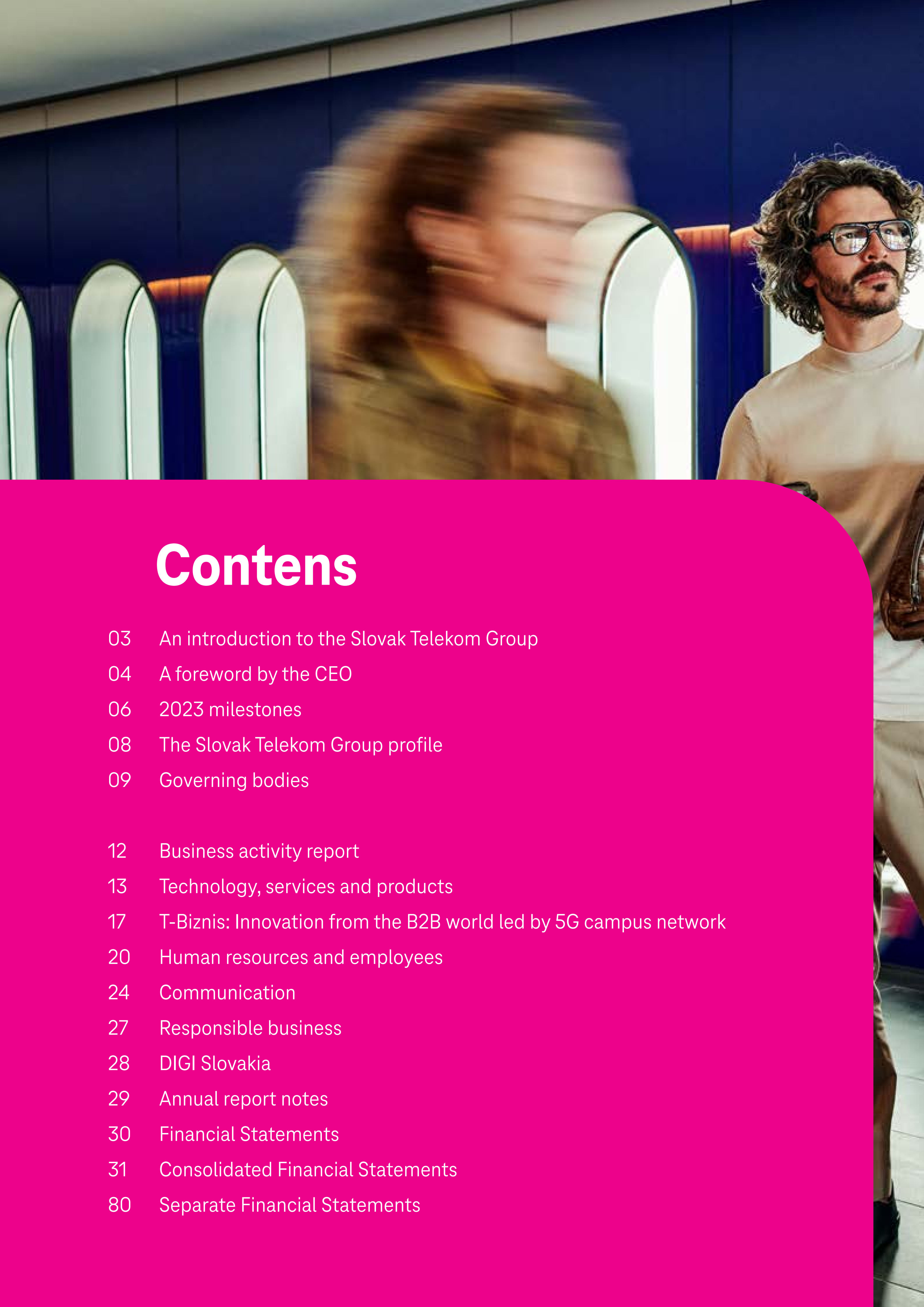
Annual report 2023

Slovak Telekom



Contens

01 An introduction to the Slovak Telekom Group

A foreword by the CEO

Ladies and gentlemen,

2023 was yet another year in a line of challenging years – a year in which the pandemic, war conflicts, a geopolitical situation with a high degree of uncertainty, and economic factors gradually replaced each other. The past year brought significantly higher costs to be borne by us in the form of multiplying energy prices and continued double-digit inflation. This was reflected - for example - in the overall management of costs and measures.

But although we faced high costs, our thoughts remained focused on two key areas: market investment and digitalization and our customers and the positive customer experience. Therefore 2023 once again brought new coverage via modern networks, but also new services and surprises. And we are very happy that very positive results were achieved - for the first time we became the No.1 in both the TRIM indicator B2C and B2B segments. The NPS level also continues to improve in several areas.

