ANNUAL REPORT 2020

SLOVAK TELEKOM

CONTENT

01 AN INTRODUCTION TO THE SLOVAK TELEKOM GROUP

A FOREWORD BY THE CEO

Dear ladies and gentlemen,

We had an extremely challenging 2020 - when a pandemic broke out around the world and greatly affected the functioning of the whole country. Telecommunications companies played an extremely important role; thanks to us, people were able to work from home, thereby enabling the operation of many companies. Children and students were able to continue their studies at a distance, and the form of entertainment also changed greatly as viewers began to watch TV programs and film streaming more often, and many also ventured into the video game segment.

The current crisis has shown how dependent our society is on high-quality optical and mobile connections. And we are very proud of the efforts of each of our employees and suppliers - who have provided support to our customers despite the significant impact of the new situation and the impact on our business and its trends. Slovak Telekom is determined to continue investing in the country and networks, and improving services. Our business is more flexible than other sectors, and at the same time we realize how important it is to continue investing in the future.

It is difficult to perceive the business of our company absent the influence of the pandemic, but for the second year in a row we are continuing in the set direction of bringing a better customer experience. Of course, this also includes fulfilling the role of a technological leader and building new technologies - something particularly demanding during a pandemic. The capacity has been constantly mentioned, especially when many customers have remained at home and the demand for network requirements has increased - assessing the quality of fixed services became much more important than in previous years, when several family members suddenly became fully connected in one household at the same time.

In addition - in both waves of the pandemic, we tried to bring a number of benefits that would make the new situation easier for our customers. Endless data in the spring (March, April and May), extra credit, free TV channels and movies and educational videos were complemented by other forms of help - such as setting up lines for teachers, young people and their parents, and a spiritual help line for seniors, especially over Easter. In the autumn, we brought unlimited calls and data for teachers as a form of assistance for the Ministry of Education, and set up lines for the Ministry of Health and Defence. We additionally deployed several benefits in the pre-Christmas period: a 15 GB gift, video rental with hundreds of free movies, and HBO Go and Deezer.

In terms of technology, I am extremely proud that we - especially during this challenging year - managed to break the record in terms of the highest amount of optical coverage built: more than 120,000 new households in the calendar year. We exceeded the target of 750,000 households covered and are moving towards an even bigger milestone: one million households covered. Fibre optics will play a significantly bigger role in the future, and we are investing a massive amount of funds into it - which was also reflected in Slovak Telekom being awarded 2nd place in the Investor of the Year poll in the TREND weekly.

We are also making progress in the area of mobile networks. Throughout the course of the year, we built new sites with 4G + coverage to handle higher data requirements. And in December, we launched a new generation of networks - the 5G network was launched in eight locations in Bratislava, and provided strong support for 12 new phones, including the full range of the Apple iPhone 12 and the Samsung Galaxy S20 Ultra 5G and the Samsung Galaxy Note20 5G.

During the year, we continuously introduced new service portfolios. At the beginning of May, we deployed two rate plan families for households and business customers - characterized by a larger number of rate plans, a higher degree of flexibility and extra data volume. Business customers have premium care included through a T-Master personal agent – which is also included in the new business internet portfolio which we launched in August, and also has more programs, smaller price offsets, and higher security. In addition, a new SD-WAN service was added to the business portfolio in November - which represents a new milestone, and may replace traditional private networks in the future.

Another significant alteration was the change of our prepaid card brand and product - after 21 years, the legendary EASY card was replaced by a new prepaid Predplatenka card, with the ambition of providing more data in this segment.

September also brought the huge innovation in the field of social responsibility. After many months of preparation, we introduced the ENTER platform - focused on the development of digital skills of Slovak children. We introduced a grant program of 250,000 EUR to equip thousands of schools with micro:bit tools, created the enter.study digital library, and connected with several partners to strengthen the education of computer science teachers. We believe that through these means we can help the progress of Slovak society, and thus invest in the future of the country. However, we will continue to focus on the hearing and visually-impaired segment, where we introduced a new rate plan and a new phone and activities related to social inclusion.

We are pleased that many activities also produced a positive balance in the area of operational indicators. At the end of 2020, 2,441,000 customers used Slovak Telekom mobile network services, and their number increased slightly year-on-year. We were also successful with the fixed network where all indicators grew - including TV customers (now 651,000) and broadband access (741,000).

From the financial point of view, we perceived renewed stagnation of the telecommunications industry after a year of growth, and the revenues of the entire Group fell by two percent year-on-year.

During the pandemic in 2020, we were able to significantly help the country, and we did not slow the pace even in terms of our ambitions: we built additional coverage with fibre optics, launched a 5G network, and introduced new rate plans and other services. We still believe that more and more customers trust us as a provider of fixed line and mobile services - and thanks to them, we can continue to make progress on the road to connecting them. In addition, our efforts were rewarded with the Operator of the Year award in a survey by Techbox magazine - something we are extremely pleased about. We take it as gratitude for the great deal of work put in, and at the same time a promise that we will not slow down in the future.

Jose Severino Perdomo Lorenzo
Chief Executive Officer

2020 MILESTONES

MARCH

Infinite data for all
Customers with rate plans could activate unlimited mobile data in the Telekom application for free three times: In March, April, and in May.

We helped on all fronts
We mobilized to help the state, businesses and citizens cope with the pandemic better. We established free calls to health lines, helped set up a helpline for seniors and a helpline for young people, and provided free TV content and extra credit. Furthermore - the online interpreter service operated non-stop.

APRIL

Helping companies work online
We not only offered corporate customers Endless Data, but also enabled them to get Microsoft Teams communication software for 6 months for free, so that their employees could work efficiently from home.

MAY

New flexible Telekom rate plans
Slovak Telekom launched a new portfolio of Telekom data-focused rate plans - featuring not only a higher number of rate plans and the possibility of a flexible transition as per their requirements, but also three infinite rate plans which for the first time contained infinite data.

Maximum internet over the entire fixed network
We accelerated Magio Internet to the maximum wherever possible for three months so that customers could stay connected, communicate, work and learn from home.

Even better Telekom applications
We improved the mobile Telekom application with more than a million downloads – meaning it is now even clearer and allows you to manage Slovak Telekom products easily and conveniently via a Smartphone, and also switch to a new package digitally.

JUNE

A rate plan for the hearing and visually-impaired
Alongside the new rate plans, we also implemented a discounted rate plan for the hearing and visually-impaired. At the same time, we offered a new, specially modified Samsung Smartphone with pre-installed Corvus software for the blind and partially sighted - the development of which Slovak Telekom has been supporting for several years.

Connect magazine ranked the Slovak Telekom network among the TOP networks in Europe
A survey by the connect telecommunications magazine gave us the best results of the Slovak Telekom network in Slovakia and ranked our country among the TOP5 in the whole of Europe.

JULY

Magio TV Video Rental and Magio GO educational content
Through signing a strategic partnership with Discovery Inc., in addition to new TV channels we have made another 150 hours of documentary and educational content available free of charge, so that everyone can learn in an entertaining way from home.

AUGUST

Innovative fixed internet for business customers
The new Biznis NET fixed Internet programs for corporate customers provide the comfort of a premium service with an emphasis on security and reliability.

We highlighted the potential of young people in a global campaign
In collaboration with five-time GRAMMY winner Billie Eilish, we highlighted the success and potential of young people in a global campaign to break down negative stereotypes about how Generation Z people use modern technology.

SEPTEMBER

The ENTER educational platform
We launched the ENTER educational platform which enables schools and teachers to take advantage of the latest innovations in computer science teaching. We provided schools with 250,000 EUR to provide micro:bit teaching aids to support children's digital skills.

Predplatenka (prepaid) replaced the Easy card
After two decades of selling Easy cards, we introduced a new generation of prepaid cards focused mainly on data. Predplatenka's endless daily package in the Telekom app is a big hit.

OCTOBER

A greener and more digital Telekom Centre
We are changing our approach in our stores. We want them to be more environmentally friendly, digital and at the same time provide customers with the best shopping experience. In stores, we use more greenery and do without printed materials and plastic bags.

ENTER 1.1
In the Christmas device deal, we introduced a miniature programmable computer micro:bit, so that everyone can learn to program with micro:bit - even at home.

NOVEMBER

Software defined networks for companies
We introduced an innovative cloud solution for private data networks - Telekom SD-WAN Services - for companies in Slovakia, developed as part of a strategic partnership between the Deutsche Telekom Group and the American software company Versa Networks.

Help for Slovakia during the second wave of the pandemic
During the second wave of the pandemic, we activated unlimited free calls and data for teachers. We made TV channels and other video content available on Magio digital TV and Magio GO mobile TV free of charge for parents and children.

DECEMBER

A new milestone in optical coverage
Even before the end of the year, Slovak Telekom reached a new milestone in optical coverage in Slovakia - 750,000 households.

The launch of commercial operation of 5G networks in Slovakia
We launched the commercial operation of the 5G network on a larger scale, and at the same time we announced a campus network project for the CEIT company in Žilina, which enables the development of new solutions for Industry 4.0.

THE SLOVAK TELEKOM GROUP PROFILE

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

IDENTICAL VALUES FOR ALL DEUTSCHE TELEKOM COMPANIES:

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

GROUP STRUCTURE

The Slovak Telekom Group consist of the parent company of Slovak Telekom, a.s. (hereinafter referred to as Slovak Telekom) and its subsidiaries Telekom Sec, s.r.o.(hereinafter referred to as Telekom Sec), PosAm, spol. s.r.o. (hereinafter referred to as PosAm) and DIGI SLOVAKIA, s.r.o. (hereinafter referred to as DIGI SLOVAKIA). Zoznam, s.r.o. subsidiary focused on online and content services was part of Slovak Telekom Group until June 2020.

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

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

A DEUTSCHE TELEKOM MEMBER

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

EXECUTIVE BODIES

MANAGEMENT BOARD

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

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

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

Branimir Marić
Chief Technology and IT Officer

Branimir Maric graduated from Zagreb Technical University Faculty of Electrical Engineering and Computer Science. Branimir Marić started working at the Hrvatski Telekom company in the management and development of the Internet network. Eventually he led the group for customer IP and data networks, was Head of Technical Research and Product Development, executive director of group strategy and the development network platform and also a member of the executive management of the Croatian T-Com. After the merger between Hrvatski Telekom and T-Mobile Hrvatska in January 2010 Branimir Maric held the position of Chief Operating Officer for service management and fixed and mobile network operations. Since the 1st of January 2012, Branimir has been the Slovak Telekom Chief Technology and IT Office. Since the 1st of July 2016, Branimir holds also the position of Chief Technology and IT in T-Mobile Czech Republic as well.

Tomáš Ryšavý
Chief CX and Transformation Officer

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

Jitka Adámková
Chief Human Resources Officer

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

BOARD OF DIRECTORS

Chairman:
- Armin Sumesgutner (since 29th April 2020)
- Ing. Miroslav Majoroš (until 28th April 2020)

Deputy Chairman:
- Jose Severino Perdomo Lorenzo

Member:
- Daria A. Dodonova

SUPERVISORY BOARD

Chairman:
- Danijela Bujič

Members:
- Denisa Herdová
- Drahoslav Letko
- Martin Švec (since 2nd October 2020)
- Ida Zelenka Puda (since 2nd October 2020)

- Dr. Henning Never (until 1st October 2020)
- Konstantina Bata (until 1st October 2020)

THE AUDIT COMMITTEE

Chairman:
- Daria A. Dodonova

Members:
- Denisa Herdová
- Martin Renner

02 BUSINESS ACTIVITY REPORT

TECHNOLOGY, SERVICES AND PRODUCTS

Slovak Telekom continues to maintain its position as a technological leader through the widespread expansion of existing technologies such as optical connections to households and through the launch of innovations such as 5G. At the same time, however, it focuses its attention on available services that meet the requirements of customers, whilst increasingly focusing on improving the customer experience.

2020 - marked by the start of a pandemic - brought about even greater emphasis on quality services and available technologies, with customers having higher demands - particularly in terms of fixed connections. At the same time, however, mobile technologies also brought them a suitable alternative in several Slovak regions.

SIGNIFICANT HELP IN THE TWO WAVES OF THE PANDEMIC

In both waves of the pandemic, Slovak Telekom provided a high level of assistance in several areas. In the first (spring) wave, Slovak Telekom provided unlimited free data for customers with fixed-rate plans for three months (March to May), extra credit for EASY cards, free TV channels and movies for free, higher fixed internet speed, free MS Teams for 6 months for business customers. Simultaneously, Slovak Telekom also supported the running of the Online Interpreter 24 hours a day, enabled free calls to the public health office, set up a spiritual hotline for seniors, a free crisis hotline for children and their parents, and supported an online hotline for young people.

During the second wave, Slovak Telekom focused on other forms of assistance – setting up toll-free lines for the Spoločná zodpovednosť (Joint Responsibility) operation for the Ministry of Defence, creating a toll-free line for the Ministry of Health on 0800 174 174, and Slovak Telekom employees also helped with the onslaught of calls in their free time. Slovak Telekom met the Ministry of Education and offered teachers unlimited calls and data free of charge until the end of the year. Once again, Online Interpreter was available for longer operating hours: 14 to 16 hours a day. During the pre-Christmas campaign - which coincided with the second wave of the pandemic - customers benefited from free TV channels and hundreds of free movies, free Deezer for 60 days, free HBO Go for 30 days, and in December they had the opportunity to activate a 15GB gift.

THE BEST CONNECTIVITY: A RECORD YEAR OF OPTICS AND 5G LAUNCH

One of Slovak Telekom's goals is to expand modern technologies and connect customers to newer generations of networks. In the area of fixed broadband networks, Slovak Telekom focuses on the fibre optics network and VDSL. With the expansion of the fibre optics network, Slovak Telekom continues to build at a significant pace, and 2020 was once again amongst the strongest in its history - as it managed to build a possible connection for more than 120,000 new households. As of the 31st of December 2020, fibre optics coverage was available for **778,000 households** throughout Slovakia. The coverage of VDSL connections with a speed of at least 30 Mbps also continues to expand - it has risen to **688,000 households**.

In the field of mobile technologies, Slovak Telekom has launched a new generation: the 5G network was launched in 8 locations in the capital Bratislava. Customers could start using 5G in commercial mode in Petržalka, Ružinov, Nové Mesto, Trnávka, Vajnory, Vrakuňa, Podunajské Biskupice and Devínská Nová Ves. From the very first days, Slovak Telekom made the network available for 12 devices from 5 manufacturers: Apple, Samsung, Huawei, Xiaomi and OnePlus. The 5G network was started in non-standalone mode, and also use frequencies from other networks (3G and 4G), theoretically reaching speeds of over 1 Gbps for downloads and 131 Mbps. Practically speaking, customers can reach 300 to 600 Mbps for downloads and 60 to 80 Mbps for uploads. 5G once again pushes the milestones in terms of both parameters - especially for sending data from the user and the speed of response (ping).

Investments in the 4G network also continue. As of 31 December 2020, Slovak Telekom covered 94.7% of the population of Slovakia with its basic 4G network. However, Slovak Telekom is emphasising the expansion of the 4G + network with higher speeds and capacity. Slovak Telekom expanded its 4G + network to the towns of Bánovce nad Bebravou, Brezno, Dolný Kubín, Handlová, Humenné and Ružomberok, and many municipalities. The number of sites with 4G + has increased to 87. The maximum speed in the 4G network is 877 Mbps in Bratislava, while 4G + is operated in Slovakia in profiles with speeds of 200, 300, 400, 500 and 877 Mbps.

Another one of Slovak Telekom’s priorities is added support for Voice over LTE (VoLTE) for an ever-increasing number of devices. Thanks to VoLTE, customers can make calls directly on the 4G network, and do not have to switch to 3G or 2G, and the connection of calls is also faster by about 2 seconds. By the end of the year, VoLTE was available for 150 phones from thirteen manufacturers.

The hardware portfolio is key for the use of Slovak Slovak Telekom's services, both fixed and mobile. Slovak Telekom continuously includes not only smartphones in its range, but in 2020, the segment of laptops and tablets also experienced a boom during the pandemic. At the same time, new scooters and game consoles were added to the range, including the expected new PlayStation 5 and Xbox Series S and X.

A new type of phone with a folding display was also added to the Smartphone category. Slovak Telekom is one of the few retailers to include the **Samsung Galaxy Z Flip**. During the year, many flagship models premiered - such as the Samsung GALAXY S20 and Note20, four versions of the Apple iPhone 12, the Huawei P40 Pro and Mate 40 Pro, the Xiaomi Mi 10T Pro and Mi 10T Lite, the Motorola Moto G9 Play, and the OnePlus 8T..

TOP SERVICES: MAGENTA 1, "PREDPLATENKA", AND NEW FAMILY FIXED-RATE PLANS

Slovak Telekom's services range directly includes the **Magenta 1** package of converged services. This concept celebrated its fifth anniversary last year, and Slovak Telekom refreshed it with several novelties for the group's members. In addition to the traditional advantages (more minutes, SMS and data in a group, mutual calls and free SMS, donating data to your loved ones, better prices for smartphones) Slovak Telekom has added two new ones. The first news is a free TV archive, the second a lower price for daily unlimited data.

The biggest change in the portfolio of services was the start of new family rate plan for households and entrepreneurs. Slovak Telekom introduced them at the beginning of May after providing the benefit of unlimited data, and the new portfolios are characterized by different principles and composition. There are four family rate plans - Basic, Ideal, Data and Infinity for households. For business customers, there is Business Mini, Business Premium and Business Infinity. A new parameter for rate plans is the minimum price differences between them - at the level of €2 to €6, so the customer can decide to move one step higher - even in the middle of the contract - if they need a higher volume of data or minutes. For the first time, there are also completely endless packages, in addition to an infinite volume of minutes and SMS, these also contain an infinite volume of data - each with different parameters. Business packages include other benefits - such as better hardware prices, and premium care through a T-Master personal agent in the form of consulting services.

In the area of B2B services, Slovak Telekom introduced a new fixed internet portfolio - Biznis.net. With VDSL and optics, customers have a choice of five programs, so they can choose the program more precisely, or it is recommended according to the best available technological profile. All programs additionally include premium care through a T-Master personal agent. In addition, they also include a premium router, and an integrated OnNet Security solution for higher security.

For B2C customers, there was a significant change in the prepaid card segment in September. After 21 years, Slovak Telekom decided to stop selling the EASY prepaid card and introduce a new Predplatenka (Prepaid) brand. This card has a completely new profile and is more data-oriented, as evidenced by a larger number of data packages valid for one, ten or thirty days. Endless data can also be activated for Predplatenka: a daily package for €2, or a special 10-day package with a speed of 1 Mbps for €4.

Slovak Telekom has included a new cloud solution for private data networks - Telekom SD-WAN Services - among the innovative services for corporate customers in Slovakia. The solution represents a new milestone in the development of WAN networks and is of the ambition of replacing traditional private networks in the future. It was developed as part of a strategic partnership between the Deutsche Telekom Group and the American software company Versa Networks. This tailor-made solution allows customers to easily connect all corporate branches into one network, which is safer, simpler, and ensures optimal performance.

