Annual report 2022

Slovak Telekom

Contens

01 An introduction to the Slovak Telekom Group

A foreword by the CEO

Ladies and gentlemen,

2022 was once again a challenging year for us - when not only as a company, but also as society as a hole whole we faced great challenges and lived in a world full of uncertainty and complex changes. Another fading wave of the pandemic, the military conflict in Ukraine and the subsequent geopolitical situation were factors that also affected our functioning on the market. Some affected our company immediately, others with a later impact - such as rising energy prices and the significantly higher rate of inflation compared to the last decade. All of these factors put pressure on our growing costs and functioning.

But despite all these challenges, customers remained at the centre of our attention. Even when facing external influences, we do not want to give up on the customer experience that we strive to deliver through our products, services, and technologies at all times. Following on from this, we addressed the needs of our customers in both main segments – be it households or companies that are also facing new challenges and transformations. Several indicators confirm that we are heading in the right direction, and that our customer satisfaction levels have improved year-on-year. In the case of the B2B segment we achieved first place for the first time, while in the case of the fixed network we are doing well - especially in the fields of optical networks and TV.

New technologies and the expansion thereof to an increasing number of customers have helped us achieve this. We are working hard in building Slovak infrastructure even during the difficult seasons like pandemic years. Building the optical network is our top priority – also in terms of the amount of investment. A few years ago, we set the ambitious goal of reaching a million households. We managed to achieve this in mid-August 2022. We continued to build in the following months, and reached the level of 1.043 million households covered by the end of the year.

In the mobile field, we put our efforts into building the 5G network. At the beginning of the year we covered only the capital Bratislava and 25 municipalities. By the end of the year, we already had the most modern network in 34 Slovak cities and 83 municipalities. This was a significant step forward, and other significant attributes are associated with 5G. We significantly expanded support for 5G models and additionally supported it with the launch of our own T Phone and T Phone Pro Smartphones in September as one of the nine countries of the Deutsche Telekom group. 5G roaming has also expanded to allow customers to use the network abroad.

In the spring, we introduced new portfolios for mobile flat-rates, fixed internet, and TV services - bringing customers more data, higher speeds, and more TV stations for slightly higher monthly fees.

In the summer, we deployed two unique concepts with which we endeavoured to differentiate ourselves from the competition and strengthen our position in two areas. The first is Wow Wi-Fi - a service designed for enhanced Internet availability across the entire household. Our customers often have issues with the quality of the Wi-Fi network in several rooms or floors of their homes, and this innovation is intended to address this problem precisely, and to deliver a better customer experience with our Internet.

Another innovation was the MIXI packages for Easy and Predplatenka prepaid cards which deliver greater flexibility for our customers. Our internal system generates three packages for them every week according to their preferences and behaviour, so everyone has a different offer to that of their friends. Thanks to the weekly MIXI packages, we managed to deploy various types of packages with different validity periods (to date they had been mainly daily and monthly), and to prepare a different - and yet flexible - offer for each customer.

In February, we introduced the new T Biznis identity, which reflects the change in the B2B area - we are no longer just a provider of internet and mobile flat-rates, ICT, and cloud services, security, and complex solutions that already exceed the possibilities of basic connectivity play an increasingly important role.

We are also developing several activities in the ESG segment. For the third year in a row, we have invested in the ENTER platform - which is aimed at developing the digital skills of Slovak children, and now also seniors. In the case of the young generation, we managed to implement several activities, while we are most proud of the first year of the ENTER program - in which dozens of students tested their strengths and prepared 43 diverse projects. We prepared the first grant program for seniors – through which they could obtain equipment for libraries, homes for the elderly, and other institutions - this is our next target group for which we perceive the existing digital divide, as well as the need to overcome it.

Another part of ESG is the focus on the circular economy - which includes the lending and refurbishing of routers and set-top boxes, the sale of refurbished Smartphones, and the recycling of mobile phones. In the area of the environment, we additionally started cooperation with the Bratislava Regional Conservation Association.

Our activities were further reflected in positive operating indicators. In particular, the area of the fixed network achieved excellent results and a growth trend in the number of TV customers (673 thousand) and broadband access (798 thousand). From the financial point of view, the Group managed to slightly increase revenues by two percent above the EUR 800 million mark.

2022 brought many challenges for our Group, but we managed to overcome them and continue our strategy - which consists in the fact that we wish to win the hearts of our customers and raise the engagement of our employees. This is our long-term ambition that includes several goals - among which is the delivery of high-quality technologies, new services, and even paying back part of the effort into society through several activities in the field of social responsibility. That's why I'm glad that the professional public and customers have registered our efforts, and that we won two important awards. The first was the Operator of the Year Award in the Techbox magazine poll - which we won for the third time in a row, and which represents an extraordinary success for us. Secondly, winning the prestigious Via Bona Good Community Partner award for activities in the ENTER platform. We perceive these awards as a sign of gratitude from our customers, and they serve as strong encouragement for our way forward, because - as the motto of our parent company reads: "We won't stop until everyone is connected."

Jose Perdomo Lorenzo
Chief Executive Officer

2022 milestones

JANUARY

Slovak Telekom enters the new year with another first
Voters in the independent NAY TECHBOX OF THE YEAR poll chose Telekom once again against strong competition, and moved Telekom into first place for the prestigious award of Operator of the Year 2021.

Extension of the AMC contract
The extension of the contract with the AMC Networks International television group provided viewers with live broadcasts of F1, the KHL hockey league, the EUFA Nations League, the European League, and UEFA Conference League football competitions for the upcoming period.

FEBRUARY

After the outbreak of war in Ukraine, Telekom lent a helping hand
Telekom provides free calls and SMS to Ukraine, as well as roaming calls and SMS in Ukraine to all its customers so that they can connect and stay in touch with their loved ones and family.

The new T-Biznis identity is created
Customers in the B2B segment encounter the new T Biznis identity, which reflects the change in the focus of the telco business from connectivity to ICT services, a higher level of security, and tailor-made solutions.

The Telekom foundation fund distributes 50,000 Euros to seniors
85 entities with their projects directly oriented towards seniors participated in the grant call, Telekom distributed a total of 50,000 Euros among 17 projects for the education of the eldest population group.

MARCH

Almost 570 schools join ENTER
In the past 18 months, almost 570 schools throughout Slovakia have been involved in programming with micro:bit. In total, the project trained 600 teachers - who passed on their acquired knowledge of the basics of micro:bit programming to a record number of 54,000 primary and secondary school pupils.

More data in Mobile Internet programs
The data volumes of the three mobile programs - Mobile internet S, M and L received higher data volumes from the end of March. These changes concerned B2C as well as B2B customers.

New fixedt-rate, internet and TV portfolios
Changes from May 1, 2022 apply to almost all services for B2C and B2B customers. The reason for this is the interplay of several factors - such as the rising rate of inflation, significant increases in energy prices and input costs which are key to the provision of services.

APRIL

The range of Smartphones expands with the new REALME brand
From April, customers could look forward to a new brand in the Telekom portfolio. The first model included in the range was the Realme 9i.

Magio TV receives new TV stations
The addition of new programs enriched the television roster of the popular Magio TV. The offer includes sports channel JOJ Sport, children's channel Rik TV, and Ukrainian channel Nickelodeon Ukraine.

Telekom opens a virtual city in a metaverse
Telekom was the first telecommunications operator to enter the virtual world of Roblox, and created a new virtual Beatland world in which it organized a performance by the famous German DJ Boris Brejch.

MAY

Telekom expands 5G roaming beyond the borders of Europe
Telekom customers can now use 5G connections in non-European destinations such as Bahrain and the United Arab Emirates.

JUNE

Prestigious Via Bona award for ENTER
The organizers and the expert committee of the prestigious Via Bona Slovakia award recognized the contribution of the ENTER education program in the Good Community Partner category and awarded it the main prize.

Telekom awards the best programming students
The efforts of primary and secondary school students culminated during the ENTER program when the expert committee selected the best projects from 43 participating schools from all over Slovakia.

JULY

Telekom covers the main metropolis of the East with the 5G network
From July, residents of Košice could enjoy the most modern 5G network in Slovakia in the first city districts.

Fast internet in basements and garages
Telekom introduced the new Wow Wi-Fi service - which extends high-quality Internet to all corners of the home and to several floors thanks to additional devices and professional installation by technicians.

AUGUST

New strategic agreement with CANAL+
From August, viewers of all TV platforms could watch the most prestigious football league in the world - the Premier League - on the new CANAL+ Sport TV channel.

MIXI packages for prepaid cards
This new feature offers different packages. Every week, the customer receives a special offer in the Telekom application in the form of 3 packages, and can use it according to their preferences.

Optical network available for one million households
Telekom is building the largest optical network in Slovakia - and thanks to joint efforts with partners, the first million households across Slovakia can now enjoy it.

SEPTEMBER

The range of 5G mobile phones exceeds 50 models
The availability of 5G mobile phones is progressing, and has already reached 56 models from eight manufacturers.

Telekom introduces T Phone and T Phone Pro
A pair of 5G Smartphones - T Phone and T Phone Pro - were launched with an excellent price/performance ratio. Launched in parallel in nine European markets.

OCTOBER

Telekom and Voyo join forces
In cooperation with the Markíza Group, Telekom launched the new Voyo Start service. All Magio TV customers have exclusive access to it.

NOVEMBER

The pilot operation for the purchase of telephones commences
At the six stores participating in the pilot, customers could bring in their phone and receive funds to purchase a new device. At the same time, Telekom supported the Bratislava regional conservation association (BROZ) on the restoration of rare wetlands near Gabčíkova in the Istragov location.

eSport CUp powered by Telekom
The international tournament featuring three countries in the League of Legend and Wild Rift tested the capabilities of the players and the quality of Telekom's optical and 5G networks.

DECEMBER

5G expansion at the end of the year
Telekom expanded the 5G signal in December, and coverage reached 34 cities and 83 municipalities. At the same time, the number of roaming partners exceeded 50 networks.

The Slovak Telekom Group profile

Slovak Telekom is part of a global Deutsche Telekom Group. the graphic symbol of the associated companies is a distinguishable magenta "T", which also incorporates the internationally valid values accepted by the employees of all companies.

Identical values for all Deutsche Telekom Group companies:

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

Group composition

The Slovak Telekom Group comprises of the parent company - Slovak Telekom, a.s. (hereinafter referred to only as “Slovak Telekom”) along with its subsidiaries: Telekom Sec, s.r.o. (Telekom Sec), PosAm, spol.s.r.o. (hereinafter PosAm”) and DIGI SLOVAKIA, s.r.o. (hereinafter “DIGI SLOVAKIA”).

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

All information in the submitted annual report provided in connection with the Slovak Telekom Group relates to all companies forming the group.

Slovak Telekom does not have an organizational unit abroad.

A member of Deutsche Telekom

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

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

Governing bodies

Executive management

Jose Perdomo Lorenzo
Chief executive Office and 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 Millic 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.

Mladen Mitič
Director for mass market
Mladen Mitič studied information science at the University of Belgrade, and completed an advanced strategic program at the IMD Business School in Lausanne. He brought with him a lot of knowledge from the telecommunications market from several markets and telecommunications groups. At the Serbian Telenor, he held the position of Prepaid Segment Manager and also held the positions of CRM Consumer Manager. In Telenore Norway, he led the marketing and product division with a strong customer focus. At the Danish operator TDC Business, he was responsible for marketing and focused on the areas of branding, FMC and digitization. He joined the Deutsche Telekom Group in January 2020 and was directly responsible for the transformation of the EU B2B segment in Bonn. From mid-September 2021, he took up the position of director of the mass market at Slovak Telekom.

Peter Laco
Enterprise segment director
Peter Laco is a graduate of the University of Economics in Bratislava, and a few years after graduating received an MBA from Nottingham Trent University in the United Kingdom. From 2002 to 2011, he gained extensive management experience at KPMG Slovakia. From 2012 to 2018, he worked at IBM - where he was first the director of the software division, and later the sales director, and headed the Slovak branch. Peter Laco came to Slovak Telekom from KPMG, where he gained additional experience in the field of management, sales and consulting services. From September 2020, he held the position of head of sales to corporate customers, and in June 2021 he became the director for the Enterprise segment.

Vladan Peković
Chief Technology and IT Officer
Vladan Pekovič graduated from the Department of Electronics at the University of Podgorica and gradually completed courses at ESMT Berlin, ESSEC Business School and Duke University. Between 2000–2004, he gained an abundance of experience in technological positions at Ericsson in the USA, Mexico and Algeria. He worked for two years as the director of the technology division at M: Tel, and in July 2009, joined the Deutsche Telekom Group. He first held a position in Montenegro as program director and then as network and operations director. He later worked in Poland for a year, and from 2014 has been the Director of IT and Technology in Montenegro. In November 2017, he joined Telekom Romania as IT and Technology Director. After three years, he became CEO of Telekom Romania and after a year took the position of Director of Technology and IT at 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 o Senior Vice President of Applied Excellence & Change at the innogy Essen headquarters. Jitka Adámková brings extensive managerial experience from the international environment to the Deutsche Telekom Group.

The board of directors

Chair:
- Armin Sumesgutner (since 29.4.2020)

Vice Chair and CEO:
- Jose Severino Perdomo Lorenzo (since 01.10. 2018)

Member:
- Danijela Bujic (since 1.10.2021)

The supervisory board

Chair:
- Martin Renner (since 1.10. 2021)

Members:
- Martin Švec (since 2.10.2020)
- Denisa Herdová (from 19.3.2018 until 19.3.2023)
- Peter Vražda (since 20.3.2023)

Audit committee

Chair:
- Danijela Bujič (since 11.3.2022)

Members:
- Denisa Herdová
- Martin Renner

02 Business activity report

Technology, services and products

In the field of service provision, Telekom focuses on several aspects: the best possible customer experience, quality portfolios, and the expansion of technologies. Telekom has constantly developed in both the fixed and mobile network segments over the years. During 2022, Telekom successfully expanded the 5G and the optical networks - which reached a new historic milestone.

Aid for Ukraine

The start of the year was significantly marked not only by the continuing wave of the pandemic, but also by the outbreak of military conflict in Ukraine. Telekom reacted to these events in several ways. On the very next day (February 25th, 2022), Telekom launched free calls to Ukraine and free roaming. Later, Telekom started distributing prepaid cards to refugees and financially supported various collections in cooperation with non-profit organizations. At the same time, Telekom also created several free lines.

The best connectivity: The one million optics milestone and the 5G boom

Significant investments by Slovak Telekom in recent years have been directed towards building the optical network. In 2022, Telekom managed to fulfil its long-term goal – to cover one million households in Slovakia. Telekom reached this milestone through a combination of significant in-house construction and cooperation with partners, in particular Orange, which brought access to another 70,000 households.

Most of the coverage was achieved by Slovak Telekom through its own construction - especially between 2019 and 2021 when more than 100,000 new access points were built each year. In 2022, the pace of construction was a little slower, but by mid-August 2022, the goal of one million households was reached. By the end of 2022, this number reached 1.x million households.

In the field of mobile networks, Telekom continued 5G construction, withthe network expanding significantly - particularly in cities. At the beginning of the year, the 5G network was only in Bratislava, but by the end of 2022 it was already in 34 cities in Slovakia. The new generation of the network reached Nitra, Košice, and later also Trnava, Trenčín, and in the last weeks of the year Nové Zámky, Považská Bystrica, Námestovo, Poprad, and Stropkov were added, for example.

The 5G network is also expanding in parallel in the countryside, with coverage in 25 municipalities at the beginning of the year, and up to 83 by the end of the year. Coverage was gained not only in municipalities around cities, but also in locations where the network is modernized in parallel and in tourist locations such as Donovaly and Kovácová.

Support for 5G phones also continues to expand. Over the course of the year, 5G support was extended to include almost 70 models, and other brands were added - including exclusive Smartphones for the Deutsche Telekom group. The pair of T Phone and T Phone Pro models should contribute to the penetration of 5G even in lower price segments and enable better availability of 5G hardware.

In 2022, the number of 5G roaming partners also expanded significantly: from the first four countries, it expanded more than tenfold to reach 51 partners in 39 countries across several continents. Not only European partners were added gradually, but 5G roaming is now also available in Asia and North America.

The top quality of Telekom's networks was also confirmed at the end of November by the international **eSport Cup powered by Telekom** tournament which connected players from three European countries. Teams and individuals took part in the League of Legends and Wild Rift online game tournaments which tested their strengths in the online environment and tested the qualities of Telekom's optical and 5G network. The all-day tournament showed how modern technologies help online gaming thanks to an acute 10 Gbps optical connection test.

The best hardware range with increased care

A wide range of hardware is one of the pillars of Telekom's portfolio – be it in terms of focus on fixed or mobile network services. In the mobile segment, the emphasis is on the supply of new Smartphones with new technologies - currently 5G and 4G with VoLTE technology for greater voice expansion over the 4G network in particular. 5G support is gradually coming to an increasingly large price range of models. In addition, Telekom expanded it by introducing two models of its own Smartphones - with the T Phone becoming the cheapest 5G model in the portfolio. Telekom continues to focus on supporting 4G phones with VoLTE due to the wide-scale availability of the 4G network.

Several new products from leading manufacturers were presented during the year. Samsung introduced the Galaxy S22 series of flagships as well as a pair of foldable Flip4 and Fold4 phones, both with 5G support. The whole range of Galaxy A models – be it the A13, A23 5G, A33 5G or A53 5G - enjoyed large-scale popularity. The Xiaomi brand also held a good position in the portfolio with several models in the lower, middle and higher class. In the spring, Apple launched the new iPhone SE model, and in the autumn, a whole range of iPhone 14 models with four variations (14, 14 Plus, 14 Pro, and 14 Pro Max). Our own T Phone models, new products from Motorola and TCL were also seeded in the TOP10 ranking. For the first time, the Realme brand Smartphone (introduced in April) and Nothing Phone also entered the portfolio.

In the fixed-line segment, a premium router is especially key for higher quality and stability of services. Telekom tries to explain the advantages of having a premium router to customers, and also considers it a standard in the B2B portfolio.

There are also various other types of hardware on offer, such as tablets, laptops, 4K TVs with increasingly large diagonals, and PlayStation 5 and Xbox Series X and S game consoles.

Refurbished models were also included in the portfolio throughout the year, namely the iPhone SE.

Telekom additionally started the pilot operation of phone purchases at six stores across Slovakia. Customers can bring in their phones to be valued, and the funds raised can be used to purchase a new device. The collected devices are subsequently recycled or - depending on the condition - put back into circulation.

Top services: new portfolios, Wow Wi-Fi, MIXI, and other new products

In the first half of the year, Telekom changed the portfolios of the three key services – mobile flat rates, internet connection, and TV services. These changes were implemented for customers from May 1, 2022, while within the new portfolio Telekom applied the approach of offering customers larger volumes of data, minutes, and connection speeds at a slightly higher price.

In the case of mobile flat rates, the **volume of data increased.** Customers also had two unlimited flat rates added to their portfolio - Nekonečno 33 and Nekonečno 39, and after using up the data volume at full speed, they can continue to use the connection with speeds of 1 or 2 Mbps - which is sufficient for basic surfing, chatting, or viewing websites.

When changing flat rates, Telekom also applied **benefits for Magenta 1 customers**, who generally receive twice as many free minutes in the group, twice as much data - and with the Always Online package - twice the speed.

For Internet programs, Telekom mainly deployed higher optical speeds - when downloading and also sending data (download and upload). In this case the Magenta 1 advantage also applies - thanks to which customers get higher connection speeds.

The TV portfolio maintained its structure, while prices were adjusted and several benefits were added. Telekom also added several new TV channels such as JOJ Sport, RiK TV and Markíza Krimi. Customers also received discounts on set-top boxes and a more favourable price for hardware with the L and XL program in the package featuring internet services. Once again, the Magenta 1 advantage was featured – the expanded TV archive has gained a higher number of channels, now totalling16.

The changes in the portfolio affected not only residential customers, but also clients in the business portfolio, be it is Biznis fixed-rate plans (as well as the expansion of two “infinites” - Biznis Nekonečno - Infinite Business 33 and 40), or Biznis.net,

Data volumes were increased in the **Mobile Internet** service portfolio for connections via USB modems, for example, without any price changes. For the lowest program, the original volume increased from 1 GB to 2 GB, for the M program from 5G to 12 GB, and for the highest L program from the previous 15 GB to 25 GB. The changes concerned B2C as well as B2B customers

Several innovative services were introduced in the second half of the year. Telekom looked at various customer requirements and the need for a Wi-Fi signal solution in homes arose. This is how the Wow Wi-Fi service was created the goal of which is to deliver an equally strong signal not only in the room with the stored router, but in all rooms of the apartment or house, or even in the basement. Telekom conceived Wow Wi-Fi as a service, so when visiting the customer, the technician determines what the requirements are, which rooms need to be covered - and based on them, deploys additional devices in the customer's home or office. The Wow Wi-Fi service has three levels, and they differ in the size of the covered area.

In the prepaid card portfolio , Telekom deployed a new range of packages. Packages with 7-day validity are covered under the name **MIXI**, but work on the basis of the customer's needs and behaviour. The advanced system gives each customer a choice of three packages from a wider range every Monday in the Telekom application - a tailor-made offer according to the volume of transferred data or called minutes. Prepaid or Easy customer can then choose one of the three, and use it for the next 7 days. They can choose two or three in parallel, and can activate them on any day of the week. This is how Telekom achieved the possibility for different customers to have different packages in Telekom applications according to different uses of services.

A robust **Christmas offer** is also a traditional part of the fourth quarter. Telekom offered the popular Twins concept - and offered seven pairs of hardware - including the new T Phone with JBL headphones, two Smartphones from Samsung or TV + Smartphone combinations (Philips and Motorola), and laptop and Smartphone (Lenovo and Motorola). The smart watch + Smartphone duo was also successful, and the offer was further enriched by a specialty: The Freestyle projector from Samsung and a Smartphone from the same manufacturer.

The second part of the offer was once again a gift for each service in the Telekom application. Last year, the customer could choose from two or three variations, and if they used several Telekom services, they could also combine different types of coupons for discounts, streaming services (HBO Max, Voyo start), and unlimited data and minutes packages.

Throughout the year, Telekom prepared several **positive surprises** - in addition to the gifts in the Christmas offer, extra data during Valentine's Day and a free Easter package were offered.

B2B services: the start of T Biznis and new security solutions

At a time when it is time-consuming to follow new trends and to implement them into company solutions when not every company can make full use of them, Slovak Telekom decided to help companies orient themselves on the issue by introducing a completely new concept. In February, Telekom introduced T-Biznis - a new identity under which it began to cover all business solutions and services for corporate customers. Part of the new identity was the introduction of the **T-Biznis Efekt** connecting element - which brought a unified approach to the provision of voice, landline, and IT services, including superior care to all corporate customers.

Thanks to international experience and dedicated experts who are part of the multinational Deutsche Telekom group, T-Biznis will reflect on the demands of business customers through the new T-Biznis Efekt approach even more. By introducing a new approach, Telekom began to bring new trends and innovations to its customers, offer services targeted at their specific type of business, educate them in the field of digitization, whilst at the same time providing first-class care.