The aforementioned investments in networks are developing in two directions. Our main priority remains the optical network - whether building it ourselves or through market partnerships. Last year we reached the important coverage milestone of one million households, and this year we are continuing to expand our availability so that by the end of the year we will have already reached the level of 1.121 million households covered. Most of the new coverage is our own construction, but in June we managed to reach an agreement with Západoslovenská distribučná – thanks to which thousands of new households were added to the coverage map.

In the mobile field, the 5G network plays a direct role. At the beginning of the year, we provided coverage for 34 cities and 83 municipalities. By the end of the year, the number of cities covered had more than doubled (to 76) and the number of municipalities was almost sixfold (472). This serves as testimony not only to our construction in urban areas, but also in the countryside. The number of 5G models in our range expanded once again, and there was also the introduction of our own novelties: the improved T Phone and T Phone Pro, and also the T Tablet - one of the cheapest 5G tablets.

However, 5G also has another area of use – one which we took full advantage of by building the first private 5G stand-alone network on the grounds of Košice Technical University. Our goal was to bring the university, its students, and partners their own latest generation closed network where they can develop various examples of use - especially for Priemysel (Industry) 4.0.

We did not hold back when it came to introducing new services, either. In the field of mobile services, the new flat rates from September resonated the most – with each already containing a certain unlimited data element for the current data era. Prepaid cards received additional MIXI packages (also with monthly validity) and continue to have a high degree of flexibility.

In terms of the fixed network, we improved the Wow Wi-Fi service - which provides better Internet availability throughout the entire household. We added the possibility of AR measurement of apartments, orders through the application, and tracking the arrival of technicians. Overall, fixed network services reach are featured to a greater extent in the Telekom application – in which customers can report possible malfunctions, and monitor planned works.

However, activities aimed at the whole of society are no less important. Slovak Telekom is aware of the importance of technologies, but also of the pitfalls they bring. And at the same time, we also perceive a decreasing level of tolerance in society, which is why in February we launched a new communication platform: Respect, with which we want to point out these aspects. In the initial campaign, the first six aspects were addressed (for example, acceptance, decency, and love for one's neighbour), in subsequent campaigns, we also focused on helping others and volunteering.

We are also constantly developing several ESG activities. For the fourth year running, we are investing in the ENTER platform and encouraging the development of digital skills among Slovak children. We organized the second year of the ENTER program in which as many as 76 different projects applied. But we are also increasingly active in the field of seniors - in which we prepared the second year of a grant program to improve their digital skills and to obtain the necessary equipment for homes for seniors and libraries. The digital divide still exists here, and we are trying to help overcome it.

Another part of ESG is the focus on the circular economy - which includes the renting out and refurbishing of routers and set-top boxes, the sale of refurbished Smartphones, and the recycling of mobile phones, whilst also implementing a pilot operation for returnable packaging when delivering our devices.

I am pleased that our activities were also reflected in positive operating indicators. In the mobile field, we showed growth after a long time in all segments: flat rates, prepaid cards, and M2M. The fixed network also had excellent results – both the number of TV customers and amount of broadband access are growing. From a financial point of view, the Group managed to increase revenues to the level of EUR 829 million. At the same time, the group slightly changed its structure after the sale of a 51 percent stake in the PosAm subsidiary in March.

2023 brought several challenges for our Group, but we managed to overcome them and continue with the established strategy of winning the hearts of our customers. This is a long-term ambition that cannot be completed within a year - as evidenced by hard-fought victories in indicators such as TRIM. But we are gradually succeeding, and I am extremely glad that we managed to win one more important award – 1st place in the IT and telecommunications category in the Employer of the Year competition. This proves that we have an excellent team and an environment that can achieve even the highest goals and serve our customers. This serves as encouragement for the upcoming years - because in parallel we are also fulfilling the motto of our parent company "We won't finish until everyone is connected."

Vladan Pekovič
Acting CEO

2023 milestones

JANUARY

Operator of the Year award for the 3rd year running
Telekom won the Operator of the Year award for the third time in a row in the independent "2021 NAY TECHBOX of the Year" poll.

FEBRUARY

The new Rešpekt (Respect) communication platform
In a new series of campaigns, Telekom calls for higher tolerance in society and launches a concept featuring many familiar faces. Each ambassador focuses on a selected aspect - such as tolerance, acceptance, love for one's neighbour, decency, consideration, and respect.

