4) A digital future. Each area has defined specific ambitions - while in 2023, we launched a transition plan to achieve these ambitions. Detailed indicators and their fulfilment are part of the consolidated CSR report by parent company Deutsche Telekom AG.

We were active in all areas until the end of May this year. Through the ECCO2 program aimed at reducing CO2 and the energy burden of our business, the activities of modernization and optimization of the mobile and fixed network, data centres, the optimization of the environmental burden of administrative buildings and the fleet continue. At Slovak Telekom - in addition to the Environmental policy - we regularly defend certificates according to ISO 14 001 standards for the environmental management system (EMS) and ISO 50 001 for the management of energy efficiency (EnMS).

After the pilot in March of this year, we put Returnable Packaging into full operation - thus 13,000 boxes were put into circulation which can withstand 60–100 transports. At the end of their useful life, the supplier crushes them and uses the obtained recycled material again. In support of the circular economy - which helps save the planet's resources - for fixed line and TV equipment, the equipment is leased by customers - giving us full control over their life cycle. In the case of mobile phones, we try to motivate customers to bring their devices to Telekom stores from where they are moved to Námestov to the Ekoray company for ecological disposal. Part of our activities is additionally the education of the young generation. As part of our cooperation with CEEV Živica, almost 500 students for the 2023/2024 school year were educated on the importance of e-waste recycling.

The digital future is built on digital technologies that are human centred. Such a person responsibly uses technology for their own benefit and to increase their quality of life. They are digitally intelligent. For this, they need knowledge, skills, and abilities. February was spent in the context of increasing the digital security of seniors. Through the film Blažine lekcie (Blažina's Lesson) which vividly and intensely shows how easily a senior can get into a situation where they become the object of fraud through telephone calls, we pointed out this current social problem. 57 organizations participated in the Ripe for the Digital Age grant program, while we financially supported the 12 best projects with a total of €55,000.

Increasing children's digital literacy continued within ENTER through the training of teachers and children in programming skills. In April, we announced the ENTER Summer Camps grant scheme which aims to support children's skills by connecting technology and leisure activities during the summer.

DIGI Slovakia

DIGI - on the market for the 18th year
DIGI SLOVAKIA, s.r.o. (hereinafter referred to as "DIGI SLOVAKIA") aims to provide quality and reliable services while maintaining affordable prices. Every year, DIGI SLOVAKIA brings more value to customers in the form of new content with the aim of achieving ever higher customer satisfaction.

Non-biding services
DIGI SLOVAKIA continues to sell services with no strings attached. For customers who want to avoid initial fees for setting up the service, DIGI SLOVAKIA offers an installation bonus, activation bonus, or self-installation option.

Expanding the television portfolio
In 2024, the TV portfolio was expanded to include new TV programs such as Premier Sport 3, Love Nature, and Prima Cool SK. The addition of the CANAL+ streaming service, which customers can receive as a benefit, is also new. Many new channels are also available with the new Internet TV.

The most sport on DIGI
In 2024, DIGI SLOVAKIA continued to deliver channels with hundreds of football broadcasts from the best leagues in the world. Customers could watch the Champions League, the English Premier League, the Spanish La Liga, the German Bundesliga, and the Italian Serie A on the exclusive sports channels Premier Sport, Canal+ Sport, and Nova Sport. In addition to football, viewers could also watch attractive tennis broadcasts, combat sports from UFC, cycling, skiing, the NFL and many other sports events.

New product portfolio – Internet services and Internet TV
In May 2024, DIGI launched new service packages. Improved internet - provided on the Telekom network as well as on the DIGI Slovakia network - can be set up on both optical and metallic networks. Maximum connection speeds reach 400 Mbit/s and Internet services can also be ordered in a combined package along with Internet television - providing a great selection of programs, an archive included in the price of the basic package and a video library.

VOYO and CANAL+ benefits
DIGI provides its customers with the Voyo Start benefit which offers free viewing of 5 videos from selected Voyo content every 30 days. There is also an option for the paid activation of the full version of Voyo.

Customers who have CANAL+ programs in their TV package are also entitled to a benefit in the form of the CANAL+ streaming service which provides hundreds of hours of film entertainment and more.

Social responsibility
DIGI SLOVAKIA once again supported the Mountains and the City mountain film festival in 2024.

03 Financial Statements

Slovak Telekom, a.s.

Extraordinary Consolidated Financial Statements

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

for the period from 1 January 2024 to 31 May 2024

Contents

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Slovak Telekom, a.s.

INDEPENDENT AUDITOR'S REPORT

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

REPORT ON THE AUDIT OF THE EXTRAORDINARY CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the extraordinary consolidated financial statements of Slovak Telekom, a.s. and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 May 2024, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the period from 1 January 2024 to 31 May 2024, and notes to the extraordinary consolidated financial statements, including material accounting policy information and other explanatory information.

In our opinion, the accompanying extraordinary consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 May 2024, and its consolidated financial performance and its consolidated cash flows for the period from 1 January 2024 to 31 May 2024 in accordance with International Financial Reporting Standards (IFRS) as adopted in the European Union (EU).

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 Extraordinary Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the provisions of Act No. 423/2015 Coll. on Statutory Audit and on Amendment to and Supplementation of Act No. 431/2002 Coll. on Accounting, as amended (hereinafter the "Act on Statutory Audit") related to ethical requirements, including the Code of Ethics for Auditors that are relevant to our audit of the extraordinary consolidated financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matters

We draw attention to Note 2.1 to the extraordinary consolidated financial statements stating that the Company prepared the extraordinary consolidated financial statements as at 31 May 2024 due to the transaction of the Company's demerger undertaken with effect from 1 June 2024. All profit and loss items are presented for the period from 1 January 2024 to 31 May 2024. The preceding reporting period is the year ended 31 December 2023; therefore, the amounts disclosed in the extraordinary consolidated financial statements are not fully comparable. Our opinion is not modified in respect of this matter.

We draw attention to Note 31 to the extraordinary consolidated financial statements describing the uncertainty related to the outcome of the lawsuits filed against the Company. Our opinion is not modified in respect of this matter.

Responsibilities of Management and Those Charged with Governance for the Extraordinary Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the extraordinary consolidated financial statements in accordance with IFRS as adopted in the EU, and for such internal control as management determines is necessary to enable the preparation of extraordinary consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the extraordinary 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.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

This is a translation of the original auditor's report issued in the Slovak language to the accompanying extraordinary consolidated financial statements translated into the English language.

Auditor's Responsibilities for the Audit of the Extraordinary Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the extraordinary 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 extraordinary consolidated financial statements.

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 extraordinary 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 extraordinary 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 extraordinary consolidated financial statements, including the disclosures, and whether the extraordinary 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 extraordinary 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 those charged with governance about, inter alia, the planned scope and time schedule of the audit and significant audit findings, including all material deficiencies of internal control identified during our audit.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Report on Information Disclosed in the Annual Report

The statutory body is responsible for information disclosed in the annual report prepared under the requirements of the Act on Accounting No. 431/2002 Coll. as amended (the "Act on Accounting"). Our opinion on the extraordinary consolidated financial statements stated above does not apply to other information in the annual report.

In connection with the audit of extraordinary consolidated financial statements, our responsibility is to gain an understanding of the information disclosed in the annual report and consider whether such information is materially inconsistent with the extraordinary consolidated financial statements or our knowledge obtained in the audit of the extraordinary consolidated financial statements, or otherwise appears to be materially misstated.

We assessed whether the Group's annual report includes information whose disclosure is required by the Act on Accounting.

Based on procedures performed during the audit of the extraordinary consolidated financial statements, in our opinion:

- Information disclosed in the annual report prepared for the period from 1 January 2024 to 31 May 2024 is consistent with the extraordinary consolidated financial statements for the relevant period; and
- The annual report includes information pursuant to the Act on Accounting.

Furthermore, based on our understanding of the Group and its position, obtained in the audit of the extraordinary consolidated financial statements, we are required to disclose whether material misstatements were identified in the annual report, which we received prior to the date of issuance of this auditor's report. There are no findings that should be reported in this regard.

Bratislava, 4 November 2024

Ing. Peter Jaroš, FCCA
Responsible Auditor
Licence UDVA No. 1047

On behalf of
Deloitte Audit s.r.o.
Licence SKAu No. 014

Consolidated Income Statement

for the period from 1 January 2024 to 31 May 2024 and the year ended 31 December 2023

thousands of EUR	Notes	1–5/2024	2023
Revenue from contracts with customers	4	348,906	828,811
Other operating income	5	5,543	17,772
Staff costs	6	(48,797)	(128,529)
Material and equipment		(39,946)	(118,539)
Depreciation, amortisation and impairment losses	11, 12, 13	(72,294)	(172,170)
Interconnection fees and other telecommunication services		(16,607)	(47,287)
Net impairment losses on financial and contract assets	15,17	(5,867)	(3,807)
Own work capitalised	6	4,400	13,531
Other operating costs	7	(66,379)	(187,027)
Operating profit		108,959	202,755
Financial income	8	2,328	3,732
Financial expense	9	(2,058)	(4,049)
Net financial result		270	(317)
Profit before tax		109,229	202,438
Income tax expense	10	(26,516)	(51,954)
Profit for the year		82,713	150,484
Profit is attributable to			
Owner of Slovak Telekom, a.s.		82,713	151,034
Non-controlling interests		-	(550)
Profit for the year		82,713	150,484

The extraordinary consolidated financial statements on pages 23 to 74 were authorised for issue on behalf of the Board of Directors of the Group on 25 October 2024 and signed on their behalf by:

Melinda Szabó
Vice-chairman of the Board of Directors

Consolidated Statement of Comprehensive Income

for the period from 1 January 2024 to 31 May 2024 and the year ended 31 December 2023

thousands of EUR	Notes	1–5/2024	2023
Profit for the year		82,713	150,484
Other comprehensive income / (expense)			
Fair value gain arising on hedging instruments	16	9,358	-
Deferred tax (expense) / income	10	(1,965)	-
Other comprehensive gain / (loss) to be reclassified to profit or loss in subsequent years, net of tax		7,393	-
Gain / (loss) on remeasurement of defined benefit plans	23	1,272	(1,549)
Deferred tax (expense) / income	10	(267)	325
Other comprehensive gain / (loss) not to be reclassified to profit or loss in subsequent years, net of tax		1,005	(1,224)
Other comprehensive gain / (loss) for the year, net of tax		8,398	(1,224)
Total comprehensive income for the year, net of tax		91,111	149,260
Total comprehensive income for the period is attributable to:			
Owners of Slovak Telekom, a.s.		91,111	149,810
Non-controlling interests		-	(550)
		91,111	149,260

Consolidated Statement of Financial Position

thousands of EUR	Notes	31.5.2024	31.12.2023
ASSETS			
Non-current assets			
Intangible assets	11	332,000	332,610
Property and equipment	12	822,413	821,473
Right-of-use assets	13	103,081	93,552
Derivative financial instruments	16	9,358	-
Deferred tax	10	2,207	2,058
Other receivables	15	16,659	18,495
Contract assets	17	6,805	7,990
Contract costs	17	18,216	15,520
Prepaid expenses and other assets	18	10,965	11,177
		1,321,704	1,302,875
Current assets			
Inventories	19	22,304	23,752
Loans	20	10,000	90,000
Trade and other receivables	15	169,120	175,360
Contract assets	17	19,509	19,968
Contract costs	17	16,719	16,749
Current income tax receivable		186	240
Prepaid expenses and other assets	18	11,298	9,059
Cash and cash equivalents	21	46,290	72,863
		295,426	407,991
TOTAL ASSETS		1,617,130	1,710,866
EQUITY AND LIABILITIES			
Shareholders' equity			
Issued capital	22	864,138	864,113
Statutory reserve fund	22	172,825	172,823
Other		7,230	(1,171)
Retained earnings and profit for the year		132,708	206,867
Total equity		1,176,901	1,242,631
Non-current liabilities			
Deferred tax liability	10	51,895	52,544
Lease liabilities	25	85,194	77,820
Provisions	23	33,635	35,215
Other payables	24	20,550	20,750
Contract liabilities	17	33,090	31,949
		224,364	218,278
Current liabilities			
Provisions	23	26,077	27,535
Trade and other payables	24	101,560	138,933
Contract liabilities	17	33,046	32,128
Other liabilities	24	31,346	35,247
Lease liabilities	25	16,007	14,908
Current income tax liabilities		7,829	1,206
		215,865	249,957
Total liabilities		440,229	468,235
TOTAL EQUITY AND LIABILITIES		1,617,130	1,710,866

Consolidated Statement of Changes in Equity

for the period from 1 January 2024 to 31 May 2024 and year ended 31 December 2023

thousands of EUR	Note	Issued capital	Statutory reserve fund	Other	Retained earnings	Subtotal Equity	Non-controlling interests	Total equity
Year ended 31 December 2023								
As at 1 January 2023		864,113	172,823	67	204,189	1,241,192	10,250	1,251,442
Profit for the year		-	-	-	151,034	151,034	(550)	150,484
Other comprehensive income		-	-	(1,224)	-	(1,224)	-	(1,224)
Total comprehensive income		-	-	(1,224)	151,034	149,810	(550)	149,260
Transactions with shareholder:								-
Other changes in equity		-	-	(15)	-	(15)	-	(15)
Disposal of non-controlling interest		-	-	-	-	-	(4,153)	(4,153)
Dividends	22		-	-	(148,356)	(148,356)	(5,547)	(153,903)
At 31 December 2023		864,113	172,823	(1,172)	206,867	1,242,631	-	1,242,631
Period from 1 January 2024 to 31 May 2024								
As at 1 January 2024		864,113	172,823	(1,172)	206,867	1,242,631	-	1,242,631
Profit for the year		-	-	-	82,713	82,713	-	82,713
Other comprehensive income		-	-	8,398	-	8,398	-	8,398
Total comprehensive income		-	-	8,398	82,713	91,111	-	91,111
Transactions with shareholder:								
Other changes in equity		25	2	4	(1)	30	-	30
Dividends	22	-	-		(156,871)	(156,871)	-	(156,871)
At 31 May 2024		864,138	172,825	7,230	132,708	1,176,901	-	1,176,901

Consolidated Statement of Cash flows

for the period from 1 January 2024 to 31 May 2024 and the year ended 31 December 2023

thousands of EUR	Notes	31.5.2024	31.12.2023
Operating activities			
Profit before tax		109,229	202,438
Depreciation, amortisation and impairment losses	11, 12, 13	72,294	172,170
Interest expense, net		(156)	318
(Gain) / loss on disposal of intangible assets and property and equipment	5, 7	(697)	(1,019)
Gain on disposal of subsidiary	1, 5	-	(3,825)
Other non-cash items		4,372	2,318
Change in provisions	23	(2,211)	689
Change in trade receivables and other assets		(4,660)	(43,779)
Change in inventories		690	3,613
Change in trade payables and other liabilities		(28,549)	14,745
Cash from operating activities		150,312	347,668
Income taxes paid		(22,870)	(58,483)
Net cash from operating activities		127,442	289,185
Investing activities			
Purchase of intangible assets and property and equipment	11, 12, 28	(68,611)	(147,870)
Proceeds from disposal of intangible assets and property and equipment		1,593	4,460
Proceeds from disposal of subsidiary	1	-	6,127
Disbursement of loans		(58,000)	(98,000)
Repayment of loans		138,000	148,000
Net cash from cash pooling	15	4,000	(2,856)
Termination of term deposits		-	900
Interest received		2,993	3,021
Other cash (paid for) / from investing activities		52	(14)
Net cash used in investing activities		20,027	(86,232)
Financing activities			
Dividends paid	22	(156,871)	(148,356)
Repayment of financial liabilities	28	(7,301)	(14,853)
Repayment of principal portion of lease liabilities		(8,372)	(15,481)
Interest paid		(1,567)	(2,847)
Dividends paid to non-controlling interests	1	-	(5,330)
Other cash from financing activities		28	134
Net cash used in financing activities		(174,083)	(186,733)
Effect of exchange rate changes on cash and cash equivalents		41	(15)
Net increase in cash and cash equivalents		(26,573)	16,205
Cash and cash equivalents at 1 January	21	72,863	56,658
Cash and cash equivalents as at 31 May 2024 and 31 December 2023	21	46,290	72,863

Notes to the Extraordinary Consolidated Financial Statements

Index to the notes to the extraordinary consolidated financial statements

1. General information

These extraordinary 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") 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. The Company is registered with the Business Register of the Municipal Court Bratislava III, section Sa, insert No.: 2081/B. 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 2G (GPRS/EDGE), 4G (LTE, LTE-CA) and 5G. 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 the end of 2020, Telekom has acquired the authorisation for 700 MHz frequency band, valid until 31 December 2040. In May 2022, Slovak Telekom has obtained the authorisation to use the 3700–3800 MHz frequency band, valid from 1.9.2025 until 31.12.2045.

Slovak Telekom holds the following investments in fully consolidated direct subsidiaries:

Name and registered office	Activity	Share and voting rights 31.5.2024	Share and voting rights 31.12.2023
DIGI SLOVAKIA, s.r.o. ("DIGI") Röntgenova 26, 851 01 Bratislava	TV services, broadband services and TV channels production	100%	100 %
Telekom Sec, s.r.o. ("Telekom Sec") Bajkalská 28, 817 62 Bratislava	Security services	100%	100%

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

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

On 29 January 2010 the Group acquired 51% of the share capital and voting rights in PosAm and obtained control of PosAm. The Group consolidated 100% of PosAm and presented 49% of equity interest in PosAm as non-controlling interests. The business combination's agreement contained the put & call options which, if triggered, might result in the transfer of the residual 49% equity interest in PosAm to Slovak Telekom. The Group concluded that terms of the transaction represented a contractual obligation to purchase the Group's equity instrument and as such, the Group recognised the financial liability from put option in the fair value, i.e. present value of the redemption amount. The put option obligation was presented in current liabilities as the put option could be exercised on demand.

In 2023 the Group declared a dividend to non-controlling interests in amount of EUR 5,547 thousand of which EUR 5,330 thousand was paid until 3 March 2023.

On 3 March 2023 Slovak Telekom sold its 51% share and voting rights in PosAm for the selling price EUR 7,707 thousand. Cash from the selling price in amount of EUR 7,707 thousand was received in 2023. Gain on disposal of subsidiary in amount of EUR 3,825 thousand is presented within Other operating income (Note 5). The details of the disposed assets and liabilities and disposal consideration are as follows:

thousands of EUR	March 2023
Selling price	7,707
Less net assets of disposed subsidiary including attributed goodwill	
Intangible assets, including attributed goodwill	(6,799)
Property and equipment and right-of-use assets	(1,692)
Trade and other receivables and other assets	(6,737)
Cash and cash equivalents	(1,372)
Trade and other payables and other liabilities including liability from put option	8,565
Non-controlling interests	4,153
Gain on disposal of subsidiary (Note 5)	3,825
Selling price	7,707
Less: Cash and cash equivalents in disposed subsidiary	(1,372)
Cash proceeds from disposal of subsidiary	6,335

Members of the Statutory Boards at 31 May 2024

Board of Directors

Chairman:
- Armin Sumesgutner (since 29.04.2020)

Vice-chairman:
- Jose Severino Perdomo Lorenzo (until 31.05.2024)
- Melinda Szabó (since 01.06.2024)

Member:
- Danijela Bujic (since 01.10.2021)

Supervisory Board

Chairman:
- Mirela Seserko (since 01.03.2024)
- Martin Renner (until 29.02.2024)

Members:
- Peter Vražda (since 20.03.2023)
- Martin Švec (since 02.10.2020)

Audit Committee

Members:
- Vladimir Lucev (since 01.03.2024)
- Danijela Bujic (chair since 11.3.2022, member since 11.10.2021)
- Martin Švec (since 20.03.2023)

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 "DTAG"), 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 extraordinary consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

Changes to significant accounting policies are described in Note 2.19.

2.1 Basis of preparation

The extraordinary 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 extraordinary financial statements are presented in Euros and all values are rounded to the nearest thousands, except where otherwise indicated.

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

The preparation of extraordinary 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 2.18.

The extraordinary financial statements have been prepared from 1 January to 31 May 2024. All profit and loss items in these financial statements represents period from 1 January 2024 to 31 May 2024. All profit and loss items for comparative period represents period from 1 January 2023 to 31 December 2023. Therefore, the amounts presented in the financial statements are not entirely comparable. The financial statements for the period from 1 January 2024 till 31 May 2024 are issued as a result of a demerger transaction that took place on the effective date as at 1 June 2024. In accordance with IAS 1, the Group is presenting a complete set of financial statements for the period directly preceding the effective date of the transaction.

Statement of compliance
These consolidated financial statements are the extraordinary consolidated financial statements of the Group and have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("EU"). The extraordinary 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 extraordinary consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 May 2024. 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.

The Group recognises non-controlling interests in an acquired entity either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets. This decision is made on an acquisition-by-acquisition basis. For the non-controlling interests in PosAm, the group elected to recognise the non-controlling interests at its proportionate share of the acquired net identifiable assets.

Business combinations are accounted for using the acquisition method. The consideration paid on 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 consideration paid on an 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 in profit or loss. Put option on share held in subsidiary by minority shareholders is classified as a financial liability. The corresponding amount is reclassified from equity (non-controlling interest). Subsequent measurement of the liability is at fair value through profit or loss in accordance with IFRS 9.333.

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 costs of dismantling and removing the item of property and equipment and restoring the site on which it is located is also included in costs, if the obligation has to 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 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 profit or loss 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, constructions and leasehold improvements	8 to 50 years
Operating equipment:	
Network technology equipment	4 to 33 years
Transport vehicles, hardware and office equipment	2 to 20 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 2.18.