THE CUSTOMER EXPERIENCE: A NEW TELEKOM APPLICATION WITH TWICE HE NUMBER OF USERS

Alongside the introduction of the new T-rate plans, Slovak Telekom also redesigned the mobile Telekom application - which acquired a fresh, modern, and clear design, and at the same time brought a number of improvements. The biggest new feature is the possibility to flexibly change the rate plan directly in the application itself - which means that the customer no longer has to visit the store or contact the call centre if they want to change the rate plan, and can now arrange everything under one roof in the Telekom application directly. The redesign came a year and a half after the launch of the application, as a response to current trends and the requirements of customers who liked the application - as evidenced by the fact that the number of users of the Telekom application almost doubled after a year.

A GREENER AND MORE DIGITAL TELEKOM CENTRE

Slovak Telekom has long supported the digitization of its services - thereby saving natural resources and the environment. In addition to the new Telekom application and the development of digital channels, Slovak Telekom has also digitized its stores to be environmentally friendly, while still providing customers with a better shopping experience. Slovak Telekom has long supported digital channels in communication with the customer - which saves natural resources. Thanks to electronic signatures, the digitization of contract documents, and the sending of electronic invoices, millions of sheets of paper are saved every month. That's why there are no more printed brochures in Telekom Centres, no more plastic bags or plastic pens. In contrast, more greenery was added, and the number of screens was reduced, presentation tablets for a personal approach towards customers and digital selfcare zones were introduced, so that every visitor to the store felt comfortable and left with a positive customer experience.

TV SERVICES ALSO HELPED OUT

Since the outbreak of the Coronavirus pandemic, Slovak Telekom has been helping families who spent most of their time at home, including by providing their television services. Slovak Telekom has teamed up with partners and TV content providers, and has made TV channels and new video content available to its customers for free almost every month. During May, and later during December, customers could try the popular HBO GO video service for free for a month, and as a gift at the end of the year, Slovak Telekom automatically made dozens of premium TV channels available to all TV customers free of charge, and enabled hundreds of hours of quality video content on its VoD. for the Magio TV digital video rental service and the Magio GO mobile platform, to which a large amount of educational content for school pupils was added in order to help households cope with the difficult situation.

Slovak Telekom - along with DIGI Slovakia - established a strategic partnership with Discovery. This partnership confirmed the operator’s strong position in the field of television entertainment, and provided television customers with the opportunity to continue to watch premium TV content available on Eurosport 1, Eurosport 2, The Discovery Channel, TLC, The Travel Channel, Animal Planet, Fine Living, Investigation Discovery, Discovery Science, Discovery Turbo Extra, and Eurosport 4K.

In partnership with Discovery, Slovak Telekom provided live broadcasts of the world's most important sports competitions on the Eurosport and Eurosport 2 channels, such as all four tennis Grand Slams, ATP tournaments, and the biggest cycling races of the year - including the Tour de France and the Olympics. In addition, Slovak Telekom has strengthened its position in the field of sports entertainment through the exclusive Premier Sport sports channel - which has acquired important acquisitions in the form of live broadcasts of the National Football League, and several years of rights for Slovakia to broadcast live MMA tournaments of the most prestigious mixed martial arts organization - UFC.

THE PANDEMIC INFLUENCE ON PERFORMANCE

The recent pandemic has an impact on many industries in Slovakia and could create potential risk on the further performance. In this regard, telecommunications industry and Slovak Telekom Group were rather resillient, but considering the Group's performace, there is a slight change. While the recent years were marked with by year-on-year revenue increase of Group and the whole market, the year 2020 met the revenue decline – 1.5 per cent in the case of Slovak Telekom Group.

Both waves of pandemic (spring and fall) have hit the company's way of work. During the harder phases of lockdown the retail was working with certain limits (closed shops, limited opening hours) and part of the sales was moved to online channels. The third quarter showed improvement thanks to the releasing the measures and the last quarter brought solid results thanks to the Christmas campaign.

The limited mobility of the population and restrictions are reflected in the lower attendance of shops and the company has launched alternative sales options and customer lines (the salesman is working directly from home, is helping in calling the customers). Technicians continue installing new connections and the demand for the fixed services has increased. The pandemic has no impact on investments so far as Slovak Telekom continues in massive construction of fiber optics and began rolling-out 5G network as well.

From the financial point of view, the pandemic has not yet material impact on the company, but it is necessary to observe the situation in next months and year, while pandemic will have an impact on mobility. If limits continued, we could assume that overall development will mirror year 2020 in upcoming period.

From the non-financial angle, the pandemic has surely influenced the employees and their work. Slovak Telekom has moved already the majority of teams to home-office mode due to lockdown back in a single week in March 2020. Furthermore, home-office is used much more often and even hybrid models (part of team working in office, the other part in home office or retail lending hand to call centers).

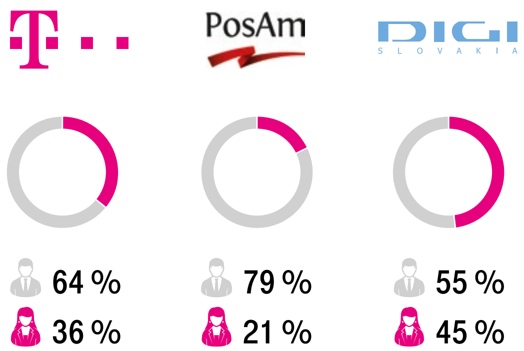
HUMAN RESOURCES AND EMPLOYEES

THE GROUP IN NUMBERS

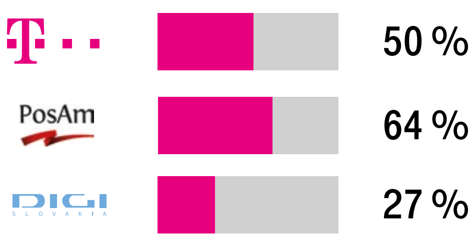
In 2020, Slovak Telekom employed 2807 internal staff. During the period in question, PosAm and Commander Services had 349 and DIGI Slovakia 132 internal staff.

The average age of Slovak Telekom and its subsidiary employees in 2020

Percentage of males and females in Slovak Telekom and its subsidiaries in 2020



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



HEALTHY SOCIETY

Slovak Telekom regularly organizes a health week in Bratislava and regional health days for its employees, but due to a pandemic, none were organized in 2020. Employees worked mostly from home but were able to listen to lectures on health protection and prevention online, participate in online exercises for a healthy backs, yoga, and dance lessons with children.

Employees and their families were provided with a free psychological counselling centre, where they could consult their problems with a psychologist. This year, colleagues working on the front line were provided with protective equipment to protect their health against Coronavirus (disinfectant soaps, gels, sprays, wipes, respirators, drapes, protective gloves, goggles, shields and clothing). In addition, all received vouchers to purchase vitamins in order to strengthen their immune systems.

At the same time, employees had the opportunity to donate blood several times throughout the year directly in their workplace. This year - due to the pandemic - we managed to organize blood collection at the workplace only once - attended by 30 donors. For healthy lifestyle support, the company was ranked among the top three in the Healthy Company of the Year competition for the ninth time.

KNOWLEDGE SHARING

The development of employees was significantly affected by the pandemic, therefore all the company's development activities moved to the online environment. In addition to individual professional development plans for specific positions, employees also have a **T-University development platform** with free lessons. At T-University, any employee who wants to invest time and energy in their personal growth can develop voluntarily. With the exception of a few summer months, this platform was **completely switched to online training** from March and met with a very good response from employees.

In the first months of the pandemic, the topics focused primarily on its management and functioning in new conditions. Practical webinars were organised - such as Virtual Communication, How to Manage Stress during the Pandemic, How Mindfulness Can Help You during Coronavirus Times, How to Work From Home with Children, Distance and Technology Productivity, Increasing Mental Resilience, and much more.

In addition to interactive webinars, there were also several online lectures by leading speakers for larger audiences. In 2020, more than 1,200 employees applied for T-University programs, and in total more than **11,000 participations** were registered in all development activities.

ACTIVITIES FOR STUDENTS

The education and development of students is an integral part of the company's activities, therefore Slovak Telekom has long supported several non-profit and student organizations, participates in several events, and also organizes its own events. Due to the pandemic in 2020, these activities went online.

A traditional project supported by the Slovak Telekom is **You in IT** - which seeks to raise awareness of IT studies among girls, and at the same time supports them. Slovak Telekom participated in a career event **Night of Chances Business** for students for the first time online. In cooperation with the Nexteria organization, a semester project and workshops on various business topics were again prepared for **Nexteria Leadership Academy** students, thanks to which students gained insight into current events in the company.

The 15th annual **T-Day** technology conference was held for the first time in online international cooperation with sister company T-Mobile Czech Republic. Every of innovation and technology enthusiast from Slovakia and the Czech Republic could register for the conference. Other activities developing the potential of talented students included the **Trainee program**, thanks to which several graduates found employment in Slovak Telekom after finishing their studies.

COMMUNICATION

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

Intensive communication was carried out during the pandemic which broke out in March 2020. Slovak Telekom reflected the significantly higher communication demands of customers in several forms of communication, adapted several forms of communication in the spring (significantly different ads for endless data in March and April) and used various communication channels.

The pandemic is changing communication approaches...
While external and marketing communication worked in the standard mode for the first two months, the full pandemic manifested itself in March and the intensity of communication increased significantly. Media interest in the topic significantly increased the number of media questions, and at the same time Slovak Telekom communicated to a much greater extent several forms of assistance it had prepared for customers: endless data, extra credit, free TV channels and movies, as well as various free calls and helplines.

At the same time - due to the pandemic - traditional events such as media briefings, press conferences and other media meetings could not take place throughout the year. To a large extent, communication with the media was moved to the online environment. For example, the launch of new mobile portfolio at the end of April was broadcast from the DIGI TV studio in Bratislava and the media had the opportunity to watch it live.

In the summer, during the partial easing-up of the measures, Slovak Telekom still used online streaming to launch new campaigns, such as the. týždeň club stand-up environment to launch the new Biznis.net portfolio.

The only physical event with strict precautions was a meeting with journalists to launch a new Predplatenka prepaid card in early September.

Four weeks later, Slovak Telekom introduced the new ENTER digital education platform to the public. As the pandemic situation began to worsen again, Slovak Telekom chose the hybrid model. A section of the media was in the space where the press conference took place and practical examples with programmed micro:bit kits were placed in the space. Other parts of the media were able to watch the live broadcast of the press conference directly in their editorial offices.

The Christmas press conference was once again broadcast only online: the concept of the Christmas talkshow from 2019 remained the same, but was conducted in a virtual space.

The culmination of PR activities was the launch of a 5G network in the L+S theatre in Bratislava. Slovak Telekom decided to engage artists in this difficult period and chose a unique combination for the start of the fifth generation of mobile networks. The 5G keynote combined a press conference and a presentation by a company representative with a ballet performance. On the day of the launch, the 5G keynote was featured on YouTube, and later a shortened version appeared on other social networks.

... but the key issues remain
Despite the onset of the pandemic, however, Slovak Telekom continued to communicate not only specific topics and various forms of assistance, but also key topics in the telecommunications business from the position of technology leader.

In 2020, Slovak Telekom covered a record number of households with its fibre optics network - up to 120,000 and exceeded the milestone of 750,000 households. In the case of mobile networks, the most important topic was the premiere of the 5G network in commercial operation, but at the same time the expansion of the 4G + network and the addition of Smartphones with VoLTE support (Voice over LTE - voice calls in the 4G network) continued.

In June, the German magazine Connect evaluated the quality of European networks, and Slovak Telekom was confirmed as having the best mobile network results in Slovakia. Moreover, the magazine ranked our country among the TOP5 in Europe.

Throughout the year, Slovak Telekom also focused on the customer experience - which was strengthened not only with several forms of assistance, but also with a completely new Telekom application. Customers could try out the new products, and at the same time switch to new rate plans or activate new bundles (including endless data packages in the spring, or a 15 GB gift in December).

Traditionally, the TV segment is also a strong area where Slovak Telekom - in addition to various benefits during both waves of the pandemic - communicated the signing of a strategic partnership with Discovery - which in addition to new TV channels, brought another 150 hours of documentary and educational content free of charge.

Last but not least, Slovak Telekom is very active in launching new attractive hardware. Dozens of new devices were introduced throughout the year, including expected hits such as the Apple iPhone 12, Samsung Galaxy S20, Huawei P40 and devices from Xiaomi, Motorola, Sony and other manufacturers.

MARKETING COMMUNICATION

The global Coronavirus pandemic has accelerated emerging communication trends, which have for the most part shifted into the online world. As a technology leader, Telekom took the lead in this area and digitized communication with the customer to the maximum extent. Despite the change in the form of communication, Telekom remained in the established line of technological leadership with a focus on customer satisfaction and a positive customer experience.

In 2020, Telekom continued with the communication concept established during the previous year, which featured unknown faces. The concept connects the authenticity and common stories of ordinary people with whom the customer can easily identify. The tonality of the campaigns shifted more to the humorous side - as the stories of the spots were based on simple smile-evoking situations from real, everyday life.

Telekom managed to score with audiences with several campaigns following the new portfolio of mobile services with a series of authentic and humorous spots. The "Everyone can data" campaign depicted situations that everyone can identify with, and show that the older generation can also work online - and at the same time match the younger one with ease in data use. This insight was all the stronger because Coronavirus isolated many older people from the loved ones with who they remained in contact only thanks to the Internet from Telekom. Similarly, in his campaign Telekom pointed out Unlimited Data with a funny plot that no one has to limit themselves to Unlimited Data. In addition to television, advertising was also featured online and in various forms, as well as on social networks - and with its unforced spontaneity and wit, it brought the desired relief to the situation and received a positive response from viewers.

The Christmas campaign continued the concept of humorous ads, focusing on the family during typical holiday moments such as dinner, unwrapping presents and a trip to see loved ones.

COMMUNICATION AWARDS

Telekom's communication was awarded by experts from the marketing and communication industry. In the 2020 Golden Nail competition, Telekom won 3 silver and 1 bronze Nail awards for its campaign in support of the Mountain Rescue Service, which - thanks to technologies from Telekom - has been helping save lives in the mountains for more than 20 years, as well as for creative campaigns on social networks which commemorated the 30th anniversary of the Velvet Revolution, and also for the production of a television commercial which humorously showed that today everyone can 'data'.

The "Mountain Service in the Best Network" campaign scored points at the Flema Media Awards, where it won the award in the category of the best use of television, and this campaign also won a shortlist in the royal category of Great Campaign.

Telekom planned to launch a communication and advertising campaign for new fixed rate plans in the spring. However, Coronavirus arrived and with it the crisis that changed these plans. However, Coronavirus provided the opportunity to demonstrate how Telekom cares about its customers when they need it most, which resulted in a positive evaluation by customers and the professional public, and winning the 2020 EFFIE Awards Slovakia silver statuette in the national competition for marketing communication effectiveness.

Telekom achieved success at the international level when in the world-renowned Epica Awards competition, the shortlisted "Bus Stop" TV ad from the Infinite Data campaign with new packages resulted in a silver award in the Humour in Advertising category despite strong competition.

Slovak Telekom received the highest possible recognition for its activities in 2020 when it became the winner of the jubilee 10th year of the independent 2020 NAY TECHBOX reader survey - in which it outperformed the competition. In the "2020 Operator of the Year" category, Slovak Telekom received the most out of more than 26,000 participating votes from readers of the technology magazine. In addition, Slovak Telekom also defended its first place in the 2020 Most Trusted Brand poll in the Internet and Television Service Providers category.

SOCIAL RESPONSIBILITY

Slovak Telekom feels a strong commitment to helping local communities and supporting projects and activities that have the strong potential to contribute to positive change in Slovakia. Slovak Telekom has voluntarily committed to doing business on the basis of ethical principles and with respect for the environment. Its mission is to serve customers, support and develop employees and bring value to the entire company - in line with the sustainable development goals adopted by UN member states as well as the Deutsche Telekom Group's responsible business strategy. Slovak Telekom has incorporated the principles of sustainability and responsible business into its processes and the entire value chain.

As a leader in the field of telecommunications services, Slovak Telekom has established a long-term commitment to assist and systematically develop the company in the area in which it operates. Slovak Telekom connects people and organizations so that they can communicate effectively with each other, and thus transform the world around them for the better, and be a driving force that brings innovation and progress to the whole country. New digital telecommunications technologies offer almost unlimited opportunities in this regard for individuals and society as a whole – something that was shown in the best light during the challenging year 2020.

Slovak Telekom implements social responsibility activities in five key areas, directly or through the Telekom Endowment Fund at the Pontis Foundation, through which funds are distributed on the basis of grant mechanisms. Key areas in 2020 included the development of digital skills and education using modern telecommunications and information technologies, the support of disadvantaged groups and the promotion of critical thinking and the fight against misinformation in society. Slovak Telekom has long supported the hearing-impaired community in Slovakia, the development of civil society, transparent Slovakia and the fight against corruption.

AREAS OF ACTIVITY

DISADVANTAGED COMMUNITIES

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

LOCAL COMMUNITIES

Supporting employees'engagement in the towns they live in

SOCIETY

Supporting interesting and valuable projects through direct partnerships

THE ENVIRONMENT

Acting responsibly towards the environment

EDUCATION

Supporting initiatives that contribute towards education in Slovakia

Community support using technologies

Given our rich history of introducing technological innovations for our customers, it is only logical that Slovak Telekom decided to help in the field of technology. Slovak Telekom provides telecommunications services to many non-profit organizations. Slovak Telekom supports the Union of the Blind and Visually-impaired of Slovakia, the Magna medical humanitarian organization, the MEMORY Centrum non-profit organization - which provides comprehensive care for people with memory disorders, the EDUMA educational organization and other non-profit organizations which can stay in touch and help their clients thanks to modern telecommunications services from Telecom.

Slovak Telekom has long been involved in helping and supporting people with disabilities, and has been systematically supporting the hearing impaired since 2002 – since when Slovak Telekom has supported a number of useful activities. One of these is the operation of the Online Interpreter service, - interpreting from and into sign language via the Internet. Slovak Telekom also supports the development of the Corvus application - which allows visually-impaired people to take advantage of the useful features of modern Smartphones. Slovak Telekom provides a discounted rate plan for the visually-impaired, as well as a mobile phone with pre-installed Corvus software, and for the hearing impaired - a discounted rate plan with mobile internet.

Slovak Telekom provides free telephone numbers for public benefit purposes. At the same time, Slovak Telekom uses its technology and know-how to develop donations in Slovakia. For more than 20 years, Telekom's telecommunication technologies have been helping to save people's lives in the mountains via the 18300 Mountain Rescue Service Line. Thanks to technology, the 0800 800 566 Helpline for the League for Mental Health and the 0800 800 818 national helpline for victims of human trafficking operated by the Slovak Catholic Charity operates free of charge. Telekom has long provided charitable public SMS collections such as Good Angel, Daffodil Day, collections organized through the Donors' Forum, and many others.