The Telekom foundation fund distributes over 50,000 Euros to seniors
Almost 90 civic associations participated in the grant call for the support of digital education activities for seniors. Telekom distributed a total of more than 50,000 Euros among 13 projects throughout Slovakia.

MARCH

Sale of the PosAm subsidiary
The Slovak Telekom Group changes its structure as of March 3rd 2023 – Slovak Telekom sells its 51-percent stake in the PosAm subsidiary.

5G coverage milestones
In mid-March, Telekom reaches an important milestone in covering 40 percent of Slovakia's population with 5G network and coverage of all regional cities.

MAY

Telekom has the most-awarded network in Slovakia
The OpenSignal analytical company declares Telekom's networks the most awarded in Slovakia and awarded them victories in 11 categories.

JUNE

Telekom awards the best programming students
As many as 76 primary and secondary school projects from all over Slovakia apply for the second year of the ENTER program.

The first 5G SA network in Slovakias:
Telekom becomes the first operator to deploy the first 5G stand-alone campus network in Slovakia on the grounds of the Košice Technological University.

Collaboration with Západoslovenska distribučna
Telekom establishes cooperation with Západoslovenská distribučná for the provision of its optics services for other households.

AUGUST

Sharing mobile technology with O2
Slovak Telekom and O2 sign a historic agreement on sharing mobile network technologies.

Wow Wi-Fi with new functions
The Wow Wi-Fi service - which extends high-quality Internet to all corners of the home - received new functions such as AR apartment measurement, orders through the Telekom application, and tracking the location of technicians before installation.

The T Tablet and the improved T Phone are introduced to the market
On August 24th, Telekom launches improved versions of the cheapest 5G Smartphones - the T Phone and the T Phone Pro. For the first time ever a cost-effective 5G tablet from T Tablet's own production also appears in the range.

Wi-Fi Call pilot scheme
Telekom deploys a pilot operation for Wi-Fi network call services. As part of the pilot, Wi-Fi Calls are deployed on the first Samsung Smartphones.

SEPTEMBER

New flat rates with infinite elements
Telekom introduces a new family of flat rates - each of which already contains a certain element of unlimited data - through an additional package or the transmission of unlimited volume at a fixed or full speed.

OCTOBER

Telekom switches off the first 3G sites
At the beginning of October, Telekom turns off the 3G network in the first two districts - Zlaté Moravce and Žarnovica.

Christmas special with triplets and 1000 GB of data
Telekom presents a robust Christmas special in which for the first time in which the so-called triplets (three subsidized devices for one service) or an attractive offer for Prepaid with 1000 GB of data are available.

NOVEMBER

Telekom completely decommissions the 3G network in Slovakia
After a successful pilot program in the first districts, Telekom proceeded to completely shut down the 3G network in two large waves over the course of three days.

DECEMBER

Christmas special extended by attractive TV content
After presenting the Christmas specials in October, Telekom brings another surprise and deploys attractive content such as fitness training with Maroš Molnár and popular Christmas movies.

T Biznis as a partner of the World Cup in Jasná
Under the corporate identity of T Biznis, Telekom becomes a technological partner for an important sports event - the downhill skiing World Cup in Jasna.

The Slovak Telekom Group profile

Slovak Telekom is part of the 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) 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

Vladan Peković
Chief Technology and IT Officer, interim Chief executive Office (since 1. 1. 2024)
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.

Jose Perdomo Lorenzo
Chief executive Office (until 31. 12. 2023) 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 digitalization. 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.

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 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 29.04.2020)

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

Member:
- Danijela Bujic (since 01.10.2021)

The supervisory board

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

Members:
- Peter Vražda (since 20.03.2023)
- Martin Švec (since 02.10.2020)
- Denisa Herdová (until 19.03.2023)

Audit committee

Members:
- Vladimir Lucev (since 01.03.2024)
- Daniela Bujic (since 11.10.2021)
- Martin Švec (since 20.03.2023)
- Denisa Herdová (until 19.03.2023)
- Martin Renner (until 31.05.2023)
- Marc Engroff (until 31.12.2023)

02 **Business activity report**

Technology, services and products

When creating services and products and the improvement thereof, Slovak Telekom focuses predominantly on customer needs, and the best customer experience possible. At the same time, Slovak Telekom has been a large investor in new technologies for many years - with 5G and optics are currently playing a major role. Slovak Telekom is active in both B2C and B2B segments, and in recent years it has also simultaneously focused on a greater degree of digitalization.