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' 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 2.18.

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

Software	3 to 23 years
Telecommunications licences	5 to 23 years
Content licences	1 to 4 years
Customer relationships	8 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 do not have legally enforceable periods 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 recognizes the content licences as an intangible assets if it is highly probable that the content will be delivered, contract duration is longer than one year and the cost are determined or determinable. Acquired content licences are recognised 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. Content contracts which do not meet the criteria for capitalization are expensed and presented in 'other operating costs' in the income statement.

Goodwill
Goodwill arises on the acquisition of subsidiaries and represents an excess of the consideration transferred and the non-controlling interest in the acquiree (measured either at fair value or at the proportionate share of the of the acquired entity's net identifiable assets) over the net fair value of net identifiable assets acquired, liabilities and contingent liabilities of the acquiree. Following initial recognition, goodwill is carried at cost less any accumulated impairment losses. Goodwill is not amortised, but it is tested 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 the cash generating unit ("CGU") to which goodwill belongs to 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 CGU's with allocated goodwill tested for impairment are in Level 3 of the fair value hierarchy.

2.4 Leases

2.4.1 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. 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.

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.

The expected lease term for evergreen leases assigned to the various categories of Right-of-use assets are:

Space on telecommunication infrastructure of third parties	5 years
Rooftops	10 years
Land to install own telecommunication equipment	30 years
Exclusive easements	30 years
Shops	20 years
Technical space	33 years
Office space	20 years
Ducts and Pipes	35 years
Vehicles	5 years
Office and other general use equipment	4 years
Leased lines	20 years

2.4.2 Lease liabilities

At the commencement date of a 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 receivable, 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 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 an 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 an 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).

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. 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.

2.4.3 IFRS 16 recognition exemptions

IFRS 16 includes recognition exemptions available to lessees and specifies alternative requirements.

Separation of non-lease components
In accordance with IFRS 16.12 an entity shall account for each lease component within the contract as a lease separately from non-lease components of the contract.

The Group has applied practical expedient and does not separate lease from non-lease components (IFRS 16.15), except for data center contracts, therefore non-lease components which are fixed, e.g. utilities, maintenance costs, etc. are not separated but instead capitalized.

Short-term leases
There is a practical expedient for lessees not to apply the recognition, measurement and presentation requirements of IFRS 16 for short-term leases (IFRS 16.5).

The Group has made the decision not to apply the short-term recognition exemptions to lease contracts, except for some minor and insignificant lease arrangements with a lease term of one month or less. Hence, short-term leases have to be recognised, measured and presented as lease arrangements in the scope of IFRS 16.

Low-value leases
There is a practical expedient for lessees not to apply the recognition, measurement and presentation requirements of IFRS 16 for leases of which the underlying asset is of low value (“low-value leases”; IFRS 16.5). The practical expedient can be taken on a lease-by-lease basis. For leases of low-value items to which this exemption is applied, lease payments are recognised as an expense over the lease term.

The Group has made the decision not to apply this practical expedient. Hence, all low-value leases, have to be recognised, measured and presented as lease arrangements in the scope of IFRS 16.

Leases of intangible assets
The Group elected in accordance with IFRS 16.4 for lessees not to apply IFRS 16 to leases of intangible assets or similar resources. To the extent that these transactions and its related assets fulfil the recognition criteria in IAS 38 Intangible Assets, they should be accounted as such. As a consequence, lessees are not required to perform lease identification procedures for any right to use intangible assets such as mobile radio spectrum, microwave frequencies, software, patents as well as content or data rights.

Separate presentation on the face of the Statement of financial position
The Group decided to present the right-of-use assets as well the lease liabilities as separate line items on the face of the statement of financial position (see IFRS 16.47). As a result, the right-of-use asset and the lease liability is presented (separately from other assets and liabilities) in the statement of financial position.

2.4.4 Subleases

In classifying a sublease, the Group, as the intermediate lessor, should classify the sublease as a finance lease or an operating lease in the same manner as any other lease using the criteria discussed in IFRS 16.61 et seq. with reference to the right-of-use asset (not the underlying asset itself) arising from the head lease. That is, the intermediate lessor treats the right-of-use asset as the underlying asset in the sublease, not the item of property, plant or equipment that it leases from the head lessor. The intermediate lessor only has a right to use the underlying asset for a period of time. If the sublease is for all of the remaining term of the head lease, the intermediate lessor has in effect transferred that right to another party and the sublease is classified as finance lease. Otherwise the sublease is an operating lease.

2.4.5 Lease accounting – the Group as a lessor

Leased out property and equipment where all the substantial benefits and risks usually connected with the ownership were transferred from the Group to lessee is classified as finance lease. The underlying asset is derecognised and the respective short term and long-term lease payments, net of finance charges are recognised as current and non-current financial assets.
Payments received under operating leases are recorded in profit or loss in agreed instalments over the period of the lease.

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 ("CGU") 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 for use are not subject to amortisation and are tested for impairment annually. Impairment losses for each class of assets are presented within depreciation, amortisation and impairment losses in the income statement. Reversals of impairment losses are presented within other operating income in the income statement.

For the purpose of assessing impairment, assets are grouped into CGU's, 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 CGU on the basis of value in use. 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 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 value in use 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 CGU. Cash flows reflect management assumptions and are supported by external sources of information. This impairment test 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 CGU to which the goodwill is allocated exceeds its recoverable amount, goodwill allocated to this CGU is reduced by the amount of the difference. If an impairment loss recognised for the CGU 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 CGU. Impairment losses on goodwill are not reversed.

In addition to the general impairment testing of CGU, 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 CGU's 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 CGU to which the goodwill relates. For more details on impairment of goodwill refer to Note 14.

2.6 Inventories

Inventories are initially measured at cost that comprises the purchase price 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, obsolete or damaged inventories.

Phone set inventory write-down 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.

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. These balances are not part of cash equivalents and they are presented as receivable from cash pooling in current receivables and within investing activities in the statement of cash flows.

2.8 Financial assets

The Group classifies its financial assets as follows:
- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through profit or loss ("FVTPL")

The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

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.

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 except for derivative contracts.

Financial assets at amortised cost (debt instruments)
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, Loans and Cash pooling in the statement of financial position.

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

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.

Financial assets at fair value through profit or loss

The Group uses currency forward contracts to economically hedge its estimated cash flows. The Group decided to account for these contracts as "held for trading derivatives". As such, the Group did not apply hedge accounting in 1–5/2024 and 2023 and all currency forward contracts are recognised as held for trading derivatives with changes in fair value being reflected in profit or loss. Furthermore, the Group uses commodity derivative to mitigate exposure to power price volatility for non-speculative purposes and applied hedge accounting in accordance with IFRS 9 requirements. As such, the derivative is measured at fair value with the effective portion from changes in fair value being reflected in comprehensive income and ineffective portion in profit and loss.

Financial assets at fair value through profit or loss are initially recognised at fair value and subsequently carried at fair value. Unrealised gains and losses arising from revaluation of financial assets to the fair value as well as realised gains and losses are recognised in profit or loss.

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. Regarding loss allowances for trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment (e.g. expected GDP growth and expected changes in unemployment rate). 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.

The Group has applied the general impairment model to loans provided to related parties. Where the expected lifetime of an asset is less than 12 months, expected losses are measured at its expected lifetime. Currently the loans are in Stage 1. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. ECLs for loans were assessed but not booked as they are not material.

The loans from DTAG group to not give rise to a significant credit risk. These loans are settled through the group intercompany clearing centre and therefore classified to category Baa1 for which ECL is calculated.

The expected credit losses of significant assets are measured on an individual basis. The expected credit losses of remaining financial assets are measured by grouping together these assets with similar risk characteristics and applying provision matrix.

An impairment loss is calculated as the difference between an asset's gross 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.

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 (including liability from put option) 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.

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.

2.11 Prepaid expenses

The Group has various contracts where the expenses are paid in advance, e.g. quarterly or yearly. Contracts relate to various services, e.g. maintenance.

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 that 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 the corresponding increase in the carrying amount of the related non-current asset is depreciated over the estimated useful life of that asset. The value of the liability is recalculated to its present value as at the end of the reporting period and changes in the liability are recognised in the value of the assets or through charges to profit or loss (finance expenses). 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 May 2024. 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 presented within staff costs in profit or loss.

Incentive programs
The Group has entered into several incentive programs, both share-based and non-share based and cash and non-cash settled managed by DTAG. The Group recognizes the costs of services received from its members of executive management in a share-based and non-share-based payment transaction when services are received. If these services are received in a cash-settled share-based payment transaction, the Group recognizes the expense against the provision, re-measured at each reporting date. In case of equity-settled share-based payment transaction, the Group recognizes the expense against the equity capital fund, measured at fair value at the grant date.

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 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.

When the Group acts as a reseller of another party’s branded digital goods or services with a virtually unlimited supply (e.g. software licenses, cloud services, streaming services), it acts as principal if it has a selling price discretion and is primarily responsible, meaning it is the only party which the customer enters into a contract with and the only party that is responsible towards the customer for providing support and handling complaints and product issues. In this case revenue is recognised on a gross basis, otherwise net revenue is recognised.

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 resulting from comparison of internal price list with external market prices. 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 a customer contract that has not yet legally come into existence – in the consolidated statement of financial position.

Customer’s credit risk is taken into account when accounting for contract assets by applying the expected credit loss model of IFRS 9. Impairments as well as reversals of impairments on contract assets are accounted for in accordance with IFRS 9.

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. Payments are typically due within 14 days.

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, circuits, dark fiber etc.) is recognised based on the lease classification, either as one-off revenue, i.e. finance lease (if the Group assessed as manufacturer or dealer) or on a straight-line basis over lease period, i.e. operating lease (rental).

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 issue an invoice and to a payment. Revenue is recognized over time or at point in time based on contract conditions assessed in line with IFRS 15 criteria.

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 rendered.

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. 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 8 and 9 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. In 2024, the levy of 4.356% per annum (2023: 4.356% 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.

Deferred tax assets and deferred tax liabilities is offsets if, and only if, those relate to income taxes levied by the same taxation authority on the same taxable entity.

2.18 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. Management 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 1–5/2024 and changed accounting estimates where appropriate. The table summarizes net increase or (decrease) in depreciation or amortisation charge for total non-current assets for the following periods:

thousands of EUR	1–5/2024	2025	2026	2027	2028 and after
Non-current assets	(3,871)	(1,692)	1,197	1,092	3,274

Customer relationships
The Group maintains record of customer relationships obtained during the acquisition of control of DIGI (Note 11) 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 1–5/2024 and 2023.

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 2.5 using estimates detailed in Note 14.

Joint operation
The Group has entered into a networksharing agreement („NSA") with CETIN Networks, s.r.o („CETIN"). The subject of the agreement is the provision of active and passive network services between the parties which is based on the geographic split of the Slovak Republic's territory. The main aim of the agreement is increased quality of the services for end customers and the overall costs reduction for network operation.

The Group has assessed rights and obligations arising from the networksharing agreement and determined that the agreement is in the scope of IFRS 11 Joint operations. The contract with CETIN is not concluded through special purpose vehicles and does not provide rights to net assets of the joint arrangement as such the joint arrangement is classified as joint operations. The Group has full control over the active infrastructure used in the joint operations and accounts for those assets as own assets. With regards to the passive infrastructure, despite the fact those assets are legally owned by the individual joint operators, the Group accounts for the passive infrastructure subject to NSA as shared assets (it means 50 % of each of the passive infrastructure asset subject to NSA).

The Group contributes at carrying amount, specifically the Group derecognises 50 % of the net book value of the asset with the impact to income statement. CETIN's contributions to the joint operation are initially measured at fair value, specifically the Group recognizes 50 % of the fair value of the asset contributed by CETIN with impact to income statement.

The Group's contributions represent outflow of economic resources in the form of disposed assets, whereas the counter-party's contributions represent inflow of economic resources from the standpoint of the Group's financial statements and are recognized through other operating income. The net impact of the formation of the joint operations from 1 January till 31 May 2024 is EUR 1,381 thousand.

CETIN and the Group incur income and expenses related to the operation of the network in the geographic territory they are responsible for and subsequently perform mutual recharges. Income and expenses incurred based on the contract are of the same nature. Those transactions are considered to be the transactions of the joint operation rather than transactions between the joint operators. As such, those are presented in net values. In certain cases, residual balances are presented as other operating income and other operating expenses.

Content rights
The Group recognizes the content licences as an intangible assets if it is highly probable that the content will be delivered, contract duration is longer than one year and the cost are determined or determinable. Acquired content licences are recognised 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. Content contracts which do not meet the criteria for capitalization are expensed and presented in 'other operating costs' in the income statement.

Asset retirement obligation
The Group enters into lease contracts for land and premises on which mobile communication network masts and other assets 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 assets, which is estimated to be from 5 to 33 years. The remaining useful life of assets ranges from 1 to 33 years at 31 May 2024.
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 related to masts was shortened by 10 years it would cause an increase of asset retirement obligation by EUR 1,643 thousand (2023: increase by EUR 1,699 thousand). If the inflation rate increased by 0.5%, it would cause an increase of asset retirement obligation by EUR 1,202 thousand (2023: increase by EUR 1,242 thousand). If the risk-adjusted, pre-tax discount rate increased by 0.5%, it would cause a decrease of asset retirement obligation by EUR 1,105 thousand (2023: decrease by EUR 1,141 thousand). If the amounts necessary to settle future obligations increased by 10%, it would cause an increase of asset retirement obligation by EUR 2,512 thousand (2023: increase by EUR 2,489 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 31.

Critical judgements in determining lease term
The lease term assessment for evergreen leases (i.e. with no specified contract maturity) is performed on a portfolio basis. The lease term determination is usually linked to the estimated useful life of telecommunication equipment installed on infrastructure, building or land of third parties.

In case of evergreen lease contracts for office space, shops and technical space, lease term has been assessed in different manner, considering all circumstances and facts that create an economic (dis)incentive to terminate the contracts, e. g. location of the asset, existence of significant leasehold improvements that would be lost if the lease were terminated, costs associated with sourcing an alternative place and historical lease durations. Based on that, the Group has come to conclusion that expected lease term is 20 years for office space and shops and 33 years for technical space.

If the expected lease term of office space and shops was shortened by 10 years (from 20 years to 10 years) it would cause a decrease in the lease liability by EUR 6,376 thousand (2023: EUR 5,707 thousand). If the expected lease term was prolonged by 10 years (from 20 years to 30 years) it would cause an increase in the lease liability by EUR 9,024 thousand (2023: EUR 9,135 thousand).

If the expected lease term of technical space was shortened by 10 years (from 33 years to 23 years) it would cause a decrease in the lease liability by EUR 7,262 thousand (2023: EUR 8,007 thousand). If the expected lease term was prolonged by 10 years (from 33 years to 43 years) it would cause an increase in the lease liability by EUR 8,869 thousand (2023: EUR 11,351 thousand). Assumed calculation is prepared on the basis of the subsequent extension of initial lease term after it's expiry by 10 years.

As the result of the networksharing agreement with CETIN, approximately 320 sites (rooftops and ground-based towers) will be either sold or dismantled. The Group has reassessed the lease term of the related lease contracts and determined the fixed end date of the leases based on the estimated time of the sale or dismantle. The financial effect of the reassessment is reflected in right-of-use assets (Note 13) and corresponding lease liabilities (Note 25).

2.19 Adoption of IFRS during the year

Standards, interpretations and amendments to published standards effective for the Group's accounting period beginning on 1 January 2024
The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2024:

a) Classification of liabilities as current or non-current - amendments to IAS 1
b) Non-current liabilities with covenants - amendments to IAS 1
c) Lease Liability in a a Sale and Leaseback - amendments to IFRS 16
d) Supplier Finance Arrangements - amendments to IAS 7 and IFRS 7

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

New standards and interpretations not yet adopted
The new standards, amendments to the standards and interpretations endorsed by EU which are not yet effective and have not been early adopted are not expected to have a significant impact on the Group's financial statements.

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, intra-group loans, intra-group funding measures (i.e. cash pooling or additional financing facilities) and derivatives. The main purpose of these instruments is to manage the liquidity of the Group.

The Group also concluded derivate swap contract which is a virtual power purchase agreement to manage cash flow variability. The Group is exposed to variability in the price of power due to the electricity consumption in the mobile network and related administrative building. Risk management strategy is focused on limiting the impacts of commodity price risks to acceptable levels defined in Risk management strategy. The hedging strategy and the extent of hedge coverage are aligned with the DT Strategy Team and have been approved by local management. Hedge accounting practices are conducted in accordance with these established principles. In accordance with the Risk management strategy, the risk management objective is that Group entered into a derivative commodity contract where they pay fixed leg and receive the float leg based on price development on underlying assets represented by hourly national spot price published by short-term electricity market operator OKTE.

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 (except for credit risk arising from sales activities which is managed by the Credit Risk Department) in accordance with guidelines approved by the Board of Directors and the Deutsche Telekom Group Treasury. The Group's Treasury Department 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 of 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 net exposure) of the following 12 months (rolling 12 month approach) a hedging ratio of at least 50% of net foreign-exchange exposure is applied. The Group uses foreign exchange spot and foreign exchange fixed-term financial contracts to hedge these uncommitted net exposures.

Short-term cash flow 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 and CZK foreign exchange rates, with immaterial risk related to financial assets and financial liabilities denominated in other foreign currencies.

The carrying amounts of the Group's USD and CZK denominated monetary assets and monetary liabilities at the reporting date are as follows:

thousands of EUR	31.05.2024	31.12.2023	31.05.2024	31.12.2023
	USD	USD	CZK	CZK
Monetary assets	534	353	686	366
Monetary liabilities	(975)	(689)	(2,409)	(4,889)
	(440)	(336)	(1,723)	(4,523)

The following table details the sensitivity of the Group's profit after tax 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		31.05.2024	31.12.2023
Profit after tax	Depreciation of USD by 10%	32	24
	Appreciation of USD by 10%	(32)	(24)

thousands of EUR		31.05.2024	31.12.2023
Profit after tax	Depreciation of CZK by 10%	6	14
	Appreciation of CZK by 10%	(6)	(14)

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 on Upstream loans with DTAG in October 2008 based on which the Group can provide loans to DTAG. Currently, there is outstanding loan in amount of EUR 10,000 thousand (2023: EUR 90,000 thousand) at fixed interest rate (Note 20). The Group has no material financial instruments with variable interest rates as at 31 May 2024.

3.1.3 Other price risk

Other price risk arises on financial instruments because of changes in commodity prices. The Group entered into derivative swap to mitigate volatility exposure for energy prices.

The following table details the sensitivity of other components of equity to a 10% increase/decrease in the reference prices and 5% increase/decrease in electricity volumes with all other variables held as constant. The 10% and 5% change represents management's assessment of the reasonably possible change in the variables.

thousands of EUR		31.05.2024	31.12.2023
Impact on other components of equity	Decrease in reference prices 10%	(4,279)	-
	Increase in reference prices 10%	4,279	-

thousands of EUR		31.05.2024	31.12.2023
Impact on other components of equity	Decrease in electricity volume10%	(23)	-
	Increase in electricity volume 10%	4	-

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 investing 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 deposits free cash into financial instruments such as financial investments in the form of loans to DTAG. The Group is exposed to concentration of credit risk from holding loan receivable in the amount of EUR 10,000 thousand (2023: EUR 90,000 thousand) provided to DTAG (Germany) and trade receivables from DTAG and other entities in DT Group in amount of EUR 30,659 thousand (2023: EUR 38,638 thousand). The concentration of credit risk for trade receivables other than from entities in DT Group is limited due to the fact that the customer base is large and unrelated.

The Group's cash and cash equivalents are held with major regulated financial institutions; the two largest ones hold approximately 81% and 12% (2023: 91% and 6%).

For credit ratings see the following tables:

thousands of EUR	31.05.2024	31.12.2023
Loans (Note 20)		
Baa1	10,000	90,000
	10,000	90,000

thousands of EUR	31.05.2024	31.12.2023
Cash and cash equivalents (Note 21)		
A2	43,527	71,174
Aa3	2,458	1,550
Not rated	105	139
	46,090	72,863

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 (Credit Default Swap) level and rating.

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 determined based on probability of default would be immaterial. The receivables from the DTAG group do not give rise to a significant credit risk. The Group has considered the financial performance, external debt and future cash flows of the related parties and concluded that the credit risk relating to these receivables is limited and consequently the probability of default relating to these balances is low.

Impairment is recognized both upon initial recognition and at each subsequent reporting date at an amount equal to the lifetime expected credit losses. 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 receivables.

In respect of financial assets, which comprise cash and cash equivalents, intra-group loans, 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 considers a financial asset to be in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before contractual payments are 90 days past due. For example, in case of an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

The Group assesses its financial investments at each reporting date for credit losses. Significant financial assets are assessed individually. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. Credit loss in respect of a financial asset is calculated as the difference between all contractual cash flows that are due to an entity in accordance with the contract and all the cash flows that the entity expects to receive discounted at the original effective interest rate. Credit losses are recognised in the income statement.