2020 became the year of help
In relation to the pandemic situation caused by the spread of the new Coronavirus in Slovakia, Slovak Telekom prepared several measures and benefits for customers, and provided technological assistance to the state, as well as to various organizations and associations to help them in this difficult time. Slovak Telekom actively sought forms of assistance in which it used its know-how and technology.

Inhabitants in difficult situations needed to obtain validated information on how to behave safely, as well as on the measures to be taken to prevent the spread of the virus. Slovak Telekom therefore applied free calls to regional public health office lines.

Furthermore, Slovak Telekom set up a free crisis line for the Research Institute of Child Psychology and Pathopsychology (VUDPaP) -which was available to parents, teachers and teenagers in crisis situations who required the advice of a social mediator, or psychological and special pedagogical intervention. Experts on the line advised them on how to adequately explain the current situation - not only to healthy children, but also to children with special educational needs or disabilities.

Via means of a special contribution, Slovak Telekom also supported the IPčko Internet hotline for young people - in which psychologists helped young people solve their problems anonymously via chat and e-mail, and which recorded a fourfold increase in the number of contacts compared to normal traffic during the pandemic.

Slovak Telekom - in cooperation with nuns from various congregations - set up a special line for seniors who felt lonely in isolation and needed spiritual support.

In the fight against disinformation that spread in connection with the Coronavirus, Slovak Telekom joined forces with the S rozvahou (Balance) project to produce a set of useful information and answers to many questions in one place in the form of short and clear videos that Slovak Telekom customers could watch via the Magio GO mobile TV platform.

Due to the extraordinary situation, Telekom also addressed the needs of fellow inhabitants with hearing impairments, and - in cooperation with the Telekom Endowment Fund at the Pontis Foundation - expanded the provision thereof. Telekom financially supported the "Online Interpreter" service - so that even in the most demanding period, even the hearing-impaired could obtain information, call for help, and communicate with doctors during the first and second waves of the pandemic. The hearing-impaired could also obtain important information about the Coronavirus from the Online Interpreter project website, as well as the Telekom Endowment Fund.

Digital education

Slovak Telekom has long been involved in the field of school education, and supports projects in the field of digital skills, education and social innovation. Slovak Telekom is the main partner of the Future INAK educational program provided by the Pontis Foundation - which educates secondary school students in order to support their digital skills, creativity and entrepreneurship, and helps them increase their chances of further high-quality studies and better employment prospects in the future.

In addition, Slovak Telekom supported Inspirational Webinars for Teachers, organized by CEEV Živica as part of the Comenius Institute and Teacher of Slovakia projects in which Slovak Telekom operates as the main partner. The webinars were led by inspiring teachers and graduates of the Comenius Institute, and finalists of the Teacher of Slovakia award, such as Peter Pallo and the well-known psychologist and didactic Robert Čapek. Through online training for educators, they shared their ideas on how to approach online teaching via the Internet and how to focus on the student without overwhelming the teachers themselves.

ENTER started a new era of digital education

According to the European Commission's forecasts, 9 out of 10 jobs will require digital skills in the near future. At the same time, up to half of the jobs we know today will no longer exist in 20 years. However, new jobs will be created that require digital skills and digital literacy. Therefore, Slovak Telekom - along with partners, non-profit organizations SPy and Aj TY v IT (You in IT), introduced the ENTER long-term educational program - which is of the ambition in the coming years of allowing schools and educational organizations to use the latest technological innovations in teaching processes for informatics and other subjects and disciplines. Slovak Telekom has provided schools with material assistance and practical instructions and teaching materials for pupils and parents, and gives teachers the opportunity to gain the necessary skills and experience. 243 schools participated in the program, to which Slovak Telekom distributed the amount of €250,000 through a grant program to provide new micro:bit teaching aids.

Under the name ENTER, Slovak Telekom has made a whole new platform available - Enter.study - for the meaningful use of technology in education, which also includes a unique micro:bit project, which has aroused a huge wave of interest around the world. Micro:bit is a miniature programmable computer - thanks to which children learn the basics of programming in a playful, interactive way and additionally supports their creativity. At the same time, micro:bit has a universal use and in addition to informatics can also be used in subjects such as biology, chemistry and geography. As well as motivating children, the platform also allows teachers and the general public to share various educational videos in order to expand their knowledge of the use of the micro:bit. Thanks to the platform, even the general public can discover new possibilities and functionalities that the microcomputer offers. The catalogue of videos and detailed instructions will be constantly expanded - creating an extensive library in which anyone will be able to find further inspiration for the use of micro:bit. The micro:bit microcomputer has also been included by Slovak Telekom in its range of devices, so that everyone can try it out.

Education with the support of personalities

Slovak Telekom prepared the ENTER program in cooperation with experts in the field of education, and its creation and development was also supported by several non-profit organizations. The ambassador of the project is Marek Mansell from the SPy civic association - which is dedicated to supporting developers and users of the Python programming language. ENTER was also supported by the AJ Ty in IT (You in IT) association, led by Petra Kotuliaková and Barbora Dančová - who are dedicated to educating and motivating girls in the field of IT and developing their interest in technology. Experts from these associations also organized educational workshops and seminars for the ENTER program for the teachers who participated in the project and gained the necessary skills and experience with micro:bit. Well-known Internet faces GoGo and Patra Bene also took over the patronage of educating children with the help of micro:bit. Popular faces showed children that programming is really for everyone. Support for the project in Slovakia was also expressed by the CEO of the Micro:bit Educational Foundation - Gareth Stockdale.

Environmentally friendly stores

Slovak Telekom has long supported the digitization of its services, thereby saving natural resources and the environment. Slovak Telekom has already motivated more than half of its customers to prefer electronic forms over printed invoices, thus saving millions of sheets of paper per month. Customers also took a shine to the renewed mobile Telekom application, in which they can find all invoices in one place, and can also pay them from the comfort of their home without the need to print them.

In 2020, Slovak Telekom went even further and innovated its stores - which became more environmentally friendly, and at the same time provide customers with maximum comfort and shopping experience. Printed brochures, plastic bags, and plastic pens disappeared from the Telekom centres, the number of screens was reduced, and more greenery was added. Another digital innovation in Telekom centres came courtesy of a smart device in the form of a T-pad tablet - on which retailers can present new products to customers. At the same time, customers can electronically sign contracts without the need for printing via the T-pad. In Telekom centres, the free issue of plastic bags for purchases of a mobile phone and accessories was also cancelled. Customers are able to purchase paper bags. In addition, plastic pens have been replaced by greener paper pens, and their consumption has been reduced to a minimum due to digitization. The stores also managed to collect 350 kg of old mobile devices from customers to be ecologically recycled.

DIGI SLOVAKIA

PRODUCTS AND SERVICES

DIGI SLOVAKIA constantly brings its customers more high-quality television content while maintaining a stable price for the basic range of TV channels. Every year, DIGI SLOVAKIA provides customers greater value in the form of new television content and the inclusion of new TV channels in order to achieve the highest customer satisfaction.

Non-commited services
In May 2020, DIGI SLOVAKIA started selling television services without commitment. In addition, it allowed customers who wanted to avoid service charges to claim an installation bonus - whereby the customer does not pay any fees for the initial installation: both for self-installation and for installation by technicians.

Expanding the TV portfolio
In 2020, the Arena Sport, Trojka, Comedy House and FilmBox Premium channels were added to the range of television channels - which strengthened sports, journalistic, entertainment and film content. DIGI SLOVAKIA continued to gradually replace SD channels in their portfolio with HD versions, for an even better TV viewing experience.

Most sports in the basic package
DIGI SLOVAKIA offers the most comprehensive range of sports channels - which it further expanded in 2020 to bring the maximum sports experience to its customers' TV screens - including live football broadcasts from the world's best leagues. Customers could watch the English Premier League on the PREMIER SPORT channel, or the Spanish La Liga, the German Bundesliga, the Italian Serie A, as well as the oldest cup competition in England - the FA Cup. In addition to football, audiences could also watch tennis broadcasts from the ATP 500, ATP 1000 and other major sporting events in various sports disciplines. During 2020, DIGI SLOVAKIA began broadcasting exclusive broadcasts of the world's most popular American football league - the NFL.

Additional DIGI GO and TV Archive services
DIGI continues to offer customers the DIGI GO application - thanks to which customers can have their favourite programs on their mobile phone or tablet.

DIGI operates an additional TV Archive service that allows customers to watch a program that was broadcast up to 7 days previously. This additional service is available for up to 13 TV stations.

SOCIAL RESPONSIBILITY

In 2020, DIGI SLOVAKIA supported cultural and sports events as part of its social responsibility activities: Mountains and the City, Peter Sagan's Children's Tour, Young Angels, and the Who Will Help Slovakia? project, and once again supported the HK Poprad hockey club.

POSAM AND COMMANDER SERVICES

Last year, PosAm commemorated the jubilee 30th anniversary of the company's founding, and at the same time its10th anniversary in the Deutsche Telekom Group.

Award for innovation in digitization

The onset of the pandemic - combined with austerity measures on the part of customers - as well as the start-up of financially demanding projects resulted in worsened economic results for the PosAm Group. However, the difficult year also brought many positives. One of them was a significant shift of customers in the digital transformation process. Thanks to this, PosAm recorded a record volume of storage devices sales. As part of the DCOM project, PosAm implemented a new Mobile ID service - which significantly simplifies electronic communication between citizens and institutions from the public or private spheres. The Mobile ID service won the Radio Slovakia ITAPA 2020 Award for the most innovative and useful project in the field of IT and digitalization of society in Slovakia.

Parkdots smart parking solution scored abroad

The ParkDots smart parking solution was successfully implemented in the large Polish city of Wrocław - despite the fact that the original plans were not fulfilled due to reduced mobility and difficult acquisition and implementation activities. PosAm additionally won a unique contract in the city of Pardubice - where it will supply the ParkDots system for the identification of parkers using occupancy sensors and the Bluetooth identifiers located in the vehicle. At the end of the year, PosAm delivered a special camera car which is to ensure compliance with the parking policy in Petržalka, Bratislava.

Commander Services strengthened its market position

The Commander Services subsidiary was able to strengthen its market position - primarily thanks to its own efficient sales channel in Slovakia and the Czech Republic - which logged the sale of more than 7,780 new monitoring units. The second growth factor was the consolidation of Slovak Telekom's customer base with approximately 2,500 monitored vehicles that Commander Services acquired in its management in the second half of the year.

More efficient operation of the company

PosAm devoted a lot of effort to technological development with the aim of increasing the utility value and reducing the company's costs. The share of information systems operated in the cloud increased - and with it the share of automated generation of infrastructure in the form of software code. Selected software solutions were enriched with the top Qlik reporting tool, which takes interactive data display to a whole new level. At the same time, the company continued to develop the knowledge base for more efficient modularization of its own software solutions.

At the end of the year, PosAm underwent a major recertification audit of the entire integrated management system, which confirmed the organization’s high level of management.

03 FINANCIAL STATEMENTS

Slovak Telekom, a.s.

CONSOLIDATED FINANCIAL STATEMENTS

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

FOR THE YEAR ENDED 31 DECEMBER 2020

CONTENTS

INDEPENDENT AUDITOR'S REPORT

Independent Auditor's Report

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

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Slovak Telekom, a.s. (the "Company") and its subsidiaries (together - the "Group") as at 31 December 2020, and the Group's consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated income statement for the year ended 31 December 2020;
- the consolidated statement of comprehensive income for the year ended 31 December 2020;
- the consolidated statement of financial position as at 31 December 2020;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

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

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

Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (Code of Ethics) and the ethical requirements of the Slovak Act on Statutory Audit No. 423/2015 and on amendments and supplements to Slovak Act on Accounting No. 431/2002, as amended (hereafter the "Act on Statutory audit") that are relevant to our audit of the consolidated financial statements in the Slovak Republic. We have fulfilled our other ethical responsibilities in accordance with the Code of Ethics and the ethical requirements of Act on Statutory audit.

Emphasis of Matter

We draw attention to Note 29 to these consolidated financial statements, which describe the infringement decisions of the European Commission and Antimonopoly Office of the Slovak Republic against the Company and the implications thereof. The ultimate outcome of the related proceedings cannot presently be determined. Our opinion is not modified in respect of this matter.

Reporting on other information including the consolidated Annual Report

Management is responsible for the other information. The other information comprises the consolidated Annual Report (but does not include the consolidated financial statements and our auditor's report thereon).

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

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

With respect to the consolidated Annual Report, we considered whether it includes the disclosures required by the Slovak Act on Accounting No. 431/2002, as amended (the "Accounting Act").

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

- the information given in the consolidated Annual Report for the financial year for which the consolidated financial statements are prepared is consistent with the consolidated financial statements; and
- the consolidated Annual Report has been prepared in accordance with the Accounting Act.

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

Management's responsibilities for the consolidated financial statements

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

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

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

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

pwc

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

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

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

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

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

Ing. Peter Havalda, FCCA
Licence UDVA No. 1071

9 March 2021
Bratislava, Slovak Republic

Note

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

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER

thousands of EUR	Notes	2020	2019
Revenue from contract with customers	4	778,230	790,040
Staff costs	5	(128,771)	(128,452)
Material and equipment		(88,860)	(93,579)
Depreciation, amortisation and impairment losses	11,12, 13	(198,198)	(186,864)
Interconnection and other fees to operators		(58,080)	(60,418)
Impairment losses on financial and contract assets		(14,937)	(9,624)
Own work capitalised	5	20,719	20,090
Other operating income	6	16,792	11,686
Other operating costs	7	(183,191)	(180,606)
Operating profit		143,704	162,273
Financial income	8	83	110
Financial expense	9	(4,639)	(4,308)
Net financial result		(4,556)	(4,198)
Profit before tax		139,148	158,075
Income tax expense	10	(42,120)	(42,065)
Profit for the year		97,028	116,010

The consolidated financial statements on pages 30 to 76 were authorised for issue on behalf of the Board of Directors of the Group on 8 March 2021 and signed on their behalf by:

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER

thousands of EUR	Notes	2020	2019
Profit for the year		97,028	116,010
Other comprehensive income / (expense)			
(Loss) / gain on remeasurement of defined benefit plans	22	(367)	1,379
Deferred tax income / (expense)	10	77	(290)
Other comprehensive (loss) / income not to be reclassified to profit or loss in subsequent years, net of tax		(290)	1,089
Other comprehensive (loss) / income for the year, net of tax		(290)	1,089
Total comprehensive income for the year, net of tax		96,738	117,099

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER

thousands of EUR	Notes	2020	2019
ASSETS			
Non-current assets			
Property and equipment	11	752,563	731,613
Intangible assets	12	342,331	327,007
Right-of-use assets	13	108,069	120,961
Deferred tax	10	1,207	1,296
Other receivables	15	10,845	7,613
Contract assets	31	8,412	21,092
Contract costs	31	6,257	6,285
Prepaid expenses and other assets	16	1,534	1,710
		1,231,218	1,217,577
Current assets			
Inventories	17	14,768	16,065
Term deposits	18	800	3,822
Loans	19	132,000	160,000
Trade and other receivables	15	131,195	160,491
Contract assets	31	14,320	14,030
Contract costs	31	16,204	15,957
Current income tax receivable		380	406
Prepaid expenses and other assets	16	16,377	6,872
Cash and cash equivalents	20	67,389	89,423
		393,433	467,066
TOTAL ASSETS		1,624,651	1,684,643
EQUITY AND LIABILITIES			
Shareholders' equity			
Issued capital	21	864,113	864,113
Statutory reserve fund	21	172,823	172,823
Other		(2,016)	(1,723)
Retained earnings and profit for the year		174,825	189,696
Total equity		1,209,745	1,224,909
Non-current liabilities			
Deferred tax liability	10	73,382	85,391
Lease liabilities	24	89,403	98,388
Provisions	22	41,505	38,825
Other payables	23	6,662	4,330
Contract liabilities	31	16,064	3,903
Other liabilities	26	-	48
		227,016	230,885
Current liabilities			
Provisions	22	7,980	9,986
Trade and other payables	23	105,299	140,592
Contract liabilities	31	23,525	21,429
Other liabilities	26	32,525	34,267
Lease liabilities	24	15,142	15,070
Current income tax liabilities		3,419	7,505
		187,890	228,849
Total liabilities		414,906	459,734
TOTAL EQUITY AND LIABILITIES		1,624,651	1,684,643

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER

thousands of EUR	Notes	Issued capital	Statutory reserve fund	Other	Retained earnings	Total equity
Year ended 31 December 2019						
At 1 January 2019		864,113	172,823	(2,813)	179,988	1,214,111
Profit for the year		-	-	-	116,010	116,010
Other comprehensive income		-	-	1,089	-	1,089
Total comprehensive income		-	-	1,089	116,010	117,099
Transactions with shareholder						
Other changes in equity		-	-	1	-	1
Dividends	21	-	-	-	(106,302)	(106,302)
At 31 December 2019		864,113	172,823	(1,723)	189,696	1,224,909
Year ended 31 December 2020						
At 1 January 2020		864,113	172,823	(1,723)	189,696	1,224,909
Profit for the year		-	-	-	97,028	97,028
Other comprehensive expense		-	-	(290)	-	(290)
Total comprehensive income		-	-	(290)	97,028	96,738
Transactions with shareholder						
Other changes in equity		-	-	(3)	-	(3)
Dividends	21	-	-	-	(111,899)	(111,899)
At 31 December 2020		864,113	172,823	(2,016)	174,825	1,209,745

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER

thousands of EUR	Notes	2020	2019
Operating activities			
Profit for the year		97,028	116,010
Adjustments for:			
Depreciation, amortisation and impairment losses	11, 12, 13	198,198	186,864
Interest costs from lease	9	2,693	3,053
Other interest costs / (income), net		10	(79)
Income tax expense	10	42,120	42,065
Loss / (gain) on disposal of property and equipment and intangible assets	6	1,546	(3,588)
Other non-cash items		4,545	8,601
Movements in provisions	22	(1,895)	266
Changes in working capital			
Change in trade receivables and other assets		(12,578)	(20,799)
Change in inventories		633	(996)
Change in trade payables and other liabilities		(16,609)	405
Cash flows from operations		315,691	331,802
Income taxes paid		(58,010)	(47,785)
Net cash flows from operating activities		257,681	284,017
Investing activities			
Purchase of property and equipment and intangible assets	11, 12, 23	(204,384)	(150,734)
Proceeds from disposal of property and equipment and intangible assets		423	6,368
Acquisition of interest in subsidiary		(250)	(250)
Proceeds from disposal of subsidiary, net of cash disposed	1	12,280	-
Disbursement of loans		(102,000)	(83,000)
Repayment of loans		130,000	140,000
Net cash flows from cash pooling		29,331	(35,200)
Acquisition of term deposits		-	(3,046)
Termination of term deposits		3,046	2,557
Interest received		82	110
Other cash flows (paid for) / from investing activities		(36)	338
Net cash flows used in investing activities		(131,508)	(122,857)
Financing activities			
Dividends paid	21	(111,899)	(106,302)
Repayment of financial liabilities	23	(18,696)	(18,960)
Repayment of lease liabilities		(14,141)	(16,281)
Interest from lease paid		(2,693)	(3,053)
Other charges paid for financing activities		(767)	(353)
Net cash used in financing activities		(148,196)	(144,949)
Effect of exchange rate changes on cash and cash equivalents		(11)	5
Net (decrease) / increase in cash and cash equivalents		(22,034)	16,216
Cash and cash equivalents at 1 January	20	89,423	73,207
Cash and cash equivalents at 31 December	20	67,389	89,423

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

INDEX TO THE NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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

Slovak Telekom is a joint-stock company incorporated on 1 April 1999 in the Slovak Republic. The Company's registered office is located at Bajkalská 28, 817 62 Bratislava. The business registration number (IČO) of the Company is 35 763 469 and the tax identification number (DIČ) is 202 027 3893. For shareholders overview of the Company refer to Note 21.