The list of business product modernizations also includes **changes in the range of Business flat rates** effective from May 1st, 2022 on offer. The range of endless flat rates for business customers has been significantly expanded. New Biznis Nekonečno 33 to 40 flat rates have been added to this group and received more data than their predecessors. After data is used up, customers receive an unlimited connection with a speed of 1 Mbps, or 2 Mbps in the Magenta 1 group.

The changes additionally affected Business Premium programs. The modification resulted in higher volumes of data. For customers in the Magenta 1 group, data was even doubled. The Biznis Premium 24, 27 and 29 programs in the Magenta 1 group have received double speed of 256 kbps since May.

Improvements also appeared in the Biznis Mini programs after the new data volume increased from the original 750 MB to 1.5 GB per month. In addition, customers with the Magenta 1 group can use data at a higher speed during their work - up to 256 kbps in the case of an Infinite connection.

The increased number of cyber attacks did not escape Slovakia. Organizations and companies from various industries gradually became targets of attacks. Slovak Telekom immediately made its **Network protector** service available to several clients in order to protect their business models from the pitfalls of cyber attacks. Thanks to this sophisticated solution, Telekom managed to avert and suppress threats to its clients, and their businesses can continue to function with as few losses as possible.

As part of strengthening defences against cyber attacks, Telekom introduced another additional service - **OnNet Security** - which provides subscribers with protection against malware and phishing attacks at the DNS level, whilst also protecting customers from malicious websites. The service is intended for Biznis Net service programs, including the Biznis Internet Light product.

New services that help protect end customers from growing online threats include the new **Network Security Scan** solution. The service detects current threat status, identifies network usage issues, and identifies user productivity. **Network Security Scan** is intended for customers and companies that do not have advanced firewalls and are thus potentially exposed to not only cyber threats from the Internet, but also from threats from end stations.

Telekom also highlighted prevention against possible cyber attacks on the part of customers. A **service called Vulnerability assessment** focuses on the known weaknesses of computers, network components, operating systems, firmware and applications. The goal of this service is to prepare reports on the detected status for the customer and propose measures to eliminate vulnerabilities.

Based on the new Decree on the national numbering plan, Telekom started using a **new marketing number with the prefix 0888** - which is designated for calls and communication for the purpose of direct marketing using presentation, and at the same time allows the caller to call back at the price of a local call from the entire Slovak Republic (according to the Slovak Tariff Telecom), or for calls from the networks of other operators subject to the conditions and rates of these operators.

At the end of the school year, a memorandum was jointly signed at the Košice Technical University campus in the presence of Vice-Rector Jaroslav Poruban and Slovak Telekom and T-Mobile Czech Republic CEO Jose Perdom Lorenz in which both parties declared mutual interest in the development of education and the preparation of future solutions in the field of 5G campus networks. The newly established memorandum will create space for the construction of special 5G test laboratories on the grounds of TUKE Technical University. Various experiments and simulations will take place in the test laboratories based on functional solutions with the possibility of creating model situations. Thanks to such technological labs, a completely new space full of the most modern technologies will be created - designed specifically for the support and development of new skills of students in the field of telecommunications solutions.

TV portfolio: Olympics in 4K, CANAL+ Sport and Voyo start

Magio television has a leading place in most households due to its wide availability. The constant demand from viewers for high-quality content requires the continuous improvement and addition of thematic TV channels, including the improvement of all TV platforms in order to achieve the best viewing experience.

At the beginning of the year, Slovak Telekom delighted not only its Magio TV platform sports viewers, but also those of its DIGI Slovakia subsidiary. The extension of the contract with AMC Networks International (AMCNI) ensured that viewers of both television platforms received the best sports.

Sports lovers can also watch live coverage of F1, top KHL hockey league matches, and football competitions such as the EUFA Nations League, the European League, the UEFA Conference League, and the EHF European Championship including live coverage of the Slovak Tipos Extraliga.

Last year's Winter Olympics in Beijing could be enjoyed by Magio Internet TV viewers in the sharpest detail on the Eurosport 4K TV channel - which broadcast into viewers' living rooms in the highest resolution available.

The Magio TV range on offer expanded to include several TV stations - including the Ukrainian TV channel Nickolodeon Ukraine which the TV operator put on the air shortly after the outbreak of the war in Ukraine. During the year, the channel range gradually grew to include several new TV stations - including **Rik TV, JOJ Sport, Markíza Krimi and Travel XP** which Telekom included in the satellite offer.

In August, **Slovak Telekom, DIGI Slovakia and T-Mobile Czech Republic concluded a new strategic agreement with CANAL+**. From August, viewers of all TV platforms could watch the most prestigious football league in the world - the Premier League - on the new **CANAL+ Sport** channel.

Telekom and DIGI viewers could continue to watch various world leagues such as **LaLiga, Seria A and Bundesliga** on the **PREMIER SPORT 2, Nova Sport 3 and Nova Sport 4** sports channels.

Customers who have television services in the Magenta 1 group received a pleasant television surprise during the year. Telekom activated their **expanded TV archive** from the original 5 to **16 TV stations** free of charge.

An interesting innovation that pleased fans of streaming platforms was the possibility of activating **Magio Internet TV in the form of a subscription without obligations**. Activating and buying a Magio Internet TV is simple. For the first 7 days, the Magio customer receives Internet TV for free to test. For full use, just enter your payment card information and enjoy the benefits of the best television on the market. The service is provided without obligations, and invoices can be cancelled at any time.

The introduction of this service follows increased interest and changes in the consumer behaviour of TV customers who are beginning to largely prefer a **new way of watching TV**, and at the same time want to be more **technologically ecological**. For the past few years, customers have largely used TV set-top boxes to watch TV. Today's trend is gradually changing, which can be seen in the new activations and selections of TV services. **Almost half of new TV activations** in Telekom are for those who prefer watching TV through the application so that they can watch TV on several devices at the same time and do not have to be tied to a specific location.

Customers of satellite television services enjoyed the modernization and improvement of service quality as set-top boxes were gradually modernized to the more modern NAGRA platform. Thanks to this, the long-term quality of the provided television services will be guaranteed.

The beginning of autumn bore in the spirit of great innovation. **Telekom and Voyo joined forces and launched the new Voyo Start service**. All Magio TV customers got exclusive access to **Voyo Start** - whereby the customers had the opportunity to watch an unlimited number of videos and get to know the wide range of Voyo services for the first 14 days after activating the service. Subsequently, Voyo Start viewers could watch 5 videos from of selected Voyo library content every 30 days for free.

Magio TV Internet audiences could enjoy the Christmas season with the most beautiful Christmas movies. Dozens of Czech, Slovak, and foreign films were waiting for them to watch for free in the video rental shop. Other year-end innovations included the release of the **free Premium TV archive** for all new and existing customers from December 1st.

In addition to the opportunity to watch movies for free from the video rental store, customers also got the opportunity to activate the **Voyo Start service for free as part of the Christmas offer** - which was intended for customers of mobile and landline services. Customers could activate this free Christmas gift in the Telekom mobile application.

Slovak Telekom ended the year with information about the modernization of its television services. **From January 1st 2023, Slovak Telekom would end the sale of IPTV television** for new customers and fully concentrate on the Magio television platform over the Internet.

The customer experience in the digital environment

One of the areas where Telekom is making progress in improving the customer experience is digital channels. The operator constantly adds several innovations, benefits, and extensions to its Telekom application and also improves its website and e-shop.

The new e-commerce platform is gradually expanding. After fully supporting the sale of mobile packages with an automated order process, card payment, and exclusive pre-sales of hardware (for example; expected new products such as the Samsung Galaxy S22 and the Apple iPhone 14), **support is also being extended to landline services** through digital channels.

Exclusively through the telekom.sk website, customers can set up the prepaid Magio GO service via payment card, and activate it immediately after ordering. In this way, Telekom strengthens the range of Magio GO digital television on offer and expands its accessibility among customers.

The Telekom application continues to expand its customer care functions and access to new features. As part of a better overview for the customer, the invoice section of the application has been updated. Now, the customer can find invoices and the possibility of top-up credit in one place.

The new section called Hearts brings the most interesting content created at Telekom. Social networks, the latest promotions, and personalized offers directly for the customer are stored in one place.

In addition, the Telekom application was the exclusive platform for deploying and making various promotional offers available. The main driving force this year for **Prepaid** was MIXI bundles - which are available in the application in a different form for each customer every week, and personalized according to their needs and behaviour.

Christmas surprises for customers in the Telekom application were moved one step further in the campaign. While last time customers were assigned one gift to the service, this time they could choose which benefit they were interested in and automatically activate it in the application.

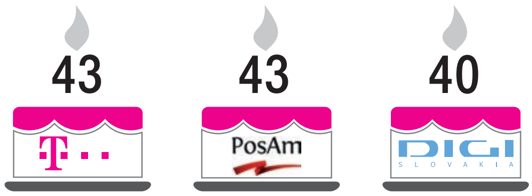
As part of the introduction and support of Voyo Start, customers were offered the option to easily switch to the full version of Voyo directly in the application.

Human resources and employees

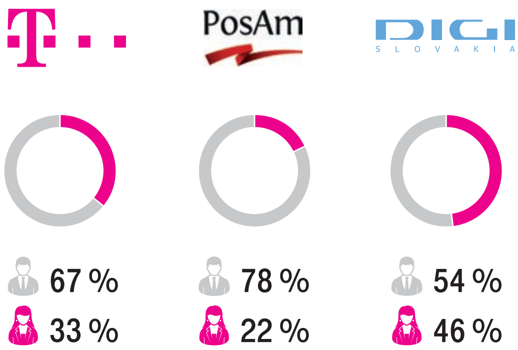
The Group in numbers

In 2022, Slovak Telekom employed 2,535 internal employees. In the respective period, subsidiaries DIGI Slovakia employed 125, and PosAm 249 internal employees. (Until 30/11/2022, PosAm and Commander as a group had a total of 348 employees.)

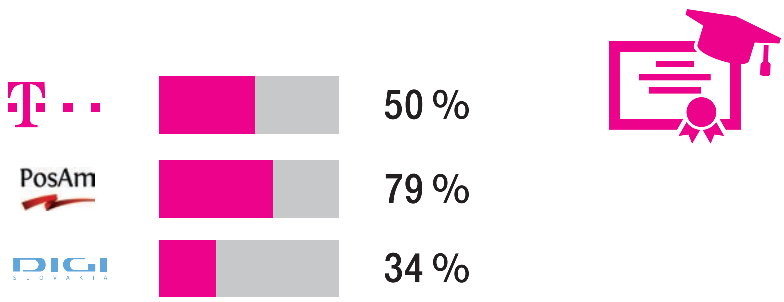
The average age of Slovak Telekom and subsidiary employees in 2022:



Percentage of males and females in Slovak Telekom and its subsidiaries in 2022:



Percentage of employees in Slovak Telekom and its subsidiaries with university degrees. The remaining employees had high school diplomas:



Knowledge sharing

In addition to individual professional development plans for specific positions, employees also have a **T-University development platform** with free lessons. At T-University, employees who want to invest time and energy into their personal growth can develop voluntarily.

In 2022, 1,815 employees attended T-University programs, and in total 8,659 participations were registered in all development activities.

The highest attendance was for courses related primarily to digital skills:
- First-hand agility management
- Change Management - Change as an opportunity for growth
- Memory improvement
- Brand and corporate identity
- Dealing with stress and anxiety

In October, T-University's "Tasting Week" took place with the aim of raising awareness of the activities - and at the same time to introduce current and new suppliers - in the form of short presentations. The goal of the tasting - in addition to the presentation of new products - was to gain feedback from the participants and their preferences for 2023. A total of 33 events were held in virtual and face-to-face form in Bratislava and Košice. Most of the activities took place in an online environment due to greater time flexibility, including wide participation of employees from all parts of Slovakia.

T-Circle
A further innovation was the introduction of a special 5-module T-Circle training series intended for managers who have just entered the position of leader. They complete the training within 3 months of starting in the respective position. The content of the training is aimed at developing management skills that are necessary for successful day-to-day performance in the given position (the role of leader and situational leadership styles, feedback, communication and leading meetings in an online environment or in person, meaningful time management and correct overall time management.) The highlight of the training is the gamified Pacifik online game in which the participant can try out their managerial role in a practical simulation as a castaway on an island. The vast majority of activities in 2021 took place online - something colleagues preferred not only because of the current situation, but also because employees from all parts of the country could participate in these activities.

Talent Program
2022 brought several changes in employee education – one of which was the opening of a talent program for employees who were nominated by their superiors. As part of the program, participants had the opportunity to develop in several areas such as digital mindset, taking care of their own body and energy, the possibility of visiting different workplaces, and agile management. An essential part of the development consisted of conducting dialogue between managers and their employee nominated for the talent program.

The more active participants of the Talent Program had the opportunity to sign up for the special **T-Challengers program** - which is focused on working on innovative projects that can significantly contribute to the fulfilment of the company's vision. One third of the participants took advantage of this opportunity and - after a joint selection - were divided into six project teams that work intensively on several innovative projects.

Internal coaching
Part of the company's HR strategy is to support the culture of coaching as a form of development tool. Telekom currently uses over 20 internal coaches who coach beyond their working capacity. Their reward is the possibility of further development, networking, and participation in various educational events organized for coaches. Every coach should undergo supervision with an external expert once a year. Over the past year, the number of internal coaches has been expanded to include several newcomers who have undergone demanding EMCC-certified training authorizing them to perform expert coaching.

ACTIVITIES FOR STUDENTS

2022 brought change in the form of cooperation with Slovak secondary schools. Telekom - alongside the Future Generation Europe organization - participated in the joint **MiniErasmus event**. A group of students - with the participation of cyber experts - visited the Data Center in Bratislava where in addition to the premises they were given a briefing on IT security and the possible pitfalls that lie in wait in the online space.

Enthusiastic employees from the HR department began intensively developing cooperation with selected universities in Slovakia - especially those with technical and economic faculties. Professional lectures and workshops, support in writing bachelor's and diploma theses, and meetings during career fairs were opportunities for Telekom to be in contact with students everywhere. Other activities that developed the potential of talented university students included the Trainee program - thanks to which several graduates found employment at Slovak Telekom after graduation.

The education of students and the public forms an integral part of the company's activities. Slovak Telekom has long supported the Aj Ty v IT (You in IT Too) project, for example - which endeavours to build awareness and at the same time to support IT studies for females.

HEALTHY SOCIETY

After a one-year hiatus caused by the reverberations of the pandemic, Telekom once again organized **Health Days** in Bratislava, Žilina and Košice. The content included measuring body composition, blood cholesterol, massage, and healthy snacks. In total, almost 300 employees participated.

Employees made extensive use of a large number of face-to-face and online T-University webinars which were focused on a healthy lifestyle, prevention, and mental health. During the year, the pilot of the **uLekara.sk** project also took place at Telekom.

Employees and their family members continued to be provided with free psychological counselling in which they could discuss their problems with a psychologist.

Colleagues working on the front line were once again provided with protective equipment to protect their health against Coronavirus (disinfectant soaps, gels, sprays, wipes, respirators, masks, protective gloves, goggles, shields and clothing). In addition, technicians were provided with sprays to protect their health from insect bites. All employees received vouchers to purchase vitamins to gain immunity.

Communication

The third year of the pandemic combined with the outbreak of the war conflict in Ukraine and other social issues along with a number of own projects from the Slovak Telekom and Deutsche Telekom workshops resulted in a rich year for communication. Several teams participated on original projects, while in the first half of the year, the pandemic was fading and the ENTER platform was given space, for example, while in the second part of the year several new products were gradually introduced.

External communication

2022 to a great extent brought about a return to physical forms of communication and events. In the first quarter, the last wave of the epidemic faded, and the team managed to organize a press conference to launch the new **T business identity** in which Telekom literally tried to take journalists back 30 years when they started business services. During the first part of the press conference, there were three decades of telecommunications services and their gradual transformation with an increasing share of IT solutions that resulted in the current offer.

During the spring, the **inaugural year of the Enter programadia** was held through to the finals in which ten projects from all over Slovakia - five from elementary and five from secondary schools - advanced. After the presentations, two panels of judges selected the winners and an award ceremony associated with a press conference and streaming for all schools in Slovakia took place at the Aurélium Education Centre in Bratislava where individual competition exhibits were presentation to the jury and to visitors during the final ranking.

In the summer, Telekom launched several innovations supported by external communication through various original press conferences. **Wow Wi-Fi i**s of the ambition to bring quality Wi-Fi to every corner of the household - including non-traditional places such as cellars, attics, and basements - and thus the external communication team decided to present this innovation on the third underground floor of its own headquarters in Bratislava. In practice, journalists were taken to the -3rd floor where a "stage" in a parking space that resembled a typical garage was situated – along with a motorcycle, engine oils, shelves, and posters. In addition, the event took place on a hot July day and the temperature was more acceptable than the temperature outside.

Two weeks later, a new **Mixi bundle** for EASY prepaid cards and a Subscriptions started – consisting of the individual selection of three packages with different parameters from a much wider range for each customer. The external communication team prepared an event for the journalistic community so that - according to a journalist's preference - the chef created a special menu for each journalist individually - to simulate the system of creation and selection in the Mixi package range as accurately as possible. The journalist could then choose one, two, and three meals, or repeat their choice - just like in a MIXI during the week. The presentation also included a description and presentation of the whole range, which was launched the next day.

After almost 15 years, Slovak Telekom launched a new exclusive phone - this time in the whole Deutsche Telekom group – i.e. in nine European markets on a single day - September 29, 2022 – when the **T Phone** and **T Phone Pro** were introduced and put on sale within 6 days. Telekom first teased the introduction through the "New 5G devices in every pocket" slogan, and a press conference took place at a much more unexpected place than usual - in the civil defence shelter at the Pavel Országh Hviezdoslav Theatre in Bratislava. The location was not randomly chosen: for the introduction of the 5G network in December 2020, Telekom approached the theatre environment and shot a professional Keynote with ballet and other dancers to support what was then inaccessible art. Unfortunately, no one could see the press conference live. Therefore, for the introduction of T Phone Smartphones, we used another theatre and in the first quarter of an hour deployed three different scenes according to the respective target groups of the phone: seniors, young families, and Generation Z with dynamic choreography. The combination of an unconventional experience, a presentation, and an instant opportunity to test phones underground (as the price of phones is also the lowest in the 5G offer) resulted in an original event for journalists and influencers.

In addition to these top topics from domestic production, external communication also covered Deutsche Telekom projects such as **Enter the Roblox metaverse** and DJ Boris Brejcha's performance, a **Billie Eilish** concert as part of the partnership in Bonn, and the **What We Value summer** initiative.

Throughout the whole year, the external communication team supported a number of other innovations and projects, and also addressed hundreds of different journalistic questions about product, corporate, brand, CSR, and ESG topics. The topic of the conflict in Ukraine, rising energy prices, rising inflation, and the boom in 5G and optics also resonated.

Marketing communication

In 2022, the continued focus was on customers. The communication roadmap included services and benefits that simplify and improve customers' lives. In terms of communication, Telekom continued its multi-year concept whose main representatives are ordinary people and their stories.

At the beginning of the year, a television campaign for B2B customers was launched in which Telekom introduced "Premium care" provided by personal agents who help small business owners to choose tailor-made digital services.

The subsequent campaign focused on the **Telekom application**, highlighting its useful functions thanks to which customers can become equipped for everything they need - even when playing hide-and-seek with their children.

In the summer campaign for the "**Always online**" service, the phenomenon of cyclists was used, demonstrating that customers have data for the important things - even after using up their monthly data in flat-rate plans.

August marked a spectacular turning point for Slovak Telekom. **One million Slovak households** were covered by our optical network. This Telekom milestone gradually appeared in marketing communications - joined by a campaign promoting **Wow Wi-Fi** – an additional service for Magio Internet which solves the problem of many households by ensuring the availability of the Internet in every corner of the home - even where it was not available before.

The **Christmas campaign** - created under the baton of Deutsche Telekom - brought a dose of emotion once again. The simple question **"How are you"** became the leitmotif. The story of the spot showed the busy day of a caring teacher who is interested in how his students or colleagues are doing. The idea of the campaign was to inspire people not to forget their loved ones during Christmas time and to reach out to them.

The campaign also included a customized gift offer whereby customers could find for each used service in the Telekom app, and could activate free of charge for a predetermined period of time.

Throughout the year, the marketing communication team focused on other projects connected to the Deutsche Telekom group. The top campaigns of the year included campaigns for the commencement of **T-Phone** sales. Two non-televised campaigns aimed at young people were also included. The first of them communicated the continuation of the successful transnational campaign called **What We Value** aimed at supporting young activists and their non-profit organizations. In the second, Telekom became **the first telecommunications operator to enter Roblox** - a metaverse of the world in which Telekom organized a performance by world-famous German DJ Boris Brejcha.

The third quarter saw the communication of new optional packages for Prepaid and Easy cards called **MIXI** - which customers can find in the application. A custom visual was created for MIXI packages to better distinguish it from the current offer.

Part of the communication of the second half of the year was the Esports tournament of three countries under the name of the **Esport Cup powered by Telekom** - in which Slovak Telekom participated for the first time.

In addition to many communication activities, Slovak Telekom also implemented a tender for an advertising agency, from which the old-new agency MUW Saatchi & Saatchi emerged victorious at the end of the year.

Communication awards

In 2022, Telekom won several awards in various competitions - including the **Golden Nail** for the **Infinite Beauty of Slovakia** campaign. The same campaign also brought victories in two PR categories in the **PRokop competition**: 1st place in the Traditional Media PR category, and 3rd place in the Small Budget category.

Telekom defended its top place for the fifth time in a row in the **Most trusted brand** poll in the category Providers of Internet and TV services,.

In the independent **NAY TECHBOX OPERATOR of the year 2021** readers' poll, Telekom once again took first place, and for the second year in a row it maintained its first position.

Responsible business

We are aware of our responsibility for the impact of our business on society and the environment. We care about the planet. Its resources are not inexhaustible, and therefore we take this aspect into account in the decision-making processes. At Slovak Telekom, we implement systemic measures aimed at fulfilling the ESG goals set by the Deutsche Telekom Group.

In addition to strategic solutions, we consider it crucial to react to unexpected situations. In 2022, Slovakia and our activities were marked by two tragic events - the war in Ukraine and the murder of two young people from the LGBTI+ community. At Slovak Telekom, we reject hatred towards communities and people for any reason - be it race, gender, sexual orientation, or religion.

The climate crisis

As the Deutsche Telekom Group we have set ambitious goals in the fight against the climate crisis. We gradually introduce measures that will lead to zero greenhouse gas emissions in 2040. In 2022, climate goals became part of Slovak corporate goals. The fact that we take environmental responsibility seriously is also evidenced by regular and successfully defended certificates according to ISO 14 001 for the environmental management system (EMS) and ISO 50 001 for the management of energy efficiency (EnMS) standards.

One of the biggest burdens is the consumption of electricity with which our technologies are powered. That's why we work to ensure that the electricity is from sustainable sources - thanks to which we operate a network that is now green. In addition to energy, we also look at what technological devices our network consists of, and what their lifespan and energy load are.