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 May 2024							
Trade and other receivables, gross	180,477	7,438	6,339	5,200	6,973	15,784	222,211
Trade and other receivables, nett	169,664	6,533	3,774	2,016	1,855	1,907	185,779
Allowance for receivables	(10,813)	(905)	(2,565)	(3,184)	(5,088)	(13,877)	(36,432)

		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 2023							
Trade and other receivables, gross	183,213	10,645	5,304	4,404	6,127	18,230	227,923
Trade and other receivables, nett	174,686	9,548	3,377	1,858	1,399	2,987	193,855
Allowance for receivables	(8,527)	(1,097)	(1,927)	(2,546)	(4,728)	(15,243)	(34,068)

The probabilities of default for individual ageing bands for Core receivables (which represents majority of receivables) are as follows:

		Past due					
	Not past due	< 30 days	31–90 days	91–180 days	181–365 days	> 365 days	> 3600 days
At 31 May 2024	2%	13%	40%	63%	74%	92%	100%
At 31 December 2023	2%	13%	40%	63%	74%	92%	100%

No significant individually assessed trade receivables were included in the loss allowance in 1–5/2024 or 2023.

Management believes that no additional loss allowance is necessary for trade receivables for which there is a significant increase in credit risk since initial recognition because of the fact that these receivables are from creditworthy customers who have a good track record with the Group. This is also supported by the historical default rates. Management also believes that currently no additional loss allowance is necessary for trade receivables that are either not past due or for which no objective evidence of impairment exists. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in Note 15, 20 and 21. For sensitivity of impairment charge of uncollectible receivables refer to Note 15.

3.3 Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Liquidity risks are monitored using several techniques, such as Maturity Gap Analysis (which compares cash inflows and outflows over various time periods), Cash Flow Forecasting, and examining the Cash Conversion Cycle to evaluate liquidity requirements and challenges. Short-term highly liquid assets of the Group (such as cash and cash equivalents, cash pooling receivable and intercompany short-term loans) cover significant part of Group´s payables without Trade and other receivables and other current assets taken into account, therefore liquidity risk of the Group is considered to be low:

thousands of EUR	31.05.2024	31.12.2023
Cash and cash equivalents	46,090	72,863
Cash pooling receivable (included in Trade and other receivables)	15,729	19,747
Loans	10,000	90,000
	71,819	182,610

The Group's liquidity risk mitigation principles define the level of cash and cash equivalents, marketable securities, short-term financial assets and intragroup financing measures in line with DT Group Centralized funding approach available to the Group to allow it to meet its obligations on time and in full. Liquidity needs are to be covered by intragroup funding measures of DT Group, i.e. cash pooling or additional financing facilities, then also cash, cash equivalents and liquid short term financial assets, 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 May 2024					
Trade and other payables	3,586	87,330	10,644	20,550	122,110
At 31 December 2023					
Trade and other payables	7,571	127,251	4,110	20,751	159,683

For maturity of lease liabilities refer to Note 25.

Trade and other payables, which are past due as at 31 May 2024, are in amount of EUR 1,909 thousand (out of which EUR 1,830 thousand are Trade and other payables past due not more than 30 days). Trade and other payables, which were past due as at 31 December 2023, were in amount of EUR 5,962 thousand (out of which EUR 5,914 thousand were Trade and other payables past due not more than 30 days.)

3.3.1 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 May 2024			
Current financial assets – Trade receivables	3,693	(2,609)	1,084
Current financial liabilities – Trade payables	3,460	(2,609)	851
At 31 December 2023			
Current financial assets – Trade receivables	4,307	(2,985)	1,322
Current financial liabilities – Trade payables	4,212	(2,985)	1,227

For the Group's accounting policy on offsetting refer to Note 2.8. Balances of Trade receivables and Trade payables are presented on a net basis in the consolidated statement of financial position.

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 the shareholder, or alternatively, by returning capital to the 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 1–5/2024.

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). Management of the Group manages capital measured in terms of shareholder's equity amounting to EUR 1,176,901 thousand at 31 May 2024 (2023: EUR 1,242,631 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.

thousands of EUR	Level 1	Level 2	Level 3
Recurring fair value measurements at 31 May 2024			
Financial assets at FVTPL			
Hedging derivatives – cash flow hedge	-	-	9,358

Development of the carrying amounts of the financial assets and financial liabilities assigned to Level 3

thousands of EUR	Derivative financial assets in cash flow hedges: energy forward agreements	Derivative financial liabilities in cash flow hedges: energy forward agreements
Carrying amount as of January 1, 2024	-	-
Additions (including first-time classification as Level 3)	-	-
Decreases in fair value recognized in profit/loss (including losses on disposal)	-	-
Increases in fair value recognized in profit/loss (including gains on disposal)	-	-
Decreases in fair value recognized directly in equity	-	-
Increases in fair value recognized directly in equity	9,358	-
Disposals (including last classification as Level 3)	-	-
Currency translation effects recognized directly in equity	-	-
Carrying amount as of May 31, 2024	9,358	-

The amounts are included in line "Derivative financial instruments" of the statement of financial position and in line "Fair value gain arising on hedging instruments "in the statement of comprehensive income.

3.5.2 Non-recurring fair value measurement

Non-recurring fair value measurements are fair value measurements that are required or permitted by other IFRSs to be measured in the statement of financial position in particular circumstances.

thousands of EUR	Level 1	Level 2	Level 3
Non-recurring fair value measurements at 31 May 2024			
Non-financial assets at fair value			
Property, plant and equipment	-	-	1,941

The Group accounts for counter-parties' contribution into joint operations at fair value in accordance with IFRS 11. Furthermore, non-financial assets were valued by external valuation service provider using cost approach including own data or other best available information in the circumstances in line with IFRS 13 requirements.

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. The loans are short-term. For further details on loans refer to Notes 3.2 and 20. 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	31.05.2024	31.12.2023
ASSETS		
Financial assets at amortised cost		
Trade and other receivables (Note 15)	185,779	193,855
Derivative financial instruments (Note 16)	9,358	-
Loans (Note 20)	10,000	90,000
Cash and cash equivalents (Note 21)	46,090	72,863
LIABILITIES		
Financial liabilities at amortised cost		
Trade and other payables (Note 24) – other than those at fair value through profit or loss	122,110	159,683
Lease liabilities (Note 25)	101,201	92,728

4. Revenue from contracts with customers

thousands of EUR	1–5/2024	2023
Fixed network revenue	141,962	314,837
Mobile network revenue	140,315	330,737
Terminal equipment	46,823	128,042
System solutions / IT	17,237	49,582
Other	2,569	5,613
	348,906	828,811

For assets and liabilities related to contracts with customers or cost to obtain a contract with customer refer to Note 17.

5. Other operating income

thousands of EUR	1–5/2024	2023
Gain on disposal of property and equipment and intangible assets, net	697	1,019
Gain from material sold	143	232
Gain on disposal of subsidiary (Note 1)	-	3,825
Reversal of impairment of property and equipment (Note 11, 12, 13)	267	3,200
Income from reinvoicing of services	2,282	5,827
Other	2,154	3,669
	5,543	17,772

6. Staff costs

thousands of EUR	1–5/2024	2023
Wages and salaries	34,521	97,641
Defined contribution pension costs	6,041	13,604
Other social security contributions	8,235	17,284
	48,797	128,529

	31.5.2024	31.12.2023
Number of employees at year end	2,493	2,521
Average number of employees during the year	2,503	2,561

Majority of own work capitalized in amount of EUR 4 400 thousand (2023: EUR 13,531 thousand) represents capitalization of staff costs of internal employees.

For expenses resulting from termination, retirement and jubilee benefits (included in Staff costs) refer to Note 23.

7. Other operating costs

thousands of EUR	1–5/2024	2023
Repairs and maintenance	6,041	15,166
Marketing costs	4,433	15,088
Energy	7,683	36,596
Printing and postage	1,421	3,408
Logistics	1,179	3,316
Rentals and leases (not in scope of IFRS 16)	924	1,770
IT services	3,661	8,736
Dealer commissions	8,712	18,402
Recurring frequency and other fees to Regulatory Authority	1,287	3,053
Content fees	11,518	28,882
Legal and regulatory claims (Note 31)	(186)	257
Property related costs	984	2,627
Consultancy	1,025	1,718
Services related to delivery of solutions for customers	9,662	28,877
Fees paid to group companies	3,324	6,821
Other	4,711	12,310
	66,379	187,027

8. Financial income

thousands of EUR	1–5/2024	2023
Interest income	2,214	3,732
Foreign exchange gains, net	114	-
	2,328	3,732

9. Financial expense

thousands of EUR	1–5/2024	2023
Interest expense from lease	1,472	2,836
Other interest expense	586	1,213
	2,058	4,049

10. Taxation

The major components of income tax expense for the period ended 31 May and year ended 31 December 2023 are:

thousands of EUR	1–5/2024	2023
Current tax expense	26,388	47,304
Current tax expense of prior periods	174	(17)
Deferred tax income	(3,030)	(3,110)
Levy on regulated industries	2,984	7,123
Levy on regulated industries of prior years	-	654
Income tax expense reported in the income statement	26,516	51,954

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	1–5/2024	2023
Profit before income tax	109,229	202,438
Income tax calculated at the statutory rate of 21% (2023: 21%)	22,938	42,512
Effect of non-taxable income and tax non-deductible expenses:		
Cost related to legal and regulatory claims	(329)	50
Other tax non-deductible items, net	749	241
Gain from disposal of subsidiary	-	1,391
Tax charge in respect of prior years	174	(17)
Levy on regulated industries	2,984	7,777
Income tax at the effective tax rate of 24% (2023: 26%)	26,516	51,954

Deferred tax assets (liabilities) for the periods ended 31 May 2024 and 31 December 2023 are attributable to the following items:

thousands of EUR	1 January 2024	Through income statement	Through statement of comprehensive income	31 May 2024
Difference between carrying and tax value of fixed assets	(84,055)	5,861	-	(78,194)
Lease liabilities	19,188	1,810	-	20,998
Staff cost accruals	3,540	(1,657)	-	1,883
Allowance for bad debts	5,635	159	-	5,794
Termination benefits	1,170	(207)	-	963
Retirement benefit obligation	2,159	77	(267)	1,969
Asset retirement obligation	5,227	(1,774)	-	3,453
Derivative financial instruments	-	-	(1,965)	(1,965)
Contract assets	(6,572)	284	-	(6,288)
Contract costs	(6,777)	(560)	-	(7,337)
Contract liability	1,473	86	-	1,559
Special levy	-	(380)	-	(380)
Other	8,526	(669)	-	7,857
Net deferred tax liability	(50,486)	3,030	(2,232)	(49,688)

thousands of EUR	1 January 2023	Through income statement	Sale of subsidiary	Through statement of comprehensive income	31 December 2023
Difference between carrying and tax value of fixed assets	(85,576)	1,350	171	-	(84,055)
Lease liabilities	17,085	2,103	-	-	19,188
Staff cost accruals	3,328	287	(75)	-	3,540
Allowance for bad debts	6,006	(371)	-	-	5,635
Termination benefits	870	300	-	-	1,170
Retirement benefit obligation	1,917	(83)	-	325	2,159
Asset retirement obligation	5,287	(60)	-	-	5,227
Contract assets	(6,193)	(379)	-	-	(6,572)
Contract costs	(4,966)	(1,811)	-	-	(6,777)
Contract liability	1,554	(81)	-	-	1,473
Other	8,955	1,855	(2,284)	-	8,526
Net deferred tax liability	(51,733)	3,110	(2,188)	325	(50,486)

Deferred tax asset of EUR 2,207 thousand (2023: EUR 2,058 thousand) is recognised in respect of subsidiary DIGI and deferred tax liability of EUR 51,794 thousand (2023: EUR 52,544 thousand) in respect of Slovak Telekom. 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	31.5.2024	31.12.2023
Deferred tax asset to be settled within 12 months	2,212	2,088
Deferred tax asset to be settled after more than 12 months	-	-
Deferred tax liability to be settled after more than 12 months	(5)	(30)
Net deferred tax asset	2,207	2,058

thousands of EUR	31.5.2024	31.12.2023
Deferred tax asset to be settled within 12 months	20,180	20,367
Deferred tax asset to be settled after more than 12 months	29,513	25,294
Deferred tax liability to be settled within 12 months	(6,965)	(7,402)
Deferred tax liability to be settled after more than 12 months	(94,623)	(90,803)
Net deferred tax liability	(51,895)	(52,544)

The Slovak Republic has implemented legislation to ensure global minimum taxation in accordance with Pillar II of the OECD and the corresponding EU Directive. The Slovak legislation was adopted in December 2023 and the legislation is applicable from 2024.

The potential tax burden has been estimated based on the information available at the balance sheet date (historical information, planning data, Group reporting as of 31 December 2023 and 31 March 2024, etc.). Based on this assessment, the Group expects that it will not be subject to minimum taxation in 2024, either by demonstrating that it meets the temporary safe harbor criteria (i.e. based on the qualified report the simplified effective tax rate for a jurisdiction is at least 15% for 2024) or by demonstrating minimum taxation based on detailed calculations according to the GLoBE rules. Therefore, no minimum tax is due as of the balance sheet date.

In addition, the Group uses the exemption in IAS 12.4A, according to which no deferred taxes are recognized in connection with the global minimum taxation.

11. Intangible assets

thousands of EUR	Software	Telecommu-nication licences	Other licences and rights	Internally developed intangible assets	Goodwill	Customer relation-ships	Intangibles under con-struction	Total
At 1 January 2024								
Cost	480,200	184,766	35,395	49,628	101,934	29,298	49,941	931,162
Accumulated amortisation	(389,846)	(124,078)	(27,868)	(36,577)	-	(20,183)	-	(598,552)
Net book value	90,354	60,688	7,527	13,051	101,934	9,115	49,941	332,610
Additions	6,734	-	12,960	23	-	-	4,389	24,106
Amortisation charge	(10,503)	(4,215)	(8,323)	(861)	-	(814)	-	(24,716)
Disposals	(1)	-	1	-	-	-	-	-
Transfers	12,387	-	1,717	985	-	-	(15,089)	-
At 31 May 2024								
Cost	493,165	184,766	37,776	50,636	101,934	29,298	39,241	936,816
Accumulated amortisation	(394,194)	(128,293)	(23,894)	(37,438)	-	(20,997)	-	(604,816)
Net book value	98,971	56,473	13,882	13,198	101,934	8,301	39,241	332,000

Customer relationships were recognised at acquisition of subsidiary DIGI with total net book value at 31 May 2024 of EUR 8,301 thousand (2023: EUR 9,115 thousand). Intangibles under construction are represented by low valued items of software or licenses acquired in current year, but not yet put in use.

For cost and impairment of goodwill refer to Note 14.

thousands of EUR	Software	Telecommu-nication licences	Other licences and rights	Internally developed intangible assets	Goodwill	Customer relation-ships	Intangibles under con-struction	Total
At 1 January 2023								
Cost	500,521	184,766	30,495	54,326	106,493	29,298	48,224	954,123
Accumulated amortisation	(413,411)	(113,961)	(25,080)	(38,503)	-	(18,230)	-	(609,185)
Net book value	87,110	70,805	5,415	15,823	106,493	11,068	48,224	344,938
Additions	13,555	-	17,270	139	-	-	20,492	51,456
Amortisation charge	(25,133)	(10,117)	(17,415)	(2,372)	-	(1,953)	-	(56,990)
Sale of subsidiary (Note 1)	1	-	-	(1,728)	(4,559)	-	(514)	(6,800)
Transfers	14,821	-	2,257	1,189	-	-	(18,261)	6
At 31 December 2023								
Cost	480,200	184,766	35,395	49,628	101,934	29,298	49,941	931,162
Accumulated amortisation	(389,846)	(124,078)	(27,868)	(36,577)	-	(20,183)	-	(598,552)
Net book value	90,354	60,688	7,527	13,051	101,934	9,115	49,941	332,610

12. Property and equipment

thousands of EUR	Land, buildings and structures	Telecommu-nications line network	Telecommu-nications equipment	Other	Capital work in progress including advances	Total
At 1 January 2024						
Cost	137,394	1,285,245	670,445	200,062	154,942	2,448,088
Accumulated depreciation	(87,686)	(836,962)	(544,203)	(157,764)	-	(1,626,615)
Net book value	49,708	448,283	126,242	42,298	154,942	821,473
Additions	1	7,117	8,219	3,227	24,078	42,642
Depreciation charge	(1,203)	(18,655)	(16,005)	(4,561)	-	(40,424)
Impairment charge	-	-	-	(57)	-	(57)
Reversal of impairment	267	-	-	-	-	267
Disposals	(10)	(82)	(119)	(966)	(311)	(1,488)
Transfers	1,196	8,734	9,839	2,067	(21,836)	-
At 31 May 2024						
Cost	138,206	1,300,775	674,881	200,060	156,873	2,470,795
Accumulated depreciation	(88,247)	(855,378)	(546,705)	(158,052)	-	(1,648,382)
Net book value	49,959	445,397	128,176	42,008	156,873	822,413

Property and equipment, excluding motor vehicles, is locally insured to a limit of EUR 25,000 thousand (2023: EUR 25,000 thousand). Any loss exceeding local limit is insured by DTAG Global Insurance Program up to EUR 725,000 thousand (2023: EUR 725 000 thousand). The Group has the third-party liability insurance for all motor vehicles.

thousands of EUR	Land, buildings and structures	Telecommu-nications line network	Telecommu-nications equipment	Other	Capital work in progress including advances	Total
At 1 January 2023						
Cost	145,215	1,255,921	650,754	203,293	121,193	2,376,376
Accumulated depreciation	(92,752)	(791,373)	(527,377)	(160,478)	-	(1,571,980)
Net book value	52,463	464,548	123,377	42,815	121,193	804,396
Additions	251	18,818	32,151	10,864	55,894	117,978
Depreciation charge	(3,504)	(45,791)	(37,844)	(10,972)	-	(98,111)
Impairment charge	(19)	-	-	-	-	(19)
Reversal of impairment	2,981	-	-	4	-	2,985
Disposals	(2,534)	(50)	(101)	(1,128)	(1,000)	(4,813)
Sale of subsidiary (Note 1)	(98)	-	-	(806)	(33)	(937)
Transfers	168	10,758	8,659	1,521	(21,112)	(6)
At 31 December 2023						
Cost	137,394	1,285,245	670,445	200,062	154,942	2,448,088
Accumulated depreciation	(87,686)	(836,962)	(544,203)	(157,764)	-	(1,626,615)
Net book value	49,708	448,283	126,242	42,298	154,942	821,473

13. 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 telecommunications equipment – the Group uses the space/area on third party landlords' land to construct its own masts or transmission towers. These masts and towers are used for telecommunications 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. They are usually parts of buildings acquired within sale and leaseback transactions, when the Group sells a building but has an easement right to use part of that building to access technological equipment. The easement right and selling price are interdependent because they are negotiated as part of the same package. There is no rent charged for the easement right to use the asset as it is already incorporated in the lower selling price, therefore the Group estimates market price of lease payments for this type of lease,

c) shops – retail space in a building or a shopping 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 31 May 2024 and at 31 December 2023.

thousands of EUR	Leased land	Leased buildings	Leased technical equipment and machinery	Total
At 1 January 2024				
Cost	35,492	109,263	12,150	156,905
Accumulated depreciation	(13,790)	(45,612)	(3,951)	(63,353)
Net book value	21,702	63,651	8,199	93,552
Additions	11,567	3,933	1,670	17,170
Depreciation charge	(1,514)	(4,627)	(956)	(7,097)
Disposals	(84)	(278)	(182)	(544)
At 31 May 2024				
Cost	46,053	112,530	13,351	171,934
Accumulated depreciation	(14,382)	(49,851)	(4,620)	(68,853)
Net book value	31,671	62,679	8,731	103,081

Disposals arose due to contract terminations or modifications (shortening of lease term or decrease of lease payment).

thousands of EUR	Leased land	Leased buildings	Leased technical equipment and machinery	Total
At 1 January 2023				
Cost	25,957	103,848	10,736	140,541
Accumulated depreciation	(11,348)	(37,113)	(6,718)	(55,179)
Net book value	14,609	66,735	4,018	85,362
Additions	10,868	13,493	6,508	30,869
Depreciation charge	(3,073)	(11,161)	(2,225)	(16,459)
Impairment charge	(98)	(493)	-	(591)
Reversal of impairment	215	-	-	215
Sale of subsidiary	-	(755)	-	(755)
Disposals	(819)	(4,168)	(102)	(5,089)
At 31 December 2023				
Cost	35,492	109,263	12,150	156,905
Accumulated depreciation	(13,790)	(45,612)	(3,951)	(63,353)
Net book value	21,702	63,651	8,199	93,552

Pursuant to IFRS 16 single lessee accounting model, the Group recognises a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments (Note 25).

14. Impairment of goodwill

For impairment testing, the goodwill acquired in business combinations has been allocated to individual cash-generating units:

thousands of EUR	31.05.2024	31.12.2023
T-Mobile	73,313	73,313
DIGI	28,621	28,621
	101,934	101,934

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 four-year financial plans that present the management's best estimate on market participants' assumptions and expectations. Cash flows beyond the four-year period were extrapolated using 1.00% growth rate (2023: 1.00%). The growth rate does not exceed the long-term average growth rate for the market in which the cash-generating unit operates. The Group used discount rate of 5.54% (2023: 5.83%). Further key assumptions on which management has based its determination of the recoverable amount of the cash-generating unit include the development of revenue, customer acquisition and retention costs, 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 value in use 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
The recoverable amounts of the cash-generating units were determined using cash flows projections based on the three-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 three-year period were extrapolated using a 1.00% growth rate (31.12.2023: 1.00%). The growth rate does not exceed the long-term average growth rate for the market in which the cash-generating units operate.