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), 3G (UMTS/HSDPA/HSUPA), 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.

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

Name and registered office	Activity	Share and voting rights 2020	Share and voting rights 2019
DIGI SLOVAKIA, s.r.o. ("DIGI") Röntgenova 26, 851 01 Bratislava	TV services, broadband services and TV channels production	100%	100%
PosAm, spol. s r.o. ("PosAm") Bajkalská 28, 821 09 Bratislava	IT services, applications and business solutions	51%	51%
Zoznam, s.r.o. ("Zoznam") Viedenská cesta 3-7, 851 01 Bratislava	Internet portal	-	100%
Zoznam Mobile, s.r.o. ("Zoznam Mobile") Viedenská cesta 3-7, 851 01 Bratislava	Mobile content provider	-	100%
Telekom Sec, s.r.o. ("Telekom Sec") Bajkalská 28, 817 62 Bratislava	Security services	100%	100%

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

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

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

On 29 January 2010 the Group acquired 51% of the share capital and voting rights in PosAm and obtained control of PosAm. The business combination was accounted for as if the acquirer had obtained a 100% interest in the acquiree due to existence of put & call options which, if triggered, may result in the transfer of the residual 49% equity interest in PosAm to Slovak Telekom. The Group concluded that terms of the transaction represent a contractual obligation to purchase the Group's equity instrument. The fair value of such liability (i.e. present value of the redemption amount) has been reclassified from equity (non-controlling interest) to financial liabilities (Note 23). Accordingly, the consideration transferred includes the present value of the liability related to the acquisition of 49% of PosAm group under the put & call options. There is no time limitation in respect of put option obligation (Note 23) and the put option obligation is presented in current liabilities as the put option can be exercised on demand.

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

Slovak Telekom as the sole shareholder of Zoznam and Zoznam Mobile decided to wind up the company Zoznam Mobile without liquidation and to merge it with Zoznam as successor company of the merger. The decisive date of the merger was 1 January 2020. The merger came into effect by registering in the Commercial register of the Slovak Republic on 30 April 2020. Zoznam became the universal legal successor of Zoznam Mobile.

On 4 June 2020 the Board of Directors of Slovak Telekom approved sale of 100% share and voting rights of the merged Zoznam. The sale came into effect by registering in the Commercial register of the Slovak Republic on 16 June 2020. The cash from selling price in amount of EUR 12,584 thousand was received in 2020. Gain on disposal of subsidiary in amount of EUR 7,977 thousand is presented within the Other operating income (Note 6). The details of the disposed assets and liabilities and disposal consideration are as follows:

thousands of EUR	June 2020
Selling price	12,584
Less net assets of disposed subsidiary including attributed goodwill	
Property and equipment	(203)
Intangible assets, including attributed goodwill	(3,407)
Trade and other receivables and other assets	(1,294)
Cash	(304)
Trade and other payables and other liabilities	601
	(4,607)
Gain on disposal of subsidiary (Note 6)	7,977
Selling price	12,584
Less: Cash in disposed subsidiary	(304)
Cash inflow on disposal	12,280

Members of the Statutory Boards at 31 December 2020

BOARD OF DIRECTORS

Chairman:
- Armin Sumesgutner (since 29.04.2020)
- Ing. Miroslav Majoroš (until 28.04.2020)

Vice-chairman:
- Jose Severino Perdomo Lorenzo

Member:
- Daria A. Dodonova

SUPERVISORY BOARD

Chairman:
- Danijela Bujič

Members:
- Ing. Denisa Herdová
- Ing. Drahoslav Letko
- Martin Švec (since 2.10.2020)
- Ida Zelenka Puda (since 2.10.2020)
- Dr. Henning Never (until 1.10.2020)
- Konstantina Bata (until 1.10.2020)

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

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

2. ACCOUNTING POLICIES

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

Changes to significant accounting policies are described in Note 2.21.

2.1 Basis of preparation

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

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

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

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

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

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

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

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

Business combinations are accounted for using the acquisition method. The 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 either 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.

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

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

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

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

2.3 Intangible assets

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

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

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

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

Software and licences

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

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

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

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

Costs associated with the acquisition of long term frequency licences are capitalised. Useful lives of concessions and licences are based on the underlying agreements and are amortised on a straight-line basis over the period from availability of the frequency for commercial use until the end of the initial concession or licence term. No renewal periods are considered in the determination of useful life. Recurring licence fees paid for key telecommunications licences 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 statement of comprehensive income.

Goodwill

Goodwill arises on the acquisition of subsidiaries and represents an excess of the consideration transferred and the fair value of non-controlling interest in the acquiree 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 received, variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date and amounts expected to be paid under residual value 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.

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 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.

2.4.4 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 balance sheet
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) in the statement of financial position.

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 fair value less costs of disposal. The calculation is determined by reference to discounted cash flows calculations. These discounted cash flows calculations are based on financial budgets approved by management, usually covering a four-year period. Cash flows beyond the detailed planning periods are extrapolated using appropriate growth rates. Key assumptions on which management bases the determination of fair value less costs of disposal include average revenue per user, customer acquisition and retention costs, churn rates, capital expenditures, market share, growth rates and discount rates. Discount rates reflect risks specific to the CGU. Cash flows reflect management assumptions and are supported by external sources of information. This is highly judgmental, which carries the inherent risk of arriving at materially different recoverable amounts if estimates used in the calculations proved to be inappropriate.

If carrying amount of a 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

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

Phone set inventory 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.

From 2019 the Group takes part in cash pooling system of Deutsche Telekom group. Balances of selected bank accounts of the Group are at the end of the business day transferred to bank accounts of parent company. These balances are not part of cash equivalents and they are presented as receivable from cash pooling in current receivable and within investing activities in the statement of cash flows.

2.8 Financial assets

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

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

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

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

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

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

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

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

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

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

2.9 Impairment of financial assets

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

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

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

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

2.10 Financial liabilities

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

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. Upon settlement of the liability, the Group either settles the obligation for its recorded amount or incurs a gain or loss upon settlement.

2.13 Employee benefit obligations

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

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

The Group also provides defined retirement and jubilee benefit plans granting certain amounts of pension or jubilee payments that an employee will receive on retirement, usually dependant on one or more factors such as an age, years of service and compensation. These benefits are unfunded. The liability recognised in the consolidated statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The last calculation was prepared on 31 December 2020. 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 the income statement.

2.14 Revenue recognition

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

The Group recognises revenue as follows:

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

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

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

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

In the case of multiple-element arrangements (e.g. mobile contract plus handset) with subsidised products delivered in advance, the transaction price is allocated to the performance obligations in the contract by reference to their relative standalone selling prices. Standalone selling prices of hardware are estimated using price list prices adjusted by margin haircut resulting fom 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 the customer contract that has not yet legally come into existence – in the consolidated statement of financial position.

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

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

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

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

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

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

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

Revenue from lease contracts (rent of buildings, technical spaces, cirquits, dark fiber etc.) is recognised based on the lease classification, either as one-off revenue, i.e. finance lease or on a straight-line basis over lease period, i.e. operating lease.

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

2.15 Operating profit

Operating profit is defined as a result before income taxes and financial income and expenses. For financial income and expenses refer to Notes 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. From 2019, the levy of 6.54% per annum is applied on the basis calculated as the profit before tax determined in accordance with the Slovak Accounting Standards multiplied by ratio of regulated revenues (according to Act on Electronic Communications Nr. 351/2011) on total revenues.

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

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

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

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

2.18 Joint arrangements

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

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

2.19 Significant accounting judgements, estimates and assumptions

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

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

Useful lives of non-current assets
The estimation of the useful lives of non-current assets is a matter of judgement based on the Group's experience with similar assets. 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 2020 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	2020	2021	2022	2023	2024 and after
Non-current assets	1,512	92	26	(238)	(1,392)

Customer relationships
The Group maintains record of customer relationships obtained during the acquisition of control of DIGI and PosAm (Note 12) 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 2020 and 2019.

Assessment of impairment of goodwill
Goodwill is tested annually for impairment as further described in Note 2.3 using estimates detailed in Note 14.

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 statement of comprehensive income.

Asset retirement obligation
The Group enters into lease contracts for land and premises on which mobile communication network masts are sited. The Group is committed by these contracts to dismantle the masts and restore the land and premises to their original condition. Management anticipates the probable settlement date of the obligation to equal useful life of mast, which is estimated to be 30 years. The remaining useful life of masts ranges from 3 to 30 years at 31 December 2020.

Management's determination of the amount of the asset retirement obligation (Note 22) involves the following estimates (in addition to the estimated timing of crystallisation of the obligation):

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

If probable settlement date of the obligation was shortened by 10 years (from 30 years to 20 years) it would cause a decrease of asset retirement obligation by EUR 1,805 thousand (2019: increase by 1,025 thousand). If the inflation rate increased by 0.5%, it would cause an increase of asset retirement obligation by EUR 2,177 thousand (2019: increase by EUR 2,097 thousand). If the risk-adjusted, pre-tax discount rate increased by 0.5%, it would cause a decrease of asset retirement obligation by EUR 2,020 thousand (2019: decrease by EUR 1,926 thousand). If the amounts necessary to settle future obligations increased by 10%, it would cause an increase of asset retirement obligation by EUR 2,734 thousand (2019: increase by 2,528 thousand).

Provisions and contingent liabilities
The Group is a participant in several lawsuits and regulatory proceedings. When considering the recognition of a provision, management judges the probability of future outflows of economic resources and its ability to reliably estimate such future outflows. If these recognition criteria are met a provision is recorded in the amount of the best estimate of the expenditure required to settle the present obligation at the end of the reporting period. Such judgments and estimates are continually reassessed taking into consideration the developments of the legal cases and proceedings and opinion of lawyers and other subject matter experts involved in resolution of the cases and proceedings. The factors considered for individual cases are described in Notes 22 and 29.

2.20 Comparatives

Balance of Personnel leasing in comparative information has been reclassified to Other operating costs in order to conform to the current year presentation. In 2019 financial statements Personnel leasing in the amount of EUR 1,725 thousand was presented within Staff costs. This adjustment, in accordance with IAS 1.38, has been made for the purpose of comparability of data and reported periods.

2.21 Adoption of IFRS during the year

Standards, interpretations and amendments to published standards effective for the Group's accounting period beginning on 1 January 2020

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2020:

a) Definition of Material – amendments to IAS 1 and IAS 8
b) Definition of a Business – amendments to IFRS 3
c) Interest Rate Benchmark Reform – amendments to IFRS 9, IAS 39 and IFRS 7
d) Revised Conceptual Framework for Financial reporting

The Group also elected to adopt the following amendments early:
a) Annual Improvements to IFRS Standards 2018-2020 Cycle
b) Covid-19-Related Rent Concessions – amendments to IFRS 16 and Interest Rate Benchmark Reform – amendments to IFRS 9, IAS 39 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.

2.22 Impact of Covid-19 on financial statements at 31 December 2020

The coronavirus pandemic has developed into a global economic crisis. Due to higher demand for certain telecommunications services, the impact of the crisis is being felt less severely by the telecommunications industry and the Group than by other industries. Business activities and thus the results of operations and financial position of the Group were impacted by the coronavirus pandemic in various business areas, affecting revenue and earnings, although not to any significant extent. At this time, we can report only minor impact with respect to payment defaults and customer numbers, but no material specific impairment allowance to the Group's receivables was recorded as of 31 December 2020.

Impairment reviews are ordinarily performed on annual basis. At 31 December 2020, the Group reviewed whether there are any new impairment indicators present due to the uncertainty caused by Covid-19. No significant adjustment to Group's accounting estimates has been deemed necessary. There is no reason to believe that additional impairment would be required.

Possible future effects on the measurement of individual assets and liabilities are being analyzed on an ongoing basis.

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

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

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

3.1 Market risk

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

3.1.1 Foreign currency risk

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

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

For all planned, but not yet determined, foreign currency denominated cash flows (uncommitted 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 (Note 18).

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 foreign exchange rates, with immaterial risk related to financial assets and financial liabilities denominated in other foreign currencies.

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

thousands of EUR		2020	2019
Profit before tax	Depreciation of USD by 10%	187	196
	Appreciation of USD by 10%	(187)	(196)
Profit after tax	Depreciation of USD by 10%	148	155
	Appreciation of USD by 10%	(148)	(155)

thousands of EUR		2020	2019
Profit before tax	Depreciation of CZK by 10%	31	98
	Appreciation of CZK by 10%	(31)	(98)
Profit after tax	Depreciation of CZK by 10%	25	78
	Appreciation of CZK by 10%	(25)	(78)

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 DT AG in October 2008 based on which the Group provided loans to DT AG. Currently, there is outstanding loan in amount of EUR 132,000 thousand (2019: EUR 160,000 thousand) at fixed interest rate (Note 19). The term deposits in banks outstanding at 31 December 2020 in the amount of EUR 800 thousand (2019: EUR 3,822 thousand) have been concluded with fixed interest rate (Note 18). The Group has no material financial instruments with variable interest rates as at 31 December 2020.

3.1.3 Other price risk

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

3.2 Credit risk

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

The Group is exposed to credit risk from its operating activities and certain 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 is exposed to concentration of credit risk from holding loan receivable in the amount of EUR 132,000 thousand (2019: EUR 160,000 thousand) provided to DT AG (Germany) and trade receivables from DT AG and other entities in DT group in amount of EUR 17,554 thousand (2019: EUR 52,667 thousand).

For credit ratings see the following tables:

thousands of EUR	2020	2019
Term deposits (Note 18)		
A2	800	3,822
	800	3,822

thousands of EUR	2020	2019
Loans (Note 19)		
Baa1	132,000	160,000
	132,000	160,000

thousands of EUR	2020	2019
Cash and cash equivalents (Note 20)		
A3	29,028	46,539
A2	22,754	41,369
Aa3	15,262	1,350
Not rated	345	165
	67,389	89,423

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

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

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

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

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

		Past due					
thousands of EUR	Not past due	< 30 days	31-90 days	91-180 days	181-365 days	> 365 days	Total
At 31 December 2020							
Trade and other receivables	122,872	5,077	4,361	3,606	1,989	4,135	142,040

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

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 December 2020	1,5%	10%	33%	49%	57%	83%	100%
At 31 December 2019	2%	17%	35%	44%	52%	81%	100%

No significant individually impaired trade receivables were included in the allowance for impairment losses in 2020 and 2019.

Trade receivables that are past due as at 31 December 2020, but not impaired, are from creditworthy customers who have a good track record with the Group and, based on historical default rates, management believes that no additional impairment allowance is necessary. Management also believes that currently no additional impairment allowance is necessary to trade receivables that are neither past due nor impaired.

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

3.3 Liquidity risk

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

The Group's liquidity risk mitigation principles define the level of cash and cash equivalents, marketable securities, 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 December 2020					
Trade and other payables	736	89,848	14,715	6,662	111,961
At 31 December 2019					
Trade and other payables	5,669	121,980	12,944	4,329	144,922

For maturity of lease liabilities refer to Note 24.

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 December 2020			
Current financial assets – Trade receivables	3,581	(2,572)	1,009
Current financial liabilities – Trade payables	4,565	(2,572)	1,993
At 31 December 2019			
Current financial assets – Trade receivables	7,876	(6,264)	1,612
Current financial liabilities – Trade payables	7,706	(6,264)	1,442

For the Group's accounting policy on offsetting refer to Note 2.8. Balances of Trade receivables and Trade payables are presented on a nett 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 2020.

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 21). Management of the Group manages capital measured in terms of shareholder's equity amounting to at 31 December 2020 EUR 1,209,745 thousand (2019: EUR 1,224,909 thousand).

3.5 Fair values

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

3.5.1 Recurring fair value measurement

Recurring fair value measurements are those that the accounting standards require or permit in the consolidated statement of financial position at the end of each reporting year. There were no recurring fair value measurements in 2020 and 2019 other than measurement of financial liability from put option.

3.5.2 Non-recurring fair value measurement

There were no non-recurring fair value measurements in 2020 and 2019.

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. For further details on loans refer to Notes 3.2 and 19. 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	2020	2019
ASSETS		
Financial assets at amortised cost		
Trade and other receivables (Note 15)	142,040	168,104
Term deposits (Note 18)	800	3,822
Loans (Note 19)	132,000	160,000
Cash and cash equivalents (Note 20)	67,389	89,423
LIABILITIES		
Financial liabilities at amortised cost		
Trade and other payables (Note 23)		
Trade payables	40,290	64,348
Uninvoiced deliveries	43,813	50,639
Financial liabilities for capitalised content licences and frequency licences	19,825	20,668
Liabilities for acquisition of subsidiary	-	250
Other payables	549	1,974
Lease liabilities (Note 24)	104,545	113,458
Financial liabilities at fair value through profit or loss		
Trade and other payables (Note 23)		
Financial liability from put option	7,484	7,043

4. REVENUE FROM CONTRACT WITH CUSTOMERS

thousands of EUR	2020	2019
Fixed network revenue	282,854	276,177
Mobile network revenue	283,340	282,694
Terminal equipment	93,472	99,456
System solutions / IT	76,485	78,688
Other	42,079	53,025
	778,230	790,040

For assets and liabilities related to contracts with customers or cost to obtain a contract with customer refer to Note 31.

5. STAFF COSTS

thousands of EUR	2020	2019
Wages and salaries	96,693	95,911
Defined contribution pension costs	14,077	13,354
Other social security contributions	18,001	19,187
	128,771	128,452

thousands of EUR	2020	2019
Number of employees at year end	3,288	3,435
Average number of employees during the year	3,315	3,448

Majority of own work capitalized in amount of EUR 20,719 thousand (2019: EUR 20,090 thousand) represents capitalization of wages and salaries of internal employees.

For expenses resulting from termination, retirement and jubilee benefits (included in line Wages and salaries) refer to Note 22.