We also chose this approach in the stores and in the buildings where our employees work. Another significant air polluting producer is transport, so we also focus on its effects.

We managed to fulfil the set annual goals in 2022 for the level of electricity to 136 %, with C02 emissions it was 150 %.

In addition to measures directly linked to our business impact, we also help protect the environment by supporting afforestation and water protection. In 2022, we started cooperation with the Bratislava Regional Conservation Association. By saving the wetlands on Rye Island (Žitny ostrov), we are thereby endeavouring to partially compensate for our carbon footprint. We once again supported the Municipality of the capital Bratislava by planting trees.

The circular economy

In order for our customers to be connected, they need devices, and devices need to be changed. We are a supporter of circularity, therefore end devices that provide internet and television connection - so-called set top boxes and Wi-Fi routers - we rent them out, overhaul them, and put them back into circulation.

Our customers can bring mobile phones to our stores - thanks to which they will not end up in landfills, but will be recycled. Through our Slovak partner, we give these collected devices a new lease of life in the form of recycled materials or end products that are used in the construction industry. A prime example is interlocking paving located in front of one of Bratislava's supermarkets - which was created from such recycled materials.

In the branches that received a new look, there are significantly fewer displays than in the past, recyclable materials are used, as well as many other measures.

We reduced paper consumption by digitizing contractual documentation and invoices, we removed POS materials from stores - which saves 12 tons of paper per year.

In the education and upbringing of the young generation, we participated in the CEEV Živica Electrical waste and its impact educational project, in which we guide young people to responsible handling of electrical waste.

Digital inclusion

We are a proud partner of the prestigious **Via Bona Good Community Partner** award, which we won in the spring of 2022 for our activities implemented to support digital education.

Digital technologies play a key role in people's lives. We need people who are digitally intelligent and who do not remain on the margins of digital society. Therefore, in addition to building infrastructure, we are continuing the ENTER program - which is aimed at developing the digital skills of children and seniors.

In Slovakia, 50 % of seniors aged 65+ do not have any digital skills.17 projects from the **Maturity for the Digital Age** grant program were implemented for them in 2021. The seniors learned everything from the simplest things - from how to work with Smartphones and computers, how to use them to connect with loved ones and find the information they need - doctor's practice hours, when the nearest bank branch is open, to programming.

In order to reduce the digital divide, we provide people with hearing impairments with specially discounted flat rates, and the visually impaired with mobile phones with COrvus software which turns the phone into a tool not only for communication, but which also helps in various life situations.

Through our technologies, products and services at discounted prices or free of charge, we help many non-profit organizations to secure communication, to provide services to people, and with fundraising.

We invested €624,611.38 in direct costs in 2022, €222,640 through products and services, and 1,176 volunteer hours in support of digital inclusion.

Enter – Digital education for children
To help increase children's digital literacy, we focused on improving the teaching of informatics in schools, and increasing girls' interest in informatics. We implement several activities and projects through the Enter program. In cooperation with the AJ Ty v IT and Spy – Teaching with hardware non-profit organizations, we train teachers, conduct programming workshops for children, and provide schools with the opportunity to get microbit kits for teaching programming.

2022 was the inaugural year of the ENTER Program in which individual teams from primary and secondary schools presented their prototypes built on microbit solutions, and were able to show what they had learned in computer science classes.

We do not want to support only the best, on the contrary - our goal is to attract a wider mass of children to technology so that they are not afraid to experiment with it. We have several activities in which we create a safe and motivating environment for girls and children with disabilities. In 2022 this was for children with hearing disabilities. For children from socially disadvantaged backgrounds, we had the INAK (Different) Future project.

We support the Informatics 2.0 project in which primary and secondary school teachers can find complete plans according to the State Education Program and can choose from them according to difficulty, taking into account their own level and the level of students.

Education support
Digital technologies have brought enormous progress, but they also bring many negatives. Many of them can be eliminated through education and training. Unfortunately, in the last survey of values in Slovakia, education did not even make it into the Top TOP10.

In order to move forward in society and to avoid even greater polarization and differences than we already have today and as part of the solution, the Teacher of Slovakia and Comenius Institute awards helps teachers and school principals change the climate in schools, introduce modern methods of education, and increase the positive acclaim of good and high-quality teachers in society.

One such method is the support of interdisciplinary education using technology. In practice, this means that students create a project in several lessons in which they take into account knowledge of, and information from informatics, biology, and chemistry etc.

AID for Ukraine

The beginning of 2022 was marked by the war in Ukraine, thanks to which crowds of families with children began to flow into Slovakia. Since then, more than 1 million refugees from Ukraine have crossed the border of Slovakia. Some of them just wanted to cross the country, others decided to settle temporarily.

During the largest onslaught, Slovak Telekom set up three points of sale right at the border where it provided refugees with free cards with initial credit worth €10, the same cards could be obtained at any point of sale.

Slovak Telekom gave priority to calls to/from Ukraine, helped strengthen the technological infrastructure, and operated free Wi-Fi in refugee camps.

However, it was necessary to help the desperate people fleeing not only with communication, but also with material, psychological, emotional and legal help. Telekom donated more than €110,000 and still operates free lines where refugees can find psychological help, legal advice and other important information.

DIGI Slovakia

16th year on the market as a sign of increasing quality of services
DIGI SLOVAKIA seeks to deliver quality content while maintaining a stable price for its basic package deal. Every year, customers are provided with increasing value in the form of new exclusive content and television programs with the aim of achieving ever greater customer satisfaction.

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

Extended television range
In 2022, a new basic **Platinum service package** was added.

The range was expanded to include new TV programs such as RTVS 24, Markíza Krimi, JOJ Šport, CANAL+ Sport, CANAL+ Sport 2, TV RiK, Film Europe, Cinemax, Cinemax 2, and Travel XP.

The most sport on DIGI
In 2022, DIGI SLOVAKIA continued to bring programs with an offer of hundreds of football broadcasts from the best leagues in the world. Customers could watch the English Premier League, the Spanish La Liga, the German Bundesliga, and the Italian Serie A on the exclusive PREMIER SPORT, CANAL+ Sport and Nova Sport channels.

In addition to football, viewers could also watch attractive tennis broadcasts, combat sports from UFC, cycling, skiing, NFL and many other sports events.

Additional DIGI GO and TV Archive services
DIGI continues to offer customers the DIGI GO application - thanks to which customers have their favorite channels available on mobile phones and tablets. DIGI operates an additional TV Archive service which allows customers to watch a program that has already been broadcast up to 7 days ago. This additional service is available for 13 TV stations.

Social responsibility

In 2022, DIGI SLOVAKIA once again supported the Mountains and the City film festival.

PosAm

2022 was a pivotal year for PosAm from the point of view of the decision regarding the departure of the majority owner Slovak Telekom from the ownership structures. This was also related to the decision to sell our subsidiary company Commander Services s.r.o. as of December 1, 2022. The company believes that thanks to new owner Commander it will fulfil its potential on the market, and is keeping its fingers crossed for the further successful years.

PosAm positively perceives that despite massive investments into development projects, it managed to achieve record profits before taxation - despite the fact that the decisive share in the respective profits being from its sale to Commander.

The positives of the past year include the continuity of large projects with our long-term customers in the public and commercial sectors. Long-term cooperation with the Ministry of Finance, Tatra banka, Všeobecná úverová banka and Allianz - Slovenská poisťovňa provided our company with stable economic performance. PosAm highly values its clients, and perceives this as confirmation that it carries out its work in accordance with their expectations.

The company considers the final acceptance of the 1st stage of the project to digitize the work of technicians in the field for ČEZ Distribuce, a.s. to be a great success. This is one of the largest and most ambitious solutions of its type in the region. Every morning, the system prepares a daily work plan for more than 2,000 technicians in the field.

PosAm is also proud of the successful delivery of the central parking system for the capital Bratislava. With the ParkDots solution, the municipality launched regulated parking under the PAAS brand. To date, more than 70,000 applications have flowed through the system, and almost 60,000 parking cards have been issued. Of these numbers, more than 80 % are issued purely in online mode. The citizens of Bratislava were thus provided with a high degree of comfort - they can have a parking card issued within 7 minutes of applying from the comfort of their own home. The ParkDots mobile application succeeded in strong competition in other cities as well, and is the most used parking application in Slovakia today.

Even after a difficult year, PosAm sincerely thanks all clients and employees for their trust and cooperation. At the same time, PosAm is convinced that in the future the company will continue to transform the potential of information technology into benefits for its customers.

Notes

Research and development activity costs
From the Slovak Telekom Group, PosAm spent EUR 506,000 on research and development in 2022 (EUR 1.428 million in the previous year - 2021).

Acquisition of own shares, temporary shares, commercial shares, temporary certificates and commercial shares of the parent accounting unit
Slovak Telekom did not acquire any of its own shares or temporary shares, nor any shares, trading interests or temporary shares of the parent accounting entity.

Proposal for distribution of profit and settlement of loss
The distribution of profit for 2022 will be decided at the general meeting, which was scheduled for April 2023.

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 2022

Contents

Independent Auditor's Report

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Slovak Telekom, a.s.

INDEPENDENT AUDITOR'S REPORT

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

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the consolidated financial statements of Slovak Telekom, a.s. and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) as adopted in the European Union (EU).

Basis for Opinion

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

Emphasis of Matter

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

Other Matter

The consolidated financial statements of Slovak Telekom, a.s. and its subsidiaries for the year ended 31 December 2021 were audited by another auditor who expressed an unqualified opinion on the consolidated financial statements on 11 March 2022.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS as adopted in the EU, and for such internal control as management determines is necessary to enable the preparation of 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.

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

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

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

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

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Report on Information Disclosed in the Annual Report

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

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

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

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

- Information disclosed in the annual report prepared for 2022 is consistent with the consolidated financial statements for the relevant year; and
- The annual report includes information pursuant to the Act on Accounting.

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

Bratislava, 15 March 2023

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

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

Consolidated Income Statement

for the year ended 31 December

thousands of EUR	Notes	2022	2021
Revenue from contracts with customers	4	810,585	791,975
Other operating income	5	15,924	14,242
Staff costs	6	(129,025)	(130,222)
Material and equipment		(103,004)	(97,463)
Depreciation, amortisation and impairment losses	11, 12, 13	(167,459)	(181,702)
Interconnection fees and other telecommunication services		(51,403)	(60,508)
Net impairment losses on financial and contract assets	15,16	(13,780)	(9,680)
Own work capitalised	6	14,725	16,485
Other operating costs	7	(175,795)	(176,147)
Operating profit		200,768	166,980
Financial income	8	1,973	367
Financial expense	9	(2,989)	(3,510)
Net financial result		(1,016)	(3,143)
Profit before tax		199,752	163,837
Income tax expense	10	(42,302)	(42,908)
Profit for the year		157,450	120,929
Profit is attributable to			
Owner of Slovak Telekom, a.s.		154,922	120,809
Non-controlling interests		2,528	120
Profit for the year		157,450	120,929

The consolidated financial statements on pages 33 to 83 were authorised for issue on behalf of the Board of Directors of the Group on 14 March 2023 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	2022	2021
Profit for the year		157,450	120,929
Other comprehensive income / (expense)			
Gain / (loss) on remeasurement of defined benefit plans	23	2,975	(332)
Deferred tax income / (expense)	10	(625)	70
Other comprehensive gain / (loss) not to be reclassified to profit or loss in subsequent years, net of tax		2,350	(262)
Other comprehensive gain / (loss) for the year, net of tax		2,350	(262)
Total comprehensive income for the year, net of tax		159,800	120,667
Total comprehensive income for the period is attributable to:			
Owners of Slovak Telekom, a.s.		157,272	120,547
Non-controlling interests		2,528	120
		159,800	120,667

Consolidated Statement of Financial Position

thousands of EUR	Notes	31.12.2022	31.12.2021
ASSETS			
Non-current assets			
Intangible assets	11	344,938	327,549
Property and equipment	12	804,396	784,156
Right-of-use assets	13	85,362	95,635
Deferred tax	10	4,114	1,931
Other receivables	15	14,564	13,058
Contract assets	16	6,682	7,192
Contract costs	16	6,532	6,151
Prepaid expenses and other assets	17	11,237	11,753
		1,277,825	1,247,425
Current assets			
Inventories	18	29,772	25,390
Term deposits	19	900	800
Loans	20	140,000	152,000
Trade and other receivables	15	149,022	151,243
Contract assets	16	20,249	21,128
Contract costs	16	17,110	16,608
Current income tax receivable		-	209
Prepaid expenses and other assets	17	11,274	14,045
Cash and cash equivalents	21	56,658	44,701
		424,985	426,124
TOTAL ASSETS		1,702,810	1,673,549
EQUITY AND LIABILITIES			
Shareholders' equity			
Issued capital	22	864,113	864,113
Statutory reserve fund	22	172,823	172,823
Other		67	(2,281)
Retained earnings and profit for the year		204,189	192,794
Capital and reserves attributable to owners of Slovak Telekom, a.s.		1,241,192	1,227,449
Non-controlling interests		10,250	7,722
Total equity		1,251,442	1,235,171
Non-current liabilities			
Deferred tax liability	10	55,847	64,682
Lease liabilities	25	69,208	78,183
Provisions	23	35,765	43,218
Other payables	24	20,732	950
Contract liabilities	16	30,344	29,724
		211,896	216,757
Current liabilities			
Provisions	23	22,240	16,611
Trade and other payables	24	129,339	120,534
Contract liabilities	16	34,413	31,527
Other liabilities	27	34,733	35,553
Lease liabilities	25	14,362	15,429
Current income tax liabilities		4,385	1,967
		239,472	221,621
Total liabilities		451,368	438,378
TOTAL EQUITY AND LIABILITIES		1,702,810	1,673,549

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	Subtotal Equity	Non-controlling interests	Total equity
Year ended 31 December 2021								
As at 1 January 2021		864,113	172,823	(2,016)	167,495	1,202,415	7,734	1,210,149
Profit for the year		-	-	-	120,809	120,809	120	120,929
Other comprehensive income		-	-	(262)	-	(262)	-	(262)
Total comprehensive income		-	-	(262)	120,809	120,547	120	120,667
Transactions with shareholder:								
Other changes in equity		-	-	(3)	-	(3)	-	(3)
Dividends	22	-	-	-	(95,510)	(95,510)	(132)	(95,642)
At 31 December 2021		864,113	172,823	(2,281)	192,794	1,227,449	7,722	1,235,171
Year ended 31 December 2022								
As at 1 January 2022		864,113	172,823	(2,281)	192,794	1,227,449	7,722	1,235,171
Profit for the year		-	-	-	154,922	154,922	2,528	157,450
Other comprehensive income		-	-	2,350	-	2,350	-	2,350
Total comprehensive income		-	-	2,350	154,922	157,272	2,528	159,800
Transactions with shareholder:								
Other changes in equity		-	-	(2)	2	-	-	-
Dividends	22		-	-	(143,529)	(143,529)	-	(143,529)
At 31 December 2022		864,113	172,823	67	204,189	1,241,192	10,250	1,251,442

Consolidated Statement of Cash flows

for the year ended 31 December

thousands of EUR	Notes	2022	2021
Operating activities			
Profit before tax		199,752	163,837
Depreciation, amortisation and impairment losses	11, 12, 13	167,459	181,702
Interest expense, net		2,508	2,781
Loss / (gain) on disposal of intangible assets and property and equipment	5, 7	443	(528)
Gain on disposal of subsidiary	1, 5	(6,456)	-
Other non-cash items		10,146	2,067
Change in provisions	23	4,418	8,625
Change in trade receivables and other assets		(15,440)	(27,660)
Change in inventories		(5,868)	(11,260)
Change in trade payables and other liabilities		14,198	47,395
Cash from operating activities		371,160	366,959
Income taxes paid		(51,452)	(53,544)
Net cash from operating activities		319,708	313,415
Investing activities			
Purchase of intangible assets and property and equipment	11, 12, 28	(161,061)	(170,692)
Proceeds from disposal of intangible assets and property and equipment		3,079	2,327
Proceeds from disposal of subsidiary	1	10,739	-
Disbursement of loans		(140,000)	(145,000)
Repayment of loans		152,000	125,000
Net cash from cash pooling	15	4,423	(15,414)
Acquisition of term deposits		(100)	-
Interest received		405	1
Other cash from / (paid for) investing activities		619	(13)
Net cash used in investing activities		(129,896)	(203,791)
Financing activities			
Dividends paid	22	(143,529)	(95,510)
Repayment of financial liabilities	28	(15,798)	(18,915)
Repayment of principal portion of lease liabilities		(16,152)	(15,708)
Interest paid		(2,348)	(2,413)
Dividends paid to non-controlling interests		-	(132)
Other cash from financing activities		-	349
Net cash used in financing activities		(177,827)	(132,329)
Effect of exchange rate changes on cash and cash equivalents		(28)	17
Net increase / (decrease) in cash and cash equivalents		11,957	(22,688)
Cash and cash equivalents at 1 January	21	44,701	67,389
Cash and cash equivalents at 31 December	21	56,658	44,701

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 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. In May 2022, Slovak Telekom has obtained the authorisation to use the 3700–3800 MHz frequency band, valid from 1.9.2025 until 31.12.2045.

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

Name and registered office	Activity	Share and voting rights 31.12.2022	Share and voting rights 31.12.2021
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 %
Telekom Sec, s.r.o. ("Telekom Sec") Bajkalská 28, 817 62 Bratislava	Security services	100 %	100%

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

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

On 29 January 2010 the Group acquired 51 % of the share capital and voting rights in PosAm and obtained control of PosAm. The Group consolidates 100 % of PosAm and presents 49 % of equity interest in PosAm as non-controlling interests. The business combination's agreement contained the 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 and as such, the Group recognised the financial liability from put option in the fair value, i.e. present value of the redemption amount (Note 24). The put option obligation is presented in current liabilities as the put option can be exercised on demand.

On 25 January 2018 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. Main activity of Commander Services is GPS monitoring of motor vehicles.

On 30 November 2022 PosAm sold its 100 % share and voting rights in Commander Services. The purchaser paid cash in amount of EUR 11,528 thousand in 2022. The final selling price for Commander Services was agreed in 2023 based on financial results of Commander Services and amounted to EUR 11,320 thousand. The difference of EUR 208 thousand was paid by PosAm to the purchaser in 2023. Liability from disposal of subsidiary in amount of EUR 208 thousand is presented in Trade and other payables within Other payables (Note 24). Gain on disposal of subsidiary in amount of EUR 6,456 thousand is presented within Other operating income (Note 5). The details of the disposed assets and liabilities and disposal consideration are as follows:

thousands of EUR	November 2022
Selling price	11,320
Less net assets of disposed subsidiary including attributed goodwill	
Intangible assets, including attributed goodwill	(2,145)
Property and equipment and right-of-use assets	(505)
Trade and other receivables and other assets	(3,206)
Cash and cash equivalents	(789)
Trade and other payables and other liabilities	1,781
	(4,864)
Gain on disposal of subsidiary (Note 5)	6,456
Selling price	11,320
Liability from disposal of subsidiary	208
Less: Cash and cash equivalents in disposed subsidiary	(789)
Cash proceeds from disposal of subsidiary	10,739

Members of the Statutory Boards at 31 December 2022

Board of Directors

Chairman:
- Armin Sumesgutner (since 29.04.2020)

Vice-chairman:
- Jose Severino Perdomo Lorenzo (since 01.10.2018)

Member:
- Danijela Bujic (since 01.10.2021)

Supervisory Board

Chairman:
- Martin Renner (since 01.10.2021)

Members:
- Ing. Denisa Herdová (since 19.03.2018)
- Martin Švec (since 02.10.2020)

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.

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

Business combinations are accounted for using the acquisition method. The consideration paid on an acquisition is measured as the fair value of the assets transferred, shares issued, or liabilities undertaken at the date of acquisition. The excess of the consideration paid on an acquisition over the fair value of the net assets and contingent liabilities of the subsidiary acquired is recorded as goodwill. The consideration payable includes the fair value of any asset or liability resulting from a contingent consideration arrangement. If the amount of contingent consideration (a liability) changes as a result of a post-acquisition event (such as meeting an earnings target), the change is recognised in accordance with IFRS 9 in profit or loss. Put option on share held in subsidiary by minority shareholders is classified as a financial liability. The corresponding amount is reclassified from equity (non-controlling interest). Subsequent measurement of the liability is at fair value through profit or loss in accordance with IFRS 9.333

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

Costs directly attributable to the acquisition are expensed.

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

2.2 Property and equipment

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

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

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

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

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

Buildings, constructions and leasehold improvements	8 to 50 years
Operating equipment:	
Network technology equipment	4 to 33 years
Transport vehicles, hardware and office equipment	2 to 20 years

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

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

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 Non-current assets held for sale

A non-current asset (or disposal group) is classified as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use.

The following conditions must be met for an asset (or disposal group) to be classified as held for sale:
a) The asset must be available for immediate sale in its present condition

b) The sale is highly probable within one year from the date of classification
c) Management must be committed to a plan to sell the asset
d) An active program to locate a buyer is initiated
e) The asset must be marketed for sale at a price that is reasonable in relation to its current fair value
f) It is unlikely that significant changes to the plan will be made or that the plan will be withdrawn

Non-current asset (or disposal group) that is classified as held for sale is measured at the lower of carrying amount and fair value less costs to sell. An impairment loss is recognized where fair value less costs to sell is lower than carrying amount and is charged to profit and loss. Non-current assets (or disposal group) that are classified as held for sale are not depreciated.

The Group presents assets classified as held for sale separately from other assets on the face of the statement of financial position.

2.4 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	3 to 23 years
Telecommunications licences	1 to 23 years
Content licences	1 to 4 years
Customer relationships	8 to 15 years

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

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

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

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

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

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

The Group recognizes the content licences as an intangible assets if it is highly probable that the content will be delivered, contract duration is longer than one year and the cost are determined or determinable. Acquired content licences are recognised at acquisition cost. If there is no fixed price defined in the contract, the Group uses best estimate to assess the fee during the contracted period. The useful lives of content licences are based on the underlying agreements and are amortised on a straight-line basis over the period from availability for commercial use until the end of the licence term which is granted to the Group. Content contracts which do not meet the criteria for capitalization are expensed and presented in 'other operating costs' in the statement of comprehensive income.

Goodwill
Goodwill arises on the acquisition of subsidiaries and represents an excess of the consideration transferred and the non-controlling interest in the acquiree (measured either at fair value or at the proportionate share of the of the acquired entity's net identifiable assets) over the net fair value of net identifiable assets acquired, liabilities and contingent liabilities of the acquiree. Following initial recognition, goodwill is carried at cost less any accumulated impairment losses. Goodwill is not amortised, but it is tested for impairment annually or more frequently, if events or changes in circumstances indicate that the carrying value may be impaired (Note 14). Carrying value of the cash generating unit ("CGU") to which goodwill belongs to is compared to its recoverable amount, which is the higher of value in use and fair value less costs to sell. Any impairment is recognised immediately as an expense and is not subsequently reversed. Fair values less costs to sell of CGU's with allocated goodwill tested for impairment are in Level 3 of the fair value hierarchy.