The best connectivity: optics now with partners, 5G progress

Even during a year that was demanding on operating costs due to significantly higher energy prices, Slovak Telekom continued to invest in modern networks – with the optical network - which reached a significant milestone in 2022 (one million households covered) - playing a direct role, and Telekom is currently continuing its further expansion. Proprietary construction is still progressing, but at the same time cooperation with important partners who already have their own infrastructure and optical networks has come into play. The first partner in this area is Západoslovenská distribučná - with which Slovak Telekom agreed to cooperate in June - deployed in the first locations by the end of the year. At the end of 2023, Slovak Telekom had already achieved optical network availability for 1.121 million households.

In the field of mobile networks, the expansion of the **5G network** in Slovakia continues. In March, the first important milestone was achieved – all regional cities and 40 percent of the total population were covered. At the beginning of the year, Slovak Telekom covered 34 cities - but by the end of the year, this number had more than doubled to 76.

The construction of the 5G network is also underway in the countryside – in January, there was coverage in 83 villages, but at the end of the year, that number rose to 472. Villages in the vicinity of cities, separate locations, and even tourist spots with a large number of visitors are covered. The total coverage of the 5G network reached 52.1% of the population by the end of the year.

Support for 5G phones also continues to expand – with the percentage of users in the base growing, and several dozen new 5G smartphones and tablets introduced during the year. This area also features exclusive models for the Deutsche Telekom Group: in August, improved Smartphones were introduced - namely the T Phone and T Phone Pro, at the same time the accessible T Tablet was added to them for the first time.

In 2023, the number of roaming partners for 5G expanded, at the end of the year there were already more than 100 worldwide.

In May 2023, Slovak Telekom's mobile networks were named the most-awarded networks in Slovakia by the OpenSignal analytical company. Slovak Telekom scored in 11 categories, winning six as the only winner: Game Experience (for example: Fortnite), in voice applications (such as Whatsapp), data sending and data sending in the 5G network, basic consistency quality and excellent consistency quality (measuring multiple parameters when used by customers). Another five categories brought joint leadership: experience with data download speed, 4G coverage, 5G gaming, 5G voice applications, and 5G availability. The detailed report can be found via this link: **Slovakia: Mobile Network Experience Report** March 2023.

Slovak Telekom additionally focused on another aspect of 5G and deployed the first 5G stand-alone private network in Slovakia on the grounds of Košice Technical University in June. (More information in the B2B section).

Meanwhile, Slovak Telekom was the first operator in Slovakia to switch off the 3G network. Network traffic has declined significantly in recent years, and data traffic has even fallen below one percent. Slovak Telekom announced the shutdown of the 3G network at the beginning of May, and during the spring and summer largely addressed the last customers with 3G SIM cards and phones for replacement. The shutdown of the 3G network took place in three steps: at the beginning of October in pilot mode in two districts (Žarnovica, Zlaté Moravce) and then in two large waves in one week. As of November 23, 2023, the 3G network was turned off completely.

Top Hardware: a number of 5G innovations, and the T Tablet launch

Between the top networks and top-quality services, there is another element that the customer sensitively perceives and lives with every day - the device on which they use and enjoy the individual services of Telekom.

A wide range of hardware can be found in the telecom portfolio for both fixed and mobile customers. Increasingly, the approach of the range allows customers with fixed services to gain Smartphones and other devices, and not just household devices.

New Smartphones with new technologies (5G, VoLTE, and VoWifi) are continuously introduced. 5G models are becoming cheaper, and Telekom supports them even more through its own portfolio of T Phones and even T tablets.

Other models from world manufacturers were also listed during the year. Samsung introduced its flagship Galaxy S23 series in January, and a pair of Flip5 and Fold5 folding phones in the summer. A number of Galaxy A models are widely popular - this year the A14, A34 5g, and A54 5g were listed. All three are among the TOP10 sales ranking for the whole year alongside the Galaxy S23.

Xiaomi also holds a good position in the portfolio with several models, for example: the Xiaomi Redmi Note 12 and the Redmi Note 12 Pro have both been successful. Among the best -selling brands is Motorola (the Moto E13, E32S, G13 and G14 were successful). Apple also has its fans, having introduced a range of iPhone 15 models in September, again with four variants (15, 15 Plus, 15 Pro, 15 Pro Max).

The wearables category also held a strong position and had good sales results - Samsung Galaxy Watch6, Apple Watch 9, SE 2023 and Ultra 2 smart watches, and various fitness bracelets from Xiaomi, Huawei and Honor, for instance.

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.

For fixed service customers, devices for using them are essential, therefore Telekom tries to change and enrich the offer of premium routers for an increasingly better customer Internet experience.