6. OTHER OPERATING INCOME

thousands of EUR	2020	2019
Gain on disposal of property and equipment and intangible assets, net	-	3,588
Gain from material sold	2,133	1,321
Gain on disposal of subsidiary (Note 1)	7,977	-
Reversal of impairment of property and equipment (Note 11)	966	715
Other	5,716	6,062
	16,792	11,686

7. OTHER OPERATING COSTS

thousands of EUR	2020	2019
Repairs and maintenance	12,523	14,826
Loss on disposal of property and equipment and intangible assets, net	1,546	-
Marketing costs	12,445	14,841
Energy	14,570	14,567
Printing and postage	5,046	4,773
Logistics	5,365	5,671
Rentals and leases (not in scope of IFRS 16)	1,582	2,006
IT services	7,325	7,367
Dealer commissions	19,488	21,692
Recurring frequency and other fees to Regulatory Authority	4,854	4,782
Content fees	16,481	17,578
Legal and regulatory claims (Note 29)	16,401	1,005
Consultancy	2,517	2,853
Services related to delivery of solutions for customers	43,199	42,723
Fees paid to DT AG group	5,260	5,664
Other	14,589	20,258
	183,191	180,606

8. FINANCIAL INCOME

thousands of EUR	2020	2019
Interest on term deposits, bank accounts and cash pooling	70	50
Other	13	60
	83	110

9. FINANCIAL EXPENSE

thousands of EUR	2020	2019
Remeasurement of put option liability (Note 23)	441	226
Dividends paid to minority owners of PosAm	675	321
Foreign exchange losses, net	264	3
Interest costs on employee benefits provision	140	202
Interest cost on other non-current provisions	333	471
Interest costs from lease	2,693	3,053
Bank charges and other financial expense	93	32
	4,639	4,308

10. TAXATION

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

thousands of EUR	2020	2019
Current tax expense	45,308	43,006
Current tax expense of prior periods	(17)	378
Deferred tax income	(11,843)	(9,426)
Levy on regulated industries	8,438	8,107
Levy on regulated industries of prior years	234	-
Income tax expense reported in the income statement	42,120	42,065

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	2020	2019
Profit before income tax	139,148	158,075
Income tax calculated at the statutory rate of 21% (2019: 21%)	29,221	33,196
Effect of non-taxable income and tax non-deductible expenses:		
Cost related to legal and regulatory claims	3,445	183
Other tax non-deductible items, net	798	201
Tax charge in respect of prior years	218	378
Levy on regulated industries	8,438	8,107
Income tax at the effective tax rate of 30% (2019: 27%)	42,120	42,065

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

thousands of EUR	1 January 2020	Through income statement	Through statement of comprehensive income	31 December 2020
Difference between carrying and tax value of fixed assets	(115,728)	10,897	-	(104,831)
Lease liabilities	23,175	(1,709)	-	21,466
Staff cost accruals	2,606	(197)	-	2,409
Allowance for bad debts	4,049	806	-	4,855
Termination benefits	873	(259)	-	614
Retirement benefit obligation	2,558	68	77	2,703
Asset retirement obligation	5,308	432	-	5,740
Contract assets	(9,435)	2,497	-	(6,938)
Contract costs	(4,665)	(51)	-	(4,716)
Contract liability	606	952	-	1,558
Other	6,558	(1,593)	-	4,965
Net deferred tax liability	(84,095)	11,843	77	(72,175)

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

Deferred tax asset of EUR 1,207 thousand is recognised in respect of subsidiaries DIGI, PosAm and Commander Services and deferred tax liability of EUR 73,382 thousand in respect of other entities. The Group offsets deferred tax assets and deferred tax liabilities if, and only if, those relate to income taxes levied by the same taxation authority on the same taxable entity.

thousands of EUR	2020	2019
Deferred tax asset to be settled within 12 months	1,296	1,380
Deferred tax asset to be settled after more than 12 months	7	12
Deferred tax liability to be settled after more than 12 months	(96)	(96)
Net deferred tax asset	1,207	1,296

thousands of EUR	2020	2019
Deferred tax asset to be settled within 12 months	15,494	17,024
Deferred tax asset to be settled after more than 12 months	28,742	28,984
Deferred tax liability to be settled within 12 months	(8,168)	(11,096)
Deferred tax liability to be settled after more than 12 months	(109,450)	(120,303)
Net deferred tax liability	(73,382)	(85,391)

11. PROPERTY AND EQUIPMENT

thousands of EUR	Land, buildings and structures	Duct, cable and other outside plant	Telecommu-nications equipment	Radio and transmission equipment	Other	Capital work in progress including advances	Total
At 1 January 2020							
Cost	171,808	1,110,707	294,826	197,148	306,534	85,523	2,166,546
Accumulated depreciation	(95,816)	(695,506)	(251,037)	(163,171)	(229,403)	-	(1,434,933)
Net book value	75,992	415,201	43,789	33,977	77,131	85,523	731,613
Additions	10	15,428	12,803	2,493	6,658	93,635	131,027
Depreciation charge	(3,416)	(40,705)	(21,843)	(21,740)	(10,780)	-	(98,484)
Impairment charge	(9,950)	-	(141)	(37)	(15)	(176)	(10,319)
Reversal of impairment	966	-	-	-	-	-	966
Disposals	(16)	(144)	(672)	(12)	(270)	(973)	(2,087)
Sale of subsidiary (Note 1)	-	-	-	-	(190)	(13)	(203)
Transfers	(11,226)	42,251	22,157	37,621	(24,071)	(66,682)	50
At 31 December 2020							
Cost	157,763	1,145,723	349,673	308,829	204,193	111,503	2,277,684
Accumulated depreciation	(105,403)	(713,692)	(293,580)	(256,527)	(155,730)	(189)	(1,525,121)
Net book value	52,360	432,031	56,093	52,302	48,463	111,314	752,563

Property and equipment, excluding motor vehicles, is locally insured to a limit of EUR 25,000 thousand (2019: EUR 25,223 thousand). Any loss exceeding local limit is insured by DT AG Global Insurance Program up to EUR 700,000 thousand. The Group has the third-party liability insurance for all motor vehicles. In 2020 the impairment to buildings was recognized in the amount of EUR 9,950 thousand mainly due to changing economic market conditions. As there is an active market in the asset, the fair value has been based on the market price determined in the expert opinion. The valuer calculated the market price using the following methods: combined method and method of positional differentiation pursuant to Decree No. 492/2004 Coll. of the Ministry of Justice. Selection of appropriate method is left to the valuer without any eligibility criterion specified in the Decree.

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

12. INTANGIBLE ASSETS

thousands of EUR	Software	Licences	Internally developed intangible assets	Goodwill	Customer relationships	Intangibles under construction	Total
At 1 January 2020							
Cost	554,136	240,426	9,859	113,076	44,733	50,974	1,013,204
Accumulated amortisation	(506,068)	(148,828)	(5,384)	(3,000)	(22,917)	-	(686,197)
Net book value	48,068	91,598	4,475	110,076	21,816	50,974	327,007
Additions	12,505	6,177	493	-	-	70,904	90,079
Amortisation charge	(37,045)	(28,690)	(944)	-	(4,620)	-	(71,299)
Disposals	1	-	-	-	-	-	1
Sale of subsidiary (Note 1)	(850)	-	-	(1,668)	-	(889)	(3,407)
Transfers	27,380	439	433	-	-	(28,302)	(50)
At 31 December 2020							
Cost	536,203	238,034	10,785	108,408	44,733	92,687	1,030,850
Accumulated amortisation	(486,144)	(168,510)	(6,328)	-	(27,537)	-	(688,519)
Net book value	50,059	69,524	4,457	108,408	17,196	92,687	342,331

Customer relationships were recognised at acquisition of subsidiaries DIGI, PosAm and Commander Services with total net book value at 31 December 2020 of EUR 17,196 thousand (2019: EUR 21,816 thousand).

For cost and impairment of goodwill refer to Note 14.

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

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 telecommunication equipment – the Group uses the space/area on third party landlord's land to construct its own mast or transmission tower. These masts and towers are used for telecommunication equipment (e.g. antennas) of the Group,
b) exclusive easements - an easement is a legal right to use, access, or cross another's property (such as land or common area in a building) for a specific limited purpose. Easements are granted mainly for the reasons to pass a cable over, under, or through an existing area of land. They are mainly parts of buildings acquired within sale and leaseback transactions,
c) shops – a retail space in a building or a mall,
d) operations buildings (less frequently in residential buildings) to place and operate technical equipment, e.g. servers, network equipment, etc. and also few operations buildings on third-party land,
e) office space - office space serves the Group's employees with space where they can execute their work,
f) vehicles – passenger cars used by the Group's employees.

Set out below, are the carrying amounts of the Group's right-of-use assets as at 31 December 2019 and at 31 December 2020.

thousands of EUR	Leased land	Leased buildings	Leased technical equipment and machinery	Total
At 1 January 2020				
Cost	25,322	99,748	12,633	137,703
Accumulated depreciation	(2,914)	(11,083)	(2,745)	(16,742)
Net book value	22,408	88,665	9,888	120,961
Additions	1,474	6,458	2,239	10,171
Depreciation charge	(3,192)	(11,329)	(2,694)	(17,215)
Impairment charge	(881)	-	-	(881)
Disposals	(1,182)	(2,840)	(945)	(4,967)
At 31 December 2020				
Cost	24,681	101,241	12,829	138,751
Accumulated depreciation	(6,054)	(20,287)	(4,341)	(30,682)
Net book value	18,627	80,954	8,488	108,069

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

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	2020	2019
T-Mobile	73,313	73,313
DIGI	28,621	28,621
PosAm	6,368	6,368
Commander Services	106	106
Zoznam and Zoznam Mobile, net of impairment (Note 1)	-	1,668
	108,408	110,076

T-Mobile (Mobile telecommunication business)

The goodwill was recognised at the acquisition of T-Mobile in December 2004. The recoverable amount of the cash-generating unit was determined using cash flows projections based on the 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 a 1.5% growth rate (2019: 1.5%). 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 4.07% (2019: 4.37%). 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 fair value less costs of disposal calculation exceeded its carrying value. Management believes that any reasonably possible change in the key assumptions on which the cash-generating unit's recoverable amount is based would not cause its carrying amount to exceed its recoverable amount.

DIGI, PosAm, Commander Services, Zoznam and Zoznam Mobile

The recoverable amounts of the cash-generating units were determined using cash flows projections based on the four-year financial plans that have been approved by management and are also used for internal purposes of the cash-generating units. Cash flows beyond the four-year period were extrapolated using a 1.5% growth rate (2019: 1.5%). The growth rate does not exceed the long-term average growth rate for the market in which the cash-generating units operate.

The Group used following discount rates:

	2020	2019
DIGI (TV business)	4.57%	4.81%
PosAm (IT solutions business)	5.17%	5.37%
Commander Services (GPS monitoring of the motor vehicles)	6.27%	6.39%
Zoznam and Zoznam Mobile (Online business)	-	6.87%

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. In 2020 and 2019, the recoverable amounts of the cash-generating units based on fair value less costs of disposal calculation exceeded their carrying amounts. Management believes that any reasonably possible change in the key assumptions on which the cash-generating unit's recoverable amounts are based would not cause its carrying amounts to exceed its recoverable amounts.

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

15. TRADE AND OTHER RECEIVABLES

thousands of EUR	2020	2019
Non-current		
Receivables from instalment sale	9,584	6,612
Finance lease receivables	1,261	1,001
	10,845	7,613
Current		
Trade receivables	122,317	124,024
Cash pooling receivable	5,837	35,200
Other receivables	701	327
Finance lease receivables	2,340	940
	131,195	160,491

Trade receivables are net of an allowance of EUR 27,958 thousand (2019: EUR 27,102 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 1,316 thousand higher (2019: EUR 1,018 thousand).

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

thousands of EUR	2020	2019
At 1 January	27,102	28,983
Charge for the year, net	13,049	4,308
Utilised	(12,193)	(6,189)
At 31 December	27,958	27,102

16. PREPAID EXPENSES AND OTHER ASSETS

thousands of EUR	2020	2019
Non-current		
Other prepaid expenses	1,534	1,710
	1,534	1,710
Current		
Other prepaid expenses	4,006	3,402
Advance payments	12,271	3,356
Other assets	100	114
	16,377	6,872

17. INVENTORIES

thousands of EUR	2020	2019
Materials	7,742	8,314
Goods	7,026	7,751
	14,768	16,065

Inventories are net of an allowance of EUR 1,529 thousand (2019: EUR 1,098 thousand). The write-down of inventories in the amount of EUR 661 thousand (2019: EUR 348 thousand) was recognised in cost of material and equipment.

18. TERM DEPOSITS

thousands of EUR	2020	2019
Term deposits in banks	800	3,822
	800	3,822

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

19. LOANS

thousands of EUR	2020	2019
Loans to Deutsche Telekom AG	132,000	160,000
	132,000	160,000

The loans granted to Deutsche Telekom AG were not secured. Loans outstanding at 31 December 2020 were provided in December 2020 and were repayable in January 2021 (2019: provided in December 2019, repayable in January 2020). For credit ratings see Note 3.2.

20. CASH AND CASH EQUIVALENTS

thousands of EUR	2020	2019
Cash and cash equivalents	67,389	89,423
	67,389	89,423

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

21. SHAREHOLDERS' EQUITY

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

As at 31 December 2020, Slovak Telekom had authorised and issued 86,411,300 ordinary shares (2019: 86,411,300) with a par value of EUR 10.00 per share (2019: EUR 10.00 per share). All the shares issued were fully subscribed. All the shares represent the rights of shareholder to participate in the managing of Slovak Telekom, on the profit and liquidation balance upon the winding-up of Slovak Telekom with liquidation.

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

Category Other in the Consolidated statement of changes in equity covers mainly changes of equity from retirement benefits (Note 22).

The Financial statements of the Group for the year ended 31 December 2019 were authorised for issue on behalf of the Board of Directors of Slovak Telekom on 12 March 2020.

On 28 April 2020 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 111,899 thousand (2019: EUR 106,302 thousand) were paid in May 2020, which amounted to EUR 1.29 per share (2019: EUR 1.23 per share).

Approval of the 2020 profit distribution will take place at the Annual General Meeting scheduled for April 2021.

22. PROVISIONS

thousands of EUR	Legal and regulatory claims (Note 29)	Asset retirement obligation	Termination benefits	Employee benefits	Other	Total
At 1 January 2020	4,430	25,278	4,155	12,504	2,444	48,811
Arising during the year	667	69	2,920	1,244	931	5,831
Utilised	(319)	-	(3,487)	(42)	(1,075)	(4,923)
Reversals	(536)	(37)	(669)	(650)	(481)	(2,373)
Transfers to current liabilities	-	-	-	-	(29)	(29)
Interest impact	-	2,026	-	144	(2)	2,168
At 31 December 2020	4,242	27,336	2,919	13,200	1,788	49,485
Non-current	-	27,336	-	13,200	819	41,505
Current	4,242	-	2,919	-	969	7,980
	4,242	27,336	2,919	13,200	1,788	49,485

thousands of EUR	2020	2019
Non-current	41,505	38,825
Current	7,980	9,986
	49,485	48,811

Asset retirement obligation

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

Termination benefits

The restructuring of the Group operations resulted in headcount reduction of 136 employees in 2020 (2019:179 employees). The Group expects a further headcount reduction of 161 employees in 2021 as a result of an ongoing restructuring program. A detailed formal plan that specifies the number of staff involved and their locations and functions was defined and authorised by management and announced to the trade unions. The amount of compensation to be paid for terminating employment was calculated by reference to the collective agreement. The termination payments are expected to be paid within twelve months of the statement of financial position date and are recognised in full in the current period. In 2020 the Group recognised an expense resulting from termination benefits in amount of EUR 3,351 thousand (2019: EUR 4,007 thousand) in staff costs.

Retirement and jubilee benefits

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

thousands of EUR	Retirement benefits	Jubilee	Total
Present value of the defined benefit obligation			
At 1 January 2020	12,186	318	12,504
Current service cost	845	32	877
Interest cost	140	4	144
Benefits paid	(19)	(23)	(42)
Remeasurement of defined benefit plans	367	(9)	358
Curtailment gain	(641)	-	(641)
At 31 December 2020	12,878	322	13,200

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

Remeasurement of defined benefit plans related to retirement benefits in amount of EUR 367 thousand consists of change in financial assumptions in amount of EUR 540 thousand partially netted by change in experience adjustments in amount of EUR 173 thousand.

The curtailment gain in amount of EUR 641 thousand resulted mainly from a reduction in the number of participants covered by the retirement plan that occurred in 2020 or was announced for 2021. There were no special events causing any new past service cost during 2020 other than the curtailment mentioned above.

Principal actuarial assumptions used in determining the defined benefit obligation and the curtailment effect in 2020 include the discount rate of 0.83% (2019: 1.16%). The expected expense for 2020 has been determined based on the discount rate as at the beginning of the accounting year of 1.16% (2019: 1.58%). Average retirement age is 63 years and 2 months (2019: 63 years and 2 months). The expected growth of nominal wages over the long term is 2.0% (2019: 2.0%). The remaining weighted average duration of the defined benefit obligation is 13.0 years (2019: 14.1 years).

The sensitivity analysis for the significant actuarial assumptions as at 31 December 2020 and 2019 is as follows:

thousands of EUR	(Decrease) / increase of employee benefits provision	
	2020	2019
Change of actuarial assumption:		
Discount rate change +100 bp / -100 bp	(1,528) / 1,834	(1,563) / 1,890
Salary change +0.50% / -0.50%	861 / (795)	885 / (814)

23. TRADE AND OTHER PAYABLES

thousands of EUR	2020	2019
Non-current		
Financial liabilities for capitalised content licences	2,808	4,134
Financial liabilities for frequency licences	3,843	-
Other payables	11	196
	6,662	4,330
Current		
Trade payables	40,290	64,348
Uninvoiced deliveries	43,813	50,639
Financial liabilities for capitalised content licences	9,056	16,534
Financial liabilities for frequency licences	4,118	-
Financial liability from put option	7,484	7,043
Liabilities for acquisition of subsidiary	-	250
Other payables	538	1,778
	105,299	140,592

Reconciliation of cash used in investing activities:

thousands of EUR	2020	2019
Additions to property and equipment and intangible assets (Notes 11, 12)	221,106	188,019
Additions paid from financing activities	(17,924)	(24,075)
Non-cash additions from asset retirement obligation	(1,871)	(8,737)
Change in payables for purchase of property and equipment and intangible assets	3,073	(4,473)
Cash used in investing activities for purchase of property and equipment and intangible assets	204,384	150,734

Reconciliation of cash used in financing activities:

thousands of EUR	2020	2019
Additions paid from financing activities	17,924	24,075
Change in financial liabilities	843	(5,115)
Foreign exchange adjustments	(71)	-
Cash used in financing activities for purchase of intangible assets	18,696	18,960

24. LEASE LIABILITIES

thousands of EUR	2020	2019
Up to 1 year	15,142	15,070
1 to 5 years	43,607	45,639
Over 5 years	45,796	52,749
Total other finance lease liabilities	104,545	113,458

thousands of EUR	2020	2019
Up to 1 year	17,608	18,009
1 to 5 years	50,303	53,927
Over 5 years	53,298	61,442
Total undiscounted cash flows (lease liability)	121,209	133,378

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).