2.5 Leases

2.5.1 Right-of-use assets

Right-of-use assets represent property and equipment which is leased based on a contract containing a lease according to IFRS 16. The 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

2.5.2 Lease liabilities

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

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments, change in the assessment to purchase the underlying asset or a change in an index or a rate when the adjustment to the lease payments takes effect. The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has an option, under some of its leases, to lease the assets for additional terms. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

For contracts where no maturity is specified in the contractual agreement (so called evergreen contracts), the assessment of lease term is done for the portfolio as a whole. An estimate is required for the initial lease term as well as any further renewal. Factors, which are considered in determining the lease term for evergreen contracts are: costs associated with an obligation to return the leased asset in a specified condition or to a specified location, existence of significant leasehold improvements that would be lost if the lease were terminated or not extended, non-contractual relocation costs, costs associated with lost service to existing customers, cost associated with sourcing an alternative item etc.

2.5.3 IFRS 16 recognition exemptions

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

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

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

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

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

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

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

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

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

2.5.4 Subleases

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

2.5.5 Lease accounting – the Group as a lessor

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

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

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

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

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

Impairment is determined by assessing the recoverable amount of CGU to which the goodwill relates. For more details on impairment of goodwill refer to Note 14.

2.7 Inventories

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

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

2.8 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.

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

2.9 Financial assets

The Group classifies its financial assets according to IFRS 9 in the following categories:
- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through profit or loss ("FVTPL")

The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. The Group has the process in place in order to identify the embedded derivatives and ensure the accounting in line with IFRS 9, if such embedded derivatives are identified. The Group did not identify any embedded derivatives.

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

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

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

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

Financial assets at amortised cost (debt instruments)
The Group measures financial assets at amortised cost if both of the following conditions are met:
- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows, and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Group's financial assets at amortised cost include Trade and other receivables, Cash and cash equivalents, Term deposits, Loans and Cash pooling in the statement of financial position.

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

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

Financial assets at fair value through profit or loss
The Group uses currency forward contracts to economically hedge its estimated cash flows. The Group decided to account for these contracts as "held for trading derivatives". As such, the Group did not apply hedge accounting in 2022 and 2021 and all currency forward contracts are recognised as held for trading derivatives with changes in fair value being reflected in profit or loss. Financial assets at fair value through profit or loss are initially recognised at fair value and subsequently carried at fair value. Unrealised gains and losses arising from revaluation of financial assets to the fair value as well as realised gains and losses are recognised in profit or loss.

2.10 Impairment of financial assets

The Group recognises loss allowances for expected credit losses (ECLs) on financial assets measured at amortised cost and contract assets. Regarding loss allowances for trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment (e.g. expected GDP growth and expected changes in unemployment rate). For lease receivables, contract assets and trade receivables with a significant financing component, an entity can choose as an accounting policy either to apply the general model for measuring loss allowance or always to measure the loss allowance at an amount equal to the lifetime ECL. The Group has chosen the latter policy.

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

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

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

An impairment loss is calculated as the difference between an asset's 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. This relates to stage 3 items in ECL model.

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 (including liability from put option) are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest rate method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

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

2.12 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.

2.13 Provisions and contingent liabilities

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

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

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

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

2.14 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 2022. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using discount rate of weighted-average yields for high-quality (Bloomberg Aa*) - non-cancellable, non-putable corporate bonds. The currency and term of the bonds are broadly consistent with the currency and estimated term of the benefit obligations. Past service costs are recognised immediately in consolidated income statement. Remeasurement gains and losses arising from experience-based adjustments and changes in actuarial assumptions are recognised in the period in which they occur within other comprehensive income for retirement benefits and within the consolidated income statement for jubilee benefits. Current service cost, past service cost and curtailment gain are included within wages and salaries under staff costs. Interest costs are included within financial expense.

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

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

2.15 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.

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

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

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

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

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

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

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

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

The Group typically satisfied its performance obligations at the point in time (mainly sales of equipment) and over time (services). The Group is not aware of any unusual payment terms. Payments are typically due within 14 days.

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

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

System solutions / IT revenue
Contracts on network services, which consist of installations and operations of communication networks for customers, have an average duration of 2 to 3 years. Revenue from voice and data services is recognised under such contracts when voice and data are used by a customer. Revenue from system integration contracts comprising delivery of customised products and/or services is recognised when the control of that customised complex solution is transferred to a customer (solution is delivered to and accepted by a customer). Contracts are usually separated into distinct milestones which indicate completion, delivery and acceptance of a defined project phase. Upon completion of a milestone the Group is entitled to issue an invoice and to a payment. Revenue is recognized over time or at point in time based on contract conditions assessed in line with IFRS 15 criteria.

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

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

Interest and dividends
Interest income is recognised using the effective interest rate method. Dividend income is recognised when the right to receive payment is established.

2.16 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 consolidated income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, tax is also recognised in other comprehensive income or directly in equity, respectively.

Current income tax
Current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted as of the statement of financial position date. Current income tax includes additional levy imposed by the Slovak government on regulated industries effective from 1 September 2012. In 2022, the levy of 4.356 % per annum (2021: 4.356 % per annum) is applied on the basis calculated as the profit before tax determined in accordance with the Slovak Accounting Standards multiplied by ratio of regulated revenues (according to Act on Electronic Communications Nr. 351/2011) on total revenues.

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

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

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

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

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

2.19 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 2022 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	2022	2023	2024	2025	2026 and after
Non-current assets	(462)	350	343	(114)	(117)

Customer relationships
The Group maintains record of customer relationships obtained during the acquisition of control of DIGI and PosAm (Note 11) and regularly evaluates appropriateness of useful lives used to amortise these intangible assets on the basis of churn of customers acquired through the business combinations. No changes to useful lives were necessary in 2022 and 2021.

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 Group recognizes the content licences as an intangible assets if it is highly probable that the content will be delivered, contract duration is longer than one year and the cost are determined or determinable. Acquired content licences are recognised at acquisition cost. If there is no fixed price defined in the contract, the Group uses best estimate to assess the fee during the contracted period. The useful lives of content licences are based on the underlying agreements and are amortised on a straight-line basis over the period from availability for commercial use until the end of the licence term which is granted to the Group. Content contracts which do not meet the criteria for capitalization are expensed and presented in 'other operating costs' in the income statement.

Asset retirement obligation
The Group enters into lease contracts for land and premises on which mobile communication network masts and other assets are sited. The Group is committed by these contracts to dismantle the masts and restore the land and premises to their original condition. Management anticipates the probable settlement date of the obligation to equal useful life of assets, which is estimated to be from 5 to 33 years. The remaining useful life of assets ranges from 2 to 33 years at 31 December 2022.

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

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

If probable settlement date of the obligation related to masts was shortened by 10 years it would cause an increase of asset retirement obligation by EUR 1,836 thousand (2021: increase by EUR 497 thousand). If the inflation rate increased by 0.5 %, it would cause an increase of asset retirement obligation by EUR 1,422 thousand (2021: increase by EUR 1,832 thousand). If the risk-adjusted, pre-tax discount rate increased by 0.5 %, it would cause a decrease of asset retirement obligation by EUR 1,307 thousand (2021: decrease by EUR 1,693 thousand). If the amounts necessary to settle future obligations increased by 10 %, it would cause an increase of asset retirement obligation by EUR 2,517 thousand (2021: increase by EUR 2,862 thousand).

Provisions and contingent liabilities
The Group is a participant in several lawsuits and regulatory proceedings. When considering the recognition of a provision, management judges the probability of future outflows of economic resources and its ability to reliably estimate such future outflows. If these recognition criteria are met a provision is recorded in the amount of the best estimate of the expenditure required to settle the present obligation at the end of the reporting period. Such judgments and estimates are continually reassessed taking into consideration the developments of the legal cases and proceedings and opinion of lawyers and other subject matter experts involved in resolution of the cases and proceedings. The factors considered for individual cases are described in Notes 23 and 31.

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

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

If the expected lease term of office space and shops was shortened by 10 years (from 20 years to 10 years) it would cause a decrease in the lease liability by EUR 6,990 thousand (2021: EUR 4,126 thousand). If the expected lease term was prolonged by 10 years (from 20 years to 30 years) it would cause an increase in the lease liability by EUR 10,399 thousand (2021: EUR 9,118 thousand).

If the expected lease term of technical space was shortened by 10 years (from 33 years to 23 years) it would cause a decrease in the lease liability by EUR 6,859 thousand (2021: EUR 7,846 thousand). If the expected lease term was prolonged by 10 years (from 33 years to 43 years) it would cause an increase in the lease liability by EUR 8,010 thousand (2021: EUR 9,724 thousand). Assumed calculation is prepared on the basis of the subsequent extension of initial lease term after it's expiry by five years.

2.20 Restatement of Comparatives

In 2022, the Group changed an accounting policy regarding arrangements where the Group acts as a reseller of another party's branded digital goods or services with a virtually unlimited supply. Previously, the Group was considered to be in a Principal position (brutto presentation of revenues), if it controlled the digital goods or services itself or alternatively if it controlled a right to another party's goods or services.

Under the new policy, the option to control a right was removed from indicating a Principal position due to the fact that it does not meet the definition of control as per IFRS 15 (i.e., the Group cannot prevent others from directing the use of and obtaining the benefits from the goods or services precisely due to their unlimited nature).

As a result of the policy change, a number of arrangements have been restated from a Principal to an Agent position (netto presentation of revenues). The new policy was applied retrospectively by restating the comparative period figures (please see table below) in accordance with IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors.

thousands of EUR Financial statement line	Financial statements for 2021	Restatement	Financial statements for 2021 - Comparatives
Revenues / Fixed network revenue	304,514	(651)	303,863
Revenues / Mobile network revenue	306,866	(263)	306,603
Revenues / Other	74,149	(1,726)	72,423
Other operating costs / Content fees	28,271	(914)	27,357
Other operating costs / Customer solutions	39,544	(854)	38,690
Material, goods and equipment	98,335	(872)	97,463

The following restatements, in accordance with IAS 1.38, have been made for the purpose of comparability of data in reported periods:

thousands of EUR Financial statement line	Financial statements for 2021	Restatement	Financial statements for 2021 - Comparatives
Other operating costs / Property related costs	-	2,754	2,754
Other operating costs / Other	12,859	(2,916)	9,943
Interconnection fees and other telecommunication services	60,346	162	60,508
Staff costs / Remeasurement of put option liability	729	(729)	-
Financial expense / Remeasurement of put option liability	-	729	729

Assets classified as held for sale
Management classified one of its owned buildings as at 31 December 2021 as Asset Held for Sale. During the year 2022 the Group has not finalized the plan for sale due to barriers existing in the transaction. However, this fact was not considered by the management when assessing the criteria for classification of the building as an Asset Held for Sale as at 31 December 2021, despite the fact the circumstances of the barriers were already existing. As at 31 December 2022 the barriers are still effective and the sale of the building is not highly probable to be completed by the end of 2023. Therefore, management classify the building in these financial statements as Property, Plan and Equipment as at 31 December 2022 and restated the comparatives for 31 December 2021 (restated the building from Assets Held for Sale to Property, Plant and Equipment).

thousands of EUR Financial statement line	Financial statements for 2021	Restatement	Financial statements for 2021 - Comparatives
Assets classified as held for sale	10,100	(10,100)	-
Property and equipment	774,056	10,100	784,156

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 2022

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2022:

a) Reference to the Conceptual Framework – Amendments to IFRS 3
b) Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16
c) Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37

The annual improvements package (2018–2020 cycle) was adopted early and includes the following minor amendments:

a) IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter
b) IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities
c) IFRS 16 Leases - Lease Incentives
d) IAS 41 Agriculture – Taxation in fair value measurement

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 and the military conflict in Ukraine on financial statements at 31 December 2022

The coronavirus pandemic 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 neither as of 31 December 2022 nor as of 31 December 2021.

Impairment reviews are ordinarily performed on annual basis. At 31 December 2022, 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 additional impairment required.

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

After the end of 2021, political tensions in the region escalated into a war between the Russian Federation and Ukraine. This conflict has severely affected global events, adversely impacted commodity prices and financial markets, and attributed to increased volatility within the business environment. The situation remains very unstable, and the impact of imposed sanctions, restrictions on the business activities of companies operating in the region, and the consequences for the economic environment as a whole (primarily restrictions on supply and demand chains) may generally occur. The Group has assessed these risks. The impact on the business activities and thus the results of operations and financial position of the Group in various business areas is not significant.

Overall situation is monitored on ongoing basis and continually evaluated.

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 (except for credit risk arising from sales activities which is managed by the Credit Risk Department) in accordance with guidelines approved by the Board of Directors and the Deutsche Telekom Group Treasury. The Group's Treasury Department works in association with the Group's operating units and with the Deutsche Telekom Group Treasury. There are policies in place to cover specific areas, such as market risk, credit risk, liquidity risk and the investment of excess funds.

3.1 Market risk

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

3.1.1 Foreign currency risk

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

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

For all planned, but not yet determined, foreign currency denominated cash flows (uncommitted net exposure) of the following 12 months (rolling 12 month approach) a hedging ratio of at least 50 % of net foreign-exchange exposure is applied. The Group uses foreign exchange 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 Group's expected exposure. The Group's risk management policy requires the hedging of every cash flow denominated in foreign currency exceeding the equivalent of EUR 250 thousand.

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

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

thousands of	31.12.2022	31.12.2021	31.12.2022	31.12.2021
	USD	USD	CZK	CZK
Monetary assets	405	2,127	358	16,209
Monetary liabilities	(341)	(1,117)	(12,208)	(13,034)
	64	1,010	(11,850)	3,175

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

thousands of EUR		2022	2021
Profit after tax	Depreciation of USD by 10 %	(5)	(70)
	Appreciation of USD by 10 %	5	70

thousands of EUR		2022	2021
Profit after tax	Depreciation of CZK by 10 %	39	(10)
	Appreciation of CZK by 10 %	(39)	10

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 can provide loans to DT AG. Currently, there is outstanding loan in amount of EUR 140,000 thousand (2021: EUR 152,000 thousand) at fixed interest rate (Note 20). The term deposits in banks outstanding at 31 December 2022 in the amount of EUR 900 thousand (2021: EUR 800 thousand) have been concluded with fixed interest rate (Note 19). The Group has no material financial instruments with variable interest rates as at 31 December 2022.

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 makes only short-term cash deposits. The Group deposits free cash into financial instruments such as financial investments in the form of loans to DTAG. The Group is exposed to concentration of credit risk from holding loan receivable in the amount of EUR 140,000 thousand (2021: EUR 152,000 thousand) provided to DT AG (Germany) and trade receivables from DT AG and other entities in DT Group in amount of EUR 31,213 thousand (2021: EUR 33,511 thousand). The concentration of credit risk for trade receivables other than from entities in DT Group is limited due to the fact that the customer base is large and unrelated.

The Group's cash and cash equivalents are held with major regulated financial institutions; the two largest ones hold approximately 40 % and 37 % (2021: 46 % and 31 %).

For credit ratings see the following tables:

thousands of EUR	31.12.2022	31.12.2021
Term deposits (Note 19)		
A2	900	800
	900	800

thousands of EUR	31.12.2022	31.12.2021
Loans (Note 20)		
Baa1	140,000	152,000
	140,000	152,000

thousands of EUR	31.12.2022	31.12.2021
Cash and cash equivalents (Note 21)		
A2	53,466	42,999
Aa3	3,117	1,649
Not rated	75	53
	56,658	44,701

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

Impairment is recognized both upon initial recognition and at each subsequent reporting date at an amount equal to the lifetime expected credit losses. Objective evidence of impairment for a portfolio of receivables includes the Group's past experience of collecting payments, changes in the internal and external ratings of customers, current conditions and the Group's view of economic conditions over the expected lives of receivables.

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

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

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

		Past due					
thousands of EUR	Not past due	< 30 days	31–90 days	91–180 days	181–365 days	> 365 days	Total
At 31 December 2022							
Trade and other receivables	145,647	7,785	2,577	2,013	2,636	2,928	163,586
Allowance for receivables	(14,140)	(829)	(1,870)	(2,477)	(4,183)	(11,382)	(34,881)

		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 2021							
Trade and other receivables	150,007	5,095	1,813	1,421	2,039	3,926	164,301
Allowance for receivables	(10,933)	(492)	(1,059)	(1,527)	(3,271)	(12,865)	(30,147)

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 2022	2 %	13 %	40 %	63 %	74 %	92 %	100 %
At 31 December 2021	1,5 %	10 %	33 %	49 %	57 %	83 %	100 %

No significant individually assessed trade receivables were included in the loss allowance in 2022 or 2021.

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

The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in Note 15, 19, 20 and 21. For sensitivity of impairment charge of uncollectible receivables refer to Note 15.

3.3 Liquidity risk

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

Short-term highly liquid assets of the Group (such as cash and cash equivalents, cash pooling receivable and intercompany short-term loans) significantly exceed total balance of Group´s payables without Trade and other receivables and other current assets taken into account, therefore liquidity risk of the Group is quite low:

thousands of EUR	31.12.2022	31.12.2021
Cash and cash equivalents	56,658	44,701
Cash pooling receivable (included in Trade and other receivables)	16,915	21,281
Loans	140,000	152,000
	213,573	217,982

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 2022					
Trade and other payables	7,464	113,374	8,501	20,732	150,071
At 31 December 2021					
Trade and other payables	6,974	103,997	9,673	840	121,484

For maturity of lease liabilities refer to Note 25. Trade and other payables, which are past due as at 31 December 2022, are in amount of EUR 6,864 thousand (out of which EUR 6,494 thousand are Trade and other payables past due not more than 30 days.)

3.3.1 Offsetting financial assets and liabilities

The following financial assets and liabilities are subject to offsetting:

thousands of EUR	Gross amounts	Offsetting	Net amounts
At 31 December 2022			
Current financial assets – Trade receivables	4,305	(3,013)	1,292
Current financial liabilities – Trade payables	4,244	(3,013)	1,231
At 31 December 2021			
Current financial assets – Trade receivables	3,054	(2,003)	1,051
Current financial liabilities – Trade payables	4,247	(2,003)	2,244

For the Group's accounting policy on offsetting refer to Note 2.9. Balances of Trade receivables and Trade payables are presented on a net basis in the consolidated statement of financial position.

3.4 Capital management

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

The Company's management proposes to the owner of the Company (through the Board of Directors) to approve dividend payments or adopt other changes in the Company's equity capital in order to optimize the capital structure of the Group. This can be achieved primarily by adjusting the amount of dividends paid to the shareholder, or alternatively, by returning capital to the shareholder by capital reductions, issue new shares or sell assets to reduce debt. The Group also takes into consideration any applicable guidelines of the ultimate parent company. No changes were made to the objectives, policies or processes in 2022.

The capital structure of the Group consists of equity attributable to shareholder, comprising issued capital, statutory reserve fund, retained earnings and other components of equity (Note 22). Management of the Group manages capital measured in terms of shareholder's equity amounting to EUR 1,251,424 thousand at 31 December 2022 (2021: EUR 1,235,171 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 2022 and 2021 other than measurement of financial liability from put option. Financial liability from put option in amount of EUR 5,000 thousand (2021: EUR 6,000 thousand) was measured based on contract terms and its fair value equals to the carrying value. Measurement is categorised in Level 3.

3.5.2 Non-recurring fair value measurement

There were no non-recurring fair value measurements in 2022 and 2021.

3.5.3 Financial assets and financial liabilities not measured at fair value

The fair value of other financial assets and financial liabilities approximate their carrying amounts at the statement of financial position date. The loans are short-term. For further details on loans refer to Notes 3.2 and 20. Non-current receivables and non-current payables are discounted unless the effect of discounting was inconsiderable.

3.6 Presentation of financial instruments by measurement category

thousands of EUR	31.12.2022	31.12.2021
ASSETS		
Financial assets at amortised cost		
Trade and other receivables (Note 15)		
Term deposits (Note 19)	163,586	164,301
Loans (Note 20)	900	800
Cash and cash equivalents (Note 21)	140,000	152,000
	56,658	44,701
LIABILITIES		
Financial liabilities at amortised cost		
Trade and other payables (Note 24) – other than those at fair value through profit or loss	145,071	115,484
Lease liabilities (Note 25)	83,570	93,612
Financial liabilities at fair value through profit or loss		
Trade and other payables (Note 24) – Financial liability from put option	5,000	6,000

4. Revenue from contracts with customers

thousands of EUR	2022	2021
Fixed network revenue	310,345	303,863
Mobile network revenue	318,684	306,603
Terminal equipment	112,518	104,639
System solutions / IT	64,828	72,423
Other	4,210	4,447
	810,585	791,975

For assets and liabilities related to contracts with customers or cost to obtain a contract with customer refer to Note 16.

5. Other operating income

thousands of EUR	2022	2021
Gain on disposal of property and equipment and intangible assets, net	-	528
Gain from material sold	97	1,514
Gain on disposal of subsidiary (Note 1)	6,456	-
Reversal of impairment of property and equipment (Note 11, 12, 13)	2,320	5,948
Income from reinvoicing of services	4,698	4,415
Other	2,353	1,837
	15,924	14,242

6. Staff costs

thousands of EUR	2022	2021
Wages and salaries	97,761	98,239
Defined contribution pension costs	13,611	13,613
Other social security contributions	17,653	18,370
	129,025	130,222

	2022	2021
Number of employees at year end	2,909	3,176
Average number of employees during the year	3,033	3,186

Majority of own work capitalized in amount of EUR 14,725 thousand (2021: EUR 16,485 thousand) represents capitalization of staff costs of internal employees.