Top services: new portfolios, and more Wow Wi-Fi functions

The biggest new feature this year was the introduction of new mobile flat rates. Telekom narrowed down the offer to only six flat-rate plans which are named according to the needs and types of customers: Spojenie (Connection), Relax, Komplet (Complate), Perfekt (Perfect), Nekonečno (Endless) and Pro. With the exception of Connection, all flat rates already include unlimited calls and messages. At the same time, each flat-rate plan received some form of unlimited data element: two lower-tier programs can regularly activate the Always Online package (512 kbps connection), medium and higher-tier programs have unlimited data volumes. The new flat rates now have the same price with and without commitment, a bonus for commitment (extra data or a coupon for accessories) and every flat rate also has mobile TV: the higher the program, the higher the Magio TV Start variant.

In the segment of prepaid cards, Telekom strengthened the r**ange of MIXI packages** with a package of unlimited calls to all networks for €2, and in the second half of the year several MIXI packages with a validity of 30 days were added.

In the field of fixed services, Telekom introduced other innovations. On the one hand, it strengthened the Wow Wi-Fi service - which was successfully launched in the summer of 2022 with the goal of delivering an equally strong signal not only in the room in which the router is located, but in all rooms of the respective apartment or house - and even in the basement. Wow Wi-Fi is designed as a service installed by a technician who - when visiting the customer - will consider the requirements of which rooms need to be covered and based on this deploys additional devices in the customer's home or office. In the summer of 2023, the service was enriched with new functions:

- AR measurement of households or offices (the customer can more easily determine the covered area)
- Ordering services directly in the Telekom application
- Technician location tracking – customers are able to obtain information about the date and time of the technician's visit

In addition, Telekom added other options for fixed services to the Telekom application. For example, technician location tracking is available not only for Wow Wi-Fi orders, but also for the installation of other fixed services such as Internet and TV. A customer's fault can also be reported and resolved through the application. In the event of a visit by a technician in the event of a malfunction, the location of the technician can also be tracked. Another novelty is the display of local outages or planned works also directly in the application.

The new features in the fourth quarter include a traditional **Christmas special.** For the first time, Telekom offered something new under the familiar name of "Triples" - the possibility to use up to three devices for one flat rate or fixed service. The combination of two Samsung Smartphones and a Smartwatch was among the clear Christmas special bestsellers. There were also the popular “Twins" (two devices for one service or flat rate), where in addition to Samsung Galaxy Smartphones, domestic products such as T Phone and T Tablet with headphones appeared.

Another Christmas hit was the Prepaid (Predplatenka) special - where Telekom offered up to 1000 GB of data until the end of 2024 if the customer bought a new Prepaid or transferred a number from another operator.

However, the Christmas special also offered rich TV content in the form of extra content (more info in the TV chapter).

During the year, Telekom prepared several positive surprises – with the biggest one being unlimited data for flat rates which customers could use from May 26th to June 30th. Several gifts were also prepared for customers of prepaid cards, including special MIXI packages in the Advent period.

TV portfolio: New channels and exclusive cooperation

For many years, Telekom has been known for trying to bring its viewers the best available worldwide television stations full of interesting content. Telekom continued his tradition this year through the addition of new CANAL+ Action TV station intended for action lovers was added to he portfolio. Fans of European films and series produced by CANAL+, - including exclusive titles that are not available on competing channels or streaming services - will get their money's worth. In order for viewers to get to know the new CANAL+ Action channel as best as possible, Telekom made the service available to customers of lower-tier programs from M on all platforms, i.e. Magio Internet TV, Magio Sat, and Magio IPTV for free for a period of 7 weeks. CANAL+ Action was then included in the standard Magio TV L roster on all platforms.

In addition to CANAL+ Action, the television grid was enriched by two other stations with music content intended for a wide range of viewers. The international version of the American television channel MTV Live full of music videos and iConcert, a television channel that broadcasts full-length live music performances of various musical genres.

Telekom closed the end of the first quarter of 2023 with positive news when it allowed all customers who have a flat rate to activate the **Magio GO Benefit** service. Until now, this was only available at the Ideal 26 flat-rate level or Data 26, but has now become a permanent part of all flat rates, i.e. it is also available for lower-tier flat rates from Basic 12 to Ideal 24. Thanks to this benefit, customers gained access to the Magio GO Benefit service and can happily watch up to 11 channels on mobile devices for free.

In the third quarter, Magio GO Benefit was changed to **Magio TV Start** and expanded by two more levels – with Magio TV Start Plus, customers with selected flat rates can watch more than 35 TV stations, and with Magio TV Start Extra more than 50 TV stations.