The Group used following discount rates:

	1–5/2024	2023
DIGI (TV business)	6.51%	7.28%

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 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 amounts of the cash-generating units based on value in use calculation exceeded their carrying amounts in 1–5/2024 and 2023. If the Group in 1–5/2024 used the growth rate lower by 0.5% with all other parameters unchanged, the carrying amount of cash-generating unit would exceed its recoverable amount by EUR 8,522 thousand. If the Group in 1–5/2024 used the discount rate higher by 0.5% with all other parameters unchanged, carrying amount of cash-generating unit would exceed its recoverable amount by EUR 8,061 thousand. Management believes that any reasonably possible change in the key assumptions in 1–5/2024 on which the cash-generating unit's recoverable amounts are based would not cause its carrying amounts to exceed its recoverable amounts.

15. Trade and other receivables

thousands of EUR	31.05.2024	31.12.2023
Non-current		
Receivables from instalment sale	16,273	18,040
Finance lease receivables	386	455
	16,659	18,495
Current		
Trade receivables	143,143	150,925
Cash pooling receivable	3,934	19,747
Other receivables	15,729	4,512
Finance lease receivables	6,314	176
	169,120	175,360

Trade receivables are net of an allowance of EUR 36,432 thousand (2023: EUR 34,068 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 1,696 thousand higher (2023: EUR 1,672 thousand).

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

thousands of EUR	1–5/2024	2023
At 1 January	34,068	34,881
Charge for the year, net	6,129	4,009
Utilised	(3,765)	(4,822)
At 31 May / 31 December	36,432	34,068

16. Derivatives

The Group is committed to reducing their greenhouse gas emissions and meeting sustainability targets. To mitigate exposure to power price volatility, the Group has entered into a Virtual Power Purchase Agreement (VPPA) centered on wind-generated power. This agreement aims to cover approx. 60% of annual power needs of the Group, which averages to about 40 GWh per year. The agreement utilizes Guarantees of Origin (host contract) to certify the renewable energy sourced. The Group applies own-use exemption and treats GoO as executory contract.

With a carrying amount as of 31 May 2024 equal to 9,358 thousand EUR, the embedded derivative in a REC (Renewable Energy Ceritificates) with a hedging relationship assigned to Level 3 and carried under derivative financial assets relates to the virtual power purchase agreement entered into by the Group on April 2, 2024. The transaction price at the inception of the VPPA was zero and no day 1 gain or loss was recognized.

Under the virtual power purchase agreement the Group will receive variable amounts based on the facilities' actual energy output and the current energy prices and will pay fixed amounts per unit of energy generated throughout the term of the contract. The virtual power purchase agreement is measured using valuation model because no observable market prices are available. The value of the derivative is significantly influenced by future energy prices on the relevant markets.

In estimating the market prices of electricity, the Group uses a combination of market quotations from established platforms like EEX (European Energy Exchange), and third-party expert input for the parts of the forward curve that are not liquid. This combination of third-party data and unobservable volume estimates triggers the Level 3 fair value hierarchy classification of the VPPA's fair value in line with IFRS 13. The nominal value of the contract is 35,520 thousand EUR for expected 40 GWh/year.

Application of hedge accounting
The Group has designated the vPPA cash flow hedge relationship at its origination. It met the effectiveness requirements in accordance with IFRS 9 with regards to economic relationship, determined through reference prices with economic relationship between the hedging instrument and the hedged item exists as the underlying asset of hedging instrument matches the underlying price component of the power delivery contracts. Furthermore, the designated forecasted volume of the monthly power consumption in MWh matches the VPPA

volumes based on the expected annual generated volumes. The credit risk of the Group and the counterparty affect only the changes of the fair value of the hedging instrument. The Group determines hedge ratio as the relationship between the quantity of the hedging instrument and the quantity of the hedged item in terms of their relative weighting (Hedging notional: Hedged power price risk exposure). The incorporated hedge ratio is defined in line with the nature of risk being hedged and the economic relationship of the hedged item and the hedging instrument and is therefore 1:1. In other words, 1 MWh of forecasted purchases is hedged with 1 MWh of VPPA production volume. The actual hedge ratio is monitored monthly at each reporting date and upon a significant change in the circumstances affecting the hedge effectiveness requirements, whichever comes first. Potential sources of ineffectiveness are identified as mismatch between actual VPPA Volume and designated volume of hedged item. Furthermore, hedge ineffectiveness can arise if there is a discrepancy between the actual volume in the VPPA and the electricity consumption. Creditworthiness of VPPA parties in hedge ineffectiveness can occur if the Group or the Seller experiences financial instability or credit rating downgrades and non-linear movement in prices which could be the main source of ineffectiveness in this hedge relationship specifically the difference in the floating price index applied in the calculation of the fair value of hedged item (base-load price) and hedging instrument.

The impact of the hedging instruments on the statement of financial position is, as follows:

thousands of EUR	Notional Amount	Carrying amount of the hedging instrument		Line item in the statement of financial position	Change in fair value used for measuring ineffectiveness for the period
		Assets	Liabilities		
As at 31 May 2024					
Commodity derivative	35,520	9,358	-	Derivative financial instruments	-
As at 31 December 2023					
Commodity derivative	-	-	-	n/a	-

The impact of the hedged item is as follows:

thousands of EUR	Nominal amount of the hedged item		Change in value used for calculating hedge ineffectiveness	Balance in cash flow reserve for continuing hedges	Balance in cash flow hedge reserve arising from hedging relationships for which hedge accounting is no longer applied
	Assets	Liabilities			
As at 31 May 2024					
Commodity derivative	-	13,812	11,104	9,358	-
As at 31 December 2023					
Commodity derivative	-	-	-	-	-

The effect of the cash flow hedge in the statement of profit or loss and other comprehensive income is, as follows:

thousands of EUR	Total hedging gain/(loss) recognised in OCI	Ineffectiveness recognised in profit or loss	Line item in the statement of profit or loss	Amount reclassified from OCI to profit or loss	Line item in the statement of profit or loss
As at 31 May 2024					
Highly probable forecast purchases	9,358	-	Fair value gain/(loss) arising on hedging instruments	-	n/a
Electricity purchases	-	-	n/a	-	n/a
As at 31 December 2023					
Highly probable forecast purchases	-	-	n/a	-	n/a
Electricity purchases	-	-	n/a	-	n/a

17. 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 primarily consists of Dealer commission.

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

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

thousands of EUR	31.05.2024	31.12.2023
Non-current assets		
Contract assets	7,585	8,879
Loss allowance	(780)	(889)
	6,805	7,990
Contract costs	18,216	15,520
	18,216	15,520
Current assets		
Contract assets	21,555	22,631
Loss allowance	(2,046)	(2,663)
	19,509	19,968
Contract costs	16,719	16,749
	16,719	16,749
Non-current liabilities		
Contract liabilities	33,090	31,949
	33,090	31,949
Current liabilities		
Contract liabilities	33,046	32,128
	33,046	32,128

Revenue recognised in the reporting period that was included in the contract liability balance at the beginning of the period amounted to EUR 15,572 thousand (2023: EUR 29,595 thousand).

Transaction price allocated to the performance obligations that are unsatisfied as of the end of reporting period amounted to EUR 381,514 thousand (2023: EUR 364,330 thousand). Management expects that the transaction price allocated to the unsatisfied contracts as of 31 May 2024 will be recognised as revenue as follows: EUR 288,269 thousand during first year; EUR 90,197 thousand during second year and EUR 3,048 thousand during third-sixth year (2023: EUR 275,202 thousand during first year; EUR 86,952 thousand during second year and EUR 2,176 thousand during third-sixth year).

Wages and salaries include also amortisation of costs to obtain a contract with customer in the amount EUR 764 thousand (2023: EUR 1,895 thousand) (Note 6).

Dealers commission includes also amortisation of costs to obtain a contract with customer in the amount EUR 9,831 thousand (2023: EUR 22,094 thousand) (Note 7).

18. Prepaid expenses and other assets

thousands of EUR	31.05.2024	31.12.2023
Non-current		
Other prepaid expenses	10,965	11,177
	10,965	11,177
Current		
Other prepaid expenses	5,427	3,257
Advance payments	5,438	5,760
Other assets	433	42
	11,298	9,059

19. Inventories

thousands of EUR	31.05.2024	31.12.2023
Materials	7,717	7,610
Goods	14,587	16,142
	22,304	23,752

Inventories are net of an allowance of EUR 2,410 thousand (2023: EUR 3,153 thousand). The write-down of inventories in the amount of EUR 758 thousand (2023: EUR 1,969 thousand) was recognised in cost of material and equipment.

20. Loans

thousands of EUR	31.05.2024	31.12.2023
Loans to Deutsche Telekom AG	10,000	90,000
	10,000	90,000

The loans granted to Deutsche Telekom AG were not secured. Loans outstanding at 31 May 2024 were provided in May 2024 and were repayable in June 2024 (2023: provided in July and December 2023, repayable in January and February 2024). For credit ratings see Note 3.2.

21. Cash and cash equivalents

thousands of EUR	31.05.2024	31.12.2023
Cash and cash equivalents	46,290	72,863
	46,290	72,863

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 May 2024, Slovak Telekom had authorised and issued 86,411,300 ordinary shares (2023: 86,411,300) with a par value of EUR 10.00 per share (2023: 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.

Category Other in the Consolidated statement of changes in equity covers mainly changes of equity from retirement benefits (Note 23) and the effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges recognised in the cash flow hedge reserve within equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, within other gains/losses. There were no reclassifications from the cash flow hedge reserve to profit or loss during the period.

The Financial statements of the Group for the year ended 31 December 2023 were authorised for issue on behalf of the Board of Directors of Slovak Telekom on 8 March 2024.

On 23 April 2024 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 156,871 thousand (2023: EUR 148,356 thousand) were paid in May 2024, which amounted to EUR 1.82 per share (2023: EUR 1.72 per share).

Approval of the 31 May 2024 profit distribution will take place at the Annual General Meeting scheduled for November 2024.

23. Provisions

thousands of EUR	Legal and regulatory claims	Asset retirement obligation	Termination benefits	Employee benefits	Other	Total
	(Note 31)					
At 1 January 2024	12,277	24,893	5,570	10,506	9,504	62,750
Arising during the year	526	155	-	252	1,253	2,186
Utilised	(2,648)	(47)	(984)	(29)	(340)	(4,048)
Reversals	-	(62)	-	(1,315)	(88)	(1,465)
Interest impact	-	141	-	148	-	289
At 31 May 2024	10,155	25,080	4,586	9,562	10,329	59,712
Non-current	-	23,136	-	9,562	937	33,635
Current	10,155	1,944	4,586	-	9,392	26,077
	10,155	25,080	4,586	9,562	10,329	59,712

thousands of EUR	31.05.2024	31.12.2023
Non-current	33,635	35,215
Current	26,077	27,535
	59,712	62,750

Asset retirement obligation
The Group is subject to obligations for dismantlement, removal and restoration of assets associated with its cell site lease agreements (Note 2.18). 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 50 employees in period January – May 2024 (2023: 190 employees). The Company expects a further headcount reduction of 230 employees in rest of year 2024 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 next seven months of the statement of financial position date and are recognised in full in the 2024. In period January – May 2024 the Group recognised an expense resulting from termination benefits in amount of EUR 1,101 thousand (2023: EUR 3,816 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 and their probable settlement date are dependent on employees fulfilling the required conditions to enter retirement. Jubilee benefits and their probable settlement date 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 2024	10,284	222	10,506
Current service cost	243	9	252
Interest cost	145	3	148
Benefits paid	(20)	(9)	(29)
Remeasurement of defined benefit plans	(1,272)	(43)	(1,315)
At 31 May 2024	9,380	182	9,562

thousands of EUR	Retirement benefits	Jubilee	Total
Present value of the defined benefit obligation			
At 1 January 2023	9,133	221	9,354
Current service cost	506	19	525
Interest cost	371	8	379
Benefits paid	(12)	(29)	(41)
Remeasurement of defined benefit plans	1,549	3	1,552
Curtailment gain	(1,263)	-	(1,263)
At 31 December 2023	10,284	222	10,506

Remeasurement of defined benefit plans related to retirement benefits in amount of EUR 1,272 thousand consists of change in demographic assumptions in amount of EUR 2,523 thousand and change in financial assumptions in amount of EUR 227 thousand partially netted by change in experience adjustments in amount of EUR 1,478 thousand.

The curtailment gain in amount of EUR 1,263 thousand in 2023 resulted mainly from a reduction in the number of participants covered by the retirement plan that occurred in 2023 or was announced for 2024. For period ended as of 31 May 2024 involuntary fluctuation was used in calculation model instead of curtailment gain. There were no special events causing any new past service cost during period ended as at 31 May 2024.

Principal actuarial assumptions used in determining the defined benefit obligation for period ended as at 31. May 2024 include the discount rate of 3.75% (2023: 3.46%). The expected expense for period ended as at 31 May 2024 has been determined based on the discount rate as at the beginning of the accounting period of 3.46% (2023: 4.13%). Average retirement age is 63 years and 2 months (2023: 63 years and 2 months). The expected growth of nominal wages over the long term is 2.0% (2023: 2.0%). The remaining weighted average duration of the defined benefit obligation is 10.1 years (2023: 10.1 years). Fluctuation of employees is also considered in determining the defined benefit obligation.

The sensitivity analysis for the significant actuarial assumptions as at 31 May 2024 and 31 December 2023 is as follows:

thousands of EUR	(Decrease) / increase of employee benefits provision	
Change of actuarial assumption:	31.05.2024	31.12.2023
Discount rate change +100 bp / -100 bp	(721) / 821	(971) / 1,132
Salary change +0.50% / -0.50%	402 / (380)	549 / (513)

24. Trade and other payables

thousands of EUR	31.05.2024	31.12.2023
Non-current		
Financial liabilities for capitalised content licences	340	544
Financial liabilities for frequency licences	20,070	20,070
Other payables	140	136
	20,550	20,750
Current		
Trade payables	30,123	68,096
Uninvoiced deliveries	52,068	57,980
Financial liabilities for capitalised content licences	15,885	9,483
Other payables	3,484	3,374
	101,560	138,933

25. Lease liabilities

thousands of EUR	31.05.2024	31.12.2023
Up to 1 year	16,007	14,908
1 to 5 years	48,387	44,275
Over 5 years	36,807	33,545
Total other lease liabilities	101,201	92,728

thousands of EUR	31.05.2024	31.12.2023
Up to 1 year	19,424	17,885
1 to 5 years	57,416	52,272
Over 5 years	41,735	39,028
Total undiscounted cash flows (lease liability)	118,575	109,185

Pursuant to IFRS 16 single lessee accounting model, the Group recognises a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments (Note 13).

26. Impact from leasing contracts

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

thousands of EUR	1–5/2024	2023
Depreciation expense of right-of-use assets (Note 13)	7,097	16,459
Impairment of right-of-use assets (Note 13)	-	591
Reversal of impairment of right-of-use assets (Note 13)	-	(215)
(Gain) / Loss from disposal of right-of-use assets	221	(167)
Other income	-	(60)
Interest expense on lease liabilities (Note 9)	1,472	2,836
At 31 May / 31 December	8,790	19,444

27. Other liabilities

thousands of EUR	31.05.2024	31.12.2023
Current		
Amounts due to employees	19,873	26,667
Other tax liabilities	6,003	2,901
Other liabilities	5,470	5,679
	31,346	35,247

Amounts due to employees include social fund liabilities:

thousands of EUR	31.05.2024	31.12.2023
At 1 January	593	289
Additions	1,412	1,924
Utilisation	(672)	(1,620)
At 31 May / 31 December	1,333	593

28. Cash flow disclosures

The reconciliation of cash used in financing activities is as follows:

thousands of EUR	Financial liabilities (Note 24)	Lease liabilities (Note 25)
At 1 January 2023	27,169	83,570
Additions	17,781	30,699
Non-cash movements	-	(6,060)
Cash used in financing activities	(14,853)	(18,317)
Accretion of interest	-	2,836
At 31 December 2023	30,097	92,728

thousands of EUR		
At 1 January 2024	30,097	92,728
Additions	13,500	17,169
Non-cash movements	-	(228)
Cash used in financing activities	(7,301)	(9,939)
Accretion of interest	-	1,472
At 31 May 2024	36,296	101,202

Non-cash movements include non-cash release of liabilities from changes in contracts terms or early termination of contracts and from disposal of subsidiary.

29. Commitments

The Group's purchase commitments were as follows:

thousands of EUR	31.05.2024	31.12.2023
Acquisition of property and equipment	60,478	65,319
Acquisition of intangible assets	16,381	21,515
Purchase of services and inventory	146,608	104,120
	223,467	190,954

30. Related party transactions

thousands of EUR	Receivables		Payables		Commitments	
	31.5.2024	31.12.2023	31.5.2024	31.12.2023	31.5.2024	31.12.2023
DTAG	25,844	110,551	2,515	3,265	145	44
Other entities in DTAG Group	14,815	18,087	14,327	16,682	1,015	5,462
	40,659	128,638	16,842	19,947	1,160	5,506

The Group conducts business with its ultimate parent, Deutsche Telekom AG and its subsidiaries, associates and joint ventures.

thousands of EUR	DT AG		Other entities in DTAG group	
	1–5/2024	2023	1–5/2024	2023
Sales and income				
Interconnect / roaming revenues	-	-	3,578	9,888
System solutions / IT revenues	-	-	1,990	5,637
Income from reinvoicing of services	71	175	3,242	8,281
Other revenue / income	2,085	4,015	1,973	4,544
	2,156	4,190	10,783	28,350
Purchases				
Interconnect / roaming costs	-	-	3,677	11,550
Customer solutions	-	-	1,043	2,092
IT services	-	-	1,479	3,107
Expenses from reinvoicing of services	2,238	4,916	1,059	2,095
Other purchases	1,400	891	6,128	14,755
	3,638	5,807	13,386	33,599

Other purchases include data services, management, consultancy, other services and purchases of fixed assets. The Group purchased fixed assets in amount of EUR 3,556 thousand (2023: EUR 3,021 thousand) from related parties.

As at 31.05.2024 the Group granted Deutsche Telekom AG a short-term loan of EUR 10,000 thousand (2023: EUR 90,000 thousand).

In 2016 the Group signed an ICT contract with a duration of 80 months with T-Systems International GmbH ("TSI"). Currently was the contract prolonged until 2026. Within this contract, the Group acts as the main subcontractor for the restructuring of the Allianz communication network in the selected countries. DTAG Group entities in relevant countries are service providers for the Group. In period 1–5/2024 the Group recognised revenue with TSI in amount of EUR 966 thousand (2023: EUR 2,659 thousand), revenue with other DTAG Group entities in amount of EUR 7 thousand (2023: EUR 58 thousand) and expenses with other DTAG Group entities in amount of EUR 584 thousand (2023: EUR 1,522 thousand).

Deutsche Telekom as the ultimate parent Group 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 1–5/2024 or 2023.

Compensation of key management personnel
The key management personnel as at 31 May 2024, 13 in number (2023: 13) include members of the Management Board, Board of Directors and Supervisory Board.

Since 1 July 2016 the companies Slovak Telekom, a.s. 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, a.s. or T-Mobile Czech Republic a.s. Tables below include only benefits earned by the key management personnel in Slovak Telekom, a.s.

thousands of EUR	1–5/2024	2023
Short term employee benefits	2,095	2,875
Defined contribution pension plan benefits	15	27
Share based compensations	307	265
	2,417	3,167

thousands of EUR	1–5/2024	2023
Management Board	2,414	3,160
Board of Directors	-	-
Supervisory Board	3	7
	2,417	3,167

The Group offers several long-term incentive plans to its executive management members with a new package being launched each year and with each tranche lasting for 4 years. A total provision of EUR 1,314 thousand has been recognised as at 31 May 2024 (2023: EUR 1,321 thousand). In period 1–5/2024 the Company recognised revenue resulting from these long-term incentive plans in amount of EUR 7 thousand (2023: expenses of EUR 576 thousand) in Staff costs.

31. Contingencies

Legal and regulatory cases
On 17 October 2014 the European Commission sent an infringement decision to the Group in case AT 39.523 (hereinafter “the EC Decision”). EC Decision found the Group (and DTAG, 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 DTAG and the Group, jointly and severally. The fine was paid by the Group in January 2015. Judicial review was closed by Court of Justice’s judgment of March 2021 confirming the EC Decision in major part, although court did find, that European Commission did not prove that the infringement occurred before 2006 and decreased imposed fine accordingly.

As of 31 May 2024, three cases are pending following the EC Decision. Three competitors of the Group filed action against Slovak Telekom with the civil court in Bratislava in 2015, 2017 and 2022. These claims seek compensation for damages allegedly incurred due to Group's abuse of its dominant market position, as determined by the EC Decision and amount to EUR 218,867 thousand plus interest. Interest is claimed starting from period the alleged damage occurred. Proceeding ongoing at a court of first instance. These financial statements do not include any provisions for potential losses (neither claimed principal nor accrued interest) related to these cases as the Group has assessed that it is more likely than not that there will be no future cash outflows connected with these cases. Final outcome of the cases following the EC Decision is uncertain.

In 2009, the Anti-Monopoly Office of Slovak Republic (“AMO”) imposed on Group 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) (the “AMO Decision”). Administrative court confirmed Group’s arguments in major part, however later on rejected those arguments without proper reasoning and judicial review was closed in June 2021 upholding AMO Decision fully. The Group filed a complaint with Constitutional Court. The penalty was paid in October 2017.