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

7. Other operating costs

thousands of EUR	2022	2021
Repairs and maintenance	14,234	13,672
Loss on disposal of property and equipment and intangible assets, net	443	-
Marketing costs	14,664	13,537
Energy	15,189	14,105
Printing and postage	3,869	4,401
Logistics	3,450	5,163
Rentals and leases (not in scope of IFRS 16)	1,120	844
IT services	9,200	11,540
Dealer commissions	22,890	21,034
Recurring frequency and other fees to Regulatory Authority	3,984	4,840
Content fees	27,605	27,357
Legal and regulatory claims (Note 32)	1,349	216
Property related costs	2,333	2,754
Consultancy	4,106	2,933
Services related to delivery of solutions for customers	33,096	38,690
Fees paid to group companies	6,065	5,118
Other	12,198	9,943
	175,795	176,147

8. Financial income

thousands of EUR	2022	2021
Interest income	481	-
Remeasurement of put option liability	1,000	-
Foreign exchange gains, net	492	367
	1,973	367

9. Financial expense

thousands of EUR	2022	2021
Interest expense from lease	2,277	2,311
Other interest expense	712	470
Remeasurement of put option liability	-	729
	2,989	3,510

10. Taxation

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

thousands of EUR	2022	2021
Current tax expense	48,996	44,865
Current tax expense of prior periods	(1,385)	(368)
Deferred tax income	(11,685)	(9,354)
Levy on regulated industries	6,494	6,998
Levy on regulated industries of prior years	(118)	767
Income tax expense reported in the income statement	42,302	42,908

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	2022	2021
Profit before income tax	199,752	163,837
Income tax calculated at the statutory rate of 21 % (2021: 21 %)	41,948	34,406
Effect of non-taxable income and tax non-deductible expenses:		
Cost related to legal and regulatory claims	302	44
Other tax non-deductible items, net	(3,512)	1,060
Gain from disposal of subsidiary	(1,427)	-
Tax charge in respect of prior years	(1,503)	400
Levy on regulated industries	6,494	6,998
Income tax at the effective tax rate of 21 % (2021: 26 %)	42,302	42,908

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

thousands of EUR	1 January 2022	Through income statement	Through statement of comprehensive income	31 December 2022
Difference between carrying and tax value of fixed assets	(95,560)	9,984	-	(85,576)
Lease liabilities	19,284	(2,199)	-	17,085
Staff cost accruals	3,228	100	-	3,328
Allowance for bad debts	5,037	969	-	6,006
Termination benefits	565	305	-	870
Retirement benefit obligation	2,739	(197)	(625)	1,917
Asset retirement obligation	6,010	(723)	-	5,287
Contract assets	(6,774)	581	-	(6,193)
Contract costs	(4,768)	(198)	-	(4,966)
Contract liability	1,777	(223)	-	1,554
Other	5,711	3,244	-	8,955
Net deferred tax liability	(62,751)	11,643	(625)	(51,733)

thousands of EUR	1 January 2021	Through income statement	Through statement of comprehensive income	31 December 2021
Difference between carrying and tax value of fixed assets	(104,831)	9,271	-	(95,560)
Lease liabilities	21,466	(2,182)	-	19,284
Staff cost accruals	2,409	819	-	3,228
Allowance for bad debts	4,855	182	-	5,037
Termination benefits	614	(49)	-	565
Retirement benefit obligation	2,703	(34)	70	2,739
Asset retirement obligation	5,740	270	-	6,010
Contract assets	(6,938)	164	-	(6,774)
Contract costs	(4,716)	(52)	-	(4,768)
Contract liability	1,558	219	-	1,777
Other	4,965	746	-	5,711
Net deferred tax liability	(72,175)	9,354	70	(62,751)

Deferred tax asset of EUR 4,114 thousand is recognised in respect of subsidiaries DIGI and PosAm and deferred tax liability of EUR 55,847 thousand in respect of Slovak Telekom. The Group offsets deferred tax assets and deferred tax liabilities if, and only if, those relate to income taxes levied by the same taxation authority on the same taxable entity.

thousands of EUR	31.12.2022	31.12.2021
Deferred tax asset to be settled within 12 months	2,131	2,033
Deferred tax asset to be settled after more than 12 months	2,076	2
Deferred tax liability to be settled after more than 12 months	(93)	(104)
Net deferred tax asset	4,114	1,931

thousands of EUR	31.12.2022	31.12.2021
Deferred tax asset to be settled within 12 months	18,613	16,177
Deferred tax asset to be settled after more than 12 months	23,318	27,050
Deferred tax liability to be settled within 12 months	(7,331)	(9,808)
Deferred tax liability to be settled after more than 12 months	(90,447)	(98,101)
Net deferred tax liability	(55,847)	(64,682)

11. Intangible assets

thousands of EUR	Software	Telecommu-nication licences	Other licences and rights	Internally developed intangible assets	Goodwill	Customer relationships	Intangibles under construction	Total
At 1 January 2022								
Cost	491,588	181,464	37,853	52,583	106,599	33,033	58,905	962,025
Accumulated amortisation	(415,058)	(134,865)	(30,081)	(36,178)	-	(18,294)	-	(634,476)
Net book value	76,530	46,599	7,772	16,405	106,599	14,739	58,905	327,549
Additions	21,167	3,250	9,500	1,394	-	-	41,008	76,319
Amortisation charge	(25,083)	(9,036)	(13,933)	(2,950)	-	(3,670)	-	(54,672)
Impairment charge	-	(71)	-	-	-	-	-	(71)
Reversal of impairment	-	626	-	-	-	-	-	626
Disposals	(5)	(2,669)	-	(1)	-	(1)	-	(2,676)
Sale of subsidiary (Note 1)	-	-	(304)	(1,120)	(106)	-	(614)	(2,144)
Transfers	14,501	32,106	2,380	2,095	-	-	(51,075)	7
At 31 December 2022								
Cost	500,521	184,766	30,495	54,326	106,493	29,298	48,224	954,123
Accumulated amortisation	(413,411)	(113,961)	(25,080)	(38,503)	-	(18,230)	-	(609,185)
Net book value	87,110	70,805	5,415	15,823	106,493	11,068	48,224	344,938

Customer relationships were recognised at acquisition of subsidiaries DIGI and PosAm with total net book value at 31 December 2022 of EUR 11,068 thousand (2021: EUR 14,739 thousand). Intangibles under construction are represented by low valued items of software or licenses acquired in current year, but not yet put in use.

For cost and impairment of goodwill refer to Note 14.

thousands of EUR	Software	Telecommu-nication licences	Other licences and rights	Internally developed intangible assets	Goodwill	Customer relationships	Intangibles under construction	Total
At 1 January 2021								
Cost	536,202	191,540	46,495	10,785	106,599	44,733	92,687	1,029,041
Accumulated amortisation	(486,143)	(129,874)	(38,637)	(6,328)	-	(27,537)	-	(688,519)
Net book value	50,059	61,666	7,858	4,457	106,599	17,196	92,687	340,522
Additions	27,608	-	11,602	7,346	-	-	7,013	53,569
Amortisation charge	(20,219)	(11,159)	(25,272)	(3,196)	-	(2,457)	-	(62,303)
Impairment charge	-	(4,458)	-	-	-	-	-	(4,458)
Disposals	-	-	-	-	-	-	-	-
Transfers	19,082	550	13,584	7,798	-	-	(40,795)	219
At 31 December 2021								
Cost	491,588	181,464	37,853	52,583	106,599	33,033	58,905	962,025
Accumulated amortisation	(415,058)	(134,865)	(30,081)	(36,178)	-	(18,294)	-	(634,476)
Net book value	76,530	46,599	7,772	16,405	106,599	14,739	58,905	327,549

12. Property and equipment

thousands of EUR	Land, buildings and structures	Telecommu-nications line network	Telecommu-nications equipment	Other	Capital work in progress including advances	Total
At 1 January 2022						
Cost	150,341	1,219,981	645,349	199,926	96,379	2,311,976
Accumulated depreciation	(95,771)	(754,799)	(524,986)	(152,215)	(50)	(1,527,821)
Net book value	54,570	465,182	120,363	47,711	96,329	784,155
Additions	362	20,929	37,057	6,350	58,266	122,964
Depreciation charge	(2,598)	(44,768)	(37,703)	(10,909)	-	(95,978)
Impairment charge	(145)	-	(4)	(6)	-	(155)
Reversal of impairment	1,398	-	6	1	50	1,455
Disposals	(1,700)	(164)	(31)	(4,553)	(1,158)	(7,606)
Sale of subsidiary (Note 1)	(8)	-	-	(424)	-	(432)
Transfers	584	23,369	3,689	4,645	(32,294)	(7)
At 31 December 2022						
Cost	145,215	1,255,921	650,754	203,293	121,193	2,376,376
Accumulated depreciation	(92,752)	(791,373)	(527,377)	(160,478)	-	(1,571,980)
Net book value	52,463	464,548	123,377	42,815	121,193	804,396

Property and equipment, excluding motor vehicles, is locally insured to a limit of EUR 25,000 thousand (2021: EUR 25,000 thousand). Any loss exceeding local limit is insured by DT AG Global Insurance Program up to EUR 700,000 thousand. The Group has the third-party liability insurance for all motor vehicles.

thousands of EUR	Land, buildings and structures	Telecommu-nications line network	Telecommu-nications equipment	Other	Capital work in progress including advances	Total
At 1 January 2021						
Cost	157,763	1,145,723	658,502	204,193	111,490	2,277,671
Accumulated depreciation	(105,403)	(713,693)	(550,106)	(155,730)	(176)	(1,525,108)
Net book value	52,360	432,030	108,396	48,463	111,314	752,563
Additions	35	21,962	24,785	5,765	73,197	125,744
Depreciation charge	(4,117)	(42,012)	(40,635)	(10,674)	-	(97,438)
Impairment charge	(71)	-	-	(1)	(75)	(147)
Reversal of impairment	5,503	-	23	1	11	5,538
Disposals	(314)	(227)	(21)	(73)	(1,250)	(1,885)
Transfers	1,175	53,429	27,815	4,230	(86,868)	(219)
At 31 December 2021						
Cost	150,341	1,219,981	645,349	199,926	96,379	2,311,976
Accumulated depreciation	(95,770)	(754,799)	(524,986)	(152,215)	(50)	(1,527,820)
Net book value	54,571	465,182	120,363	47,711	96,329	784,156

13. Right-of-use assets

The Group has lease contracts for various items:

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

b) exclusive easements - an easement is a legal right to use, access, or cross another's property (such as land or common area in a building) for a specific limited purpose. Easements are granted mainly for the reasons to pass a cable over, under, or through an existing area of land. They are usually parts of buildings acquired within sale and leaseback transactions, when the Group sells a building but has an easement right to use part of that building to access technological equipment. The easement right and selling price are interdependent because they are negotiated as part of the same package. There is no rent charged for the easement right to use the asset as it is already incorporated in the lower selling price, therefore the Group estimates market price of lease payments for this type of lease,

c) shops – retail space in a building or a shopping mall,
d) operations buildings (less frequently in residential buildings) to place and operate technical equipment, e.g. servers, network equipment, etc. and also few operations buildings on third-party land,
e) office space - office space serves the Group's employees with space where they can execute their work,
f) vehicles – passenger cars used by the Group's employees.

Set out below, are the carrying amounts of the Group's right-of-use assets as at 31 December 2022 and at 31 December 2021.

thousands of EUR	Leased land	Leased buildings	Leased technical equipment and machinery	Total
At 1 January 2022				
Cost	24,882	103,141	12,196	140,219
Accumulated depreciation	(8,652)	(29,735)	(6,197)	(44,584)
Net book value	16,230	73,406	5,999	95,635
Additions	1,348	8,758	765	10,871
Depreciation charge	(2,993)	(11,035)	(2,472)	(16,500)
Impairment charge	(83)	-	-	(83)
Reversal of impairment	239	-	-	239
Sale of subsidiary	-	(72)	1	(71)
Disposals	(132)	(4,322)	(275)	(4,729)
At 31 December 2022				
Cost	25,957	103,848	10,736	140,541
Accumulated depreciation	(11,348)	(37,113)	(6,718)	(55,179)
Net book value	14,609	66,735	4,018	85,362

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 2021				
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
Additions	1,310	8,522	1,325	11,157
Depreciation charge	(2,995)	(11,202)	(2,836)	(17,033)
Impairment charge	(323)	-	-	(323)
Reversal of impairment	410	-	-	410
Disposals	(799)	(4,868)	(978)	(6,645)
At 31 December 2021				
Cost	24,882	103,141	12,196	140,219
Accumulated depreciation	(8,652)	(29,735)	(6,197)	(44,584)
Net book value	16,230	73,406	5,999	95,635

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

14. Impairment of goodwill

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

thousands of EUR	31.12.2022	31.12.2021
T-Mobile	73,313	73,313
DIGI	28,621	28,621
PosAm	4,559	4,559
Commander Services	-	106
	106,493	106,599

T-Mobile (Mobile telecommunication business)

The goodwill was recognised at the acquisition of T-Mobile in December 2004. The recoverable amount of the cash-generating unit was determined using cash flows projections based on the four-year financial plans that present the management's best estimate on market participants' assumptions and expectations. Cash flows beyond the four-year period were extrapolated using 1.00 % growth rate (2021: 1.00 %). The growth rate does not exceed the long-term average growth rate for the market in which the cash-generating unit operates. The Group used discount rate of 5.53 % (2021: 3.88 %). Further key assumptions on which management has based its determination of the recoverable amount of the cash-generating unit include the development of revenue, customer acquisition and retention costs, churn rates, capital expenditures and market share, which are based on past performance and management's expectations for the future. Input parameters used to determine the recoverable amount are classified in Level 3 in accordance with IFRS 13. The recoverable amount of the cash-generating unit based on value in use calculation exceeded its carrying value. Management believes that any reasonably possible change in the key assumptions on which the cash-generating unit's recoverable amount is based would not cause its carrying amount to exceed its recoverable amount.

DIGI, PosAm, Commander Services

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 1.50 % growth rate (2021: 1.50 %). 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:

	2022	2021
DIGI (TV business)	7.04 %	4.49 %
PosAm (IT solutions business)	7.87 %	5.22 %
Commander Services (GPS monitoring of the motor vehicles)	-	6.88 %

Further key assumptions on which management has based its determination of the recoverable amounts of the cash-generating units include the development of revenue, customer acquisition and retention costs, capital expenditures and market share, which are based on past performance and management's expectations for the future. Input parameters used to determine the recoverable amount are classified in Level 3 in accordance with IFRS 13. The recoverable amounts of the cash-generating units based on value in use calculation exceeded their carrying amounts. 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.

15. Trade and other receivables

thousands of EUR	31.12.2022	31.12.2021
Non-current		
Receivables from instalment sale	13,516	11,315
Finance lease receivables	1,048	1,743
	14,564	13,058
Current		
Trade receivables	125,666	124,161
Cash pooling receivable	16,915	21,281
Other receivables	3,930	5,147
Finance lease receivables	2,511	654
	149,022	151,243

Trade receivables are net of an allowance of EUR 34,881 thousand (2021: EUR 30,147 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 1,381 thousand higher (2021: EUR 1,285 thousand).

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

thousands of EUR	2022	2021
At 1 January	30,147	27,958
Charge for the year, net	11,646	8,414
Utilised	(6,912)	(6,225)
At 31 December	34,881	30,147

16. Assets and liabilities related to contracts with customers

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

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

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

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

thousands of EUR	31.12.2022	31.12.2021
Non-current assets		
Contract assets	8,703	8,482
Loss allowance	(2,021)	(1,290)
	6,682	7,192
Contract costs	6,532	6,151
	6,532	6,151
Current assets		
Contract assets	23,189	23,619
Loss allowance	(2,940)	(2,491)
	20,249	21,128
Contract costs	17,110	16,608
	17,110	16,608
Non-current liabilities		
Contract liabilities	30,344	29,724
	30,344	29,724
Current liabilities		
Contract liabilities	34,413	31,527
	34,413	31,527

Revenue recognised in the reporting year that was included in the contract liability balance at the beginning of the year amounted to EUR 28,948 thousand (2021: EUR 20,953 thousand).

Transaction price allocated to the performance obligations that are unsatisfied as of the end of reporting year amounted to EUR 352,732 thousand (2021: EUR 399,346 thousand). Management expects that the transaction price allocated to the unsatisfied contracts as of 31 December 2022 will be recognised as revenue as follows: EUR 278,813 thousand during first year; EUR 72,662 thousand during second year and EUR 1,257 thousand during third-fifth year (2021: EUR 303,210 thousand during first year; EUR 95,295 thousand during second year and EUR 841 thousand during third-sixth year).

Wages and salaries include also amortisation of costs to obtain a contract with customer in the amount of EUR 2,055 thousand (2021: EUR 2,747 thousand) (Note 6).

Dealers commission includes also amortisation of costs to obtain a contract with customer in the amount of EUR 20,392 thousand (2021: EUR 19,195 thousand) (Note 7).

17. Prepaid expenses and other assets

thousands of EUR	31.12.2022	31.12.2021
Non-current		
Other prepaid expenses	11,237	11,753
	11,237	11,753
Current		
Other prepaid expenses	6,907	4,918
Advance payments	4,310	8,979
Other assets	57	148
	11,274	14,045

18. Inventories

thousands of EUR	31.12.2022	31.12.2021
Materials	8,945	9,220
Goods	20,827	16,170
	29,772	25,390

Inventories are net of an allowance of EUR 2,055 thousand (2021: EUR 1,762 thousand). The write-down of inventories in the amount of EUR 907 thousand (2021: EUR 663 thousand) was recognised in cost of material and equipment.

19. Term deposits

thousands of EUR	31.12.2022	31.12.2021
Term deposits in banks	900	800
	900	800

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	31.12.2022	31.12.2021
Loans to Deutsche Telekom AG	140,000	152,000
	140,000	152,000

The loans granted to Deutsche Telekom AG were not secured. Loans outstanding at 31 December 2022 were provided in December 2022 and were repayable in January 2023 (2021: provided in December 2021, repayable in February 2022). For credit ratings see Note 3.2.

21. Cash and cash equivalents

thousands of EUR	31.12.2022	31.12.2021
Cash and cash equivalents	56,658	44,701
	56,658	44,701

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 2022, Slovak Telekom had authorised and issued 86,411,300 ordinary shares (2021: 86,411,300) with a par value of EUR 10.00 per share (2021: EUR 10.00 per share). All the shares issued were fully subscribed. All the shares represent the rights of shareholder to participate in the managing of Slovak Telekom, on the profit and liquidation balance upon the winding-up of Slovak Telekom with liquidation.

The statutory reserve fund is set up in accordance with Slovak law and is not distributable. The reserve is created from retained earnings to cover possible future losses.

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

The Financial statements of the Group for the year ended 31 December 2021 were authorised for issue on behalf of the Board of Directors of Slovak Telekom on 10 March 2022.

On 26 April 2022 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 143,529 thousand (2021: EUR 95,510 thousand) were paid in May 2022, which amounted to EUR 1.66 per share (2021: EUR 1.11 per share).

Approval of the 2022 profit distribution will take place at the Annual General Meeting scheduled for April 2023.

23. Provisions

thousands of EUR	Legal and regulatory claims (Note 31)	Asset retirement obligation	Termination benefits	Employee benefits	Other	Total
At 1 January 2022	7,978	28,620	2,687	13,360	7,184	59,829
Arising during the year	4,215	137	4,141	838	1,980	11,311
Utilised	-	(28)	(2,687)	(48)	(1,168)	(3,931)
Reversals	(312)	(16)	-	(4,946)	(501)	(5,775)
Reclasses	(958)	-	-	-	958	-
Transfers to current liabilities	-	-	-	-	(24)	(24)
Interest impact	-	(3,534)	-	150	(21)	(3,405)
At 31 December 2022	10,923	25,179	4,141	9,354	8,408	58,005
Non-current		25,179		9,354	1,232	35,765
Current	10,923		4,141		7,176	22,240
	10,923	25,179	4,141	9,354	8,408	58,005

thousands of EUR	31.12.2022	31.12.2021
Non-current	35,765	43,218
Current	22,240	16,611
	58,005	59,829

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 259 employees in 2022 (2021: 169 employees). The Group expects a further headcount reduction of 203 employees in 2023 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 2022 the Group recognised an expense resulting from termination benefits in amount of EUR 5,237 thousand (2021: EUR 3,228 thousand) in staff costs.

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

thousands of EUR	Retirement benefits	Jubilee	Total
Present value of the defined benefit obligation			
At 1 January 2022	13,049	311	13,360
Current service cost	811	27	838
Interest cost	147	3	150
Benefits paid	(27)	(21)	(48)
Remeasurement of defined benefit plans	(2,975)	(99)	(3,074)
Curtailment gain	(1,872)	-	(1,872)
At 31 December 2022	9,133	221	9,354

thousands of EUR	Retirement benefits	Jubilee	Total
Present value of the defined benefit obligation			
At 1 January 2021	12,878	322	13,200
Current service cost	862	31	893
Interest cost	106	2	108
Benefits paid	(18)	(21)	(39)
Remeasurement of defined benefit plans	332	(23)	309
Curtailment gain	(1,111)	-	(1,111)
At 31 December 2021	13,049	311	13,360

Remeasurement of defined benefit plans related to retirement benefits in amount of EUR 2,975 thousand consists of change in financial assumptions in amount of EUR 3,370 thousand and change in demographic assumptions in amount of EUR 945 thousand partially netted by change in experience adjustments in amount of EUR 1,340 thousand.

The curtailment gain in amount of EUR 1,872 thousand resulted mainly from a reduction in the number of participants covered by the retirement plan that occurred in 2022 or was announced for 2023. There were no special events causing any new past service cost during 2022 other than the curtailment mentioned above.

Principal actuarial assumptions used in determining the defined benefit obligation and the curtailment effect in 2022 include the discount rate of 4.13 % (2021: 1.14 %). The expected expense for 2022 has been determined based on the discount rate as at the beginning of the accounting year of 1.14 % (2021: 0.83 %). Average retirement age is 63 years and 2 months (2021: 63 years and 2 months). The expected growth of nominal wages over the long term is 2.0 % (2021: 2.0 %). The remaining weighted average duration of the defined benefit obligation is 9.8 years (2021: 12.7 years). Fluctuation of employees is also considered in determining the defined benefit obligation.

The sensitivity analysis for the significant actuarial assumptions as at 31 December 2022 and 2021 is as follows:

thousands of EUR	(Decrease) / increase of employee benefits provision	
	31.12.2022	31.12.2021
Change of actuarial assumption:		
Discount rate change +100 bp / -100 bp	(832) / 958	(1,504) / 1,795
Salary change +0.50 % / -0.50 %	472 / (441)	846 / (782)

24. Trade and other payables

thousands of EUR	31.12.2022	31.12.2021
Non-current		
Financial liabilities for capitalised content licences	1,654	949
Financial liabilities for frequency licences	19,078	-
Other payables	-	1
	20,732	950
Current		
Trade payables	67,102	55,885
Uninvoiced deliveries	50,027	46,347
Financial liabilities for capitalised content licences	6,437	7,808
Financial liabilities for frequency licences	-	3,843
Financial liability from put option	5,000	6,000
Other payables	773	651
	129,339	120,534

25. Lease liabilities

thousands of EUR	31.12.2022	31.12.2021
Up to 1 year	14,362	15,429
1 to 5 years	36,182	40,285
Over 5 years	33,026	37,898
Total other lease liabilities	83,570	93,612

thousands of EUR	31.12.2022	31.12.2021
Up to 1 year	16,578	17,344
1 to 5 years	42,494	45,508
Over 5 years	37,596	42,467
Total undiscounted cash flows (lease liability)	96,668	105,319

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

26. Impact from leasing contracts

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

thousands of EUR	2022	2021
Depreciation expense of right-of-use assets (Note 13)	16,500	17,033
Impairment of right-of-use assets (Note 13)	83	323
Reversal of impairment of right-of-use assets (Note 13)	(239)	(410)
(Gain) / Loss from disposal of right-of-use assets	25	244
Other income	(21)	(18)
Interest expense on lease liabilities (Note 9)	2,277	2,311
At 31 December	18,625	19,483

27. Other liabilities and deferred income

thousands of EUR	31.12.2022	31.12.2021
Current		
Amounts due to employees	24,668	24,589
Other tax liabilities	4,658	4,425
Other liabilities	5,407	6,539
	34,733	35,553

Amounts due to employees include social fund liabilities:

thousands of EUR	2022	2021
At 1 January	237	227
Additions	1,540	1,533
Utilisation	(1,488)	(1,523)
At 31 December	289	237

28. Cash flow disclosures

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

thousands of EUR	Financial liabilities (Note 24)	Lease liabilities (Note 25)
At 1 January 2021	19,825	104,545
Additions	11,615	11,177
Non-cash movements	-	(6,402)
Cash used in financing activities	(18,915)	(18,019)
Accretion of interest	-	2,311
Foreign exchange adjustments	75	-
At 31 December 2021	12,600	93,612

thousands of EUR	Financial liabilities (Note 24)	Lease liabilities (Note 25)
At 1 January 2022	12,600	93,612
Additions	30,371	10,871
Non-cash movements	-	(4,761)
Cash used in financing activities	(15,798)	(18,429)
Accretion of interest	-	2,277
Foreign exchange adjustments	(4)	-
At 31 December 2022	27,169	83,570

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

29. Commitments

The Group's purchase commitments were as follows:

thousands of EUR	31.12.2022	31.12.2021
Acquisition of property and equipment	63,625	65,738
Acquisition of intangible assets	7,047	11,840
Purchase of services and inventory	124,607	105,411
	195,279	182,989

30. Related party transactions

thousands of EUR	Receivables		Payables		Commitments	
	2022	2021	2022	2021	2022	2021
DT AG	157,124	173,437	1,300	999	145	44
Other entities in DT AG Group	14,089	12,074	13,312	16,479	1,015	3,739
	171,213	185,511	14,612	17,478	1,160	3,783

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

thousands of EUR	DT AG		Other entities in DT AG group	
	2022	2021	2022	2021
Sales and income				
Interconnect / roaming revenues	-	-	10,195	10,689
System solutions / IT revenues	-	-	7,246	8,940
Income from reinvoicing of services	291	196	7,633	7,805
Other revenue / income	913	62	3,642	4,175
	1,204	258	28,716	31,609
Purchases				
Interconnect / roaming costs	-	-	12,975	15,528
Customer solutions	-	-	2,459	2,896
IT services	-	197	3,050	3,354
Expenses from reinvoicing of services	4,393	3,107	1,831	7,029
Other purchases	1,732	1,150	10,258	6,888
	6,125	4,454	30,573	35,695

Other purchases include data services, management, consultancy, other services and purchases of fixed assets.
The Group purchased fixed assets in amount of EUR 3,555 thousand (2021: EUR 3,213 thousand) from related parties.