The summer months brought the launch of the long-awaited news from the JOJ television portfolio. Telekom was the first operator to announce the inclusion of the JOJ Svet (World) TV station which brings to the screens documentaries in Slovak with a rich selection from renowned domestic and foreign creators. Thematically, JOJ Svet covers diverse areas such as travel, nature, history, wars, crime, and also mysteries such as UFOs and secret services. Since its launch, JOJ Svet has become part of all platforms in the basic package.

The **Spark TV station** provided further expansion of the Magio TV portfolio. The channel focuses not only on history and nature, but also on contemporary topics. Thematically, Spark TV is a documentary-discussion station that combines interesting formats from various fields and translates them into discussions on various societal topics, profiles of outstanding personalities, and philosophical conversations. This new feature became a permanent part of the M program, whereas it had previously only been available in the XL package.

At the end of the year, Telekom focused on rich content to a greater extent, as customers spend a lot of time watching TV and content during the holidays. This year, Telekom prepared a Christmas surprise in the form of several new features. The first round was the inclusion of TV stations **BBC First** (with top British film and series production) and **Dramox** (full-length theatrical performances). This was followed by the duo of channels - **Magio Krimi** (Crime) and **Magio Svet** (World), which are focused on crime content and various documentaries.

The final Christmas surprise came in the form of Magio Christmas, Magio Film, and Magio Fitness news - each of which offered their own content in the form of Christmas tales, Czechoslovak classics, and also movie hits. An absolutely new feature was the cooperation with Slovak fitness trainer Maroš Molnár and top trainers from Fitshaker - who became the face of Magio Fitness and collectively prepared a series of videos inspired by healthy lifestyles. The pre-Christmas TV portfolio was activated for free for all customers. This benefit could be freely enjoyed via the Magio TV application on mobile phones, PCs, tablets, Smart TVs, and Internet TV set-top boxes.

Another late-year innovation was the inclusion of the new **CANAL+** streaming service and its direct connection to the Magio TV application for more convenient control and viewing. Magio TV L and XL customers can thus enjoy the world of action-packed movies and series of all popular genres, as well as great sports performances for free.

The customer experience in the digital environment

The Telekom application was updated several times during the year and brought several improvements to users - be it in the system background or in the form of functional changes.

A large series of new features for the Telekom application came in the summer during the deployment of new features for Wow Wi-Fi. In the Telekom application, customers can try AR measurement of an apartment or office, order services, and even track the locations of technicians. For fixed services, the possibility of reporting a malfunction has also been added. Telekom won 1st place in an internal competition in the CX Project & Activities category precisely for monitoring and solving fixed network service failures.

Another new feature is the display of local outages and planned works directly in the application. Thanks to this information, the customer can react in time to possible outages and plan their work or leisure time so that they are affected by the temporary unavailability of services as little as possible.

To facilitate the administration and addition of services to the Magenta 1 group, the modernization of the Telekom application provided customers the opportunity to connect all products under one ID number, and likewise the native display of the group and its detail to achieve the best possible overview.

T-Biznis: Innovation from the B2B world led by 5G campus network

In addition to introducing new technological solutions, Telekom's strategy this year included the introduction of the first private 5G stand-alone network in Košice, as well as a technological partnership with the organizers of the Jasná 2024 Alpine Skiing World Cup. This year's emphasis was chiefly on maintaining and improving customer satisfaction - which Telekom has maintained at a high level for a long time. Telekom prioritizes solutions that aim to make work with various tools as efficiently as possible - such as facilitating work with devices and their management thanks to the Apple DEP service or self-management of services by end business customers through the renewed Moja-Firma portal.

Overlap of innovation also welcomed the old HoReCa segment, in which Telekom has many years of experience. Telekom has expanded its existing portfolio of services with the new Business Stream, which will be appreciated by gastro customers at all levels of management. This year, Telekom modernized mobile business flat rates and added a new T-Biznis Flex service intended for customers who need to cover different requirements for data traffic. Telekom's goal is to continuously provide services to business customers at a high level, which is why it invested hundreds of thousands of Euros in the modernization and technological improvements of its cloud services - which were reflected in the form of expanding available capacities, and even better securing of cyber security provision.

The first 5G campus network in Košice

Telekom followed up on the previous year's memorandum signed at the Košice Technical University in which both parties - Slovak Telekom and the Košice Technical University (TUKE) - declared mutual interest in the development of education and the preparation of future solutions in the field of 5G campus networks. Exactly one year after the signing of the cooperation, Telekom and partners SOVA Digital, Siemens and TUKE completed the memorandum and deployed the first Slovak private 5G SA network.