As of 31 May 2024, there are two cases pending, where two competitors filed actions against Group in 2013 and 2015 seeking damages allegedly incurred due to Group's conduct as determined by the AMO Decision. The claimants contend that they incurred lost profit amounting to EUR 108,610 thousand plus interest. Interest is claimed starting from period the alleged damage occurred. All cases are pending at the first instance court. These financial statements do not include any provisions for potential losses (neither claimed principal nor accrued interest) related to these cases as the Group has assessed that it is more likely than not that there will be no future cash outflows connected with these cases. Final outcome of the cases following the AMO decision is uncertain.

As of 31 May 2024, there is a number of other various cases pending in the cumulative amount of EUR 30,051 thousand. These financial statements do not include any provisions for potential losses (neither claimed principal nor accrued interest) related to these cases as the Group has assessed that it is more likely than not that there will be no future cash outflows connected with these cases. Final outcome of the cases is uncertain.

As of 31 May 2024, the Group recognised provision for all 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.

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

32. Audit fees and other fees

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

thousands of EUR	1–5/2024	2023
Audit services	209	364
Other non audit services	11	4
	220	368

33. Events after reporting year

The sole shareholder of Slovak Telekom, a.s. (Demerged Company) decided in accordance with the Transformations Act on demerger by spin-off by merger whereby, as part of the implementation of the transformation process, the Demerged Company was divided by spin off a selected part of the assets of the Demerged Company and merged with Slovak Telekom Infra, a.s. (Successor Company), on the effective date as at 1 June 2024. Demerged Company and Successor Company have the same sole shareholder, company Deutsche Telekom Europe B.V. The spinned off assets (and associated liabilities) represent a non-reciprocal distribution of net assets. The Group has assessed the demerger by spin-off by merger and concluded that according to IFRS 10 (Consolidated financial statements) the demerger by spin-off by merger will not lead to the loss of control by Demerged Company over Successor Company. As the result, Slovak Telekom, a.s. will continue in consolidating Slovak Telekom Infra, a.s.. The consolidation of Slovak Telekom Infra, a.s. is considered the significant judgement and it may change in the future if the underlying facts and circumstances change.

There is no negative business impact on the Group as the result of the transaction and no presentation adjustment was required in the financial statements as at 31 May 2024 in this regard.

In October 2024, several tax legislative changes were approved by the Slovak Government and the Parliament. The increase in corporate income tax rate from 21% to 24%, the increase in value added tax rate from 20% to 23% and the special levy increase will be effective from 1 January 2025. In addition, the new tax from financial transactions was introduced with the effective date as of 1 April 2025. If the new tax rates would be used as of 31.5.2024, impact would be EUR 8,400 thousand increase in net deferred tax liability and EUR 1,200 thousand deferred tax on special levy.

There were no other events, which have occurred subsequent to the period-end, which would have a material impact on the financial statements at 31 May 2024.

Slovak Telekom, a.s.

Extraordinary Separate Financial Statements

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

for the period from 1 January 2024 to 31 May 2024

Contents

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Slovak Telekom, a.s.

INDEPENDENT AUDITOR'S REPORT

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

REPORT ON THE AUDIT OF THE EXTRAORDINARY SEPARATE FINANCIAL STATEMENTS

Opinion

We have audited the extraordinary separate financial statements of Slovak Telekom, a.s. (the "Company"), which comprise the statement of financial position as at 31 May 2024, and the income statement, statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the period from 1 January 2024 to 31 May 2024, and notes to the extraordinary separate financial statements, including material accounting policy information and other explanatory information.

In our opinion, the accompanying extraordinary separate financial statements give a true and fair view of the financial position of the Company as at 31 May 2024, and its financial performance and its cash flows for the period from 1 January 2024 to 31 May 2024 in accordance with International Financial Reporting Standards (IFRS) as adopted in the European Union (EU).

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 Extraordinary Separate Financial Statements* section of our report. We are independent of the Company in accordance with the provisions of Act No. 423/2015 Coll. on Statutory Audit and on Amendment to and Supplementation of Act No. 431/2002 Coll. on Accounting, as amended (hereinafter the "Act on Statutory Audit") related to ethical requirements, including the Code of Ethics for Auditors that are relevant to our audit of the extraordinary separate financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matters

We draw attention to Note 2.1 to the extraordinary separate financial statements stating that the Company prepared the extraordinary separate financial statements as at 31 May 2024 due to the transaction of the Company's demerger undertaken with effect from 1 June 2024. All profit and loss items are presented for the period from 1 January 2024 to 31 May 2024. The preceding reporting period is the year ended 31 December 2023; therefore, the amounts disclosed in the extraordinary separate financial statements are not fully comparable. Our opinion is not modified in respect of this matter.

We draw attention to Note 34 to the extraordinary separate financial statements describing the uncertainty related to the outcome of the lawsuits filed against the Company. Our opinion is not modified in respect of this matter.

Responsibilities of Management and Those Charged with Governance for Extraordinary Separate Financial Statements

Management is responsible for the preparation and fair presentation of the extraordinary separate financial statements in accordance with IFRS as adopted in the EU, and for such internal control as management determines is necessary to enable the preparation of extraordinary separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the extraordinary 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.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

This is a translation of the original auditor's report issued in the Slovak language to the accompanying extraordinary separate financial statements translated into the English language.

Auditor's Responsibilities for the Audit of the Extraordinary Separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the extraordinary 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 extraordinary separate financial statements.

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 extraordinary 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 extraordinary 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 extraordinary separate financial statements, including the disclosures, and whether the extraordinary separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance about, inter alia, the planned scope and time schedule of the audit and significant audit findings, including all material deficiencies of internal control identified during our audit.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Report on Information Disclosed in the Annual Report

The statutory body is responsible for information disclosed in the annual report prepared under the requirements of the Act on Accounting No. 431/2002 Coll. as amended (the "Act on Accounting"). Our opinion on the extraordinary separate financial statements stated above does not apply to other information in the annual report.

In connection with the audit of extraordinary separate financial statements, our responsibility is to gain an understanding of the information disclosed in the annual report and consider whether such information is materially inconsistent with the extraordinary separate financial statements or our knowledge obtained in the audit of the separate extraordinary financial statements, or otherwise appears to be materially misstated.

We assessed whether the Company's annual report includes information whose disclosure is required by the Act on Accounting.

Based on procedures performed during the audit of the extraordinary separate financial statements, in our opinion:

- Information disclosed in the annual report prepared for the period from 1 January 2024 to 31 May 2024 is consistent with the extraordinary separate financial statements for the relevant period; and
- The annual report includes information pursuant to the Act on Accounting.

Furthermore, based on our understanding of the Company and its position, obtained in the audit of the extraordinary separate financial statements, we are required to disclose whether material misstatements were identified in the annual report, which we received prior to the date of issuance of this auditor's report. There are no findings that should be reported in this regard.

Bratislava, 4 November 2024

Ing. Peter Jaroš, FCCA
Responsible Auditor
Licence UDVA No. 1047

On behalf of
Deloitte Audit s.r.o.
Licence SKAu No. 014

Income statement

for the period from 1 January 2024 to 31 May 2024 and the year ended 31 December 2023

thousands of EUR	Notes	1–5/2024	2023
Revenue from contracts with customers	4	335,372	792,523
Other operating income	5	6,073	15,120
Staff costs	6	(47,769)	(123,148)
Material and equipment		(39,828)	(118,113)
Depreciation, amortisation and impairment losses	11, 12, 13	(68,484)	(164,723)
Interconnection fees and other telecommunication services		(15,908)	(45,696)
Net impairment losses on financial and contract assets	17, 19	(5,618)	(3,163)
Own work capitalised	6	4,298	13,286
Dividends from subsidiaries	33	5,235	16,736
Other operating costs	7	(60,668)	(171,368)
Operating profit		112,703	211,454
Financial income	8	2,331	3,741
Financial expense	9	(2,050)	(7,936)
Net financial result		281	(4,195)
Profit before tax		112,984	207,259
Income tax expense	10	(26,255)	(50,388)
Profit for the year		86,729	156,871

The extraordinary financial statements on pages 75 to 126 were authorised for issue on behalf of the Board of Directors of the Company on 25 October 2024 and signed on their behalf by:

....
Melinda Szabó
Vice-chairman of the Board of Directors

Statement of comprehensive income

for the period from 1 January 2024 to 31 May 2024 and the year ended 31 December 2023

thousands of EUR	Notes	1–5/2024	2023
Profit for the year		86,729	156,871
Other comprehensive income / (expense)			
Fair value gain arising on hedging instruments	18	9,358	-
Deferred tax (expense) / income	10	(1,965)	-
Other comprehensive gain / (loss) to be reclassified to profit or loss in subsequent years, net of tax		7,393	-
Gain / (loss) on remeasurement of defined benefit plans	25	1,272	(1,549)
Deferred tax (expense) / income	10	(267)	325
Other comprehensive gain / (loss) not to be reclassified to profit or loss in subsequent years, net of tax		1,005	(1,224)
Other comprehensive gain / (loss) for the year, net of tax		8,398	(1,224)
Total comprehensive income for the year, net of tax		95,127	155,647

Statement of Financial position

thousands of EUR	Notes	31.5.2024	31.12.2023
ASSETS			
Non-current assets			
Intangible assets	11	291,202	291,932
Property and equipment	12	801,720	815,656
Right-of-use assets	13	84,568	92,679
Investments in subsidiaries	16	48,496	48,496
Derivative financial instruments	18	9,358	-
Other receivables	17	16,659	18,495
Contract assets	19	6,806	7,990
Contract costs	19	18,216	15,520
Prepaid expenses and other assets	20	10,965	11,177
		1,287,990	1,301,945
Current assets			
Inventories	21	20,095	21,791
Loans	22	10,000	90,000
Trade and other receivables	17	167,758	173,474
Contract assets	19	19,509	19,968
Contract costs	19	16,719	16,750
Prepaid expenses and other assets	20	9,280	8,541
Assets classified as held for distribution to owners	14	35,183	-
Cash and cash equivalents	23	32,681	58,038
		311,225	388,562
TOTAL ASSETS		1,599,215	1,690,507
EQUITY AND LIABILITIES			
Shareholders' equity			
Issued capital	24	864,113	864,113
Statutory reserve fund	24	172,823	172,823
Other		7,229	(1,172)
Retained earnings and profit for the year		138,866	209,008
Total equity		1,183,031	1,244,772
Non-current liabilities			
Deferred tax liability	10	50,107	50,696
Lease liabilities	27	70,422	77,027
Provisions	25	21,403	35,214
Other payables	26	20,262	20,330
Contract liabilities	19	33,090	31,949
		195,284	215,216
Current liabilities			
Provisions	25	22,290	24,032
Trade and other payables	26	89,693	128,212
Contract liabilities	19	29,792	29,376
Other liabilities	29	28,625	32,936
Lease liabilities	27	12,220	14,757
Liabilities associated with assets classified as held for distribution to owners	30	30,583	-
Current income tax liability		7,697	1,206
		220,900	230,519
Total liabilities		416,184	445,735
TOTAL EQUITY AND LIABILITIES		1,599,215	1,690,507

The accompanying Notes form an integral part of these Extraordinary Separate Financial Statements

Statement of changes in equity

for the period from 1 January 2024 to 31 May 2024 and the year ended 31 December 2023

thousands of EUR	Notes	Issued capital	Statutory reserve fund	Other	Retained earnings	Total equity
Year ended 31 December 2023						
At 1 January 2023		864,113	172,823	67	200,493	1,237,496
Profit for the year		-	-	-	156,871	156,871
Other comprehensive income		-	-	(1,224)	-	(1,224)
Total comprehensive income		-	-	(1,224)	156,871	155,647
Transactions with shareholder:						
Other changes in equity		-	-	(15)	-	(15)
Dividends	24	-	-	-	(148,356)	(148,356)
At 31 December 2023		864,113	172,823	(1,172)	209,008	1,244,772
Period from 1 January 2024 to 31 May 2024						
At 1 January 2024		864,113	172,823	(1,172)	209,008	1,244,772
Profit for the year		-	-	-	86,729	86,729
Other comprehensive expense		-	-	8,398	-	8.398
Total comprehensive income		-	-	8,398	86,729	95,127
Transactions with shareholder:						
Other changes in equity		-	-	3	-	3
Dividends	24	-	-	-	(156,871)	(156,871)
At 31 May 2024		864,113	172,823	7,229	138,866	1,183,031

Statement of Cash flows

for the period from 1 January 2024 to 31 May 2024 and the year ended 31 December 2023

thousands of EUR	Notes	31.5.2024	31.12.2023
Operating activities			
Profit before tax		112,984	207,259
Depreciation, amortisation and impairment losses	11, 12, 13	68,483	164,723
Interest expense, net		(165)	265
(Gain) / loss on disposal of intangible assets and property and equipment	5, 7	(694)	(1,035)
Dividend income from subsidiaries	33	(5,235)	(16,736)
Other non-cash items		35,401	5,643
Change in provisions	25	(2,899)	343
Change in trade receivables and other assets		5,353	(40,547)
Change in inventories		2,454	3,567
Change in trade payables and other liabilities		(64,085)	13,815
Cash from operating activities		151,597	337,297
Income taxes paid		(22,483)	(56,076)
Dividends received	33	5,235	16,736
Net cash from operating activities		134,349	297,957
Investing activities			
Purchase of intangible assets and property and equipment	11, 12, 31	(58,522)	(146,843)
Proceeds from disposal of intangible assets and property and equipment		3,214	4,456
Proceeds from disposal of subsidiary		-	7,707
Disbursement of loans		(58,000)	(98,000)
Repayment of loans		138,000	148,000
Net cash from cash pooling	17	4,000	(2,856)
Termination of term deposits		-	900
Interest received		2,993	3,021
Other cash (paid for) / from investing activities		(18,663)	(14)
Net cash used in investing activities		13,022	(83,629)
Financing activities			
Dividends paid	24	(156,871)	(148,356)
Repayment of financial liabilities	31	(5,866)	(11,471)
Repayment of principal portion of lease liabilities		(8,227)	(15,119)
Interest paid		(1,558)	(2,795)
Other cash from financing activities		-	134
Net cash used in financing activities		(172,522)	(177,607)
Effect of exchange rate changes on cash and cash equivalents		(6)	(16)
Cash and cash equivalents held for distribution to owners	14	(200)	-
Net increase / (decrease) in cash and cash equivalents		(25,357)	36,705
Cash and cash equivalents at 1 January	23	58,038	21,333
Cash and cash equivalents as at 31 May 2024 and 31 December 2023	23	32,681	58,038

Notes to the Extraordinary Separate Financial Statements

Index to the notes to the extraordinary 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. The Company is registered with the Business Register of the Municipal Court Bratislava III, section Sa, insert No.: 2081/B. For shareholders overview of the Company refer to Note 24.

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 2G (GPRS/EDGE), 4G (LTE, LTE-CA) and 5G. 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 the end of 2020, Telekom has acquired the authorisation for 700 MHz frequency band, valid until 31 December 2040. In May 2022, the Company has obtained the authorisation to use the 3700–3800 MHz frequency band, valid from 1.9.2025 until 31.12.2045.

Members of the Statutory Boards at 31 May 2024

Board of Directors

Chairman:
- Armin Sumesgutner (since 29.04.2020)

Vice-chairman:
- Jose Severino Perdomo Lorenzo (until 31.05.2024)
- Melinda Szabó (since 01.06.2024)

Member:
- Danijela Bujic (since 01.10.2021)

Supervisory Board

Chairman:
- Mirela Seserko (since 01.03.2024)
- Martin Renner (until 29.02.2024)

Members:
- Peter Vražda (since 20.03.2023)
- Martin Švec (since 02.10.2020)

Audit Committee

Members:
- Vladimir Lucev (since 01.03.2024)
- Danijela Bujic (chair since 11.3.2022, member since 11.10.2021)
- Martin Švec (since 20.03.2023)

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 "DTAG"), 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 extraordinary financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

Changes to significant accounting policies are described in Note 2.21.

2.1 Basis of preparation

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

The Company's functional currency is the Euro ("EUR"), the extraordinary 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 extraordinary 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.

The extraordinary financial statements have been prepared for the period from 1 January to 31 May 2024. All profit and loss items in these financial statements represents period from 1 January 2024 to 31 May 2024. All profit and loss items for comparative period representes period from 1 January 2023 to 31 December 2023. Therefore, the amounts presented in the financial statements are not entirely comparable. The extraordinary financial statements for the period from 1 January 2024 to 31 May 2024 are issued as a result of a demerger transaction that took place on the effective date as at 1 June 2024. In accordance with IAS 1, the Company is presenting a complete set of financial statements for the period directly preceding the effective date of the transaction.

Statement of compliance

These financial statements are the extraordinary separate financial statements of the Company and have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("EU"). 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 extraordinary consolidated financial statements for the period from 1 January 2024 to 31 May 2024 have been prepared in compliance with International Financial Reporting Standards as adopted by the European Union ("EU"). The extraordinary 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 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 costs of dismantling and removing the item of property and equipment and restoring the site on which it is located is also included in costs, if the obligation has to 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 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 profit and loss 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, constructions and leasehold improvements	8 to 50 years
Operating equipment:	
Network technology equipment	4 to 33 years
Transport vehicles, hardware and office equipment	2 to 20 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 Non-current assets held for distribution to owners

A non-current asset (or disposal group) is classified as held for distribution to owners when the entity is committed to distribute the asset (or disposal group) to the owners.

For this to be the case, the assets must be available for immediate distribution in their present condition and the distribution must be highly probable. For the distribution to be highly probable, actions to complete the distribution must have been initiated and should be expected to be completed within one year from the date of classification. Actions required to complete the distribution should indicate that it is unlikely that significant changes to the distribution will be made or that the distribution will be withdrawn. The probability of shareholders' approval is considered as part of the assessment of whether the distribution is highly probable.

Non-current asset (or disposal group) that is classified as held for distribution to owners is measured at the lower of carrying amount and fair value less costs to distribute.

The Company presents assets classified as held for distribution to owners separately from other assets on the face of the statement of financial position.

For detail related to assets classified as held for distribution to owners refer to Note 14 and Note 36.

2.4 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' useful lives are reviewed and adjusted in accordance with IAS 8, as appropriate, at each financial year-end. For further details on 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	3 to 23 years
Telecommunications licences	5 to 23 years
Content licences	1 to 4 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 based on 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 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 do not have legally enforceable periods 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 recognizes the content licences as intangible assets if it is highly probable that the content will be delivered, contract duration is longer than one year and the cost are reliably determined or determinable. Acquired content licences are recognised 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. Content contracts which do not meet the criteria for capitalization are expensed and presented in 'other operating costs' in the income statement.

Goodwill
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 tested 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 the cash generating unit ("CGU") to which goodwill belongs to 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 CGU's with allocated goodwill tested for impairment are in Level 3 of the fair value hierarchy.

2.5 Leases

2.5.1. 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. 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.

Assessment of the lease term for evergreen leases (i.e. leases with no specified contract maturity, no 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.

The expected lease term for evergreen leases assigned to the various categories of right-of-use assets are:

Space on telecommunication infrastructure of third parties	5 years
Rooftops	10 years
Land to install own telecommunication equipment	30 years
Exclusive easements	30 years
Shops	20 years
Technical space	33 years
Office space	20 years
Ducts and Pipes	35 years
Vehicles	5 years
Office and other general use equipment	4 years
Leased lines	20 years

2.5.2. Lease liabilities

At the commencement date of a 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 receivable, 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 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 an 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 an 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).

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. 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.

2.5.3. IFRS 16 recognition exemptions

IFRS 16 includes recognition exemptions available to lessees and specifies alternative requirements.

Separation of non-lease components
In accordance with IFRS 16.12 an entity shall account for each lease component within the contract as a lease separately from non-lease components of the contract.

The Company has applied practical expedient and does not separate lease from non-lease components (IFRS 16.15), except for data center contracts, therefore non-lease components which are fixed, e.g. utilities, maintenance costs, etc. are not separated but instead capitalized.

Short-term leases
There is a practical expedient for lessees not to apply the recognition, measurement and presentation requirements of IFRS 16 for short-term leases (IFRS 16.5).

The Company has made the decision not to apply the short-term recognition exemptions to lease contracts, except for some minor and insignificant lease arrangements with a lease term of one month or less. Hence, short-term leases have to be recognised, measured and presented as lease arrangements in the scope of IFRS 16.

Low-value leases
There is a practical expedient for lessees not to apply the recognition, measurement and presentation requirements of IFRS 16 for leases of which the underlying asset is of low value ("low-value leases"; IFRS 16.5). The practical expedient can be taken on a lease-by-lease basis. For leases of low-value items to which this exemption is applied, lease payments are recognised as an expense over the lease term.

The Company has made the decision not to apply this practical expedient. Hence, all low-value leases, have to be recognised, measured and presented as lease arrangements in the scope of IFRS 16.

Leases of intangible assets
The Company elected in accordance with IFRS 16.4 for lessees not to apply IFRS 16 to leases of intangible assets or similar resources. To the extent that these transactions and its related assets fulfil the recognition criteria in IAS 38 Intangible Assets, they should be accounted as such. As a consequence, lessees are not required to perform lease identification procedures for any right to use intangible assets such as mobile radio spectrum, microwave frequencies, software, patents as well as content or data rights.

Separate presentation on the face of the Statement of financial position
The Company decided to present the right-of-use assets as well the lease liabilities as separate line items on the face of the statement of financial position (see IFRS 16.47). As a result, the right-of-use asset and the lease liability is presented (separate from other asstes and liabilities) in the statement of financial position.