In 2022 the Group granted Deutsche Telekom AG a short-term loan of EUR 140,000 thousand (2021: EUR 152,000 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 2022 the Group recognised revenue with TSI in amount of 3,713 thousand (2021: EUR 4,025 thousand), revenue with other DT AG Group entities in amount of EUR 352 thousand (2021: EUR 430 thousand) and expenses with other DT AG Group entities in amount of EUR 2,578 thousand (2021: EUR 2,933 thousand).

Deutsche Telekom as the ultimate parent Group controlling Slovak Telekom is a related party to the Federal Republic of Germany. Slovak Telekom had no individually significant transactions with the Federal Republic of Germany or entities that it controls, jointly controls or where Federal Republic of Germany can exercise significant influence in either 2022 or 2021.

Compensation of key management personnel
The key management personnel as at 31 December 2022, 13 in number (2021: 16) 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	2022	2021
Short term employee benefits	2,766	2,592
Defined contribution pension plan benefits	1	22
Share based compensations	7	160
	2,774	2,774

thousands of EUR	2022	2021
Management Board	2,556	2,762
Board of Directors	24	-
Supervisory Board	194	12
	2,774	2,774

The Group offers several long-term incentive plans to its executive management members with a new package being launched each year and with each tranche lasting for 4 years. A total provision of EUR 1,169 thousand has been recognised as
at 31 December 2022 (2021: EUR 986 thousand). In 2022 the Company recognised an expense resulting from these long-term incentive plans in amount of EUR 520 thousand (2021: EUR 429 thousand) in Staff costs.

31. Contingencies

Legal and regulatory cases

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

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

In 2009, the Anti-Monopoly Office of Slovak Republic ("AMO") imposed on Group a penalty of EUR 17,453 thousand for abusing its dominant position by price squeeze and tying practices on several relevant markets (voice, data and network access services on its fixed network) (the "AMO Decision"). Administrative court confirmed Group's arguments in major part, however later on rejected those arguments without proper reasoning and judicial review was closed in June 2021 upholding AMO Decision fully. The Group filed a complaint with Constitutional Court. The penalty was paid in October 2017.

As of 31 December 2022, there are two cases pending, where two competitors filed actions against Group in 2013 and 2015 seeking damages allegedly incurred due to Group's conduct as determined by the AMO Decision. The claimants contend that they incurred lost profit amounting to EUR 108,610 thousand plus interest. Interest is claimed starting from period the alleged damage occurred. All cases are pending at the first instance court. These financial statements do not include any provisions for potential losses (neither claimed principal nor accrued interest) related to these cases as the Group has assessed that it is more likely than not that there will be no future cash outflows connected with these cases. Final outcome of the cases following the AMO decision is uncertain.

As of 31 December 2022, there is a number of other various cases pending in the cumulative amount of EUR 38,314 thousand. These financial statements do not include any provisions for potential losses (neither claimed principal nor accrued interest) related to these cases as the Group has assessed that it is more likely than not that there will be no future cash outflows connected with these cases. Final outcome of the cases is uncertain.

As of 31 December 2022, the Group recognised provision for all known and quantifiable risks related to proceedings against the Group, which represent the Group's best estimate of the amounts, which are more likely than not to be paid. The actual amounts of penalties, if any, are dependent on a number of future events the outcome of which is uncertain, and, as a consequence, the amount of provision may change at a future date.

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

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32. Audit fees

The Group obtained following services from the audit company Deloitte audit, s.r.o.
(2021: PricewaterhouseCoopers Slovensko, s.r.o.):

thousands of EUR	2022	2021
Audit services	363	389
Other assurance services	-	60
Tax advisory services	-	4
Other non-audit services	-	5
	363	458

33. Events after reporting year

On 3 March 2023 Slovak Telekom sold subsidiary PosAm. Conditions for held for sale presentation were not met at 31 December 2022.

On 27 February 2023 the General meeting of PosAm declared a dividend of EUR 11,320 thousand, which was paid in February 2023.

From 20 March 2023 Ing. Denisa Herdová was replaced in function of a member of Supervisory Board by Peter Vražda.

There were no other events, which have occurred subsequent to the year-end, which would have a material impact on the financial statements at 31 December 2022.

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 2022

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Independent Auditor's Report

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Section Sro, File 4444/B
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Slovak Telekom, a.s.

INDEPENDENT AUDITOR'S REPORT

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

REPORT ON THE AUDIT OF THE SEPARATE FINANCIAL STATEMENTS

Opinion

We have audited the separate financial statements of Slovak Telekom, a.s. (the "Company"), which comprise the statement of financial position as at 31 December 2022, and the income statement, statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the separate financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying separate financial statements give a true and fair view of the financial position of the Company as at 31 December 2022, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) as adopted in the European Union (EU).

Basis for Opinion

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

Emphasis of Matter

We draw attention to Note 32 of the financial statements, which describes the uncertainty related to the outcome of the lawsuits filed against the Company. Our opinion is not modified in respect of this matter.

Other Matter

The separate financial statements of Slovak Telekom, a.s. for the year ended 31 December 2021 were audited by another auditor who expressed an unqualified opinion on the separate financial statements on 11 March 2022.

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

Management is responsible for the preparation and fair presentation of the separate financial statements in accordance with IFRS as adopted in the EU, and for such internal control as management determines is necessary to enable the preparation of 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.

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

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

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

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

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

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Report on Information Disclosed in the Annual Report

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

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

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

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

- Information disclosed in the annual report prepared for 2022 is consistent with the separate financial statements for the relevant year; and
- The annual report includes information pursuant to the Act on Accounting.

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

Bratislava, 15 March 2023

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

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

Income statement

for the year ended 31 December

thousands of EUR	Notes	2022	2021
Revenue from contracts with customers	4	750,183	728,136
Other operating income	5	10,268	18,402
Staff costs	6	(112,864)	(112,891)
Material and equipment		(100,418)	(93,898)
Depreciation, amortisation and impairment losses	11, 12, 13	(157,098)	(171,430)
Interconnection fees and other telecommunication services		(49,602)	(60,070)
Net impairment losses on financial and contract assets	16,17	(13,157)	(8,824)
Own work capitalised	6	13,599	15,099
Dividends from subsidiaries	31	6,376	25,972
Other operating costs	7	(148,926)	(152,744)
Operating profit		198,361	187,752
Financial income	8	992	263
Financial expense	9	(8,123)	(2,621)
Net financial result		(7,131)	(2,358)
Profit before tax		191,230	185,394
Income tax expense	10	(42,874)	(41,865)
Profit for the year		148,356	143,529

The financial statements on pages 85 to 132 were authorised for issue on behalf of the Board of Directors of the Company on 14 March 2023 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	2022	2021
Profit for the year		148,356	143,529
Other comprehensive income / (expense)			
Gain / (loss) on remeasurement of defined benefit plans	24	2,975	(332)
Deferred tax income / (expense)	10	(625)	70
Other comprehensive gain / (loss) not to be reclassified to profit or loss in subsequent years, net of tax		2,350	(262)
Other comprehensive gain / (loss) for the year, net of tax		2,350	(262)
Total comprehensive income for the year, net of tax		150,706	143,267

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

Statement of Financial position

thousands of EUR	Notes	31.12.2022	31.12.2021
ASSETS			
Non-current assets			
Intangible assets	11	296,100	273,757
Property and equipment	12	797,126	774,982
Right-of-use assets	13	79,744	89,754
Investments in subsidiaries	15	60,141	65,402
Other receivables	16	16,771	15,083
Contract assets	17	6,682	7,192
Contract costs	17	6,532	6,151
Prepaid expenses and other assets	18	11,181	11,703
		1,274,277	1,244,024
Current assets			
Inventories	19	27,327	23,835
Term deposits	20	900	800
Loans	21	140,000	153,500
Trade and other receivables	16	145,609	143,977
Contract assets	17	20,249	21,128
Contract costs	17	17,110	16,608
Prepaid expenses and other assets	18	10,160	13,008
Cash and cash equivalents	22	21,333	21,152
		382,688	394,008
TOTAL ASSETS		1,656,965	1,638,032
EQUITY AND LIABILITIES			
Shareholders' equity			
Issued capital	23	864,113	864,113
Statutory reserve fund	23	172,823	172,823
Other		67	(2,281)
Retained earnings and profit for the year		200,493	195,666
Total equity		1,237,496	1,230,321
Non-current liabilities			
Deferred tax liability	10	53,623	61,666
Lease liabilities	26	67,508	76,689
Provisions	24	35,757	43,207
Other payables	25	19,757	773
Contract liabilities	17	30,263	29,656
		206,908	211,991
Current liabilities			
Provisions	24	19,037	13,788
Trade and other payables	25	113,819	106,004
Contract liabilities	17	30,958	28,221
Other liabilities	28	30,418	30,667
Lease liabilities	26	14,036	15,143
Current income tax liability		4,293	1,897
		212,561	195,720
Total liabilities		419,469	407,711
TOTAL EQUITY AND LIABILITIES		1,656,965	1,638,032

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 2021						
At 1 January 2021		864,113	172,823	(2,016)	147,647	1,182,567
Profit for the year		-	-	-	143,529	143,529
Other comprehensive expense		-	-	(262)	-	(262)
Total comprehensive income		-	-	(262)	143,529	143,267
Transactions with shareholder:						
Other changes in equity		-	-	(3)	-	(3)
Dividends	23	-	-	-	(95,510)	(95,510)
At 31 December 2021		864,113	172,823	(2,281)	195,666	1,230,321
Year ended 31 December 2022						
At 1 January 2022		864,113	172,823	(2,281)	195,666	1,230,321
Profit for the year		-	-	-	148,356	148,356
Other comprehensive income		-	-	2,350	-	2,350
Total comprehensive income		-	-	2,350	148,356	150,706
Transactions with shareholder:						
Other changes in equity		-	-	(2)	-	(2)
Dividends	23	-	-	-	(143,529)	(143,529)
At 31 December 2022		864,113	172,823	67	200,493	1,237,496

Statement of Cash flows

for the year ended 31 December

thousands of EUR	Notes	2022	2021
Operating activities			
Profit before tax		191,230	185,394
Depreciation, amortisation and impairment losses	11, 12, 13	157,098	171,430
Interest expense, net		2,313	2,621
Loss / (gain) on disposal of intangible assets and property and equipment	5, 7	438	(529)
Dividend income from subsidiaries	31	(6,376)	(25,972)
Other non-cash items		15,833	535
Change in provisions	24	4,041	7,381
Change in trade receivables and other assets		(16,329)	(23,498)
Change in inventories		(4,398)	(10,714)
Change in trade payables and other liabilities		11,625	47,234
Cash from operating activities		355,475	353,882
Income taxes paid		(49,146)	(51,325)
Dividends received	31	6,376	25,972
Net cash from operating activities		312,705	328,529
Investing activities			
Purchase of intangible assets and property and equipment	11, 12, 29	(158,325)	(165,393)
Proceeds from disposal of intangible assets and property and equipment		2,679	2,294
Disbursement of loans		(140,000)	(146,500)
Repayment of loans		153,500	125,000
Net cash from cash pooling	16	4,423	(15,414)
Acquisition of term deposits		(100)	-
Interest received		476	1
Other cash from / (paid for) investing activities		618	(13)
Net cash used in investing activities		(136,729)	(200,025)
Financing activities			
Dividends paid	23	(143,529)	(95,510)
Repayment of financial liabilities	29	(14,433)	(16,455)
Repayment of principal portion of lease liabilities		(15,585)	(15,132)
Interest paid		(2,221)	(2,258)
Other cash from financing activities		-	348
Net cash used in financing activities		(175,768)	(129,007)
Effect of exchange rate changes on cash and cash equivalents		(27)	16
Net increase / (decrease) in cash and cash equivalents		181	(487)
Cash and cash equivalents at 1 January	22	21,152	21,639
Cash and cash equivalents at 31 December	22	21,333	21,152

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 23.

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. In May 2022, the Company has obtained the authorisation to use the 3700–3800 MHz frequency band, valid from 1.9.2025 until 31.12.2045.

Members of the Statutory Boards at 31 December 2022

Board of Directors

Chairman:
- Armin Sumesgutner (since 29.04.2020)

Vice-chairman:
- Jose Severino Perdomo Lorenzo (since 01.10.2018)

Member:
- Danijela Bujic (since 01.10.2021)

Supervisory Board

Chairman:
- Martin Renner (since 01.10.2021)

Members:
- Ing. Denisa Herdová (since 19.03.2018)
- Martin Švec (since 02.10.2020)

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

The consolidated financial statements for the year ended 31 December 2022 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, constructions and leasehold improvements	8 to 50 years
Operating equipment:	
Network technology equipment	4 to 33 years
Transport vehicles, hardware and office equipment	2 to 20 years

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

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

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

2.3 Non-current assets held for sale

A non-current asset (or disposal group) is classified as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use.

The following conditions must be met for an asset (or disposal group) to be classified as held for sale:

a) The asset must be available for immediate sale in its present condition
b) The sale is highly probable within one year from the date of classification
c) Management must be committed to a plan to sell the asset
d) An active program to locate a buyer is initiated
e) The asset must be marketed for sale at a price that is reasonable in relation to its current fair value
f) It is unlikely that significant changes to the plan will be made or that the plan will be withdrawn

Non-current asset (or disposal group) that is classified as held for sale is measured at the lower of carrying amount and fair value less costs to sell. An impairment loss is recognized where fair value less costs to sell is lower than carrying amount and is charged to profit and loss. Non-current assets (or disposal group) that are classified as held for sale are not depreciated.

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

2.4 Intangible assets

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

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

Software	3 to 23 years
Telecommunications licences	5 to 23 years
Content licences	1 to 4 years

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

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

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

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

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

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

The Company recognizes the content licences as intangible assets if it is highly probable that the content will be delivered, contract duration is longer than one year and the cost are reliably determined or determinable. Acquired content licences are recognised at acquisition cost. If there is no fixed price defined in the contract, the Company uses best estimate to assess the fee during the contracted period. The useful lives of content licences are based on the underlying agreements and are amortised on a straight-line basis over the period from availability for commercial use until the end of the licence term which is granted to the Company. Content contracts which do not meet the criteria for capitalization are expensed and presented in ‘other operating costs’ in the income statement.

Goodwill
Goodwill previously recognised through the acquisition of the fully owned subsidiary T-Mobile was separately recognised in the statement of financial position of the integrated company Slovak Telekom as at 1 July 2010. Following initial recognition, goodwill is carried at cost less any accumulated impairment losses. Goodwill is not amortised but it is tested for impairment annually or more frequently, if events or changes in circumstances indicate that the carrying value may be impaired (Note 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.

2.5 Leases

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

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

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

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

2.5.2. Lease liabilities

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

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

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

The Company has an option, under some of its leases, to lease the assets for additional terms. The Company applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g. a change in business strategy).

For contracts where no maturity is specified in the contractual agreement (so called evergreen contracts), the assessment of lease term is done for the portfolio as a whole. An estimate is required for the initial lease term as well as any further renewal. Factors, which are considered in determining the lease term for evergreen contracts are: costs associated with an obligation to return the leased asset in a specified condition or to a specified location, existence of significant leasehold improvements that would be lost if the lease were terminated or not extended, non-contractual relocation costs, costs associated with lost service to existing customers, cost associated with sourcing an alternative item etc.

2.5.3. IFRS 16 recognition exemptions

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

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

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

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

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

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

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

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

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

2.5.4. Subleases

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

2.5.5. Lease accounting – the Company as a lessor

Leased out property and equipment where all the substantial benefits and risks usually connected with the ownership were transferred from the Company to lessee is classified as finance lease. The underlying asset is derecognized and the respective short term and long-term lease payments, net of finance charges are recognised as current and non-current financial assets.Payments received under operating leases are recorded in the income statement on a straight-line basis over the period of the lease.

2.6 Investments in subsidiaries

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

2.7 Impairment of non-financial assets

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

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

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

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

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

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

Impairment is determined by assessing the recoverable amount of CGU to which the goodwill relates. For more details on impairment of goodwill refer to Note 14.

2.8 Inventories

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

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

2.9 Cash and cash equivalents

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

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

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

2.10 Financial assets

The Company classifies its financial assets according to IFRS 9 as follows:
- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through profit or loss ("FVTPL")

The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. The Company has the process in place in order to identify the embedded derivatives and ensure the accounting in line with IFRS 9, if such embedded derivatives are identified. The Company did not identify any embedded derivatives.

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

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

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

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

Financial assets at amortised cost (debt instruments)
The Company measures financial assets at amortised cost if both of the following conditions are met:
- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows, and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Company's financial assets at amortised cost include Trade and other receivables, Cash and cash equivalents, Term deposits, Loans and Cash pooling in the statement of financial position.

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

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

Financial assets at fair value through profit or loss
The Company uses currency forward contracts to economically hedge its estimated cash flows. The Company decided to account for these contracts as "held for trading derivatives". As such, the Company did not apply hedge accounting in 2022 and 2021 and all currency forward contracts are recognised as held for trading derivatives with changes in fair value being reflected in profit or loss. Financial assets at fair value through profit or loss are initially recognised at fair value and subsequently carried at fair value. Unrealised gains and losses arising from revaluation of financial assets to the fair value as well as realised gains and losses are recognised in profit or loss.

2.11 Impairment of financial assets

The Company recognises loss allowances for expected credit losses (ECLs) on financial assets measured at amortised cost and contract assets. Regarding loss allowances for trade receivables and contract assets, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment (e.g. expected GDP growth and expected changes in unemployment rate). For lease receivables, contract assets and trade receivables with a significant financing component, an entity can choose as an accounting policy either to apply the general model for measuring loss allowance or always to measure the loss allowance at an amount equal to the lifetime ECL. The Company has chosen the latter policy.

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

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

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

An impairment loss is calculated as the difference between an asset's 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. This relates to stage 3 items in ECL model.

2.12 Financial liabilities

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

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

2.13 Prepaid expenses

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

2.14 Provisions and contingent liabilities

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

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

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

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

2.15 Employee benefit obligations

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

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

The Company also provides defined retirement and jubilee benefit plans granting certain amounts of pension or jubilee payments that an employee will receive on retirement, usually dependant on one or more factors such as an age, years of service and compensation. These benefits are unfunded. The liability recognised in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The last calculation was prepared on 31 December 2022. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using discount rate of weighted-average yields for high-quality (Bloomberg Aa*) - non-cancellable, non-putable corporate bonds. The currency and term of the bonds are broadly consistent with the currency and estimated term of the benefit obligations. Past service costs are recognised immediately in income statement. Remeasurement gains and losses arising from experience-based adjustments and changes in actuarial assumptions are recognised in the period in which they occur within other comprehensive income for retirement benefits and within the income statement for jubilee benefits. Current service cost, past service cost and curtailment gain are included within wages and salaries under staff costs. Interest costs are included within financial expense.

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

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

2.16 Revenue recognition

Revenue is recognised when the Company satisfies a performance obligation by transferring a promised good or service to a customer, who obtains control of that asset 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.

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

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

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

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

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

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

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

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

The Company typically satisfied its performance obligations at the point in time (mainly sales of equipment) and over time (services). The Company is not aware of any unusual payment terms. Payments are typically due within 14 days.

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

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

System solutions / IT revenue
Contracts on network services, which consist of installations and operations of communication networks for customers, have an average duration of 2 to 3 years. Revenue from voice and data services is recognised under such contracts when voice and data are used by a customer. Revenue from system integration contracts comprising delivery of customised products and/or services is recognised when the control of that customised complex solution is transferred to a customer (solution is delivered to and accepted by a customer). Contracts are usually separated into distinct milestones which indicate completion, delivery and acceptance of a defined project phase. Upon completion of a milestone the Company is entitled to issue an invoice and to a payment. Revenue is recognized over time or at point in time based on contract conditions assessed in line with IFRS 15 criteria.

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

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

Interest and dividends
Interest income is recognised using the effective interest rate method. Dividend income is recognised when the right to receive payment is established.

2.17 Operating profit

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

2.18 Foreign currency translation

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

2.19 Taxes

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

Current income tax
Current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted as of the statement of financial position date. Current income tax includes additional levy imposed by the Slovak government on regulated industries effective from 1 September 2012. In 2022, the levy of 4.356 % per annum (2021: 4.356 % per annum) is applied on the basis calculated as the profit before tax determined in accordance with the Slovak Accounting Standards multiplied by ratio of regulated revenues (according to Act on Electronic Communications Nr. 351/2011) on total revenues.

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

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

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

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

2.20 Significant accounting judgements, estimates and assumptions

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

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

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

The Company reviewed useful lives of non-current assets during 2022 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	2022	2023	2024	2025	2026 and after
Non-current assets	(462)	350	343	(114)	(117)

Assessment of impairment of goodwill
The 2010 legal merger with T-Mobile led to recognition of goodwill. Goodwill is tested annually for impairment as further described in Note 2.7 using estimates detailed in Note 14.