25. IMPACT FROM LEASING CONTRACTS

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

thousands of EUR	2020	2019
Depreciation expense of right-of-use assets (Note 13)	17,215	18,006
Impairment of right-of-use assets (Note 13)	881	-
Interest expense on lease liabilities (Note 9)	2,693	3,053
At 31 December	20,789	21,059

26. OTHER LIABILITIES AND DEFERRED INCOME

thousands of EUR	2020	2019
Non-current		
Other liabilities	-	48
	-	48
Current		
Deferred income	1,588	1,592
Amounts due to employees	20,389	20,876
Other tax liabilities	6,083	7,829
Other liabilities	4,465	3,970
	32,525	34,267

Amounts due to employees include social fund liabilities:

thousands of EUR	2020	2019
At 1 January	273	265
Additions	1,562	1,606
Utilisation	(1,608)	(1,598)
At 31 December	227	273

27. COMMITMENTS

The Group's purchase commitments were as follows:

thousands of EUR	2020	2019
Acquisition of property and equipment	77,504	59,673
Acquisition of intangible assets	12,166	9,263
Purchase of services and inventory	67,370	78,805
	157,040	147,741

28. RELATED PARTY TRANSACTIONS

thousands of EUR	Receivables		Payables		Sales and income		Purchases		Commitments	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
DT AG	140,120	201,151	4,580	8,848	3,025	3,824	10,168	7,801	122	177
Other entities in DT AG group	9,434	11,516	10,190	10,256	30,039	29,348	27,606	31,072	7,061	13,604
	149,554	212,667	14,770	19,104	33,064	33,172	37,774	38,873	7,183	13,781

The Group conducts business with its ultimate parent, Deutsche Telekom AG and its subsidiaries, associates and joint ventures. Business transactions relate mainly to telephone calls and other traffic in the related parties' networks. The Group recognized interconnect and roaming revenues with Deutsche Telekom AG in amount of EUR 2,522 thousand (2019: EUR 3,174 thousand) and interconnect and roaming costs with Deutsche Telekom AG in amount of EUR 5,293 thousand (2019: EUR 5,386 thousand). Regarding other entities in DT AG group, the Company recognized interconnect and roaming revenues in amount of EUR 8,185 thousand (2019: EUR 9,604 thousand) and interconnect and roaming costs in amount of EUR 7,527 thousand (2019: EUR 9,391 thousand). Other transactions include data services, management, consultancy, other services and purchases of fixed assets. The Group purchased fixed assets in amount of EUR 4,747 thousand (2019: EUR 4,718 thousand) from related parties.

In 2020 the Group granted Deutsche Telekom AG a short-term loan of EUR 132,000 thousand (2019: EUR 160,000 thousand).

In 2016 the Group signed an ICT contract with a duration of 80 months with T-Systems International GmbH ("TSI"). Within this contract, the Group acts as the main subcontractor for the restructuring of the Allianz communication network in the selected countries. DT AG Group entities in relevant countries are service providers for the Group. The total value of the contract amounts to EUR 41,537 thousand. In 2020 the Group recognised revenue with TSI in amount of EUR 4,937 thousand (2019: EUR 5,148 thousand), revenue with other DT AG Group entities in amount of EUR 262 thousand (2019: EUR 56 thousand) and expenses with other DT AG Group entities in amount of EUR 3,753 thousand (2019: EUR 3,809 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 2020 or 2019.

Compensation of key management personnel

The key management personnel as at 31 December 2020, 14 in number (2019: 15) include members of the Management Board, Board of Directors and Supervisory Board.

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

thousands of EUR	2020	2019
Short term employee benefits	1,996	1,749
Defined contribution pension plan benefits	14	17
	2,010	1,766

thousands of EUR	2020	2019
Management Board	1,996	1,753
Supervisory Board	14	13
	2,010	1,766

29. CONTINGENCIES

Legal and regulatory cases

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

As of 31 December 2020, two cases are pending following the European Commission's decision. Two competitors of the Company filed action against Slovak Telekom with the civil court in Bratislava in 2015 and 2017. These claims seek compensation for damages allegedly incurred due to Company's abuse of its dominant market position, as determined by the European Commission and amount to EUR 111,607 thousand plus interest. Other competitors that believe they have been harmed by the Company anti-competitive conduct during the infringement period may decide to file actions for damages as well.

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

As of 31 December 2020, 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. The claimants contend that they incurred lost profit amounting to EUR 108,610 thousand plus interest. All cases are pending at first instance District Court Bratislava II.

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

As at 31 December 2020, the Group recognised provision for known and quantifiable risks related to proceedings against the Group, which represent the Group's best estimate of the amounts, which are more likely than not to be paid. The actual amounts of penalties, if any, are dependent on a number of future events the outcome of which is uncertain, and, as a consequence, the amount of provision may change at a future date.

30. AUDIT FEES

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

thousands of EUR	2020	2019
Audit services	376	378
Other assurance services	-	8
Tax advisory services	4	6
Other non-audit services	1	-
	381	392

31. ASSETS AND LIABILITIES RELATED TO CONTRACTS WITH CUSTOMERS

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

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

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

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

thousands of EUR	2020	2019
Non-current assets		
Contract assets	9,131	22,284
Loss allowance	(719)	(1,192)
	8,412	21,092
Contract costs	6,257	6,285
	6,257	6,285
Current assets		
Contract assets	18,746	20,158
Loss allowance	(4,426)	(6,128)
	14,320	14,030
Contract costs	16,204	15,957
	16,204	15,957
Non-current liabilities		
Contract liabilities	16,064	3,903
	16,064	3,903
Current liabilities		
Contract liabilities	23,525	21,429
	23,525	21,429

Increase of non-current contract liablities was caused mainly by the impact of new project - fixed network sharing, which started in 2020.

Revenue recognised in the reporting year that was included in the contract liability balance at the beginning of the year amounted to EUR 22,910 thousand (2019: EUR 22,359 thousand).

Transaction price allocated to the performance obligations that are unsatisfied as of the end of reporting year amounted to EUR 377,250 thousand (2019: EUR 369,014 thousand). Management expects that the transaction price allocated to the unsatisfied contracts as of 31 December 2020 will be recognised as revenue as follows: EUR 282,987 thousand during first year; EUR 93,152 thousand during second year and EUR 1,111 thousand during third-seventh year (2019: EUR 279,935 thousand during first year; EUR 88,047 thousand during second year and EUR 1,032 thousand during third-seventh year).

Wages and salaries include also amortisation of costs to obtain a contract with customer in the amount of EUR 3,406 thousand (2019: EUR 3,544 thousand) (Note 5).

Dealer commission includes also amortisation of costs to obtain a contract with customer in the amount of EUR 17,891 thousand (2019: EUR 17,102 thousand) (Note 7).

32. EVENTS AFTER REPORTING YEAR

There were no events, which have occurred subsequent to the year-end, which would have a material impact on the financial statements at 31 December 2020.

Slovak Telekom, a.s.

SEPARATE FINANCIAL STATEMENTS

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

FOR THE YEAR ENDED 31 DECEMBER 2020

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INDEPENDENT AUDITOR'S REPORT

Independent Auditor's Report

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

Our opinion

In our opinion, the separate financial statements present fairly, in all material respects, the financial position of Slovak Telekom, a.s. (the "Company") as at 31 December 2020, and the Company's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

What we have audited

The Company's separate financial statements comprise:

- the income statement for the year ended 31 December 2020;
- the statement of comprehensive income for the year ended 31 December 2020;
- the statement of financial position as at 31 December 2020;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the separate financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

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

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

Independence

We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (Code of Ethics) and the ethical requirements of the Slovak Act on Statutory Audit No. 423/2015 and on amendments and supplements to Slovak Act on Accounting No. 431/2002, as amended (hereafter the "Act on Statutory audit") that are relevant to our audit of the separate financial statements in the Slovak Republic. We have fulfilled our other ethical responsibilities in accordance with the Code of Ethics and the ethical requirements of Act on Statutory audit.

Emphasis of matter

We draw attention to Note 30 to these separate financial statements, which describe the infringement decisions of the European Commission and Antimonopoly Office of the Slovak Republic against the Company and the implications thereof. The ultimate outcome of the related proceedings cannot presently be determined. Our opinion is not modified in respect of this matter.

Reporting on other information including the separate Annual Report

Management is responsible for the other information. The other information comprises the separate Annual Report (but does not include the separate financial statements and our auditor's report thereon).

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

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

With respect to the separate Annual Report, we considered whether it includes the disclosures required by the Slovak Act on Accounting No. 431/2002, as amended (the "Accounting Act").

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

- the information given in the separate Annual Report for the financial year for which the separate financial statements are prepared, is consistent with the separate financial statements; and
- the separate Annual Report has been prepared in accordance with the Accounting Act.

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

Management's responsibilities for the separate financial statements

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

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

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

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

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

- Identify and assess the risks of material misstatement of the separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

Ing. Peter Havalda, FCCA
Licence UDVA No. 1071

9 March 2021
Bratislava, Slovak Republic

Note

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

INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER

thousands of EUR	Notes	2020	2019
Revenue from contract with customers	4	708,834	715,295
Staff costs	5	(110,642)	(109,543)
Material and equipment		(83,400)	(90,690)
Depreciation, amortisation and impairment losses	11, 12, 13	(184,644)	(173,611)
Interconnection and other fees to operators		(55,243)	(60,324)
Impairment losses on financial and contract assets		(13,969)	(8,674)
Own work capitalised	5	19,415	18,602
Other operating income	6	22,067	18,069
Other operating costs	7	(163,856)	(155,845)
Operating profit		138,562	153,679
Financial income	8	785	1,452
Financial expense	9	(3,377)	(3,637)
Net financial result		(2,592)	(2,185)
Profit before tax		135,970	151,494
Income tax expense	10	(40,460)	(39,595)
Profit for the year		95,510	111,899

The financial statements on pages 77 to 120 were authorised for issue on behalf of the Board of Directors of the Company on 8 March 2021 and signed on their behalf by:

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

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER

thousands of EUR	Notes	2020	2019
Profit for the year		95,510	111,899
Other comprehensive income / (expense)			
(Loss) / gain on remeasurement of defined benefit plans	23	(367)	1,379
Deferred tax income / (expense)	10	77	(290)
Other comprehensive (loss) / income not to be reclassified to profit or loss in subsequent years, net of tax		(290)	1,089
Other comprehensive (loss) / income for the year, net of tax		(290)	1,089
Total comprehensive income for the year, net of tax		95,220	112,988

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER

thousands of EUR	Notes	2020	2019
ASSETS			
Non-current assets			
Property and equipment	11	744,289	724,264
Intangible assets	12	281,795	254,567
Right-of-use assets	13	101,112	117,835
Investments in subsidiaries	15	65,402	69,158
Other receivables	16	13,873	7,057
Contract assets	32	8,412	21,092
Contract costs	32	6,257	6,285
Prepaid expenses and other assets	17	1,436	1,619
		1,222,576	1,201,877
Current assets			
Inventories	18	13,784	15,191
Term deposits	19	800	3,822
Loans	20	132,000	160,000
Trade and other receivables	16	126,498	156,269
Contract assets	32	14,320	14,030
Contract costs	32	16,204	15,957
Prepaid expenses and other assets	17	15,145	5,707
Cash and cash equivalents	21	21,639	49,499
		340,390	420,475
TOTAL ASSETS		1,562,966	1,622,352
EQUITY AND LIABILITIES			
Shareholders' equity			
Issued capital	22	864,113	864,113
Statutory reserve fund	22	172,823	172,823
Other		(2,016)	(1,723)
Retained earnings and profit for the year		147,647	164,036
Total equity		1,182,567	1,199,249
Non-current liabilities			
Deferred tax liability	10	69,855	80,879
Lease liabilities	25	87,451	95,838
Provisions	23	41,472	38,768
Other payables	24	6,131	1,756
Contract liabilities	32	15,936	3,775
Other liabilities	27	-	48
		220,845	221,064
Current liabilities			
Provisions	23	6,423	8,193
Trade and other payables	24	87,889	125,160
Contract liabilities	32	19,913	18,163
Other liabilities	27	27,323	28,573
Lease liabilities	25	14,768	14,519
Current income tax liability		3,238	7,431
		159,554	202,039
Total liabilities		380,399	423,103
TOTAL EQUITY AND LIABILITIES		1,562,966	1,622,352

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER

thousands of EUR	Notes	Issued capital	Statutory reserve fund	Other	Retained earnings	Total equity
Year ended 31 December 2019						
At 1 January 2019		864,113	172,823	(2,814)	158,439	1,192,561
Profit for the year		-	-	-	111,899	111,899
Other comprehensive income		-	-	1,089	-	1,089
Total comprehensive income		-	-	1,089	111,899	112,988
Transactions with shareholder:						
Other changes in equity		-	-	2	-	2
Dividends	22	-	-	-	(106,302)	(106,302)
At 31 December 2019		864,113	172,823	(1,723)	164,036	1,199,249
Year ended 31 December 2020						
At 1 January 2020		864,113	172,823	(1,723)	164,036	1,199,249
Profit for the year		-	-	-	95,510	95,510
Other comprehensive expense		-	-	(290)	-	(290)
Total comprehensive income		-	-	(290)	95,510	95,220
Transactions with shareholder:						
Other changes in equity		-	-	(3)	-	(3)
Dividends	22	-	-	-	(111,899)	(111,899)
At 31 December 2020		864,113	172,823	(2,016)	147,647	1,182,567

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER

thousands of EUR	Notes	2020	2019
Operating activities			
Profit for the year		95,510	111,899
Adjustments for:			
Depreciation, amortisation and impairment losses	11, 12, 13	184,644	173,611
Interest costs from lease	9	2,613	2,954
Other interest income, net		(76)	(102)
Income tax expense	10	40,460	39,595
Loss / (gain) on disposal of property and equipment and intangible assets	6,7	1,560	(3,607)
Dividend income from subsidiaries	8, 29	(702)	(1,334)
Other non-cash items		1,642	7,170
Movements in provisions	23	(1,636)	152
Changes in working capital:			
Change in trade receivables and other assets		(8,750)	(18,253)
Change in inventories		742	(891)
Change in trade payables and other liabilities		(20,350)	(1,486)
Cash flows from operations		295,657	309,708
Income taxes paid		(55,599)	(43,587)
Net cash flows from operating activities		240,058	266,121
Investing activities			
Purchase of property and equipment and intangible assets	11, 12, 24	(199,788)	(146,496)
Proceeds from disposal of property and equipment and intangible assets		398	6,370
Proceeds from disposal of subsidiary	15	12,584	-
Dividends received	8, 29	702	1,334
Disbursement of loans		(102,000)	(83,000)
Repayment of loans		130,000	140,000
Net cash flows from cash pooling	16	29,331	(35,200)
Acquisition of term deposits		-	(3,046)
Termination of term deposits		3,046	2,557
Interest received		83	110
Other cash flows (paid for) / from investing activities		(36)	338
Net cash flows used in investing activities		(125,680)	(117,033)
Financing activities			
Dividends paid	22	(111,899)	(106,302)
Repayment of financial liabilities	24	(14,241)	(14,218)
Repayment of lease liabilities		(13,468)	(15,662)
Interest from lease paid		(2,613)	(2,954)
Other charges paid for financing activities		(7)	(9)
Net cash used in financing activities		(142,228)	(139,145)
Effect of exchange rate changes on cash and cash equivalents		(10)	6
Net (decrease) / increase in cash and cash equivalents		(27,860)	9,949
Cash and cash equivalents at 1 January	21	49,499	39,550
Cash and cash equivalents at 31 December	21	21,639	49,499

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

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

INDEX TO THE NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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

Slovak Telekom is the largest Slovak multimedia operator providing its products and services under the Telekom brand via fixed and mobile networks. In terms of fixed networks the Company is the largest optical fibre and metallic cable broadband internet provider in the country (FTTX, ADSL and VDSL), providing digital television through state-of-the-art IPTV and DVB-S2 satellite technology. In the field of mobile communications the Company provides internet connectivity via several high-speed data transmission technologies – namely 2G (GPRS/EDGE), 3G (UMTS/HSDPA/HSUPA), 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.

Members of the Statutory Boards at 31 December 2020

BOARD OF DIRECTORS

Chairman:
- Armin Sumesgutner (since 29.04.2020)
- Ing. Miroslav Majoroš (until 28.04.2020)

Vice-chairman:
- Jose Severino Perdomo Lorenzo

Member:
- Daria A. Dodonova

SUPERVISORY BOARD

Chairman:
- Danijela Bujič

Members:
- Ing. Denisa Herdová
- Ing. Drahoslav Letko
- Martin Švec (since 2.10.2020)
- Ida Zelenka Puda (since 2.10.2020)
- Dr. Henning Never (until 1.10.2020)
- Konstantina Bata (until 1.10.2020)

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

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

2. ACCOUNTING POLICIES

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

Changes to significant accounting policies are described in Note 2.22.

2.1 Basis of preparation

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

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

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

Statement of compliance
These financial statements are the ordinary separate financial statements of the Company and have been prepared in accordance with IFRS. These financial statements should be read together with the consolidated financial statements in order to obtain full information on the financial position, results of operations and changes in financial position of the Company and its subsidiaries.

The consolidated financial statements for the year ended 31 December 2020 have been prepared in compliance with International Financial Reporting Standards and IFRIC interpretations as adopted by the European Union. The consolidated financial statements are available at the Company's registered office, on the internet page of the Company and in the public administration information system (the Register) administered by the Ministry of Finance of the Slovak Republic.

2.2 Property and equipment

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

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

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

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

2.3 Intangible assets

Intangible assets acquired separately are recognised when control over them is assumed and are initially measured at acquisition cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and provision for impairment, where required. Intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. With the exception of goodwill, intangible assets have a finite useful life and are amortised using the straight-line method over their estimated useful lives. The assets' 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	2 to 16 years
Telecommunications licences	8 to 22 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 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 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 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 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 statement of comprehensive income.

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 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 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, 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

2.4.2 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 received, variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date and amounts expected to be paid under residual value 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.

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 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.

2.4.4 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 balance sheet
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 (separately from other assets) in the statement of financial position.

2.5 Investments in subsidiaries

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

2.6 Impairment of non-financial assets

An impairment loss is the amount by which the carrying amount of an asset or a cash-generating unit ("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 fair value less costs of disposal. The calculation is determined by reference to discounted cash flows calculations. These discounted cash flows calculations are based on financial budgets approved by management, usually covering a four-year period. Cash flows beyond the detailed planning periods are extrapolated using appropriate growth rates. Key assumptions on which management bases the determination of fair value less costs of disposal include average revenue per user, customer acquisition and retention costs, churn rates, capital expenditures, market share, growth rates and discount rates. Discount rates used reflect risks specific to the CGU. Cash flows reflect management assumptions and are supported by external sources of information. This is highly judgmental, which carries the inherent risk of arriving at materially different recoverable amounts if estimates used in the calculations proved to be inappropriate.

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

2.7 Inventories

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

Phone set inventory 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.