The network is a stand-alone network (SA = stand-alone) created for use in a closed ecosystem without the use of support for older technologies such as 4G. In the 5G SA network, all elements are optimized for the exclusive use of 5G technology and its autonomous operation in the designated location. In this particular case at Košice Technical University, this type of network will be used for testing and developing innovative solutions.

This type of private 5G SA network will allow companies to create their own communication ecosystems with high reliability and security, designed to provide reliable, high-speed connectivity essential for critical applications and services in industry, agriculture, energy, and other industries. Through the launch of the TUKE University 5G campus network pilot operation, students, academics and participating partners will open up new opportunities for studying and testing the use of the network of the future which will provide new technological possibilities for use in Industry 4.0. In addition, the three main partners (Slovak Telekom, Košice Technical University, and SOVA Digital) managed to obtain a two-year CEF grant for the further development of new solutions in the field of 5G and their overall implementation of innovative use cases in practice.

Customers appreciate the quality of Slovak Telekom

Based on annual measurements by an independent agency in the field of business customer satisfaction with Slovak Telekom, Telekom managed to achieve the first rank among direct telecommunications competitors. Customers appreciated the approach and the quality of the services delivered - which Telekom constantly improves and thus brings to the market beneficial innovations with which it can interest customers among the competition. Telekom won its rank not only among large B2B clients, but also in the segment of small and medium-sized enterprises which is growing every year.

New mobile flat rate portfolio

In the course of the year, Telekom introduced a new portfolio for mobile flat rates for self-employed people and small businesses (the VSE segment). The new portfolio includes six Telekom Biznis flat rates thanks to which customers will be able to stay connected and use the benefits of the latest mobile networks - including 5G. In addition, they can use premium care and - in selected flat rates - the OnNet Security solution. Each flat rate also included a certain unlimited data element - or an additional package with a speed of 512 kbps up to full speed without limits depending on the type of flat rate. Customers have personal T-Master agents available on the line, and dedicated Business Specialists take care of customers and their telecommunications services in stores. The new flat rates also include the OnNet Security cloud security service - which protects Internet access and sensitive data from leakage, allows customers to browse websites safely, and helps protect against cyber attacks for the misuse of personal, banking, and login data.

The business program portfolio has also been enriched by a new service; T Biznis Flex. This new program is intended for customers who need to cover different requirements for data traffic - whether at home or abroad. The administration of the service for the customer is provided by Slovak Telekom in a flexible manner, and suitably arranges the best combination of free minutes, SMS/MMS, and data depending on the customer's needs.

The program also includes a Virtual Private Network (VPS) which enables seamless calls within the entire company, as well as the OnNet Security cloud service which protects Internet access and sensitive data from leakage. Using the T Biznis Flex service, customers can create their own numbering plan for speed dialling, integrate mobile and landline lines, set user rights for incoming and outgoing calls, and differentiate business and private calls.

It is worth mentioning that even after using up free data, customers have continuous connectivity up to 10 Mbps. The program is offered to customers only through a framework contract and is primarily intended for large business customers, but can also be used in the small and medium-sized enterprise segment.

With the introduction of new flat rates and the T Business Flex program, new possibilities have opened up for customers with which they can take their own business to a higher level.

The Moja-Firma business portal undergoes a complete redesign

The Moja-Firma (My Company) online portal also underwent a fundamental change through which Telekom wishes to make it easier for its business customers to manage their prepaid services 24 hours a day, 7 days a week. Thanks to the new interface, customers gain access to the portal - where they can find an overview of services including consumption control and the possibility of purchasing additional data packages after data is exhausted. Customers can manage their invoices in one place, get a detailed statement for the entire billing profile, have the possibility to activate an eSIM, manage roaming packages, and find PUK codes. By launching a renewed version of the Moja-Firma portal, Telekom wishes to provide customers with simpler and clearer service management which it will regularly improve, and furthermore bring new personalization options for clients.

Telekom is an authorized provider of the Apple DEP service

Over the course of the year, Telekom deployed the Apple DEP service for business customers which is used to manage corporate Apple devices. The DEP - Device Enrolment Program (Apple DEP) service - also called "device registration", is an online service provided by Apple that allows administrators to centrally manage devices remotely in the form of a contactless configuration, facilitates the definition of user accesses and applications without mobile phones having to be physically unpacked, and then activate them. The service applies to Apple company phones that were purchased from Telekom.

With such remote administration, business customers also receive a complete overview of devices in the event of theft or loss, whilst also being able to locate, lock, or completely delete them at any time.