Content rights
The Company recognizes the content licences as intangible assets if it is highly probable that the content will be delivered, contract duration is longer than one year and the cost are determined or determinable. Acquired content licences are recognised at acquisition cost. If there is no fixed price defined in the contract, the Company uses best estimate to assess the fee during the contracted period. The useful lives of content licences are based on the underlying agreements and are amortised on a straight-line basis over the period from availability for commercial use until the end of the licence term which is granted to the Company. Content contracts which do not meet the criteria for capitalization are expensed and presented in 'other operating costs' in the income statement.

Asset retirement obligation
The Company enters into lease contracts for land and premises on which mainly mobile communication network masts and other assets are sited. The Company is committed by these contracts to dismantle the masts and restore the land and premises to their original condition. Management anticipates the probable settlement date of the obligation to equal useful life of assets, which is estimated to be from 5 to 33 years. The remaining useful life of assets ranges from 2 to 33 years at 31 December 2022.

Management's determination of the amount of the asset retirement obligation (Note 24) involves the following estimates (in addition to the estimated timing of crystallisation of the obligation):

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

If probable settlement date of the obligation related to masts was shortened by 10 years it would cause an increase of asset retirement obligation by EUR 1,836 thousand (2021: increase by EUR 497 thousand). If the inflation rate increased by 0.5 %, it would cause an increase of asset retirement obligation by EUR 1,422 thousand (2021: increase by EUR 1,832 thousand). If the risk-adjusted, pre-tax discount rate increased by 0.5 %, it would cause a decrease of asset retirement obligation by EUR 1,307 thousand (2021: decrease by EUR 1,693 thousand). If the amounts necessary to settle future obligations increased by 10 %, it would cause an increase of asset retirement obligation by EUR 2,517 thousand (2021: increase by EUR 2,862 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 24 and 32.

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

In case of evergreen lease contracts for office space, shops and technical space, lease term has been assessed in different manner, considering all circumstances and facts that create an economic (dis)incentive to terminate the contracts, e. g.

location of the asset, existence of significant leasehold improvements that would be lost if the lease were terminated, costs associated with sourcing an alternative place and historical lease durations. Based on that, the Company has come to conclusion that expected lease term is 20 years for office space and shops and 33 years for technical space.

If the expected lease term of office space and shops was shortened by 10 years (from 20 years to 10 years) it would cause a decrease in the lease liability by EUR 6,263 thousand (2021: EUR 3,542 thousand). If the expected lease term was prolonged by 10 years (from 20 years to 30 years) it would cause an increase in the lease liability by EUR 8,067 thousand (2021: EUR 6,384 thousand).

If the expected lease term of technical space was shortened by 10 years (from 33 years to 23 years) it would cause a decrease in the lease liability by EUR 6,855 thousand (2021: EUR 7,845 thousand). If the expected lease term was prolonged by 10 years (from 33 years to 43 years) it would cause an increase in the lease liability by 8,006 thousand (2021: EUR 9,683 thousand). Assumed calculation is prepared on the basis of the subsequent extension of initial lease term after it's expiry by five years.

2.21 Restatement of Comparatives

In 2022, the Company changed an accounting policy regarding arrangements where the Company acts as a reseller of another party's branded digital goods or services with a virtually unlimited supply. Previously, the Company was considered to be in a Principal position (brutto presentation of revenues), if it controlled the digital goods or services itself or alternatively if it controlled a right to another party's goods or services.

Under the new policy, the option to control a right was removed from indicating a Principal position due to the fact that it does not meet the definition of control as per IFRS 15 (i.e., the Company cannot prevent others from directing the use of and obtaining the benefits from the goods or services precisely due to their unlimited nature).

As a result of the policy change, a number of arrangements have been restated from a Principal to an Agent position (netto presentation of revenues). The new policy was applied retrospectively by restating the comparative period figures (please see table below) in accordance with IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors.

thousands of EUR **Financial statement line**	Financial statements 2021	Restatement	Financial statements 2022 - Comparatives 2021
Revenues / Fixed network revenue	269,211	(651)	268,560
Revenues / Mobile network revenue	307,125	(263)	306,862
Revenues / System solutions / IT	44,681	(1,726)	42,955
Other operating costs / Content fees	18,183	(914)	17,269
Other operating costs / Customer solutions	30,072	(854)	29,218
Material, goods and equipment	94,770	(872)	93,898

The following restatements, in accordance with IAS 1.38, have been made for the purpose of comparability of data in reported periods:

thousands of EUR **Financial statement line**	Financial statements 2021	Restatement	Financial statements 2022 - Comparatives 2021
Other operating costs / Property related costs	-	2,698	2,698
Other operating costs / Other	11,431	(2,860)	8,571
Interconnection fees and other telecommunication services	59,907	163	60,070

Assets classified as held for sale
Management classified one of its owned buildings as at 31 December 2021 as Asset Held for Sale. During the year 2022 the Company has not finalized the plan for sale due to barriers existing in the transaction. However, this fact was not considered by the management when assessing the criteria for classification of the building as an Asset Held for Sale as at 31 December 2021, despite the fact the circumstances of the barriers were already existing. As at 31 December 2022 the barriers are still effective and the sale of the building is not highly probable to be completed by the end of 2023. Therefore, management classify the building in these financial statements as Property, Plan and Equipment as at 31 December 2022 and restated the comparatives for 31 December 2021 (restated the building from Assets Held for Sale to Property, Plant and Equipment).

thousands of EUR			
Financial statement line	Financial statements 2021	Restatement	Financial statements 2022 - Comparatives 2021
Assets classified as held for sale	10,100	(10,100)	-
Property and equipment	764,882	10,100	774,982

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 2022

The Company has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2022:

a) Reference to the Conceptual Framework – Amendments to IFRS 3
b) Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16
c) Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37

The annual improvements package (2018–2020 cycle) was adopted early and includes the following minor amendments:

a) IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter
b) IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities
c) IFRS 16 Leases - Lease Incentives
d) IAS 41 Agriculture – Taxation in fair value measurement

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 and the military conflict in Ukraine on financial statements at 31 December 2022

The coronavirus pandemic 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 neither as of 31 December 2022 nor as of 31 December 2021.

Impairment reviews are ordinarily performed on annual basis. At 31 December 2022, 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 additional impairment required.

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

After the end of 2021, political tensions in the region escalated into a war between the Russian Federation and Ukraine. This conflict has severely affected global events, adversely impacted commodity prices and financial markets, and attributed to increased volatility within the business environment. The situation remains very unstable, and the impact of imposed sanctions, restrictions on the business activities of companies operating in the region, and the consequences for the economic environment as a whole (primarily restrictions on supply and demand chains) may generally occur. The Company has assessed these risks. The impact on the business activities and thus the results of operations and financial position of the Company in various business areas is not significant.

Overall situation is monitored on ongoing basis and continually evaluated.

3. Financial risk management

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

The Company's financial instruments include cash and cash equivalents, trade receivables, intra-group loans, 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, which are not accounted under IFRS 9. 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 (except for credit risk arising from sales activities which is managed by the Credit Risk Department) in accordance with guidelines approved by the Board of Directors and the Deutsche Telekom Group Treasury. The Company's Treasury Department works in association with the Company's other operating units and with the Deutsche Telekom Group Treasury. There are policies in place to cover specific areas, such as market risk, credit risk, liquidity risk and the investment of excess funds.

3.1 Market risk

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

3.1.1 Foreign currency risk

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

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

For all planned, but not yet determined, foreign currency denominated cash flows (uncommitted net exposure) of the following 12 months (rolling 12 month approach) a hedging ratio of at least 50 % of net foreign-exchange exposure is applied. The Company uses foreign exchange fixed-term financial contracts to hedge these uncommitted net exposures (Note 20).

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

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

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

thousands of	31.12.2022	31.12.2021	31.12.2022	31.12.2021
	USD	USD	CZK	CZK
Monetary assets	305	1,428	343	3,628
Monetary liabilities	(341)	(1,064)	(12,208)	(12,875)
	(36)	364	(11,865)	(9,247)

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

thousands of EUR		2022	2021
Profit after tax	Depreciation of USD by 10 %	3	(25)
	Appreciation of USD by 10 %	(3)	25

thousands of EUR		2022	2021
Profit after tax	Depreciation of CZK by 10 %	39	29
	Appreciation of CZK by 10 %	(39)	(29)

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 140,000 thousand (2021: EUR 152,000 thousand) at fixed interest rate (Note 21). Loan of EUR 1,500 thousand with fixed interest rate which was granted to subsidiary PosAm spol.s.r.o in 2021, was in 2022 fully repaid (Note 21). The term deposits in banks outstanding at 31 December 2022 in the amount of EUR 900 thousand (2021: EUR 800 thousand) have been concluded with fixed interest rate (Note 20). The Company has no material financial instruments with variable interest rates as at 31 December 2022.

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 makes only short-term cash deposits. The Company deposits free cash into financial instruments such as financial investments in the form of loans to DTAG and subsidiary PosAm spol. s.r.o. The Company is exposed to concentration of credit risk from holding loan receivable in the amount of EUR 140,000 thousand (2021: EUR 152,000 thousand) provided to DT AG (Germany) and trade receivables from DT AG, subsidiaries and other entities in DT Group in amount of EUR 35,026 thousand (2021: EUR 37,220 thousand). The concentration of credit risk for trade receiables other than from entities in DT Group is limited due to the fact that the customer base is large and unrelated.

The Company's cash and cash equivalents are held with major regulated financial institutions; the two largest ones hold approximately 78 % and 21 % (2021: 72 % and 27 %).

For credit ratings see the following tables:

thousands of EUR	31.12.2022	31.12.2021
Term deposits (Note 20)		
A2	900	800
	900	800

thousands of EUR	31.12.2022	31.12.2021
Loans (Note 21)		
Baa1	140,000	152,000
Not rated	-	1,500
	140,000	153,500

thousands of EUR	31.12.2022	31.12.2021
Cash and cash equivalents (Note 22)		
A2	21,264	21,107
Not rated	69	45
	21,333	21,152

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

Impairment is recognized both upon initial recognition and at each subsequent reporting date at an amount equal to the lifetime expected credit losses. Objective evidence of impairment for a portfolio of receivables includes the Company's past experience of collecting payments, changes in the internal and external ratings of customers, current conditions and the Company's view of economic conditions over the expected lives of receivables.

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

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

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

thousands of EUR	Not past due	Past due < 30 days	31–90 days	91–180 days	181–365 days	> 365 days	Total
At 31 December 2022							
Trade and other receivables, net	144,790	7,631	2,432	1,993	2,606	2,928	162,380
Allowance for receivables	(14,103)	(771)	(1,673)	(2,339)	(3,859)	(11,032)	(33,777)

thousands of EUR	Not past due	Past due < 30 days	31–90 days	91–180 days	181–365 days	> 365 days	Total
At 31 December 2021							
Trade and other receivables, net	146,147	4,185	1,664	1,334	1,836	3,894	159,060
Allowance for receivables	(10,896)	(443)	(924)	(1,221)	(2,861)	(11,568)	(27,913)

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

	Not past due	Past due < 30 days	31–90 days	91–180 days	181–365 days	> 365 days	> 3600 days
At 31 December 2022	2 %	13 %	40 %	63 %	74 %	92 %	100 %
At 31 December 2021	1,5 %	10 %	33 %	49 %	57 %	83 %	100 %

No significant individually assessed trade receivables were included in the loss allowance in 2022 or 2021.

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

The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in Note 16, 20, 21 and 22. 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.

Short-term highly liquid assets of the Company (such as cash and cash equivalents, cash pooling receivable and intercompany short-term loans) significantly exceed total balance of Company´s payables without Trade and other receivables and other current assets taken into account, therefore liquidity risk of the Company is quite low:

thousands of EUR	31.12.2022	31.12.2021
Cash and cash equivalents	21,333	21,152
Cash pooling receivable (included in Trade and other receivables)	16,915	21,281
Loans	140,000	153,500
	178,248	195,933

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 2022					
Trade and other payables	6,464	106,142	1,213	19,757	133,576
At 31 December 2021					
Trade and other payables	6,493	96,665	2,846	773	106,777

For maturity of lease liabilities refer to Note 26.

Trade and other payables, which are past due as at 31 December 2022, are in amount of EUR 6,326 thousand (out of which EUR 5,964 thousand are Trade and other payables past due not more than 30 days.)

The Company has granted credit limit to subsidiary DIGI SLOVAKIA, s.r.o. in amount of EUR 5,000 thousand with interest rate 1M Euribor + 1 % margin. The limit was not used as at 31 December 2022.

Based on Individual Loan Contract governed by the Master Loan Agreement concluded between the Company and subsidiary PosAm spol.s.r.o a loan of EUR 1,500 thousand with fixed interest rate was granted to subsidiary PosAm spol.s.r.o in 2021. The loan was fully repaid in 2022.

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 2022			
Current financial assets – Trade receivables	4,305	(3,013)	1,292
Current financial liabilities – Trade payables	4,244	(3,013)	1,231
At 31 December 2021			
Current financial assets – Trade receivables	3,054	(2,003)	1,051
Current financial liabilities – Trade payables	4,247	(2,003)	2,244

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

3.4 Capital management

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

The Company's management proposes to the owner of the Company (through the Board of Directors) to approve dividend payments or adopt other changes in the Company's equity capital in order to optimize the capital structure of the Company. This can be achieved primarily by adjusting the amount of dividends paid to the shareholder, or alternatively, by returning capital to the shareholder by capital reductions, issue new shares or sell assets to reduce debt. The Company also takes into consideration any applicable guidelines of the ultimate parent company. No changes were made to the objectives, policies or processes in 2022.

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 23). Management of the Company manages capital measured in terms of shareholder's equity amounting to EUR 1,242,758 thousand at 31 December 2022 (2021: EUR 1,230,321 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 2022 and 2021.

3.5.2 Non-recurring fair value measurement

There were no non-recurring fair value measurements in 2022 and 2021.

3.5.3 Financial assets and financial liabilities not measured at fair value

The fair value of other financial assets and financial liabilities approximate their carrying amounts at the statement of financial position date. The loans are short-term. For further details on loans refer to Notes 3.2 and 21. Non-current receivables and non-current payables are discounted unless the effect of discounting was inconsiderable.

3.6 Presentation of financial instruments by measurement category

thousands of EUR	31.12.2022	31.12.2021
ASSETS		
Financial assets at amortised cost		
Trade and other receivables (Note 16)	162,380	159,060
Term deposits (Note 20)	900	800
Loans (Note 21)	140,000	153,500
Cash and cash equivalents (Note 22)	21,333	21,152
LIABILITIES		
Financial liabilities at amortised cost		
Trade and other payables (Note 25)	133,576	106,777
Lease liabilities (Note 26)	81,544	91,832

4. Revenue from contracts with customers

thousands of EUR	2022	2021
Fixed network revenue	281,097	268,560
Mobile network revenue	318,948	306,862
Terminal equipment	107,321	104,709
System solutions / IT	37,920	42,955
Other	4,897	5,050
	750,183	728,136

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

5. Other operating income

thousands of EUR	2022	2021
Gain on disposal of property and equipment and intangible assets, net	-	529
Gain from material sold	73	1,497
Reversal of impairment of property and equipment (Notes 11, 12, 13)	2,319	5,948
Income from reinvoicing of services	5,794	8,606
Other	2,082	1,822
	10,268	18,402

6. Staff costs

thousands of EUR	2022	2021
Wages and salaries	85,773	85,451
Defined contribution pension costs	12,082	11,949
Other social security contributions	15,009	15,491
	112,864	112,891

	2022	2021
Number of employees at year end	2,535	2,704
Average number of employees during the year	2,573	2,717

Majority of own work capitalized in amount of EUR 13,599 thousand (2021: EUR 15,099 thousand) represents capitalization of staff costs of internal employees.

For expenses resulting from termination, retirement and jubilee benefits (included in Staff costs) refer to Note 24.

7. Other operating costs

thousands of EUR	2022	2021
Repairs and maintenance	14,002	13,416
Loss on disposal of property and equipment and intangible assets, net	438	-
Marketing costs	13,194	12,654
Energy	14,951	13,918
Printing and postage	3,669	4,242
Logistics	3,422	5,150
Rentals and leases (not in scope of IFRS 16)	1,032	762
IT services	9,027	11,477
Dealer commissions	22,683	20,812
Frequency fees	3,957	4,813
Content fees	16,568	17,269
Legal and regulatory claims (Note 32)	1,459	209
Property related costs	2,272	2,698
Consultancy	3,538	2,417
Customer solutions	21,455	29,218
Fees paid to group companies	6,065	5,118
Other	11,194	8,571
	148,926	152,744

8. Financial income

thousands of EUR	2022	2021
Interest income	548	-
Foreign exchange gains, net	444	263
	992	263

9. Financial expense

thousands of EUR	2022	2021
Interest expense from lease	2,218	2,255
Impairment of investments in subsidiaries (Note 15)	5,261	-
Other interest expense	644	366
	8,123	2,621

10. Taxation

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

thousands of EUR	2022	2021
Current tax expense	46,764	42,751
Current tax expense of prior years	(1,372)	(319)
Deferred tax income	(8,669)	(8,119)
Levy on regulated industries	6,269	6,785
Levy on regulated industries of prior years	(118)	767
Income tax expense reported in the income statement	42,874	41,865

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	2022	2021
Profit before income tax	191,230	185,394
Income tax calculated at the statutory rate of 21 % (2021: 21 %)	40,158	38,933
Effect of non-taxable income and tax non-deductible expenses:		
Dividends	(6,376)	(5,454)
Cost related to legal and regulatory claims	302	44
Other tax non-deductible items, net	2,834	1,463
Tax charge in respect of prior years	(313)	94
Levy on regulated industries	6,269	6,785
Income tax at the effective tax rate of 22 % (2020: 23 %)	42,874	41,865

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

thousands of EUR	1 January 2022	Through income statement	Through statement of comprehensive income	31 December 2022
Difference between carrying and tax value of fixed assets	(92,346)	9,179	-	(83,167)
Lease liabilities	19,285	(2,199)	-	17,086
Staff cost accruals	2,991	166	-	3,157
Allowance for bad debts	4,667	1,124	-	5,791
Termination benefits	564	305	-	869
Retirement benefit obligation	2,740	(197)	(625)	1,918
Asset retirement obligation	6,010	(723)	-	5,287
Contract assets	(6,774)	581	-	(6,193)
Contract costs	(4,767)	(185)	-	(4,952)
Contract liability	1,852	(79)	-	1,773
Other	4,112	696	-	4,808
Net deferred tax liability	(61,666)	8,668	(625)	(53,623)

thousands of EUR	1 January 2021	Through income statement	Through statement of comprehensive income	31 December 2021
Difference between carrying and tax value of fixed assets	(101,096)	8,750	-	(92,346)
Lease liabilities	21,466	(2,181)	-	19,285
Staff cost accruals	2,184	807	-	2,991
Allowance for bad debts	4,592	75	-	4,667
Termination benefits	613	(49)	-	564
Retirement benefit obligation	2,704	(34)	70	2,740
Asset retirement obligation	5,740	270	-	6,010
Contract assets	(6,938)	(164)	-	(6,774)
Contract costs	(4,715)	(52)	-	(4,767)
Contract liability	1,616	236	-	1,852
Other	3,979	133	-	4,112
Net deferred tax liability	(69,855)	8,119	70	(61,666)

thousands of EUR	31.12.2022	31.12.2021
Deferred tax asset to be settled within 12 months	18,612	16,177
Deferred tax asset to be settled after more than 12 months	23,227	26,955
Deferred tax liability to be settled within 12 months	(7,331)	(9,806)
Deferred tax liability to be settled after more than 12 months	(88,131)	(94,992)
Net deferred tax liability	(53,623)	(61,666)

11. Intangible assets

thousands of EUR	Software	Telecommu-nication licences	Other licences and rights	Internally developed intangible assets	Goodwill	Intangibles under construction	Total
At 1 January 2022							
Cost	491,300	181,463	30,336	46,161	73,313	57,206	879,779
Accumulated amortisation	(414,699)	(134,865)	(24,062)	(32,396)	-	-	(606,022)
Net book value	76,601	46,598	6,274	13,765	73,313	57,206	273,757
Additions	21,155	3,250	8,125	1,361	-	38,280	72,171
Amortisation charge	(25,091)	(9,036)	(11,650)	(1,937)	-	-	(47,714)
Impairment charge	-	(71)	-	-	-	-	(71)
Reversal of impairment	-	626	-	-	-	-	626
Disposals	(6)	(2,669)	-	-	-	-	(2,675)
Transfers	14,517	32,106	1,353	784	-	(48,754)	6
At 31 December 2022							
Cost	500,255	184,765	27,480	48,298	73,313	46,732	880,843
Accumulated amortisation	(413,079)	(113,961)	(23,378)	(34,325)	-	-	(584,743)
Net book value	87,176	70,804	4,102	13,973	73,313	46,732	296,100

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

thousands of EUR	Software	Telecommu-nication licences	Other licences and rights	Internally developed intangible assets	Goodwill	Intangibles under construction	Total
At 1 January 2021							
Cost	536,101	191,540	25,247	5,191	73,313	91,157	922,549
Accumulated amortisation	(486,029)	(129,874)	(21,710)	(3,141)	-	-	(640,754)
Net book value	50,072	61,666	3,537	2,050	73,313	91,157	281,795
Additions	27,606	-	11,086	6,867	-	6,154	51,713
Amortisation charge	(20,201)	(11,159)	(21,660)	(2,492)	-	-	(55,512)
Impairment charge	-	(4,458)	-	-	-	-	(4,458)
Disposals	-	(1)	-	-	-	-	(1)
Transfers	19,124	550	13,311	7,340	-	(40,105)	220
At 31 December 2021							
Cost	491,300	181,463	30,336	46,161	73,313	57,206	879,779
Accumulated amortisation	(414,699)	(134,865)	(24,062)	(32,396)	-	-	(606,022)
Net book value	76,601	46,598	6,274	13,765	73,313	57,206	273,757

12. Property and equipment

thousands of EUR	Land, buildings and structures	Telecommu-nications line network	Transmission and switching equipment	Other	Capital work in progress including advances	Total
At 1 January 2022						
Cost	149,932	1,216,770	644,811	176,949	93,109	2,281,571
Accumulated depreciation	(95,495)	(752,207)	(524,451)	(134,387)	(49)	(1,506,589)
Net book value	54,437	464,563	120,360	42,562	93,060	774,982
Additions	356	20,837	37,036	5,717	57,742	121,688
Depreciation charge	(2,571)	(44,609)	(37,686)	(8,770)	-	(93,636)
Impairment charge	(145)	-	(5)	(6)	-	(156)
Reversal of impairment	1,398	-	6	1	49	1,454
Disposals	(1,701)	(165)	(31)	(4,146)	(1,157)	(7,200)
Transfers	581	23,369	3,690	2,257	(29,903)	(6)
At 31 December 2022						
Cost	144,787	1,252,618	650,193	180,993	119,791	2, 348,382
Accumulated depreciation	(92,432)	(788,623)	(526,823)	(143,378)	-	(1,551,256)
Net book value	52,355	463,995	123,370	37,615	119,791	797,126

Property and equipment, excluding motor vehicles, is locally insured to a limit of EUR 25,000 thousand (2021: EUR 25,000 thousand). Any loss exceeding local limit is insured by DT AG Global Insurance Program up to EUR 700,000 thousand. The Company has the third-party liability insurance for all motor vehicles.

thousands of EUR	Land, buildings and structures	Telecommu-nications line network	Transmission and switching equipment	Other	Capital work in progress including advances	Total
At 1 January 2021						
Cost	157,354	1,142,651	657,966	179,953	109,535	2,247,459
Accumulated depreciation	(105,160)	(711,263)	(549,575)	(136,996)	(176)	(1,503,170)
Net book value	52,194	431,388	108,391	42,957	109,359	744,289
Additions	35	21,823	24,783	4,218	71,576	122,435
Depreciation charge	(4,085)	(41,850)	(40,631)	(8,499)	-	(95,065)
Impairment charge	(71)	-	-	(1)	(75)	(147)
Reversal of impairment	5,503	-	23	1	11	5,538
Disposals	(313)	(227)	(20)	(51)	(1,237)	(1,848)
Transfers	1,174	53,429	27,814	3,937	(86,574)	(220)
At 31 December 2021						
Cost	149,932	1,216,770	644,811	176,949	93,109	2,281,571
Accumulated depreciation	(95,495)	(752,207)	(524,451)	(134,387)	(49)	(1,506,589)
Net book value	54,437	464,563	120,360	42,562	93,060	774,982

13. Right-of-use assets

The Company has lease contracts for various items:

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

b) exclusive easements - an easement is a legal right to use, access, or cross another's property (such as land or common area in a building) for a specific limited purpose. Easements are granted mainly for the reasons to pass a cable over, under, or through an existing area of land. They are usually parts of buildings acquired within sale and leaseback transactions, when the Company sells a building but has an easement right to use part of that building to access technological equipment. The easement right and selling price are interdependent because they are negotiated as part of the same package. There is no rent charged for the easement right to use the asset as it is already incorporated in the lower selling price, therefore the Company estimates market price of lease payments for this type of lease,

c) shops – retail space in a building or a shopping mall,
d) operations buildings (less frequently in residential buildings) to place and operate technical equipment, e.g. servers, network equipment, etc. and also few operations buildings on third-party land,
e) office space - office space serves the Company's employees with space where they can execute their work,
f) vehicles – passenger cars used by the Company's employees.