2.5.4. Subleases

In classifying a sublease, the Company, as the intermediate lessor, should classify the sublease as a finance lease or an operating lease in the same manner as any other lease using the criteria discussed in IFRS 16.61 et seq. with reference to the right-of-use asset (not the underlying asset itself) arising from the head lease. That is, the intermediate lessor treats the right-of-use asset as the underlying asset in the sublease, not the item of property, plant or equipment that it leases from the head lessor. The intermediate lessor only has a right to use the underlying asset for a period of time. If the sublease is for all of the remaining term of the head lease, the intermediate lessor has in effect transferred that right to another party and the sublease is classified as finance lease. Otherwise the sublease is an operating lease.

2.5.5. Lease accounting – the Company as a lessor

Leased out property and equipment where all the substantial benefits and risks usually connected with the ownership were transferred from the Company to lessee is classified as finance lease. The underlying asset is derecognised and the respective short term and long-term lease payments, net of finance charges are recognised as current and non-current financial assets.

Payments received under operating leases are recorded in the income statement on a straight-line basis over the period of the lease.

2.6 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.

2.7 Impairment of non-financial assets

An impairment loss is the amount by which the carrying amount of an asset or a cash-generating unit ("CGU") 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 for use are not subject to amortisation and are tested for impairment annually. Impairment losses for each class of assets are presented within depreciation, amortisation and impairment losses in the income statement. Reversals of impairment losses are presented within other operating income in the income statement.

For the purpose of assessing impairment, assets are grouped into CGU's, 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 CGU on the basis of value in use. 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 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 value in use 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 CGU. Cash flows reflect management assumptions and are supported by external sources of information. This impairment test 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 CGU to which the goodwill is allocated exceeds its recoverable amount, goodwill allocated to this CGU is reduced by the amount of the difference. If an impairment loss recognised for the CGU 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 CGU. Impairment losses on goodwill are not reversed.

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 for.

In addition to the general impairment testing of CGU's, 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.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the CGU's units that are expected to benefit from synergies of combination, irrespective of whether other assets or liabilities of the Company 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 Company at which the goodwill is monitored for internal purposes.

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

2.8 Inventories

Inventories are initially measured at cost that comprises the purchase price 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, obsolete or damaged inventories.

Phone set inventory write-down 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.

2.9 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 (if they are relevant) are included in borrowings in current liabilities.

The Company takes part in the 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 the parent company. These balances are not part of cash equivalents and they are presented as receivable from cash pooling in current receivables and within investing activities in the statement of cash flows.

2.10 Financial assets

The Company classifies its financial assets as follows:
- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through profit or loss ("FVTPL")

The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

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 measured 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.

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 and derivative constracts.

Financial assets at amortised cost (debt instruments)
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, Loans and Cash pooling in the statement of financial position.

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

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.

Financial assets at fair value through profit or loss
The Company uses currency forward contracts to economically hedge its estimated cash flows. The Company decided to account for these contracts as "held for trading derivatives". As such, the Company did not apply hedge accounting in 1–5/2024 and 2023 and all currency forward contracts are recognised as held for trading derivatives with changes in fair value being reflected in profit or loss. Furthermore, the Company uses commodity derivative to mitigate exposure to power price volatility for non-speculative purposes and applied hedge accounting in accordance with IFRS 9 requirements. As such, the derivative is measured at fair value with the effective portion from changes in fair value being reflected in comprehensive income and ineffective portion in profit and loss.
Financial assets at fair value through profit or loss are initially recognised at fair value and subsequently carried at fair value. Unrealised gains and losses arising from revaluation of financial assets to the fair value as well as realised gains and losses are recognised in profit or loss.

2.11 Impairment of financial assets

The Company recognises loss allowances for expected credit losses (ECLs) on financial assets measured at amortised cost and contract assets. Regarding loss allowances for trade receivables and contract assets, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment (e.g. expected GDP growth and expected changes in unemployment rate). 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.

The Company has applied the general impairment model to loans provided to related parties. Where the expected lifetime of an asset is less than 12 months, expected losses are measured at its expected lifetime. Currently the loans are in Stage 1. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. ECLs for loans were assessed but not booked as they are not material.

The loans from DTAG group to not give rise to a significant credit risk. These loans are settled through the group intercompany clearing centre and therefore classified to category Baa1 for which ECL is calculated.

The expected credit losses of significant assets are measured on an individual basis. The expected credit losses of remaining financial assets are measured by grouping together these assets with similar risk characteristics and applying provision matrix.

An impairment loss is calculated as the difference between an asset's gross 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.

2.12 Financial liabilities

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as measured 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.

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.

2.13 Prepaid expenses

The Company has various contracts where the expenses are paid in advance, e.g. quarterly or yearly. Contracts relate to various services, e.g. maintenance.

2.14 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 that 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 the corresponding increase in the carrying amount of the related non-current asset is depreciated over the estimated useful life of that asset. The value of the liability is recalculated to its present value as at the end of the reporting period and changes in the liability are recognised in the value of the assets or through charges to profit or loss (financial expenses). Upon settlement of the liability, the Company either settles the obligation for its recorded amount or incurs a gain or loss upon settlement.

2.15 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 May 2024. 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. 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 presented within staff costs in profit or loss.

Incentive programs
The Company has entered into several incentive programs, both share-based and non-share based and cash and non-cash settled managed by DTAG. The Company recognizes the costs of services received from its members of executive management in a share-based and non-share-based payment transaction when services are received. If these services are received in a cash-settled share-based payment transaction, the Company recognizes the expense against the provision, re-measured at each reporting date. In case of equity-settled share-based payment transaction, the Company recognizes the expense against the equity capital fund, measured at fair value at the grant date.

2.16 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 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.

When the Company acts as a reseller of another party's branded digital goods or services with a virtually unlimited supply (e.g. software licenses, cloud services, streaming services), it acts as principal if it has a selling price discretion and is primarily responsible, meaning it is the only party which the customer enters into a contract with and the only party that is responsible towards the customer for providing support and handling complaints and product issues. In this case revenue is recognised on a gross basis, otherwise net revenue is recognised.

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 resulting from comparison of internal price list with external market prices. 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 a customer contract that has not yet legally come into existence – in the statement of financial position.

Customer's credit risk is taken into account when accounting for contract assets by applying the expected credit loss model of IFRS 9. Impairments as well as reversals of impairments on contract assets are accounted for in accordance with IFRS 9.

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. Payments are typically due within 14 days.

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, dark fiber, etc.) is recognised based on the lease classification, either as one-off revenue, i.e. finance lease (if the Company assessed as manufacturer or dealer) or on a straight-line basis over lease period, i.e. operating lease (rental).

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 issue an invoice and to a payment. Revenue is recognized over time or at point in time based on contract conditions assessed in line with IFRS 15 criteria.

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 rendered.

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. Dividend income is recognised when the right to receive payment is established.

2.17 Operating profit

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

2.18 Foreign currency translation

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

2.19 Taxes

Tax expense for the period comprises current and deferred tax. Tax is 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. In 2024, the levy of 4.356% per annum (2023: 4.356% 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.

2.20 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. Management 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 assets 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 1–5/2024 and changed accounting estimates where appropriate. The table summarizes net increase or (decrease) in depreciation or amortisation charge for total non-current assets for the following periods:

thousands of EUR	1–5/2024	2025	2026	2027	2028 and after
Non-current assets	(3,871)	(1,692)	1,197	1,092	3,274

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 2.7 using estimates detailed in Note 15.

Joint operation
The Company has entered into a networksharing agreement („NSA") with CETIN Networks, s.r.o („CETIN"). The subject of the agreement is the provision of active and passive network services between the parties which is based on the geographic split of the Slovak Republic's territory. The main aim of the agreement is increased quality of the services for end customers and the overall costs reduction for network operation.

The Company has assessed rights and obligations arising from the networksharing agreement and determined that the agreement is in the scope of IFRS 11 Joint operations. The contract with CETIN is not concluded through special purpose vehicles and does not provide rights to net assets of the joint arrangement as such the joint arrangement is classified as joint operations. The Company has full control over the active infrastructure used in the joint operations and accounts for those assets as own assets. With regards to the passive infrastructure, despite the fact those assets are legally owned by the individual joint operators, the Company accounts for the passive infrastructure subject to NSA as shared assets (it means 50 % of each of the passive infrastructure asset subject to NSA).

The Company contributes at carrying amount, specifically the Company derecognises 50 % of the net book value of the asset with the impact to income statement. CETIN's contributions to the joint operation are initially measured at fair value, specifically the Company recognizes 50 % of the fair value of the asset contributed by CETIN with impact to income statement.

The Company's contributions represent outflow of economic resources in the form of disposed assets, whereas the counter-party's contributions represent inflow of economic resources from the standpoint of the Company's financial statements and are recognized through other operating income. The net impact of the formation of the joint operations from 1 January till 31 May 2024 is EUR 1,381 thousand.

CETIN and the Company incur income and expenses related to the operation of the network in the geographic territory they are responsible for and subsequently perform mutual recharges. Income and expenses incurred based on the contract are of the same nature. Those transactions are considered to be the transactions of the joint operation rather than transactions between the joint operators. As such, those are presented in net values. In certain cases, residual balances are presented as other operating income and other operating expenses.

Content rights
The Company recognizes the content licences as intangible assets if it is highly probable that the content will be delivered, contract duration is longer than one year and the cost are determined or determinable. Acquired content licences are recognised 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. Content contracts which do not meet the criteria for capitalization are expensed and presented in 'other operating costs' in the income statement.

Asset retirement obligation
The Company enters into lease contracts for land and premises on which mainly mobile communication network masts and other assets 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 assets, which is estimated to be from 5 to 33 years. The remaining useful life of assets ranges from 1 to 33 years at 31 May 2024.

Management's determination of the amount of the asset retirement obligation (Note 25) involves the following estimates (in addition to the estimated timing of crystallisation of the obligation):

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

If probable settlement date of the obligation related to masts was shortened by 10 years it would cause an increase of asset retirement obligation by EUR 1,643 thousand (2023: increase by EUR 1,699 thousand). If the inflation rate increased by 0.5%, it would cause an increase of asset retirement obligation by EUR 1,202 thousand (2023: increase by EUR 1,242 thousand). If the risk-adjusted, pre-tax discount rate increased by 0.5%, it would cause a decrease of asset retirement obligation by EUR 1,105 thousand (2023: decrease by EUR 1,141 thousand). If the amounts necessary to settle future obligations increased by 10%, it would cause an increase of asset retirement obligation by EUR 2,512 thousand (2023: increase by EUR 2,489 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 25 and 34.

Critical judgements in determining lease term
The lease term assessment for evergreen leases (i.e. with no specified contract maturity) is performed on a portfolio basis. The lease term determination is usually linked to the estimated useful life of telecommunication equipment installed on infrastructure, building or land of third parties.

In case of evergreen lease contracts for office space, shops and technical space, lease term has been assessed in different manner, considering all circumstances and facts that create an economic (dis)incentive to terminate the contracts, e. g. location of the asset, existence of significant leasehold improvements that would be lost if the lease were terminated, costs associated with sourcing an alternative place and historical lease durations. Based on that, the Company has come to conclusion that expected lease term is 20 years for office space and shops and 33 years for technical space.

If the expected lease term of office space and shops was shortened by 10 years (from 20 years to 10 years) it would cause a decrease in the lease liability by EUR 5,543 thousand (2023: EUR 5,472 thousand). If the expected lease term was prolonged by 10 years (from 20 years to 30 years) it would cause an increase in the lease liability by EUR 7,615 thousand (2023: EUR 7,479 thousand).

If the expected lease term of technical space was shortened by 10 years (from 33 years to 23 years) it would cause a decrease in the lease liability by EUR 7,258 thousand (2023: EUR 8,003 thousand). If the expected lease term was prolonged by 10 years (from 33 years to 43 years) it would cause an increase in the lease liability by EUR 8,865 thousand (2023: EUR 11,348 thousand). Assumed calculation is prepared on the basis of the subsequent extension of initial lease term after it's expiry by 10 years.

As the result of the networksharing agreement with CETIN, approximately 320 sites (rooftops and ground-based towers) will be either sold or dismantled. The Company has reassessed the lease term of the related lease contracts and determined the fixed end date of the leases based on the estimated time of the sale or dismantle. The financial effect of the reassessment is reflected in right-of-use assets (Note 13) and corresponding lease liabilities (Note 27).

2.21 Adoption of IFRS during the year

Standards, interpretations and amendments to published standards effective for the Company's accounting period beginning on 1 January 2024

The Company has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2024:

a) Classification of liabilities as current or non-current - amendments to IAS 1
b) Non-current liabilities with covenants - amendments to IAS 1
c) Lease Liability in a Sale and Leaseback - amendments to IFRS 16
d) Supplier Finance Arrangements - amendments to IAS 7 and IFRS 7

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

New standards and interpretations not yet adopted
The new standards, amendments to the standards and interpretations endorsed by EU which are not yet effective and have not been early adopted are not expected to have a significant impact on the Company's financial statements.

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, trade receivables, intra-group loans, intra-group funding measures (i.e. cash pooling or additional financing facilities) and derivatives. The main purpose of these instruments is to manage the liquidity of the Company.

The Company also concluded derivate swap contract which is a virtual power purchase agreement to manage cash flow variability. Company is exposed to variability in the price of power due to the electricity consumption in the mobile network and related administrative building. Risk management strategy is focused on limiting the impacts of commodity price risks to acceptable levels defined in Risk management strategy. The hedging strategy and the extent of hedge coverage are aligned with the DT Strategy Team and have been approved by local management. Hedge accounting practices are conducted in accordance with these established principles. In accordance with the Risk management strategy, the risk management objective is that Company entered into a derivative commodity contract where they pay fixed leg and receive the float leg based on price development on underlying assets represented by hourly national spot price published by short-term electricity market operator OKTE.

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 (except for credit risk arising from sales activities which is managed by the Credit Risk Department) in accordance with guidelines approved by the Board of Directors and the Deutsche Telekom Group Treasury. The Company's Treasury Department works in association with the Company's other 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 or 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 net exposure) of the following 12 months (rolling 12 month approach) a hedging ratio of at least 50% of net foreign-exchange exposure is applied. The Company uses foreign exchange spot and foreign exchange fixed-term financial contracts to hedge these uncommitted net exposures.

Short-term cash flow 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 carrying amounts of the Company's USD and CZK denominated monetary assets and monetary liabilities at the reporting date are as follows:

thousands of EUR	31.05.2024	31.12.2023	31.05.2024	31.12.2023
	USD	USD	CZK	CZK
Monetary assets	418	316	686	366
Monetary liabilities	(964)	(689)	(2,409)	(4,889)
	(546)	(373)	(1,723)	(4,523)

The following table details the sensitivity of the Company's profit after tax 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		31.05.2024	31.12.2023
Profit after tax	Depreciation of USD by 10%	40	27
	Appreciation of USD by 10%	(40)	(27)

thousands of EUR		31.05.2024	31.12.2023
Profit after tax	Depreciation of CZK by 10%	6	14
	Appreciation of CZK by 10%	(6)	(14)

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 on Upstream loans with DTAG in October 2008 based on which the Company can provide loans to DTAG. Currently, there is outstanding loan in amount of EUR 10,000 thousand (2023: EUR 90,000 thousand) at fixed interest rate (Note 22). The Company has no material financial instruments with variable interest rates as at 31 May 2024.

3.1.3 Other price risk

Other price risk arises on financial instruments because of changes in commodity prices. The Company entered into derivative swap to mitigate volatility exposure for energy prices.

The following table details the sensitivity of other components of equity to a 10% increase/decrease in the reference prices and 5% increase/decrease in electricity volumes with all other variables held as constant. The 10% and 5% change represents management's assessment of the reasonably possible change in the variables.

thousands of EUR		31.05.2024	31.12.2023
Impact on other components of equity	Decrease in reference prices 10%	(4,279)	-
	Increase in reference prices 10%	4,279	-

thousands of EUR		31.05.2024	31.12.2023
Impact on other components of equity	Decrease in electricity volume 5%	(23)	-
	Increase in electricity volume 5%	4	-

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 investing 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 deposits free cash into financial instruments such as financial investments in the form of loans to DTAG. The Company is exposed to concentration of credit risk from holding loan receivable in the amount of EUR 10,000 thousand (2023: EUR 90,000 thousand) provided to DTAG (Germany) and trade receivables from DTAG, subsidiaries and other entities in DT Group in amount of EUR 32,427 thousand (2023: EUR 40,010 thousand). The concentration of credit risk for trade receiables other than from entities in DT Group is limited due to the fact that the customer base is large and unrelated.

The Company's cash and cash equivalents are held with major regulated financial institutions; the two largest ones hold approximately 95% and 4% (2023: 97% and 3%).

For credit ratings see the following tables:

thousands of EUR	31.05.2024	31.12.2023
Loans (Note 22)		
Baa1	10,000	90,000
	10,000	90,000

thousands of EUR	31.05.2024	31.12.2023
Cash and cash equivalents (Note 23)		
A2	32,581	57,958
Not rated	100	80
	32,681	58,038

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 (Credit Default Swap) level and rating.

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 determined based on probability of default would be immaterial. The receivables from the DTAG group do not give rise to a significant credit risk. The Company has considered the financial performance, external debt and future cash flows of the related parties and concluded that the credit risk relating to these receivables is limited and consequently the probability of default relating to these balances is low.

Impairment is recognized both upon initial recognition and at each subsequent reporting date at an amount equal to the lifetime expected credit losses. 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 receivables.

In respect of financial assets, which comprise cash and cash equivalents, intra-group loans, 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 considers a financial asset to be in default when contractual payments are 90 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before contractual payments are 90 days past due. For example, in case of an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

The Company assesses its financial investments at each reporting date for credit losses. Significant financial assets are assessed individually. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. Credit loss in respect of a financial asset is calculated as the difference between all contractual cash flows that are due to an entity in accordance with the contract and all the cash flows that the entity expects to receive discounted at the original effective interest rate. Credit losses are recognised in the income statement.

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 May 2024							
Trade and other receivables, gross	179,323	7,229	6,029	4,871	6,291	15,761	219,504
Trade and other receivables, net	168,591	6,392	3,697	1,994	1,859	1,884	184,417
Allowance for receivables	(10,732)	(837)	(2,332)	(2,877)	(4,432)	(13,877)	(35,087)

				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 2023							
Trade and other receivables, gross	181,616	10,438	5,112	4,186	5,766	17,807	224,925
Trade and other receivables, net	173,123	9,396	3,314	1,826	1,370	2,940	191,969
Allowance for receivables	(8,493)	(1,042)	(1,798)	(2,360)	(4,396)	(14,867)	(32,956)

The probabilities of default for individual ageing bands for Core receivables (which represents majority of receivables) are as follows:

				Past due			
	Not past due	< 30 days	31–90 days	91–180 days	181–365 days	> 365 days	Total
At 31 May 2024	2 %	13 %	40 %	63 %	74 %	92 %	100 %
At 31 December 2023	2 %	13 %	40 %	63 %	74 %	92 %	100 %

No significant individually assessed trade receivables were included in the loss allowance in 1–5/2024 or 2023.

Management believes that no additional loss allowance is necessary for trade receivables for which there is a significant increase in credit risk since initial recognition because of the fact that these receivables are from creditworthy customers who have a good track record with the Company. This is also supported by the historical default rates. Management also believes that currently no additional loss allowance is necessary for trade receivables that are either not past due or for which no objective evidence of impairment exists.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in Note 17, 22 and 23. For sensitivity of impairment charge of uncollectible receivables refer to Note 17.

3.3 Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are to be settled by delivering cash or another financial asset. Liquidity risks are monitored using several techniques, such as Maturity Gap Analysis (which compares cash inflows and outflows over various time periods), Cash Flow Forecasting, and examining the Cash Conversion Cycle to evaluate liquidity requirements and challenges.

Short-term highly liquid assets of the Company (such as cash and cash equivalents, cash pooling receivable and intercompany short-term loans) cover significant part of Company´s payables without Trade and other receivables and other current assets taken into account, therefore liquidity risk of the Company is considered to be low:

thousands of EUR	31.05.2024	31.12.2023
Cash and cash equivalents	32,681	58,038
Cash pooling receivable (included in Trade and other receivables)	15,729	19,747
Loans	10,000	90,000
	58,410	167,785

The Company's liquidity risk mitigation principles define the level of cash and cash equivalents, marketable securities, short-term financial assets and intragroup financing measures in line with DT Group Centralized funding approach available to the Company to allow it to meet its obligations on time and in full. Liquidity needs are to be covered by intragroup funding measures of DT Group, i.e. cash pooling or additional financing facilities, then also cash, cash equivalents and liquid short term financial assets 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 May 2024					
Trade and other payables	3,548	79,511	6,634	20,262	109,955
At 31 December 2023					
Trade and other payables	7,546	119,167	1,499	20,330	148,542

For maturity of lease liabilities refer to Note 27.

Trade and other payables, which are past due as at 31 May 2024, are in amount of EUR 1,870 thousand (out of which EUR 1,791 thousand are Trade and other payables past due not more than 30 days.) Trade and other payables, which were past due as at 31 December 2023, were in amount of EUR 5,959 thousand (out of which EUR 5,912 thousand were Trade and other payables past due not more than 30 days.)

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 May 2024.

3.3.1 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 May 2024			
Current financial assets – Trade receivables	3,693	(2,609)	1,084
Current financial liabilities – Trade payables	3,460	(2,609)	851
At 31 December 2023			
Current financial assets – Trade receivables	4,307	(2,985)	1,322
Current financial liabilities – Trade payables	4,212	(2,985)	1,227

For the Company's accounting policy on offsetting refer to Note 2.10. Balances of Trade receivables and Trade payables are presented on a net basis in the statement of financial position.