2.8 Cash and cash equivalents

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

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

From 2019 the Company takes part in cash pooling system of Deutsche Telekom group. Balances of selected bank accounts of the Company are at the end of the business day transferred to bank accounts of parent company. These balances are not part of cash equivalents and they are presented as receivable from cash pooling in current receivable and within investing activities in the statement of cash flows.

2.9 Financial assets

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

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

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

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

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

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

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

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

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

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

2.10 Impairment of financial assets

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

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

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

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

2.11 Financial liabilities

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

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.

2.12 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.

2.13 Provisions and contingent liabilities

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

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

No provision is recognised for contingent liabilities. A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or a present obligation that arises from past events but 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. Upon settlement of the liability, the Company either settles the obligation for its recorded amount or incurs a gain or loss upon settlement.

2.14 Employee benefit obligations

Retirement and other long-term employee benefits

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

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

The Company also provides defined retirement and jubilee benefit plans granting certain amounts of pension or jubilee payments that an employee will receive on retirement, usually dependant on one or more factors such as an age, years of service and compensation. These benefits are unfunded. The liability recognised in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The last calculation was prepared on 31 December 2020. 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 the income statement.

2.15 Revenue recognition

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

The Company recognises revenue as follows:

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

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

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

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

In the case of multiple-element arrangements (e.g. mobile contract plus handset) with subsidised products delivered in advance, the transaction price is allocated to the performance obligations in the contract by reference to their relative standalone selling prices. Standalone selling prices of hardware are estimated using price list prices adjusted by margin haircut resulting fom 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 the customer contract that has not yet legally come into existence – in the statement of financial position.

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

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

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

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

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

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

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

Revenue from lease contracts (rent of buildings, technical spaces, cirquits, dark fiber, etc.) is recognised based on the lease classification, either as one-off revenue, i.e. finance lease or on a straight-line basis over lease period, i.e. operating lease.

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

2.16 Operating profit

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

2.17 Foreign currency translation

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

2.18 Taxes

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

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

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

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

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

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

2.19 Joint arrangements

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

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

2.20 Significant accounting judgements, estimates and assumptions

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

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

Useful lives of non-current assets
The estimation of the useful lives of non-current assets is a matter of judgement based on the Company's experience with similar assets. 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 2020 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	2020	2021	2022	2023	2024 and after
Non-current assets	1,512	92	26	(238)	(1,392)

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

Content rights
The Company 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 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 statement of comprehensive income.

Asset retirement obligation
The Company enters into lease contracts for land and premises on which mobile communication network masts are sited. The Company is committed by these contracts to dismantle the masts and restore the land and premises to their original condition. Management anticipates the probable settlement date of the obligation to equal useful life of mast, which is estimated to be 30 years. The remaining useful life of masts ranges from 2 to 30 years at 31 December 2020.

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

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

If probable settlement date of the obligation was shortened by 10 years (from 30 years to 20 years) it would cause a decrease of asset retirement obligation by EUR 1,805 thousand (2019: increase by EUR 1,025 thousand). If the inflation rate increased by 0.5%, it would cause an increase of asset retirement obligation by EUR 2,177 thousand (2019: increase by EUR 2,097 thousand). If the risk-adjusted, pre-tax discount rate increased by 0.5%, it would cause a decrease of asset retirement obligation by EUR 2,020 thousand (2019: decrease by EUR 1,926 thousand). If the amounts necessary to settle future obligations increased by 10%, it would cause an increase of asset retirement obligation by EUR 2,734 thousand (2019: increase by EUR 2,528 thousand).

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

2.21 Comparatives

Balance of Personnel leasing in comparative information has been reclassified to Other operating costs in order to conform to the current year presentation. In 2019 financial statements Personnel leasing in the amount of EUR 1,725 thousand was presented within Staff costs. This adjustment, in accordance with IAS 1.38, has been made for the purpose of comparability of data and reported periods.

2.22 Adoption of IFRS during the year

Standards, interpretations and amendments to published standards effective for the Company's accounting period beginning on 1 January 2020.
The Company has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2020:
a) Definition of Material – amendments to IAS 1 and IAS 8
b) Definition of a Business – amendments to IFRS 3
c) Interest Rate Benchmark Reform – amendments to IFRS 9, IAS 39 and IFRS 7
d) Revised Conceptual Framework for Financial reporting

The Company also elected to adopt the following amendments early:
a) Annual Improvements to IFRS Standards 2018-2020 Cycle
b) Covid-19-Related Rent Concessions – amendments to IFRS 16 and Interest Rate Benchmark Reform – amendments to IFRS 9, IAS 39 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.

2.23 Impact of Covid-19 on financial statements at 31 December 2020

The coronavirus pandemic has developed into a global economic crisis. Due to higher demand for certain telecommunications services, the impact of the crisis is being felt less severely by the telecommunications industry and the Company than by other industries. Business activities and thus the results of operations and financial position of the Company were impacted by the coronavirus pandemic in various business areas, affecting revenue and earnings, although not to any significant extent. At this time, we can report only minor impact with respect to payment defaults and customer numbers, but no material specific impairment allowance to the Company's receivables was recorded as of 31 December 2020.

Impairment reviews are ordinarily performed on annual basis. At 31 December 2020, the Company reviewed whether there are any new impairment indicators present due to the uncertainty caused by Covid-19. No significant adjustment to Company's accounting estimates has been deemed necessary. There is no reason to believe that additional impairment would be required.

Possible future effects on the measurement of individual assets and liabilities are being analyzed on an ongoing basis.

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

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

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

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

3.1 Market risk

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

3.1.1 Foreign currency risk

Foreign currency risk is the risk that the fair value 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 (Note 19).

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

thousands of EUR		2020	2019
Profit before tax	Depreciation of USD by 10%	283	10
	Appreciation of USD by 10%	(283)	(10)
Profit after tax	Depreciation of USD by 10%	224	8
	Appreciation of USD by 10%	(224)	(8)

thousands of EUR		2020	2019
Profit before tax	Depreciation of CZK by 10%	45	98
	Appreciation of CZK by 10%	(45)	(98)
Profit after tax	Depreciation of CZK by 10%	35	77
	Appreciation of CZK by 10%	(35)	(77)

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 DT AG in October 2008 based on which the Company can provide loans to DT AG. Currently, there is outstanding loan in amount of EUR 132,000 thousand (2019: EUR 160,000 thousand) at fixed interest rate (Note 20). The term deposits in banks outstanding at 31 December 2020 in the amount of EUR 800 thousand (2019: EUR 3,822 thousand) have been concluded with fixed interest rate (Note 19). The Company has no material financial instruments with variable interest rates as at 31 December 2020.

3.1.3 Other price risk

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

3.2 Credit risk

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

The Company is exposed to credit risk from its operating activities and certain 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 is exposed to concentration of credit risk from holding loan receivable in the amount of EUR 132,000 thousand (2019: EUR 160,000 thousand) provided to DT AG (Germany) and trade receivables from DT AG, subsidiaries and other entities in DT group in amount of EUR 22,830 thousand (2019: EUR 60,472 thousand).

For credit ratings see the following tables:

thousands of EUR	2020	2019
Term deposits (Note 19)		
A2	800	3,822
	800	3,822

thousands of EUR	2020	2019
Loans (Note 20)		
Baa1	132,000	160,000
	132,000	160,000

thousands of EUR	2020	2019
Cash and cash equivalents (Note 21)		
A2	10,076	10,788
A3	11,445	38,626
Not rated	118	85
	21,639	49,499

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

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

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

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

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

		Past due					
thousands of EUR	Not past due	< 30 days	31-90 days	91-180 days	181-365 days	> 365 days	Total
At 31 December 2020							
Trade and other receivables	122,312	4,322	4,171	3,580	1,851	4,135	140,371

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

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 December 2020	1,5%	10%	33%	49%	57%	83%	100%
At 31 December 2019	2%	17%	35%	44%	52%	81%	100%

No significant individually impaired trade receivables were included in the allowance for impairment losses in 2020 and 2019.

Trade receivables that are past due as at 31 December 2020, but not individually impaired, are from creditworthy customers who have a good track record with the Company and, based on historical default rates, management believes that no additional impairment allowance is necessary. Management also believes that currently no additional impairment allowance is necessary to trade receivables that are neither past due nor impaired.

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

3.3 Liquidity risk

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

The Company's liquidity risk mitigation principles define the level of cash and cash equivalents, marketable securities, 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 December 2020					
Trade and other payables	317	80,766	6,806	6,131	94,020
At 31 December 2019					
Trade and other payables	5,104	117,556	2,501	1,755	126,916

For maturity of lease liabilities refer to Note 25.

The Company has granted credit limit to subsidiary DIGI SLOVAKIA, s.r.o. in amount of EUR 5,000 thousand with interest rate 1M Euribor + 1% margin. The limit was not used as at 31 December 2020.

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 December 2020			
Current financial assets – Trade receivables	3,581	(2,572)	1,009
Current financial liabilities – Trade payables	4,565	(2,572)	1,993
At 31 December 2019			
Current financial assets – Trade receivables	7,876	(6,264)	1,612
Current financial liabilities – Trade payables	7,706	(6,264)	1,442

For the Company's accounting policy on offsetting refer to Note 2.9. Balances of Trade receivables and Trade payables are presented on a nett 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 2020.

The capital structure of the Company consists of equity attributable to shareholder, comprising issued capital, statutory reserve fund, retained earnings and other components of equity (Note 22). Management of the Company manages capital measured in terms of shareholder's equity amounting to at 31 December 2020 EUR 1,182,567 thousand (2019: EUR 1,199,249 thousand).

3.5 Fair values

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

3.5.1 Recurring fair value measurement

Recurring fair value measurements are those that the accounting standards require or permit in the statement of financial position at the end of each reporting year. There were no recurring fair value measurements in 2020 and 2019.

3.5.2 Non-recurring fair value measurement

There were no non-recurring fair value measurements in 2020 and 2019.

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. 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	2020	2019
ASSETS		
Financial assets at amortised cost		
Trade and other receivables (Note 16)	140,371	163,326
Term deposits (Note 19)	800	3,822
Loans (Note 20)	132,000	160,000
Cash and cash equivalents (Note 21)	21,639	49,499
LIABILITIES		
Financial liabilities at amortised cost		
Trade and other payables (Note 24)	94,020	126,916
Lease liabilities (Note 25)	102,219	110,357

4. REVENUE FROM CONTRACT WITH CUSTOMERS

thousands of EUR	2020	2019
Fixed network revenue	257,698	250,950
Mobile network revenue	283,548	282,893
Terminal equipment	93,522	99,489
System solutions / IT	43,521	45,309
Other	30,545	36,654
	708,834	715,295

For assets and liabilities related to contracts with customers or cost to obtain a contract with customer refer to Note 32.

5. STAFF COSTS

thousands of EUR	2020	2019
Wages and salaries	83,292	81,855
Defined contribution pension costs	12,365	12,564
Other social security contributions	14,985	15,124
	110,642	109,543

	2020	2019
Number of employees at year end	2,807	2,908
Average number of employees during the year	2,817	2,932

Majority of own work capitalized in amount of EUR 19,415 thousand (2019: EUR 18,602 thousand) represents capitalization of wages and salaries of internal employees.

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

6. OTHER OPERATING INCOME

thousands of EUR	2020	2019
Gain on disposal of property and equipment and intangible assets, net	-	3,607
Gain from material sold	2,134	1,344
Gain on disposal of subsidiary (Note 15)	8,828	-
Reversal of impairment of property and equipment (Note 11)	966	715
Reinvoicing of TV and employee related costs to subsidiary DIGI	4,590	6,618
Other	5,549	5,785
	22,067	18,069

7. OTHER OPERATING COSTS

thousands of EUR	2020	2019
Repairs and maintenance	12,588	14,717
Loss on disposal of property and equipment and intangible assets, net	1,560	-
Marketing costs	11,095	12,909
Energy	14,352	14,317
Printing and postage	4,785	4,374
Logistics	5,352	5,660
Rentals and leases (not in scope of IFRS 16)	1,328	397
IT services	7,163	6,984
Dealer commissions	19,323	19,082
Recurring frequency and other fees to Regulatory Authority	4,827	4,782
Content fees	12,381	13,524
Legal and regulatory claims (Note 30)	16,407	969
Consultancy	1,964	2,088
Services related to delivery of solutions for customers	32,345	33,942
Fees paid to DT AG group	5,260	5,664
Other	13,126	16,036
	163,856	155,445

8. FINANCIAL INCOME

thousands of EUR	2020	2019
Dividends from subsidiaries (Note 29)	702	1,334
Interest on term deposits, bank accounts and cash pooling	70	50
Foreign exchange gains, net	-	7
Other	13	61
	785	1,452

9. FINANCIAL EXPENSE

thousands of EUR	2020	2019
Interest costs from lease	2,613	2,954
Interest costs on employee benefits provision	140	203
Interest cost on other non-current provisions	333	471
Foreign exchange losses, net	284	-
Bank charges and other financial expense	7	9
	3,377	3,637

10. TAXATION

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

thousands of EUR	2020	2019
Current tax expense	43,150	40,453
Current tax expense of prior years	(24)	219
Deferred tax income	(10,947)	(8,841)
Levy on regulated industries	8,046	7,764
Levy on regulated industries of prior years	234	-
Income tax expense reported in the income statement	40,459	39,595

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	2020	2019
Profit before income tax	135,969	151,494
Income tax calculated at the statutory rate of 21% (2019: 21%)	28,554	31,813
Effect of non-taxable income and tax non-deductible expenses:		
Dividends	(147)	(280)
Cost related to legal and regulatory claims	3,445	183
Other tax non-deductible items, net	351	(105)
Tax charge in respect of prior years	210	220
Levy on regulated industries	8,046	7,764
Income tax at the effective tax rate of 30% (2019: 26%)	40,459	39,595

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

thousands of EUR	1 January 2020	Through income statement	Through statement of comprehensive income	31 December 2020
Difference between carrying and tax value of fixed assets	(111,009)	9,913	-	(101,096)
Lease liabilities	23,175	(1,709)	-	21,466
Staff cost accruals	2,331	(147)	-	2,184
Allowance for bad debts	3,786	806	-	4,592
Termination benefits	873	(260)	-	613
Retirement benefit obligation	2,558	69	77	2,704
Asset retirement obligation	5,308	432	-	5,740
Contract assets	(7,375)	437	-	(6,938)
Contract costs	(4,665)	(51)	-	(4,715)
Contract liability	(1,454)	3,070	-	1,616
Other	5,593	(1,614)	-	3,979
Net deferred tax liability	(80,879)	10,947	77	(69,855)

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

thousands of EUR	2020	2019
Deferred tax asset to be settled within 12 months	15,494	17,024
Deferred tax asset to be settled after more than 12 months	28,632	28,873
Deferred tax liability to be settled within 12 months	(8,168)	(11,096)
Deferred tax liability to be settled after more than 12 months	(105,813)	(115,680)
Net deferred tax liability	(69,855)	(80,879)

11. PROPERTY AND EQUIPMENT

thousands of EUR	Land, buildings and structures	Duct, cable and other outside plant	Telecommu-nications equipment	Radio and transmission equipment	Other	Capital work in progress including advances	Total
At 1 January 2020							
Cost	171,386	1,107,670	294,293	197,146	281,945	84,905	2,137,345
Accumulated depreciation	(95,595)	(693,247)	(250,511)	(163,169)	(210,558)	(1)	(1,413,081)
Net book value	75,791	414,423	43,782	33,977	71,387	84,904	724,264
Additions	3	15,391	12,803	2,493	4,525	92,245	127,460
Depreciation charge	(3,373)	(40,534)	(21,841)	(21,740)	(8,569)	-	(96,057)
Impairment charge	(9,950)	-	(141)	(37)	(15)	(176)	(10,319)
Reversal of impairment	966	-	-	-	-	-	966
Disposals	(17)	(144)	(670)	(13)	(256)	(974)	(2,074)
Transfers	(11,226)	42,252	22,155	37,623	(24,115)	(66,640)	49
At 31 December 2020							
Cost	157,354	1,142,651	349,137	308,829	179,953	109,535	2,247,459
Accumulated depreciation	(105,160)	(711,263)	(293,049)	(256,526)	(136,996)	(176)	(1,503,170)
Net book value	52,194	431,388	56,088	52,303	42,957	109,359	744,289

Property and equipment, excluding motor vehicles, is locally insured to a limit of EUR 25,000 thousand (2019: EUR 25,000 thousand). Any loss exceeding local limit is insured by DT AG Global Insurance Program up to EUR 700,000 thousand. The Company has the third-party liability insurance for all motor vehicles.

In 2020 the impairment to buildings was recognized in the amount of EUR 9,950 thousand mainly due to changing economic market conditions. As there is an active market in the asset, the fair value has been based on the market price determined in the expert opinion. The valuer calculated the market price using the following methods: combined method and method of positional differentiation pursuant to Decree No. 492/2004 Coll. of the Ministry of Justice. Selection of appropriate method is left to the valuer without any eligibility criterion specified in the Decree.

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

12. INTANGIBLE ASSETS

thousands of EUR	Software	Licences	Internally developed intangible assets	Goodwill	Intangibles under construction	Total
At 1 January 2020						
Cost	549,976	219,733	4,965	73,313	49,186	897,173
Accumulated amortisation	(502,981)	(136,799)	(2,825)	-	(1)	(642,606)
Net book value	46,995	82,934	2,140	73,313	49,185	254,567
Additions	12,489	6,039	4	-	69,618	88,150
Amortisation charge	(36,788)	(23,769)	(316)	-	-	(60,873)
Disposals	-	-	-	-	-	-
Transfers	27,376	-	222	-	(27,647)	(49)
At 31 December 2020						
Cost	536,102	216,786	5,191	73,313	91,157	922,549
Accumulated amortisation	(486,030)	(151,582)	(3,141)	-	(1)	(640,754)
Net book value	50,072	65,204	2,050	73,313	91,156	281,795

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.

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

13. RIGHT-OF-USE ASSETS

The Company has lease contracts for various items:

a) space on telecommunication infrastructure of third parties, rooftops and land to install own telecommunications equipment – the Company uses the space/area on third party landlord's land to construct its own masts or transmission towers. These masts and towers are used for telecommunications equipment (e.g. antennas) of the Company,
b) exclusive easements - an easement is a legal right to use, access, or cross another's property (such as land or common area in a building) for a specific limited purpose. Easements are granted mainly for the reasons to pass a cable over, under, or through an existing area of land. They are mainly parts of buildings acquired within sale and leaseback transactions,
c) shops – a retail space in a building or a mall,
d) operations buildings (less frequently in residential buildings) to place and operate technical equipment, e.g. servers, network equipment, etc. and also few operations buildings on third-party land,
e) office space - office space serves the Company's employees with space where they can execute their work,
f) vehicles – passenger cars used by the Company's employees.