Set out below, are the carrying amounts of the Company's right-of-use assets as at 31 December 2022 and at 31 December 2021.

thousands of EUR	Leased land	Leased buildings	Leased technical equipment and machinery	Total
At 1 January 2022				
Cost	24,882	94,133	11,991	131,006
Accumulated depreciation	(8,652)	(26,610)	(5,990)	(41,252)
Net book value	16,230	67,523	6,001	89,754
Additions	1,348	8,498	766	10,612
Depreciation charge	(2,993)	(9,970)	(2,474)	(15,437)
Impairment charge	(84)	-	-	(84)
Reversal of impairment	239	-	-	239
Disposals	(131)	(4,933)	(276)	(5,340)
At 31 December 2022				
Cost	25,957	95,363	10,733	132,053
Accumulated depreciation	(11,348)	(34,245)	(6,716)	(52,309)
Net book value	14,609	61,118	4,017	79,744

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 2021				
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
Additions	1,310	8,211	1,324	10,845
Depreciation charge	(2,995)	(10,164)	(2,766)	(15,925)
Impairment charge	(323)	-	-	(323)
Reversal of impairment	410	-	-	410
Disposals	(799)	(4,588)	(978)	(6,365)
At 31 December 2021				
Cost	24,882	94,133	11,991	131,006
Accumulated depreciation	(8,652)	(26,610)	(5,990)	(41,252)
Net book value	16,230	67,523	6,001	89,754

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 26).

14. Impairment of goodwill

thousands of EUR	31.12.2022	31.12.2021
T-Mobile	73,313	73,313
	73,313	73,313

The goodwill previously recognised at the acquisition of T-Mobile was recognised in the separate statement of the financial position of the Company upon the legal merger of the Company and T-Mobile on 1 July 2010.
The recoverable amount of the cash-generating unit was determined using cash flows projections based on the four-year financial plans that present the management's best estimate on market participants' assumptions and expectations. Cash flows beyond the four-year period were extrapolated using 1.00 % growth rate (2021: 1.00 %). The growth rate does not exceed the long-term average growth rate for the market in which the cash-generating unit operates.
The Company used discount rate of 5.53 % (2021: 3.88 %). Further key assumptions on which management has based its determination of the recoverable amount of the cash-generating unit include the development of revenue, customer acquisition and retention costs, churn rates, capital expenditures and market share, which are based on past performance and management's expectations for the future. Input parameters used to determine the recoverable amount are classified in Level 3 in accordance with IFRS 13. The recoverable amount of the cash-generating unit based on value in use calculation exceeded its carrying value. Management believes that any reasonably possible change in the key assumptions on which the cash-generating unit's recoverable amount is based would not cause its carrying amount to exceed its recoverable amount.

15. Investments in subsidiaries

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

Name and registered office	Activity	Share and voting rights 31.12.2022	Share and voting rights 31.12.2021
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 %
Telekom Sec, s.r.o. ("Telekom Sec") Bajkalská 28, 817 62 Bratislava	Security services	100 %	100 %

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

thousands of EUR	Cost of investment 31.12.2022	Cost of investment 31.12.2021	Profit / (loss) 2022	Profit / (loss) 2021	Net assets 31.12.2022	Net assets 31.12.2021
DIGI SLOVAKIA, s.r.o.	52,362	52,362	5,625	5,337	16,630	17,381
PosAm, spol. s r.o.	7,707	12,968	5,576	40	20,759	15,183
Telekom Sec, s.r.o.	72	72	(1)	(1)	54	55
	60,141	65,402				

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 2022 were not available. The table is prepared based on their non-approved draft financial statements.

Cost of investment in PosAm is net of impairment of EUR 5,261 thousand (Note 9) as the carrying amount of investment exceeded its fair value less costs of disposal.

16. Trade and other receivables

thousands of EUR	31.12.2022	31.12.2021
Non-current		
Receivables from instalment sale	13,516	11,315
Finance lease receivables	3,255	3,768
	16,771	15,083
Current		
Trade receivables	122,362	117,325
Cash pooling receivable	16,915	21,281
Other receivables	3,883	4,750
Finance lease receivables	2,449	621
	145,609	143,977

Trade receivables are net of an allowance of EUR 33,777 thousand (2021: EUR 27,913 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 1,376 thousand higher (2021: EUR 1,270 thousand).

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

thousands of EUR	2022	2021
At 1 January	27,913	26,546
Charge for the year, net	11,175	7,585
Utilised	(5,311)	(6,218)
At 31 December	33,777	27,913

17. Assets and liabilities related to contracts with customers

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

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

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

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

thousands of EUR	31.12.2022	31.12.2021
Non-current assets		
Contract assets	8,703	8,482
Loss allowance	(2,021)	(1,290)
	6,682	7,192
Contract costs	6,532	6,151
	6,532	6,151
Current assets		
Contract assets	23,189	23,619
Loss allowance	(2,940)	(2,491)
	20,249	21,128
Contract costs	17,110	16,608
	17,110	16,608
Non-current liabilities		
Contract liabilities	30,263	29,656
	30,263	29,656
Current liabilities		
Contract liabilities	30,958	28,221
	30,958	28,221

Revenue recognised in the reporting year that was included in the contract liability balance at the beginning of the year amounted to EUR 25,676 thousand (2021: EUR 17,375 thousand).

Transaction price allocated to the performance obligations that are unsatisfied as of the end of reporting year amounted to EUR 352,732 thousand (2021: EUR 399,346 thousand). Management expects that the transaction price allocated to the unsatisfied contracts as of 31 December 2022 will be recognised as revenue as follows: EUR 278,813 thousand during first year; EUR 72,662 thousand during second year and EUR 1,257 thousand during third-fifth year (2021: EUR 303,210 thousand during first year; EUR 95,295 thousand during second year and EUR 841 thousand during third-sixth year).

Wages and salaries include also amortisation of costs to obtain a contract with customer in the amount of EUR 2,055 thousand (2021: EUR 2,747 thousand) (Note 6).

Dealers commission includes also amortisation of costs to obtain a contract with customer in the amount of EUR 20,392 thousand (2021: EUR 19,195 thousand) (Note 7).

18. Prepaid expenses and other assets

thousands of EUR	31.12.2022	31.12.2021
Non-current		
Other prepaid expenses	11,181	11,703
	11,181	11,703
Current		
Other prepaid expenses	5,999	4,214
Advance payments	4,108	8,650
Other assets	53	144
	10,160	13,008

19. Inventories

thousands of EUR	31.12.2022	31.12.2021
Materials	6,990	8,421
Goods	20,337	15,414
	27,327	23,835

Inventories are net of an allowance of EUR 1,964 thousand (2021: EUR 1,642 thousand). The write-down of inventories in the amount of EUR 906 thousand (2021: EUR 663 thousand) was recognised in cost of material and equipment.

20. Term deposits

thousands of EUR	31.12.2022	31.12.2021
Term deposits in banks	900	800
	900	800

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.

21. Loans

thousands of EUR	31.12.2022	31.12.2021
Loans to Deutsche Telekom AG	140,000	152,000
Loan to subsidiary	-	1,500
	140,000	153,500

The loans granted to Deutsche Telekom AG were not secured. Loans outstanding at 31 December 2022 were provided in December 2022 and were repayable in January 2023 (2021: provided in December 2021, repayable in February 2022). The loan granted to subsidiary was partially secured. For credit ratings see Note 3.2.

22. Cash and cash equivalents

thousands of EUR	31.12.2022	31.12.2021
Cash and cash equivalents	21,333	21,152
	21,333	21,152

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.

23. Shareholders' equity

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

As at 31 December 2022, Slovak Telekom had authorised and issued 86,411,300 ordinary shares (2021: 86,411,300) with a par value of EUR 10.00 per share (2021: EUR 10.00 per share). All the shares issued were fully subscribed. All the shares represent the rights of shareholder to participate in the managing of Slovak Telekom, on the profit and liquidation balance upon the winding-up of Slovak Telekom with liquidation.

The statutory reserve fund is set up in accordance with Slovak law and is not distributable. The reserve is created from retained earnings to cover possible future losses.

Category Other in the Statement of changes in equity covers mainly changes of equity from retirement benefits (Note 24).

The Financial statements of the Company for the year ended 31 December 2021 were authorised for issue on behalf of the Board of Directors of Slovak Telekom on 10 March 2022.

On 26 April 2022 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 143,529 thousand (2021: EUR 95,510 thousand) were paid in May 2022, which amounted to EUR 1.66 per share (2021: EUR 1.11 per share).

Approval of the 2022 profit distribution will take place at the Annual General Meeting scheduled for April 2023.

24. Provisions

thousands of EUR	Legal and regulatory claims	Asset retirement obligation	Termination benefits	Employee benefits	Other	Total
	(Note 32)					
At 1 January 2022	5,182	28,620	2,686	13,360	7,147	56,995
Arising during the year	3,549	137	4,141	838	1 929	10,594
Utilised	-	(28)	(2,686)	(48)	(1,150)	(3,912)
Reversals	-	(16)	-	(4,946)	(492)	(5,454)
Reclasses	(958)	-	-	-	958	-
Transfer to current liabilities	-	-	-	-	(24)	(24)
Interest impact	-	(3,534)	-	150	(21)	(3,405)
At 31 December 2022	7,773	25,179	4,141	9,354	8,347	54,794
Non-current	-	25,179	-	9,354	1,224	35,757
Current	7,773	-	4,141	-	7,123	19,037
	7,773	25,179	4,141	9,354	8,347	54,794

thousands of EUR	31.12.2022	31.12.2021
Non-current	35,757	43,207
Current	19,037	13,788
	54,794	56,995

Asset retirement obligation
The Company is subject to obligations for dismantlement, removal and restoration of assets associated with its cell site operating leases (Note 2.21). 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 259 employees in 2022 (2021: 169 employees). The Company expects a further headcount reduction of 203 employees in 2023 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 2022 the Company recognised an expense resulting from termination benefits in amount of EUR 5,237 thousand (2021: EUR 3,228 thousand) in staff costs.

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

thousands of EUR	Retirement benefits	Jubilee	Total
Present value of the defined benefit obligation			
At 1 January 2022	13,049	311	13,360
Current service cost	811	27	838
Interest cost	147	3	150
Benefits paid	(27)	(21)	(48)
Remeasurement of defined benefit plans	(2,975)	(99)	(3,074)
Curtailment gain	(1,872)	-	(1,872)
At 31 December 2022	9,133	221	9,354

thousands of EUR	Retirement benefits	Jubilee	Total
Present value of the defined benefit obligation			
At 1 January 2021	12,878	322	13,200
Current service cost	862	31	893
Interest cost	106	2	108
Benefits paid	(18)	(21)	(39)
Remeasurement of defined benefit plans	332	(23)	309
Curtailment gain	(1,111)	-	(1,111)
At 31 December 2021	13,049	311	13,360

Remeasurement of defined benefit plans related to retirement benefits in amount of EUR 2,975 thousand consists of change in financial assumptions in amount of EUR 3,370 thousand and change in demographic assumptions in amount of EUR 945 thousand partially netted by change in experience adjustments in amount of EUR 1,340 thousand.

The curtailment gain in amount of EUR 1,872 thousand resulted mainly from a reduction in the number of participants covered by the retirement plan that occurred in 2022 or was announced for 2023. There were no special events causing any new past service cost during 2022 other than the curtailment mentioned above.

Principal actuarial assumptions used in determining the defined benefit obligation and the curtailment effect in 2022 include the discount rate of 4.13 % (2021: 1.14 %). The expected expense for 2022 has been determined based on the discount rate as at the beginning of the accounting year of 1.14 % (2021: 0.83 %). Average retirement age is 63 years and 2 months (2021: 63 years and 2 months). The expected growth of nominal wages over the long term is 2.0 % (2021: 2.0 %). The remaining weighted average duration of the defined benefit obligation is 9.8 years (2021: 12.7 years). Fluctuation of employees is also considered in determining the defined benefit obligation.

The sensitivity analysis for the significant actuarial assumptions as at 31 December 2022 and 2021 is as follows:

thousands of EUR	(Decrease) / increase of employee benefits provision	
	31.12.2022	31.12.2021
Change of actuarial assumption:		
Discount rate change +100 bp / -100 bp	(832) / 958	(1,504) / 1,795
Salary change +0.50 % / -0.50 %	472 / (441)	846 / (782)

25. Trade and other payables

thousands of EUR	31.12.2022	31.12.2021
Non-current		
Financial liabilities for capitalised content licences	679	772
Financial liabilities for frequency licences	19,078	-
Other payables	-	1
	19,757	773
Current		
Trade payables	64,505	52,742
Uninvoiced deliveries	44,172	42,167
Financial liabilities for capitalised content licences	4,878	7,252
Financial liabilities for frequency licences	-	3,843
Other payables	264	-
	113,819	106,004

26. Lease liabilities

thousands of EUR	31.12.2022	31.12.2021
Up to 1 year	14,036	15,143
1 to 5 years	35,456	39,647
Over 5 years	32,052	37,042
Total other lease liabilities	81,544	91,832

	31.12.2022	31.12.2021
Up to 1 year	17,049	17,057
1 to 5 years	49,111	44,871
Over 5 years	50,691	41,611
Total undiscounted cash flows (lease liability)	116,851	103,539

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

27. Impact from leasing contracts

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

thousands of EUR	2022	2021
Depreciation expense of right-of-use assets (Note 13)	15,437	15,925
Impairment of right-of-use assets (Note 13)	84	323
Reversal of impairment of right-of-use assets (Note 13)	(239)	(410)
(Gain) / Loss from disposal of right-of-use assets	26	244
Other income	(21)	(18)
Interest cost on lease liabilities (Note 9)	2,218	2,255
At 31 December	17,505	18,319

28. Other liabilities

thousands of EUR	31.12.2022	31.12.2021
Current		
Amounts due to employees	22,661	22,242
Other tax liabilities	4,157	3,980
Other liabilities	3,600	4,445
	30,418	30,667

Amounts due to employees include social fund liabilities:

thousands of EUR	31.12.2022	31.12.2021
At 1 January	173	172
Additions	1,467	1,448
Utilisation	(1,400)	(1,447)
At 31 December	240	173

29. Cash flow disclosures

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

thousands of EUR	Financial liabilities (Note 25)	Lease liabilities (Note 26)
At 1 January 2021	17,114	102,219
Additions	11,133	10,866
Non-cash movements	-	(6,121)
Cash used in financing activities	(16,455)	(17,387)
Accretion of interest	-	2,255
Foreign exchange adjustments	75	-
At 31 December 2021	11,867	91,832
At 1 January 2022	11,867	91,832
Additions	27,204	10,612
Non-cash movements	-	(5,315)
Cash used in financing activities	(14,433)	(17,803)
Accretion of interest	-	2,218
Foreign exchange adjustments	(3)	-
At 31 December 2022	24,635	81,544

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

30. Commitments

The Company's purchase commitments were as follows:

thousands of EUR	31.12.2022	31.12.2021
Acquisition of property and equipment	63,628	65,741
Acquisition of intangible assets	7,047	11,840
Purchase of services and inventory	115,369	105,880
	186,044	183,461

31. Related party transactions

	Receivables		Payables		Commitments	
thousands of EUR	2022	2021	2022	2021	2022	2021
DT AG	157,124	173,437	1,300	999	145	44
Subsidiaries	4,193	5,658	608	400	405	472
Other entities in DT AG Group	13,709	11,625	13,129	16,474	1,015	3,739
	175,026	190,720	15,037	17,873	1,565	4,255

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

	DT AG		Subsidiaries		Other related parties	
thousands of EUR	2022	2021	2022	2021	2022	2021
Sales and income						
Interconnect / roaming revenues	-	-	837	811	10,195	10,689
System solutions / IT revenues	-	-	182	166	6,184	6,467
Income from reinvoicing of services	291	196	2,902	4,190	8,008	7,805
Dividends	-	-	6,376	25,972	-	-
Other revenue / income	579	62	1,396	1,254	3,207	3,564
	870	258	11,693	32,393	27,594	28,525
Purchases						
Interconnect / roaming costs	-	-	6	296	13,191	15,664
Customer solutions	-	-	263	344	2,459	2,896
IT services	-	197	46	80	3,050	3,354
Expenses from reinvoicing of services	4,393	3,107	-	-	7,093	7,029
Other purchases	352	1,150	63	2,071	10,502	7,022
	4,745	4,454	378	2,791	36,295	35,965

Other purchases include data services, management, consultancy, other services, inventory and purchases of fixed assets. In 2022 the Company purchased fixed assets in amount of EUR 4,137 thousand (2021: EUR 4,155 thousand) from related parties.

In 2022 the Company granted a short-term loan of EUR 140,000 thousand (2021: EUR 152,000 thousand) to Deutsche Telekom AG.

In March 2022 the General meeting of DIGI declared a dividend of EUR 6,376 thousand (2021: EUR 25,835 thousand). Dividends were paid in March 2022. In April 2021 the General meeting of PosAm declared a dividend of EUR 137 thousand, which was paid in April 2021. There was no other dividend declared by other subsidiaries in 2022 and 2021.

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 2022 the Company recognised revenue with TSI in amount of EUR 3,713 thousand (2021: EUR 4,025 thousand), revenue with other DT AG Group entities in amount of EUR 352 thousand (2021: EUR 430 thousand) and expenses with other DT AG Group entities in amount of EUR 2,578 thousand (2021: EUR 2,933 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 2022 or 2021.

Compensation of key management personnel
The key management personnel as at 31 December 2022, 13 in number (2021: 16) 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	2022	2021
Short term employee benefits	2,766	2,592
Defined contribution pension plan benefits	1	22
Share based compensations	7	160
	2,774	2,774

thousands of EUR	2022	2021
Management Board	2,556	2,762
Board of Directors	24	-
Supervisory Board	194	12
	2,774	2,774

The Company offers several long-term incentive plans to its executive management members with a new package being launched each year and with each tranche lasting for 4 years. A total provision of EUR 1,169 thousand has been recognised as at 31 December 2022 (2021: EUR 986 thousand). In 2022 the Company recognised an expense resulting from these long-term incentive plans in amount of EUR 520 thousand (2021: EUR 429 thousand) in Staff costs.

32. Contingencies

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

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

In 2009, the Anti-Monopoly Office of Slovak Republic ("AMO") imposed on Company a penalty of EUR 17,453 thousand for abusing its dominant position by price squeeze and tying practices on several relevant markets (voice, data and network access services on its fixed network) (the "AMO Decision"). Administrative court confirmed Company's arguments in major part, however later on rejected those arguments without proper reasoning and judicial review was closed in June 2021 upholding AMO Decision fully. The Company filed a complaint with Constitutional Court. The penalty was paid in October 2017.

As of 31 December 2022, there are two cases pending, where two competitors filed actions against Company in 2013 and 2015 seeking damages allegedly incurred due to Company's conduct as determined by the AMO Decision. The claimants contend that they incurred lost profit amounting to EUR 108,610 thousand plus interest. Interest is claimed starting from period the alleged damage occurred. All cases are pending at the first instance court. These financial statements do not include any provisions for potential losses (neither claimed principal nor accrued interest) related to these cases as the Company has assessed that it is more likely than not that there will be no future cash outflows connected with these cases. Final outcome of the cases following the AMO decision is uncertain.

As of 31 December 2022, there is a number of other various cases pending in the cumulative amount of EUR 38,314 thousand. These financial statements do not include any provisions for potential losses (neither claimed principal nor accrued interest) related to these cases as the Company has assessed that it is more likely than not that there will be no future cash outflows connected with these cases. Final outcome of the cases is uncertain.

As of 31 December 2022, the Company recognised provision for all known and quantifiable risks related to proceedings against the Company, which represent the Company's best estimate of the amounts, which are more likely than not to be paid. The actual amounts of penalties, if any, are dependent on a number of future events the outcome of which is uncertain, and, as a consequence, the amount of provision may change at a future date.

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

33. Audit fees

The Company obtained following services from the audit company Deloitte audit, s.r.o. (2021: PricewaterhouseCoopers Slovensko, s.r.o.):

thousands of EUR	2022	2021
Audit services	293	300
Other assurance services	-	60
Oher non-audit services	-	4
	293	364

34. Events after the reporting year

On 3 March 2023 Slovak Telekom sold its subsidiary PosAm. Conditions for held for sale presentation were not met at 31 December 2022. The Company recognised the impairment of Investment in subsidiary PosAm (Note 9 and Note 15).

On 27 February 2023 the General meeting of PosAm declared a dividend of EUR 11,320 thousand, which was paid in February 2023.

From 20 March 2023 Ing. Denisa Herdová was replaced in function of a member of Supervisory Board by Peter Vražda.

There were no other events, which have occurred subsequent to the year-end, which would have a material impact on the financial statements at 31 December 2022.

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