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 the 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 the shareholder, or alternatively, by returning capital to the 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 1–5/2024.

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 24). Management of the Company manages capital measured in terms of shareholder's equity amounting to EUR 1,183,031 thousand at 31 May 2024 (2023: EUR 1,244,772 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.

thousands of EUR	Level 1	Level 2	Level 3
Recurring fair value measurements at 31 May 2024			
Financial assets at FVTPL			
Hedging derivatives – cash flow hedge	-	-	9,358

thousands of EUR	Derivative financial assets in cash flow hedges: energy forward agreements	Derivative financial liabilities in cash flow hedges: energy forward agreements
Carrying amount as of January 1, 2024		
Additions (including first-time classification as Level 3)	-	-
Decreases in fair value recognized in profit/loss (including losses on disposal)	-	-
Increases in fair value recognized in profit/loss (including gains on disposal)	-	-
Decreases in fair value recognized directly in equity	-	-
Increases in fair value recognized directly in equity	-	-
Disposals (including last classification as Level 3)	9,358	-
Currency translation effects recognized directly in equity	-	-
Carrying amount as of May 31, 2024	-	-
Účtovná hodnota k 31. máju 2024	9,358	-

The amounts are included in line "Derivative financial instruments" of the statement of financial position and in line "Fair value gain arising on hedging instruments "in the statement of comprehensive income.

3.5.2 Non-recurring fair value measurement

Non-recurring fair value measurements are fair value measurements that are required or permitted by other IFRSs to be measured in the statement of financial position in particular circumstances.

thousands of EUR	Level 1	Level 2	Level 3
Non-recurring fair value measurements at 31 May 2024			
Non-financial assets at fair value			
Property, plant and equipment	-	-	1,941

The Company accounts for counter-parties' contribution into joint operations at fair value in accordance with IFRS 11. Furthermore, non-financial assets were valued by external valuation service provider using cost approach including own data or other best available information in the circumstances in line with IFRS 13 requirements.

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. The loans are short-term. For further details on loans refer to Notes 3.2 and 22. 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	31.05.2024	31.12.2023
ASSETS		
Financial assets at amortised cost		
Trade and other receivables (Note 17)	184,417	191,969
Derivative financial instruments (Note 18)	9,358	-
Loans (Note 22)	10,000	90,000
Cash and cash equivalents (Note 23)	32,681	58,038
LIABILITIES		
Financial liabilities at amortised cost		
Trade and other payables (Note 26)	109,955	148,542
Lease liabilities (Note 27)	82,642	91,784

4. Revenue from contracts with customers

thousands of EUR	1–5/2024	2023
Fixed network revenue	129,979	285,436
Mobile network revenue	140,353	330,557
Terminal equipment	44,971	123,026
System solutions / IT	17,277	47,086
Other	2,792	6,418
	335,372	792,523

For assets and liabilities related to contracts with customers or cost to obtain a contract with customer refer to Note 19.

5. Other operating income

thousands of EUR	1–5/2024	2023
Gain on disposal of property and equipment and intangible assets, net	694	1,035
Gain from material sold	143	231
Reversal of impairment of property and equipment (Notes 11, 12, 13)	266	3,200
Income from reinvoicing of services	2,730	6,891
Other	2,240	3,763
	6,073	15,120

6. Staff costs

thousands of EUR	1–5/2024	2023
Wages and salaries	33,947	93,636
Defined contribution pension costs	5,856	13,083
Other social security contributions	7,966	16,429
	47,769	123,148

	31.05.2024	31.12.2023
Number of employees at year end	2,368	2,396
Average number of employees during the year	2,378	2,439

Majority of own work capitalized in amount of EUR 4,298 thousand (2023: EUR 13,286 thousand) represents capitalization of staff costs of internal employees.

For expenses resulting from termination, retirement and jubilee benefits (included in Staff costs) refer to Note 25.

7. Other operating costs

thousands of EUR	1–5/2024	2023
Repairs and maintenance	6,031	15,130
Marketing costs	3,961	13,890
Energy	7,612	36,273
Printing and postage	1,297	3,249
Logistics	1,175	3,308
Rentals and leases (not in scope of IFRS 16)	884	1,711
IT services	3,613	8,604
Dealer commissions	8,657	18,233
Frequency fees	1,276	3,026
Content fees	7,802	18,455
Legal and regulatory claims (Note 34)	(186)	373
Property related costs	981	2,613
Consultancy	989	1,552
Customer solutions	9,553	26,344
Fees paid to group companies	3,324	6,821
Other	3,699	11,786
	60,668	171,368

8. Financial income

thousands of EUR	1–5/2024	2023
Interest income	2,215	3,733
Foreign exchange gains, net	116	8
	2,331	3,741

9. Financial expense

thousands of EUR	1–5/2024	2023
Interest expense from lease	1,463	2,790
Impairment of investments in subsidiaries (Note 16)	-	3,938
Other interest expense	587	1,208
	2,050	7,936

10. Taxation

The major components of income tax expense for the period ended 31 May and year ended 31 December 2023 are:

thousands of EUR	1–5/2024	2023
Current tax expense	25,755	45,491
Current tax expense of prior years	335	(17)
Deferred tax income	(2,720)	(2,602)
Levy on regulated industries	2,885	6,861
Levy on regulated industries of prior years	-	655
Income tax expense reported in the income statement	26,255	50,388

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	1–5/2024	2023
Profit before income tax	112,984	207,259
Income tax calculated at the statutory rate of 21% (2023: 21%)	23,727	43,524
Effect of non-taxable income and tax non-deductible expenses:		
Dividends	(1,099)	(3,514)
Cost related to legal and regulatory claims	(40)	(329)
Other tax non-deductible items, net	447	3,208
Tax charge in respect of prior years	335	(17)
Levy on regulated industries	2,885	7,516
Income tax at the effective tax rate of 23% (2023: 24%)	26,255	50,388

Deferred tax assets (liabilities) for the periods ended 31 May 2024 and 31 December 2023 are attributable to the following items:

thousands of EUR	1 January 2024	Through income statement	Transfer to liabilities associated with assets classified as held for distribution to owners	Through statement of comprehensive income	31 May 2024
Difference between carrying and tax value of fixed assets	(82,053)	5,789	4,647	-	(71,617)
Lease liabilities	19,188	1,810	(3,717)	-	17,281
Staff cost accruals	3,511	(1,628)	-	-	1,883
Allowance for bad debts	5,356	195	-	-	5,551
Termination benefits	1,169	(207)	-	-	962
Retirement benefit obligation	2,159	77	-	(267)	1,969
Asset retirement obligation	5,228	(1,773)	(755)	-	2,700
Derivative financial instruments	-	-	-	(1,965)	(1,965)
Contract assets	(6,572)	284	--	-	(6,288)
Contract costs	(6,776)	(560)	-	-	(7,336)
Contract liability	1,770	(199)	-	-	1,571
Special levy	-	(380)	-	-	(380)
Other	6,324	(688)	(74)	-	5,562
Net deferred tax liability	(50,696)	2,720	101	(2,232)	(50,107)

thousands of EUR	1 January 2023	Through income statement	Through statement of comprehensive income	31 December 2023
Difference between carrying and tax value of fixed assets	(83,167)	1,114	-	(82,053)
Lease liabilities	17,086	2,102	-	19,188
Staff cost accruals	3,157	354	-	3,511
Allowance for bad debts	5,791	(435)	-	5,356
Termination benefits	869	300	-	1,169
Retirement benefit obligation	1,918	(84)	325	2,159
Asset retirement obligation	5,287	(59)	-	5,228
Contract assets	(6,193)	(379)	-	(6,572)
Contract costs	(4,952)	(1,824)	-	(6,776)
Contract liability	1,773	(3)	-	1,770
Other	4,808	1,516	-	6,324
Net deferred tax liability	(53,623)	2,602	325	(50,696)

thousands of EUR	31.5.2024	31.12.2023
Deferred tax asset to be settled within 12 months	17,896	20,367
Deferred tax asset to be settled after more than 12 months	20,437	25,227
Deferred tax liability to be settled within 12 months	(7,345)	(7,402)
Deferred tax liability to be settled after more than 12 months	(81,095)	(88,887)
Net deferred tax liability	(50,107)	(50,695)

The Slovak Republic has implemented legislation to ensure global minimum taxation in accordance with Pillar II of the OECD and the corresponding EU Directive. The Slovak legislation was adopted in December 2023 and the legislation is applicable from 2024.

The potential tax burden has been estimated based on the information available at the balance sheet date (historical information, planning data, Group reporting as of 31 December 2023 and 31 March 2024, etc.). Based on this assessment, the Company expects that it will not be subject to minimum taxation in 2024, either by demonstrating that it meets the temporary safe harbor criteria (i.e. based on the qualified report the simplified effective tax rate for a jurisdiction is at least 15% for 2024) or by demonstrating minimum taxation based on detailed calculations according to the GLoBE rules. Therefore, no minimum tax is due as of the balance sheet date.

In addition, the Company uses the exemption in IAS 12.4A, according to which no deferred taxes are recognized in connection with the global minimum taxation.

11. Intangible assets

thousands of EUR	Software	Telecommunication licences	Other licences and rights	Internally developed intangible assets	Goodwill	Intangibles under construction	Total
At 1 January 2024							
Cost	480,162	184,765	30,434	49,628	73,313	48,958	867,260
Accumulated amortisation	(389,779)	(124,078)	(24,895)	(36,576)	-	-	(575,328)
Net book value	90,383	60,687	5,539	13,052	73,313	48,958	291,932
Additions	6,733	-	10,547	23	-	4,071	21,374
Amortisation charge	(10,505)	(4,215)	(6,099)	(862)	-	-	(21,681)
Transfers	12,387	-	733	985	-	(14,105)	-
Reclassification to held for distribution to owners (Note 14)	(423)	-	-	-	-	-	(423)
At 31 May 2024							
Cost	492,616	184,765	31,013	50,636	73,313	38,924	871,267
Accumulated amortisation	(394,041)	(128,293)	(20,293)	(37,438)	-	-	(580,065)
Net book value	98,575	56,472	10,720	13,198	73,313	38,924	291,202

Goodwill was recognised at the merger of Slovak Telekom with T-Mobile on 1 July 2010 and arose on the Slovak Telekom's acquisition of the controlling interest in T-Mobile at 31 December 2004. Intangibles under construction are represented by low valued items of software or licenses acquired in current year, but not yet put in use.

thousands of EUR	Software	Telecommu-nication licences	Other licences and rights	Internally developed intangible assets	Goodwill	Intangibles under construction	Total
At 1 January 2023							
Cost	500,255	184,765	27,480	48,298	73,313	46,732	880,843
Accumulated amortisation	(413,079)	(113,961)	(23,378)	(34,325)	-	-	(584,743)
Net book value	87,176	70,804	4,102	13,973	73,313	46,732	296,100
Additions	13,525	-	14,101	139	-	19,510	47,275
Amortisation charge	(25,160)	(10,117)	(13,920)	(2,251)	-	-	(51,448)
Disposals	-	-	(1)	-	-	-	(1)
Transfers	14,842	-	1,257	1,191	-	(17,284)	6
At 31 December 2023							
Cost	480,162	184,765	30,434	49,628	73,313	48,958	867,260
Accumulated amortisation	(389,779)	(124,078)	(24,895)	(36,576)	-	-	(575,328)
Net book value	90,383	60,687	5,539	13,052	73,313	48,958	291,932

12. Property and equipment

thousands of EUR	Land, buildings and structures	Telecommu-nications line network	Transmission and switching equipment	Other	Capital work in progress including advances	Total
At 1 January 2024						
Cost	137,239	1,281,941	669,852	181,575	153,622	2,424,229
Accumulated depreciation	(87,535)	(834,056)	(543,641)	(143,341)	-	(1,608,573)
Net book value	49,704	447,885	126,211	38,234	153,622	815,656
Additions	1	7,043	8,208	3,130	24,052	42,434
Depreciation charge	(1,203)	(18,580)	(15,997)	(4,010)	-	(39,790)
Impairment charge	-	-	-	(57)	-	(57)
Reversal of impairment	266	-	-	-	-	266
Disposals	(10)	(82)	(119)	(964)	(312)	(1,487)
Transfers	1,196	8,735	9,838	1,721	(21,490)	-
Reclassification to assets held for distribution to owners (Note 14)	(207)	-	-	(15,095)	-	(15,302)
At 31 May 2024						
Cost	134,714	1,297,398	674,276	127,080	155,872	2,389,340
Accumulated depreciation	(84,967)	(852,397)	(546,135)	(104,121)	-	(1,587,620)
Net book value	49,747	445,001	128,141	22,959	155,872	801,720

Property and equipment, excluding motor vehicles, is locally insured to a limit of EUR 25,000 thousand (2023: EUR 25,000 thousand). Any loss exceeding local limit is insured by DTAG Global Insurance Program up to EUR 725,000 thousand (2023: EUR 725 000 thousand). The Company has the third-party liability insurance for all motor vehicles.

thousands of EUR	Land, buildings and structures	Telecommu-nications line network	Transmission and switching equipment	Other	Capital work in progress including advances	Total
At 1 January 2023						
Cost	144,787	1,252,618	650,193	180,993	119,791	2, 348,382
Accumulated depreciation	(92,432)	(788,623)	(526,823)	(143,378)	-	(1,551,256)
Net book value	52,355	463,995	123,370	37,615	119,791	797,126
Additions	251	18,818	32,118	10,399	55,352	116,938
Depreciation charge	(3,499)	(45,634)	(37,836)	(9,606)	-	(96,575)
Impairment charge	(19)	-	-	-	-	(19)
Reversal of impairment	2,981	-	-	4	-	2,985
Disposals	(2,533)	(52)	(100)	(1,118)	(990)	(4,793)
Transfers	168	10,758	8,659	940	(20,531)	(6)
At 31 December 2023						
Cost	137,239	1,281,941	669,852	181,575	153,622	2,424,229
Accumulated depreciation	(87,535)	(834,056)	(543,641)	(143,341)	-	(1,608,573)
Net book value	49,704	447,885	126,211	38,234	153,622	815,656

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 landlords' 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. They are usually parts of buildings acquired within sale and leaseback transactions, when the Company sells a building but has an easement right to use part of that building to access technological equipment. The easement right and selling price are interdependent because they are negotiated as part of the same package. There is no rent charged for the easement right to use the asset as it is already incorporated in the lower selling price, therefore the Company estimates market price of lease payments for this type of lease,
c) shops – retail space in a building or a shopping 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 31 May 2024 and at 31 December 2023.

thousands of EUR	Leased land	Leased buildings	Leased technical equipment and machinery	Total
At 1 January 2024				
Cost	35,492	107,361	12,148	155,001
Accumulated depreciation	(13,789)	(44,583)	(3,950)	(62,322)
Net book value	21,703	62,778	8,198	92,679
Additions	11,567	3,872	1,670	17,109
Depreciation charge	(1,514)	(4,486)	(956)	(6,956)
Disposals	(85)	(277)	(182)	(544)
Reclassification to asets held for distributions to owners (Note 14)	(331)	(17,368)	(21)	(17,720)
At 31 May 2024				
Cost	45,540	76,134	13,311	134,985
Accumulated depreciation	(14,200)	(31,615)	(4,602)	(50,417)
Net book value	31,340	44,519	8,709	84,568

Disposals arose due to contract terminations or modifications (shortening of lease term or decrease of lease payment).

thousands of EUR	Leased land	Leased buildings	Leased technical equipment and machinery	Total
At 1 January 2023				
Cost	25,957	95,363	10,733	132,053
Accumulated depreciation	(11,348)	(34,245)	(6,716)	(52,309)
Net book value	14,609	61,118	4,017	79,744
Additions	10,868	17,113	6,508	34,489
Depreciation charge	(3,073)	(10,792)	(2,225)	(16,090)
Impairment charge	(98)	(493)	-	(591)
Reversal of impairment	215	-	-	215
Disposals	(818)	(4,168)	(102)	(5,088)
At 31 December 2023				
Cost	35,492	107,361	12,148	155,001
Accumulated depreciation	(13,789)	(44,583)	(3,950)	(62,322)
Net book value	21,703	62,778	8,198	92,679

Pursuant to IFRS 16 single lessee accounting model, the Company recognises a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments (Note 27).

14. Asset held for distribution to owners

The transaction is described in more detail in Note 36. Events after the reporting year.

thousands of EUR	31.05.2024	31.12.2023
Property and equipment (Note 12)	15,302	-
Intangible assets (Note 11)	423	-
Right of use assets (Note 13)	17,720	-
Prepaid expenses	1,519	-
Trade receivables	19	-
Cash and cash equivalents	200	-
	35,183	-

15. Impairment of goodwill

thousands of EUR	31.05.2024	31.12.2023
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 upon the legal merger of the Company and T-Mobile on 1 July 2010. The recoverable amount of the cash-generating unit was determined using cash flows projections based on the four-year financial plans that present the management's best estimate on market participants' assumptions and expectations. Cash flows beyond the four-year period were extrapolated using 1.00% growth rate (2023: 1.00%). The growth rate does not exceed the long-term average growth rate for the market in which the cash-generating unit operates. The Company used discount rate of 5.54% (2023: 5.83%). Further key assumptions on which management has based its determination of the recoverable amount of the cash-generating unit include the development of revenue, customer acquisition and retention costs, 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 value in use 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.

16. Investments in subsidiaries

Slovak Telekom holds the following investments in fully consolidated direct subsidiaries:

Name and registered office	Activity	Share and voting rights 31.05.2024	Share and voting rights 31.12.2023
DIGI SLOVAKIA, s. r. o. ("DIGI") Röntgenova 26, 851 01 Bratislava	TV services, broadband services and TV channels production	100%	100 %
Telekom Sec, s. r. o. ("Telekom Sec") Bajkalská 28, 817 62 Bratislava	Security services	100%	100 %

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

thousands of EUR	Cost of investment 31.5.2024	Cost of investment 31.12.2023	Profit / (loss) 1–5/2024	Profit / (loss) 2023	Net assets 31.5.2024	Net assets 31.12.2023
DIGI SLOVAKIA, s. r. o.	48,424	48,424	1,826	5,235	7,393	10,902
Telekom Sec, s. r. o.	72	72	-	(1)	53	54
	48,496	48,496				

Financial data for subsidiaries are based on their separate financial statements and for period 1–5/2024 from monthly results as at 31.5.2024.

Cost of investment in DIGI in amount of EUR 48,424 thousand is net of impairment of EUR 3,938 thousand (Note 9) as the carrying amount of investment exceeded its recoverable amount.

17. Trade and other receivables

thousands of EUR	31.05.2024	31.12.2023
Non-current		
Receivables from instalment sale	16,273	18,040
Finance lease receivables	386	455
	16,659	18,495
Current		
Trade receivables	141,795	149,057
Cash pooling receivable	15,729	19,747
Other receivables	3,919	4,494
Finance lease receivables	6,315	176
	167,758	173,474

Trade receivables are net of an allowance of EUR 35,087 thousand (2023: EUR 32,956 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 1,691 thousand higher (2023: EUR 1,667 thousand).

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

thousands of EUR	1–5/2024	2023
At 1 January	32,956	33,777
Charge for the year, net	5,896	3,397
Utilised	(3,765)	(4,218)
At 31 May / 31 December	35,087	32,956

18. Derivatives

The Company is committed to reduce their greenhouse gas emissions and to meet sustainability targets. To mitigate exposure to power price volatility, the Company has entered into a Virtual Power Purchase Agreement (VPPA) centered on wind-generated power. This agreement aims to cover approx. 60% of annual power needs of the Company, which averages to about 40 GWh per year. The agreement utilizes Guarantees of Origin (host contract) to certify the renewable energy sourced. The Company applies own-use exemption and treats GoO as executory contract.

With a carrying amount as of 31 May 2024 equal to 9,358 thousand EUR, the embedded derivative in a REC (Renewable Energy Ceritificates) with a hedging relationship assigned to Level 3 and carried under derivative financial assets relates to the virtual power purchase agreement entered into by the Company on April 2, 2024. The transaction price at the inception of the VPPA was zero and no day 1 gain or loss was recognized.

Under the virtual power purchase agreement the Company will receive variable amounts based on the facilities' actual energy output and the current energy prices and will pay fixed amounts per unit of energy generated throughout the term of the contract. The virtual power purchase agreement is measured using valuation model because no observable market prices are available. The value of the derivative is significantly influenced by future energy prices on the relevant markets.

In estimating the market prices of electricity, the Company uses a combination of market quotations from established platforms like EEX (European Energy Exchange), and third-party expert input for the parts of the forward curve that are not liquid. This combination of third-party data and unobservable volume estimates triggers the Level 3 fair value hierarchy classification of the VPPA's fair value in line with IFRS 13. The nominal value of the contract is 35,520 thousand EUR for expected 40 GWh/year.