Set out below, are the carrying amounts of the Company's right-of-use assets as at 31 December 2019 and at 31 December 2020.

thousands of EUR	Leased land	Leased buildings	Leased technical equipment and machinery	Total
At 1 January 2020				
Cost	25,322	96,180	12,431	133,933
Accumulated depreciation	(2,914)	(10,573)	(2,611)	(16,098)
Net book value	22,408	85,607	9,820	117,835
Additions	1,474	6,561	2,239	10,274
Depreciation charge	(3,192)	(10,632)	(2,692)	(16,516)
Impairment charge	(881)	-	-	(881)
Disposals	(1,182)	(7,472)	(946)	(9,600)
At 31 December 2020				
Cost	24,681	92,194	12,626	129,501
Accumulated depreciation	(6,054)	(18,130)	(4,205)	(28,389)
Net book value	18,627	74,064	8,421	101,112

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

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 25).

14. IMPAIRMENT OF GOODWILL

thousands of EUR	2020	2019
T-Mobile	73,313	73,313
	73,313	73,313

The goodwill previously recognised at the acquisition of T-Mobile was recognised in the separate statement of the financial position of the Company on the merger on 1 July 2010. The recoverable amount of the cash-generating unit was determined using cash flows projections based on the 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 a 1.5% growth rate (2019: 1.5%). 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 4.07% (2019: 4.37%). 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 fair value less costs of disposal calculation exceeded its carrying value. Management believes that any reasonably possible change in the key assumptions on which the cash-generating unit's recoverable amount is based would not cause its carrying amount to exceed its recoverable amount.

15. INVESTMENTS IN SUBSIDIARIES

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

Name and registered office	Activity	Share and voting rights 2020	Share and voting rights 2019
DIGI SLOVAKIA, s.r.o. ("DIGI") Röntgenova 26, 851 01 Bratislava	TV services, broadband services and TV channels production	100%	100%
PosAm, spol. s r.o. ("PosAm") Bajkalská 28, 821 09 Bratislava	IT services, applications and business solutions	51%	51%
Zoznam, s.r.o. ("Zoznam") Viedenská cesta 3-7, 851 01 Bratislava	Internet portal	-	100%
Zoznam Mobile, s.r.o. ("Zoznam Mobile") Viedenská cesta 3-7, 851 01 Bratislava	Mobile content provider	-	100%
Telekom Sec, s.r.o. ("Telekom Sec") Bajkalská 28, 817 62 Bratislava	Security services	100%	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 2020	Cost of investment 2019	Profit / (loss) 2020	Profit / (loss) 2019	Net assets 2020	Net assets 2019
DIGI SLOVAKIA, s.r.o.	52,362	52,362	6,376	5,486	37,878	31,502
PosAm, spol. s r.o.	12,968	12,968	1,346	2,754	15,413	15,444
Zoznam, s.r.o.	-	2,346	-	452	-	2,755
Zoznam Mobile, s.r.o.	-	1,410	-	20	-	199
Telekom Sec, s.r.o.	72	72	(1)	(1)	56	56
	65,402	69,158				

Financial data for subsidiaries are based on their separate financial statements. At the date of authorisation of these separate financial statements for issue, the approved financial statements of subsidiaries for the year ended 31 December 2020 were not available. The table is prepared based on their non-approved draft financial statements.

Cost of investment in Zoznam and Zoznam Mobile in 2019 was net of impairment of EUR 1,562 thousand and EUR 938 thousand respectively.

Slovak Telekom as the sole shareholder of Zoznam and Zoznam Mobile decided to wind up the company Zoznam Mobile without liquidation and to merge it with Zoznam as successor company of the merger. The decisive date of the merger was 1 January 2020. The merger came into effect by registering in the Commercial register of the Slovak Republic on 30 April 2020. Zoznam became the universal legal successor of Zoznam Mobile.

On 4 June 2020 the Board of Directors of Slovak Telekom approved sale of 100% share and voting rights of the merged Zoznam. The sale came into effect by registering in the Commercial register of the Slovak Republic on 16 June 2020. The cash from selling price in amount of EUR 12,584 thousand was received in 2020. Gain on disposal of subsidiary in amount of EUR 8,828 thousand is presented within the Other operating income (Note 6).

16. TRADE AND OTHER RECEIVABLES

thousands of EUR	2020	2019
Non-current		
Receivables from instalment sale	9,572	6,600
Finance lease receivables	4,301	457
	13,873	7,057
Current		
Trade receivables	117,469	120,012
Cash pooling receivable	5,837	35,200
Other receivables	659	295
Finance lease receivables	2,533	762
	126,498	156,269

Trade receivables are net of an allowance of EUR 26,546 thousand (2019: EUR 25,712 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 1,301 thousand higher (2019: EUR 1,007 thousand).

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

thousands of EUR	2020	2019
At 1 January	25,712	25,859
Charge for the year, net	12,118	3,425
Utilised	(11,284)	(3,572)
At 31 December	26,546	25,712

17. PREPAID EXPENSES AND OTHER ASSETS

thousands of EUR	2020	2019
Non-current		
Other prepaid expenses	1,436	1,619
	1,436	1,619
Current		
Other prepaid expenses	3,096	2,688
Advance payments	11,963	2,976
Other assets	86	43
	15,145	5,707

18. INVENTORIES

thousands of EUR	2020	2019
Materials	7,318	7,995
Goods	6,466	7,196
	13,784	15,191

Inventories are net of an allowance of EUR 1,365 thousand (2019: EUR 931 thousand). The write-down of inventories in the amount of EUR 664 thousand (2019: EUR 333 thousand) was recognised in cost of material and equipment.

19. TERM DEPOSITS

thousands of EUR	2020	2019
Term deposits in banks	800	3,822
	800	3,822

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

20. LOANS

thousands of EUR	2020	2019
Loans to Deutsche Telekom AG	132,000	160,000
	132,000	160,000

The loans granted to Deutsche Telekom AG were not secured. Loans outstanding at 31 December 2020 were provided in December 2020 and were repayable in January 2021 (2019: provided in December 2019, repayable in January 2020). For credit ratings see Note 3.2.

21. CASH AND CASH EQUIVALENTS

thousands of EUR	2020	2019
Cash and cash equivalents	21,639	49,499
	21,639	49,499

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

22. SHAREHOLDERS' EQUITY

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

As at 31 December 2020, Slovak Telekom had authorised and issued 86,411,300 ordinary shares (2019: 86,411,300) with a par value of EUR 10.00 per share (2019: EUR 10.00 per share). All the shares issued were fully subscribed. All the shares represent the rights of shareholder to participate in the managing of Slovak Telekom, on the profit and liquidation balance upon the winding-up of Slovak Telekom with liquidation.

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

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

The Financial statements of the Company for the year ended 31 December 2019 were authorised for issue on behalf of the Board of Directors of Slovak Telekom on 12 March 2020.

On 28 April 2020 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 111,899 thousand (2019: EUR 106,302 thousand) were paid in May 2020, which amounted to EUR 1.29 per share (2019: EUR 1.23 per share).

Approval of the 2020 profit distribution will take place at the Annual General Meeting scheduled for April 2021.

23. PROVISIONS

thousands of EUR	Legal and regulatory claims	Asset retirement obligation	Termination benefits	Employee benefits	Other	Total
	(Note 30)					
At 1 January 2020	2,821	25,278	4,155	12,504	2,203	46,961
Arising during the year	336	69	2,920	1,244	911	5,480
Utilised	(197)	-	(3,486)	(42)	(916)	(4,641)
Reversals	(233)	(38)	(669)	(650)	(455)	(2,045)
Transfer to current liabilities	-	-	-	-	(29)	(29)
Interest impact	-	2,027	-	144	(2)	2,169
At 31 December 2020	2,727	27,336	2,920	13,200	1,712	47,895
Non-current	-	27,336	-	13,200	936	41,472
Current	2,727	-	2,920	-	776	6,423
	2,727	27,336	2,920	13,200	1,712	47,895

thousands of EUR	2020	2019
Non-current	41,472	38,768
Current	6,423	8,193
	47,895	46,961

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 136 employees in 2020 (2019: 179 employees). The Company expects a further headcount reduction of 161 employees in 2021 as a result of an ongoing restructuring program. A detailed formal plan that specifies the number of staff involved and their locations and functions was defined and authorised by management and announced to the trade unions. The amount of compensation to be paid for terminating employment was calculated by reference to the collective agreement. The termination payments are expected to be paid within twelve months of the statement of financial position date and are recognised in full in the current period. In 2020 the Company recognised an expense resulting from termination benefits in amount of EUR 3,351 thousand (2019: EUR 4,007 thousand) in staff costs.

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

thousands of EUR	Retirement benefits	Jubilee	Total
Present value of the defined benefit obligation			
At 1 January 2020	12,186	318	12,504
Current service cost	845	32	877
Interest cost	140	4	144
Benefits paid	(19)	(23)	(42)
Remeasurement of defined benefit plans	367	(9)	358
Curtailment gain	(641)	-	(641)
At 31 December 2020	12,878	322	13,200

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

Remeasurement of defined benefit plans related to retirement benefits in amount of EUR 367 thousand consists of change in financial assumptions in amount of EUR 540 thousand partially netted by change in experience adjustments in amount of EUR 173 thousand.

The curtailment gain in amount of EUR 641 thousand resulted mainly from a reduction in the number of participants covered by the retirement plan that occurred in 2020 or was announced for 2021. There were no special events causing any new past service cost during 2020 other than the curtailment mentioned above.

Principal actuarial assumptions used in determining the defined benefit obligation and the curtailment effect in 2020 include the discount rate of 0.83% (2019: 1.16%). The expected expense for 2020 has been determined based on the discount rate as at the beginning of the accounting year of 1.16% (2019: 1.58%). Average retirement age is 63 years and 2 months (2019: 63 years and 2 months). The expected growth of nominal wages over the long term is 2.0% (2019: 2.0%). The remaining weighted average duration of the defined benefit obligation is 13.0 years (2019: 14.1 years).

The sensitivity analysis for the significant actuarial assumptions as at 31 December 2020 and 2019 is as follows:

thousands of EUR	(Decrease) / increase of employee benefits provision	
	2020	2019
Change of actuarial assumption:		
Discount rate change +100 bp / -100 bp	(1,528) / 1,834	(1,563) / 1,890
Salary change +0.50% / -0.50%	861 / (795)	885 / (814)

24. TRADE AND OTHER PAYABLES

thousands of EUR	2020	2019
Non-current		
Financial liabilities for capitalised content licences	2,287	1,571
Financial liabilities for frequency licences	3,843	-
Other payables	1	185
	6,131	1,756
Current		
Trade payables	35,295	63,416
Uninvoiced deliveries	41,142	48,133
Financial liabilities for capitalised content licences	6,866	12,018
Financial liabilities for frequency licences	4,118	-
Other payables	468	1,593
	87,889	125,160

Reconciliation of cash used in investing activities:

thousands of EUR	2020	2019
Additions to property and equipment and intangible assets (Notes 11, 12)	215,610	176,976
Additions paid from financing activities	(17,837)	(17,204)
Non-cash additions from asset retirement obligation	(1,871)	(8,737)
Change in payables for purchase of property and equipment and intangible assets	3,886	(4,539)
Cash used in investing activities for purchase of property and equipment and intangible assets	199,788	146,496

Reconciliation of cash used in financing activities:

thousands of EUR	2020	2019
Additions paid from financing activities	17,837	17,204
Change in financial liabilities	(3,525)	(2,986)
Foreign exchange adjustments	(71)	-
Cash used in financing activities for purchase of intangible assets	14,241	14,218

25. LEASE LIABILITIES

thousands of EUR	2020	2019
Up to 1 year	14,768	14,519
1 to 5 years	42,774	44,551
Over 5 years	44,677	51,287
Total other finance lease liabilities	102,219	110,357

	2020	2019
Up to 1 year	17,049	17,315
1 to 5 years	49,111	52,583
Over 5 years	50,691	59,626
Total undiscounted cash flows (lease liability)	116,851	129,524

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).

26. IMPACT FROM LEASING CONTRACTS

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

thousands of EUR	2020	2019
Depreciation expense of right-of-use assets (Note 13)	16,515	17,360
Impairment of right-of-use assets (Note 13)	881	-
Interest cost on lease liabilities (Note 9)	2,613	2,954
At 31 December	20,009	20,314

27. OTHER LIABILITIES

thousands of EUR	2020	2019
Non-current		
Other liabilities	-	48
	-	48
Current		
Amounts due to employees	17,866	18,086
Other tax liabilities	5,601	6,922
Other liabilities	3,856	3,565
	27,323	28,573

Amounts due to employees include social fund liabilities:

thousands of EUR	2020	2019
At 1 January	185	239
Additions	1,476	1,462
Utilisation	(1,489)	(1,516)
At 31 December	172	185

28. COMMITMENTS

The Company's purchase commitments were as follows:

thousands of EUR	2020	2019
Acquisition of property and equipment	77,507	59,696
Acquisition of intangible assets	11,179	9,263
Purchase of services and inventory	67,817	79,019
	156,503	147,978

29. RELATED PARTY TRANSACTIONS

	Receivables		Payables		Sales and income		Purchases		Commitments	
thousands of EUR	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
DT AG	140,120	201,151	4,580	9,166	3,023	3,824	10,412	7,800	122	177
Subsidiaries	5,914	8,535	1,402	5,574	7,918	10,389	4,512	6,472	463	237
Other entities in DT AG group	8,796	10,786	10,190	9,805	26,691	26,442	25,575	31,023	7,061	13,604
	154,830	220,472	16,172	24,545	37,632	40,655	40,499	45,295	7,646	14,018

The Company conducts business with its subsidiaries (DIGI, PosAm, Zoznam, Zoznam Mobile, Telekom Sec, Commander) as well as with its ultimate parent, Deutsche Telekom AG and its subsidiaries, associates and joint ventures. Business transactions relate mainly to telephone calls and other traffic in the related parties' networks. The Company recognized interconnect and roaming revenues with Deutsche Telekom AG in amount of EUR 2,522 thousand (2019: EUR 3,174 thousand) and interconnect and roaming costs with Deutsche Telekom AG in amount of EUR 5,293 thousand (2019: EUR 5,386 thousand). Regarding other entities in DT AG group, the Company recognized interconnect and roaming revenues in amount of EUR 8,185 thousand (2019: EUR 9,604 thousand) and interconnect and roaming costs in amount of EUR 7,527 thousand (2019: EUR 9,385 thousand). Other transactions include data services, management, consultancy, other services and purchases of fixed assets. In 2020 the Company purchased fixed assets in amount of EUR 4,747 thousand (2019: EUR 6,473 thousand) from related parties.

In 2020 the Company granted Deutsche Telekom AG a short-term loan of EUR 132,000 thousand (2019: EUR 160,000 thousand).

In July 2020 the General meeting of PosAm declared a dividend of EUR 702 thousand (2019: EUR 334 thousand), which was paid in July 2020 (Note 8). In December 2019 the General meeting of Zoznam declared a dividend of EUR 750 thousand and the General meeting of Zoznam Mobile declared a dividend of EUR 250 thousand. Dividends from Zoznam and Zoznam Mobile were paid in December 2019. There was no other dividend declared by other subsidiaries in 2020 and 2019.

In 2016 the Company signed an ICT contract with a duration of 80 months with T-Systems International GmbH ("TSI"). Within this contract, the Company acts as the main subcontractor for the restructuring of the Allianz communication network in the selected countries. DT AG Group entities in relevant countries are service providers for the Company. The total value of the contract amounts to EUR 41,537 thousand. In 2020 the Company recognised revenue with TSI in amount of EUR 4,937 thousand (2019: EUR 5,148 thousand), revenue with other DT AG Group entities in amount of EUR 262 thousand (2019: EUR 56 thousand) and expenses with other DT AG Group entities in amount of EUR 3,753 thousand (2019: EUR 3,809 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 2020 or 2019.

Compensation of key management personnel
The key management personnel as at 31 December 2020, 14 in number (2019: 15) include members of the Management Board, Board of Directors and Supervisory Board.

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

thousands of EUR	2020	2019
Short term employee benefits	1,996	1,749
Defined contribution pension plan benefits	14	17
	2,010	1,766

thousands of EUR	2020	2019
Management Board	1,996	1,753
Supervisory Board	14	13
	2,010	1,766

30. CONTINGENCIES

Legal and regulatory cases

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

As of 31 December 2020, two cases are pending following the European Commission's decision. Two competitors of the Company filed action against Slovak Telekom with the civil court in Bratislava in 2015 and 2017. These claims seek compensation for damages allegedly incurred due to Company's abuse of its dominant market position, as determined by the European Commission and amount to EUR 111,607 thousand plus interest. Other competitors that believe they have been harmed by the Company anti-competitive conduct during the infringement period may decide to file actions for damages as well.

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

As of 31 December 2020, 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. The claimants contend that they incurred lost profit amounting to EUR 108,610 thousand plus interest. All cases are pending at first instance District Court Bratislava II.

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

As at 31 December 2020, the Company recognised provision for known and quantifiable risks related to proceedings against the Company, which represent the Company's best estimate of the amounts, which are more likely than not to be paid. The actual amounts of penalties, if any, are dependent on a number of future events the outcome of which is uncertain, and, as a consequence, the amount of provision may change at a future date.

31. AUDIT FEES

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

thousands of EUR	2020	2019
Audit services	289	288
Oher assurance services	-	2
	289	290

32. ASSETS AND LIABILITIES RELATED TO CONTRACTS WITH CUSTOMERS

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

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

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

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

thousands of EUR	2020	2019
Non-current assets		
Contract assets	9,131	22,284
Loss allowance	(719)	(1,192)
	8,412	21,092
Contract costs	6,257	6,285
	6,257	6,285
Current assets		
Contract assets	18,746	20,158
Loss allowance	(4,426)	(6,128)
	14,320	14,030
Contract costs	16,204	15,957
	16,204	15,957
Non-current liabilities		
Contract liabilities	15,936	3,775
	15,936	3,775
Current liabilities		
Contract liabilities	19,913	18,163
	19,913	18,163

Increase of non-current contract liablities was caused mainly by the impact of new project - fixed network sharing, which started in 2020.

Revenue recognised in the reporting year that was included in the contract liability balance at the beginning of the year amounted to EUR 19,635 thousand (2019: EUR 19,288 thousand).

Transaction price allocated to the performance obligations that are unsatisfied as of the end of reporting year amounted to EUR 377,250 thousand (2019: EUR 369,014 thousand). Management expects that the transaction price allocated to the unsatisfied contracts as of 31 December 2020 will be recognised as revenue as follows: EUR 282,987 thousand during first year; EUR 93,152 thousand during second year and EUR 1,111 thousand during third-seventh year (2019: EUR 279,935 thousand during first year; EUR 88,047 thousand during second year and EUR 1,032 thousand during third-seventh year).

Wages and salaries include also amortisation of costs to obtain a contract with customer in the amount of EUR 3,406 thousand (2019: EUR 3,544 thousand) (Note 5).

Dealers commission includes also amortisation of costs to obtain a contract with customer in the amount of EUR 17,891 thousand (2019: EUR 17,102 thousand) (Note 7).

33. EVENTS AFTER THE REPORTING YEAR

There were no events, which have occurred subsequent to the year-end, which would have a material impact on the financial statements at 31 December 2020.

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