Application of hedge accounting
The Company has designated the vPPA cash flow hedge relationship at its origination. It met the effectiveness requirements in accordance with IFRS 9 with regards to economic relationship, determined through reference prices with economic relationship between the hedging instrument and the hedged item exists as the underlying asset of hedging instrument matches the underlying price component of the power delivery contracts. Furthermore, the designated forecasted volume of the monthly power consumption in MWh matches the VPPA volumes based on the expected annual generated volumes. The credit risk of the Company and the counterparty affect only the changes of the fair value of the hedging instrument. The Company determines hedge ratio as the relationship between the quantity of the hedging instrument and the quantity of the hedged item in terms of their relative weighting (Hedging notional: Hedged power price risk exposure). The incorporated hedge ratio is defined in line with the nature of risk being hedged and the economic relationship of the hedged item and the hedging instrument and is therefore 1:1. In other words, 1 MWh of forecasted purchases is hedged with 1 MWh of VPPA production volume. The actual hedge ratio is monitored monthly at each reporting date and upon a significant change in the circumstances affecting the hedge effectiveness requirements, whichever comes first. Potential sources of ineffectiveness are identified as mismatch between actual VPPA Volume and designated volume of hedged item. Furthermore, hedge ineffectiveness can arise if there is a discrepancy between the actual volume in the VPPA and the electricity consumption. Creditworthiness of VPPA parties in hedge ineffectiveness can occur if the Company or the Seller experiences financial instability or credit rating downgrades and non-linear movement in prices which could be the main source of ineffectiveness in this hedge relationship specifically the difference in the floating price index applied in the calculation of the fair value of hedged item (base-load price) and hedging instrument.

The impact of the hedging instruments on the statement of financial position is as follows:

thousands of EUR	Notional Amount	Carrying amount of the hedging instrument		Line item in the statement of financial position	Change in fair value used for measuring ineffectiveness for the period
		Assets	Liabilities		
As at 31 May 2024					
Commodity derivative	35,520	9,358	-	Derivative financial instruments	-
As at 31 December 2023					
Commodity derivative	-	-	-	n/a	-

The impact of the hedged item is as follows:

thousands of EUR	Nominal amount of the hedged item		Change in value used for calculating hedge ineffectiveness	Balance in cash flow reserve for continuing hedges	Balance in cash flow hedge reserve arising from hedging relationships for which hedge accounting is no longer applied
	Assets	Liabilities			
As at 31 May 2024					
Commodity derivative	-	13,812	11,104	9,358	-
As at 31 December 2023					
Commodity derivative	-	-	-	-	-

The effect of the cash flow hedge in the statement of profit or loss and other comprehensive income (OCI) is, as follows:

thousands of EUR	Total hedging gain/(loss) recognised in OCI	Ineffectiveness recognised in profit or loss	Line item in the statement of profit or loss	Amount reclassified from OCI to profit or loss	Line item in the statement of profit or loss
As at 31 May 2024					
Highly probable forecast purchases	9,358	-	Fair value gain/(loss) arising on hedging instruments	-	n/a
Electricity purchases	-	-	n/a	-	n/a
As at 31 December 2023					
Highly probable forecast purchases	-	-	n/a	-	n/a
Electricity purchases	-	-	n/a	-	n/a

19. 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 primarily consists of Dealers commission.

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

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

thousands of EUR	31.05.2024	31.12.2023
Non-current assets		
Contract assets	7,586	8,879
Loss allowance	(780)	(889)
	6,806	7,990
Contract costs	18,216	15,520
	18,216	15,520
Current assets		
Contract assets	21,555	22,631
Loss allowance	(2,046)	(2,663)
	19,509	19,968
Contract costs	16,719	16,750
	16,719	16,750
Non-current liabilities		
Contract liabilities	33,090	31,949
	33,090	31,949
Current liabilities		
Contract liabilities	29,792	29,376
	29,792	29,376

Revenue recognised in the reporting period that was included in the contract liability balance at the beginning of the period amounted to EUR 12,849 thousand (2023: EUR 26,615 thousand).

Transaction price allocated to the performance obligations that are unsatisfied as of the end of reporting period amounted to EUR 381,514 thousand (2023: EUR 364,330 thousand). Management expects that the transaction price allocated to the unsatisfied contracts as of 31 May 2024 will be recognised as revenue as follows: EUR 288,269 thousand during first year; EUR 90,197 thousand during second year and EUR 3,048 thousand during third-sixth year (2023: EUR 275,202 thousand during first year; EUR 86,952 thousand during second year and EUR 2,176 thousand during third-sixth year).

Wages and salaries include also amortisation of costs to obtain a contract with customer in the amount of EUR 764 thousand (2023: EUR 1,895 thousand) (Note 6).

Dealers commission includes also amortisation of costs to obtain a contract with customer in the amount of EUR 9,831 thousand (2023: EUR 22,094 thousand) (Note 7).

20. Prepaid expenses and other assets

thousands of EUR	31.05.2024	31.12.2023
Non-current		
Other prepaid expenses	10,965	11,177
	10,965	11,177
Current		
Other prepaid expenses	3,603	3,015
Advance payments	5,225	5,466
Other assets	452	60
	9,280	8,541

21. Inventories

thousands of EUR	31.05.2024	31.12.2023
Materials	5,508	5,650
Goods	14,587	16,141
	20,095	21,791

Inventories are net of an allowance of EUR 2,327 thousand (2023: EUR 3,069 thousand). The write-down of inventories in the amount of EUR 1,179 thousand (2023: EUR 1,969 thousand) was recognised in cost of material and equipment.

22. Loans

thousands of EUR	31.05.2024	31.12.2023
Loans to Deutsche Telekom AG	10,000	90,000
	10,000	90,000

The loans granted to Deutsche Telekom AG were not secured. Loans outstanding at 31 May 2024 were provided in May 2024 and were repayable in June 2024 (2023: provided in July and December 2023, repayable in January and February 2024). For credit ratings see Note 3.2.

23. Cash and cash equivalents

thousands of EUR	31.05.2024	31.12.2023
Cash and cash equivalents	32,681	58,038
	32,681	58,038

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.

24. Shareholders' equity

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

As at 31 May 2024, Slovak Telekom had authorised and issued 86,411,300 ordinary shares (2023: 86,411,300) with a par value of EUR 10.00 per share (2023: 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.

Category Other in the Statement of changes in equity covers mainly changes of equity from retirement benefits (Note 24) and the effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges recognised in the cash flow hedge reserve within equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, within other gains/losses. There were no reclassifications from the cash flow hedge reserve to profit or loss during the period.

The Financial statements of the Company for the year ended 31 December 2023 were authorised for issue on behalf of the Board of Directors of Slovak Telekom on 8 March 2024.

On 23 April 2024 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 156,871 thousand (2023: EUR 148,356 thousand) were paid in May 2024, which amounted to EUR 1.82 per share (2023: EUR 1.72 per share).
Approval of the 31 May 2024 profit distribution will take place at the Annual General Meeting scheduled for November 2024.

25. Provisions

thousands of EUR	Legal and regulatory claims	Asset retirement obligation	Termination benefits	Employee benefits	Other	Total
	(Note 34)					
At 1 January 2024	8,773	24,893	5,570	10,506	9,504	59,246
Arising during the year	243	155	-	252	1,253	1,903
Utilised	(2,648)	(48)	(984)	(29)	(340)	(4,049)
Reversals	-	(62)	-	(1,315)	(89)	(1,466)
Interest impact	-	142	-	148	-	290
Transfer to liabilities associated with assets held for distribution to owners (Note 30)	-	(12,231)	-	-	-	(12,231)
At 31 May 2024	6,368	12,849	4,586	9,562	10,328	43,693
Non-current	-	10,905	-	9,562	936	21,403
Current	6,368	1,944	4,586	-	9,392	22,290
	6,368	12,849	4,586	9,562	10,328	43,693

thousands of EUR	31.05.2024	31.12.2023
Non-current	21,403	35,214
Current	22,290	24,032
	43,693	59,246

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 50 employees in period January – May 2024 (2023: 190 employees). The Company expects a further headcount reduction of 230 employees in rest of year 2024 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 next seven months of the statement of financial position date and are recognised in full in the 2024.

In period January – May 2024 the Company recognised an expense resulting from termination benefits in amount of EUR 1,101 thousand (2023: EUR 3,816 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 and their probable settlement date are dependent on employees fulfilling the required conditions to enter retirement. Jubilee benefits and their probable settlement date 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 2024	10,284	222	10,506
Current service cost	243	9	252
Interest cost	145	3	148
Benefits paid	(20)	(9)	(29)
Remeasurement of defined benefit plans	(1,272)	(43)	(1,315)
At 31 May 2024	9,380	182	9,562

thousands of EUR	Retirement benefits	Jubilee	Total
Present value of the defined benefit obligation			
At 1 January 2023	9,133	221	9,354
Current service cost	506	19	525
Interest cost	371	8	379
Benefits paid	(12)	(29)	(41)
Remeasurement of defined benefit plans	1,549	3	1,552
Curtailment gain	(1,263)	-	(1,263)
At 31 December 2023	10,284	222	10,506

Remeasurement of defined benefit plans related to retirement benefits in amount of EUR 1,272 thousand consists of change in demographic assumptions in amount of EUR 2,523 thousand and change in financial assumptions in amount of EUR 227 thousand partially netted by change in experience adjustments in amount of EUR 1,478 thousand.

The curtailment gain in amount of EUR 1,263 thousand in 2023 resulted mainly from a reduction in the number of participants covered by the retirement plan that occurred in 2023 or was announced for 2024. For period ended as of 31 May 2024 involuntary fluctuation was used in calculation model instead of curtailment gain. There were no special events causing any new past service cost during period ended as at 31 May 2024.

Principal actuarial assumptions used in determining the defined benefit obligation for period ended as at 31 May 2024 include the discount rate of 3.75% (2023: 3.46%). The expected expense for period ended as at 31 May 2024 has been determined based on the discount rate as at the beginning of the accounting period of 3.46% (2023: 4.13%). Average retirement age is 63 years and 2 months (2023: 63 years and 2 months). The expected growth of nominal wages over the long term is 2.0% (2023: 2.0%). The remaining weighted average duration of the defined benefit obligation is 10.1 years (2023: 10.1 years). Fluctuation of employees is also considered in determining the defined benefit obligation.

The sensitivity analysis for the significant actuarial assumptions as at 31 May 2024 and 31 December 2023 is as follows:

thousands of EUR	(Decrease) / increase of employee benefits provision	
	31.05.2024	31.12.2023
Change of actuarial assumption:		
Discount rate change +100 bp / -100 bp	(721) / 821	(971) / 1,132
Salary change +0.50% / -0.50%	402 / (380)	549 / (513)

26. Trade and other payables

thousands of EUR	31.05.2024	31.12.2023
Non-current		
Financial liabilities for capitalised content licences	52	123
Financial liabilities for frequency licences	20,070	20,070
Other payables	140	137
	20,262	20,330
Current		
Trade payables	28,700	66,722
Uninvoiced deliveries	46,221	51,817
Financial liabilities for capitalised content licences	11,875	6,872
Other payables	2,897	2,801
	89,693	128,212

27. Lease liabilities

thousands of EUR	31.05.2024	31.12.2023
Up to 1 year	12,220	14,757
1 to 5 years	34,028	43,937
Over 5 years	36,394	33,090
Total other lease liabilities	82,642	91,784

	31.05.2024	31.12.2023
Up to 1 year	15,199	17,057
1 to 5 years	47,326	44,871
Over 5 years	35,744	41,611
Total undiscounted cash flows (lease liability)	98,269	103,539

Pursuant to IFRS 16 single lessee accounting model, the Company recognises a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments (Note 13).

28. Impact from leasing contracts

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

thousands of EUR	1–5/2024	2023
Depreciation expense of right-of-use assets (Note 13)	6,955	16,090
Impairment of right-of-use assets (Note 13)	-	591
Reversal of impairment of right-of-use assets (Note 13)	-	(215)
(Gain) / Loss from disposal of right-of-use assets	221	(167)
Other income	-	(60)
Interest cost on lease liabilities (Note 9)	1,463	2,790
At 31 May / 31 December	8,639	19,029

29. Other liabilities

thousands of EUR	31.05.2024	31.12.2023
Current		
Amounts due to employees	19,145	25,757
Other tax liabilities	5,568	2,959
Other liabilities	3,912	4,220
	28,625	32,936

Amounts due to employees include social fund liabilities:

thousands of EUR	31.05.2024	31.12.2023
At 1 January	575	240
Additions	1,399	1,895
Utilisation	(664)	(1,560)
At 31 May / 31 December	1,310	575

30. Liabilities associated with assets classified as held for distribution to owners

thousands of EUR	31.5.2024	31.12.2023
Lease liabilities (Note 31)	17,700	-
Asset retirement obligation provision (Note 25)	12,231	-
Other liabilities	551	-
Deferred tax	101	-
At 31 May / 31 December	30,583	-

The transaction is described in more detail in section 36. Events after the reporting year.

31. Cash flow disclosures

The reconciliation of cash used in financing activities is as follows:

thousands of EUR	Financial liabilities (Note 26)	Lease liabilities (Note 27)
At 1 January 2023	24,635	81,544
Additions	13,901	30,614
Non-cash movements	-	(5,255)
Cash used in financing activities	(11,471)	(17,909)
Accretion of interest	-	2,790
At 31 December 2023	27,065	91,784
At 1 January 2024	27,065	91,784
Additions	10,798	17,108
Non-cash movements	-	(228)
Cash used in financing activities	(5,866)	(9,785)
Accretion of interest	-	1,463
Reclassification to liabilities associated with assets classified as held for distribution to owners (Note 30)	-	(17,700)
At 31 May 2024	31,997	82,642

Non-cash movements include non-cash release of liabilities from changes in contracts terms or early termination of contracts.

32. Commitments

The Company's purchase commitments were as follows:

thousands of EUR	31.05.2024	31.12.2023
Acquisition of property and equipment	60,478	65,319
Acquisition of intangible assets	16,381	21,515
Purchase of services and inventory	143,604	100,510
	220,463	187,344

33. Related party transactions

	Receivables		Payables		Commitments	
thousands of EUR	31.05.2024	31.12.2023	31.05.2024	31.12.2023	31.05.2024	31.12.2023
DTAG	25,844	110,551	2,515	3,265	2,011	44
Subsidiaries	1,786	1,826	(13)	59	171	283
Other entities in DTAG Group	14,797	17,633	14,103	16,272	12,374	5,462
	42,427	130,010	16,605	19,596	14,556	5,789

The Company conducts business with its subsidiaries (DIGI, Telekom Sec,) as well as with its ultimate parent, Deutsche Telekom AG and its subsidiaries, associates and joint ventures.

	DT AG		Subsidiaries		Other related parties	
thousands of EUR	1–5/2024	2023	1–5/2024	2023	1–5/2024	2023
Sales and income						
Interconnect / roaming revenues	-	-	427	908	3,578	9,888
System solutions / IT revenues	-	-	40	133	1,990	5,567
Income from reinvoicing of services	71	175	1,253	3,019	3,631	9,055
Dividends	-	-	5,235	16,736	-	-
Other revenue / income	2,009	4,072	441	722	1,809	4,145
	2,080	4,247	7,396	21,518	11,008	28,655
Purchases						
Interconnect / roaming costs	-	-	3	6	3,929	12,021
Customer solutions	-	-	-	22	1,043	2,092
IT services	-	-	-	9	1,479	3,107
Expenses from reinvoicing of services	2,238	4,916	-	-	2,945	7,491
Other purchases	279	948	103	209	4,214	9,823
	2,517	5,864	106	246	13,610	34,534

Other purchases include data services, management, consultancy, other services, inventory and purchases of fixed assets. During period 1–5/2024 the Company purchased fixed assets in amount of EUR 294 thousand (2023: EUR 2,999 thousand) from related parties.

As at 31.05.2024 the Company granted a short-term loan of EUR 10,000 thousand (2023: EUR 90,000 thousand) to Deutsche Telekom AG.

In March 2024 the General meeting of DIGI declared a dividend of EUR 5,235 thousand (2023: EUR 10,962 thousand). Dividends were paid in March 2024. In February 2023 the General meeting of PosAm declared a dividend of EUR 5,733 thousand. There was no other dividend declared by other subsidiaries in period 1–5/2024 and 2023.

In 2016 the Company signed an ICT contract with a duration of 80 months with T-Systems International GmbH (“TSI”). Currently was the contract prolonged until 2026. Within this contract, the Company acts as the main subcontractor for the restructuring of the Allianz communication network in the selected countries. DTAG Group entities in relevant countries are service providers for the Company. In period 1–5/2024 the Company recognised revenue with TSI in amount of EUR 966 thousand (2023: EUR 2,659 thousand), revenue with other DTAG Group entities in amount of EUR 7 thousand (2023: EUR 58 thousand) and expenses with other DTAG Group entities in amount of EUR 584 thousand (2023: EUR 1,522 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 1–5/2024 or 2023.

Compensation of key management personnel

The key management personnel as at 31 May 2024, 13 in number (2023: 13) include members of the Management Board, Board of Directors and Supervisory Board.

Since 1 July 2016 the companies Slovak Telekom, a.s. 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, a.s. or T-Mobile Czech Republic a.s. Tables below include only benefits earned by the key management personnel in Slovak Telekom, a.s.

thousands of EUR	1–5/2024	2023
Short term employee benefits	2,095	2,875
Defined contribution pension plan benefits	15	27
Share based compensations	307	265
	2,417	3,167

thousands of EUR	1–5/2024	2023
Management Board	2,414	3,160
Board of Directors	-	-
Supervisory Board	3	7
	2,417	3,167

The Company offers several long-term incentive plans to its executive management members with a new package being launched each year and with each tranche lasting for 4 years. A total provision of EUR 1,314 thousand has been recognised as at 31 May 2024 (2023: EUR 1,321 thousand). In period 1–5/2024 the Company recognised revenue resulting from these long-term incentive plans in amount of EUR 7 thousand (2023: expenses of EUR 576 thousand) in Staff costs.

34. 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 EC Decision"). EC Decision found the Company (and DTAG, 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 DTAG and the Company, jointly and severally. The fine was paid by the Company in January 2015. Judicial review was closed by Court of Justice's judgment of March 2021 confirming the EC Decision in major part, although court did find, that European Commission did not prove that the infringement occurred before 2006 and decreased imposed fine accordingly.

As of 31 May 2024, three cases are pending following the EC Decision. Three competitors of the Company filed action against Slovak Telekom with the civil court in Bratislava in 2015, 2017 and 2022. These claims seek compensation for damages allegedly incurred due to Company's abuse of its dominant market position, as determined by the EC Decision and amount to EUR 218,867 thousand plus interest. Interest is claimed starting from period the alleged damage occurred. Proceeding ongoing at a court of first instance. These financial statements do not include any provisions for potential losses (neither claimed principal nor accrued interest) related to these cases as the Company has assessed that it is more likely than not that there will be no future cash outflows connected with these cases. Final outcome of the cases following the EC Decision is uncertain.

In 2009, the Anti-Monopoly Office of Slovak Republic ("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) (the "AMO Decision"). Administrative court confirmed Company's arguments in major part, however later on rejected those arguments without proper reasoning and judicial review was closed in June 2021 upholding AMO Decision fully. The Company filed a complaint with Constitutional Court. The penalty was paid in October 2017.

As of 31 May 2024, there are two cases pending, where two competitors filed actions against Company in 2013 and 2015 seeking damages allegedly incurred due to Company's conduct as determined by the AMO Decision. The claimants contend that they incurred lost profit amounting to EUR 108,610 thousand plus interest. Interest is claimed starting from period the alleged damage occurred. All cases are pending at the first instance court. These financial statements do not include any provisions for potential losses (neither claimed principal nor accrued interest) related to these cases as the Company has assessed that it is more likely than not that there will be no future cash outflows connected with these cases. Final outcome of the cases following the AMO decision is uncertain.

As of 31 May 2024, there is a number of other various cases pending in the cumulative amount of EUR 30,051 thousand. These financial statements do not include any provisions for potential losses (neither claimed principal nor accrued interest) related to these cases as the Company has assessed that it is more likely than not that there will be no future cash outflows connected with these cases. Final outcome of the cases is uncertain.

As of 31 May 2024, the Company recognised provision for all 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.

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

35. Audit fees and other fees

The Company obtained following services from the audit company Deloitte audit, s.r.o.

thousands of EUR	1–5/2024	2023
Audit services	202	319
Other non audit services	11	4
	213	323

36. Events after the reporting year

The sole shareholder of Slovak Telekom, a.s. (Demerged Company) decided in accordance with the Transformations Act on demerger by spin-off by merger whereby, as part of the implementation of the transformation process, the Demerged Company was divided by spin off a selected part of the assets of the Demerged Company and merged with Slovak Telekom Infra, a.s. (Successor Company), on the effective date as at 1 June 2024. Demerged Company and Successor Company have the same sole shareholder, company Deutsche Telekom Europe B.V. The spinned off assets (and associated liabilities) represent a non-reciprocal distribution of net assets. The Company will continue in using the spinned off assets based on the long term contract concluded with Slovak Telekom Infra, a.s.. The long-term contract is a lease according to IFRS 16 standard. As a result, the Company will recognise right of use assets approximately around EUR 103,000 thousand and lease liabilities approximately around EUR 103,000 thousand from the lease commencement date, i.e. from 1 June 2024. The financial effect of this recognition depends on several factors including the estimates of the lease term and the discount rate. These financial effects may materially change if the estimates will change in the future.

There is no negative business impact on the Company as the result of the transaction.

The related assets and liabilities have met the presentation's requirements of IFRS 5 and are presented as Asset held for distribution to owners. No other presentation adjustment was required in the financial statements as at 31 May 2024 in this regard.

In October 2024, several tax legislative changes were approved by the Slovak Government and the Parliament. The increase in corporate income tax rate from 21% to 24%, the increase in value added tax rate from 20% to 23% and the special levy increase will be effective from 1 January 2025. In addition, the new tax from financial transactions was introduced with the effective date as of 1 April 2025. If the new tax rates would be used as of 31.5.2024, impact would be EUR 8,000 thousand increase in net deferred tax liability and EUR 1,200 thousand deferred tax on special levy.

There were no other events, which have occurred subsequent to the period-end, which would have a material impact on the financial statements at 31 May 2024.

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