This service simultaneously enables the employees of the business customer to additionally use their work iPhone as a benefit for private purposes, while company data can be separated from personal data at the level of individual applications in the devices - which preserves data security and employee privacy.

Interactive Business Stream helps hoteliers improve their relationship with customers

The diversified Telekom service portfolio can serve a wide range of customers and provide innovative solutions in addition to classic services - one of which is the launch of the new **Business Stream** service which helps hotels and establishments generate revenue. This solution simplifies the management and visual presentation of interactive TVs in rooms, as well as information and image TV panels in reception areas, dining rooms, and other areas of hotels.

An additional significant benefit of Business Stream is the ability to provide legal TV content for hotel guests. With B2B rights to 68 legal TV stations, this solution holds a unique position on the Slovak market, as it allows hotels to access legal content at a high level without the need for additional suppliers or the implementation of additional hardware. This service improves the overall guest experience and at the same time contributes to raising the image and income of the respective accommodation facilities. Hotel management can thus adapt the TV content according to the needs of its guests and the current season, events, or trends.

Cyber security: not just a phrase, but a topic that needs to be continuously addressed

Slovak Telekom continuously deals with the issue of cyber security. Every year, Telekom focuses on improvement as well as increasing public awareness through various support campaigns aimed precisely at the spread of prevention and awareness. It was no different this year - when a massive communication campaign focused on the topic of cyber security across all communication platforms was carried out.

Telekom launched a pan-European awareness campaign which included the www.t-test.eu/sk website through which companies could perform a short cyber security test and find out how they stand compared to other companies in Slovakia. Customers could encounter communication services such as **Network protector, Network Security Scan, Vulnerability Scan and Vulnerability Assessment.** All the aforementioned listed services provide various forms of protection against threats caused by unwanted cyber attacks in the form of malware and phishing attacks at the DNS level, or they can monitor the state of their network, or - in cooperation with experts from Telekom - report on the detected state of the customer's network and propose measures to eliminate vulnerabilities.

SDx-type services which represent software-defined approaches to WAN networks are coming to the fore - serving to connect customer branches and private networks. The **SD-WAN**-type service operates extensive private data networks through the concept of software-defined networks (SDN) which automatically ensure the most efficient way of routing traffic FROM and TO the customer's branches and data centres. **In the field of SDx services, Slovak Telekom holds a leading position in Slovakia.**

Telekom invests hundreds of thousands of Euros into the Cloud and modernization of data centres

Over the past year, Slovak Telekom invested more than one million Euros into its information and communication technologies. Thanks to this investment, several data centres managed by Slovak Telekom were technically improved. The funds spent were dedicated to the purchase of new powerful hardware to expand the current capacities for providing cloud services, as well as technical equipment to improve protection against various cyber attacks such as ransomware, DDoS, and the like. This investment additionally included various renovations and the opening of a completely new hall for the future placement of Tier 3 servers in one of the largest data centres owned by Slovak Telekom.

Telekom becomes a Jasna 2024 World Cup technology partner

The organizers of the most prestigious FIS World Cup ski race included the Jasná ski resort on the list of events that hosted female skiers from all over the world in January 2024. The participants themselves, their organizational teams, journalists, and the spectators were taken care of by top-notch internet connectivity from Slovak Telekom under the identity of T-Biznis.

More than 78,000 square meters of the Jasná complex were covered with a fully-fledged signal. Part of the technological solution was optical connectivity with a speed of up to 10/10Gbps which connected all of the most important points in the entire areal. 26 Wi-Fi locations (14 external and 12 internal transmitters) were available for visitors to the site, and collectively provided stable connectivity for up to 26,000 devices at the same time.

In addition to the strengthened 4G signal, the state-of-the-art 5G network has also become a permanent part of the area. The deployment of the 5G network opened up the mountain slopes of Demänovská Valley to new mobile technology which provided visitors with the best connectivity – and not only during the sports weekend, as it thus became a new standard in the given location. Moreover, for the first time, the 5G network in Jasná used the full capacity of the 2100 MHz band.

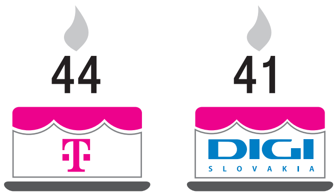
The virtual security of the race was taken care of by the special Anti-DDoS protection Network Protector and a new generation of firewalls with advanced protection against cyber threats which - in the event of a threat - was able to prevent unwanted intrusions into the network. The implemented security solution additionally contained protection systems for capturing unwanted malware and viruses, and met the highest standards required in order to maintain the race without problems defined by the organizers.

Human resources and employees

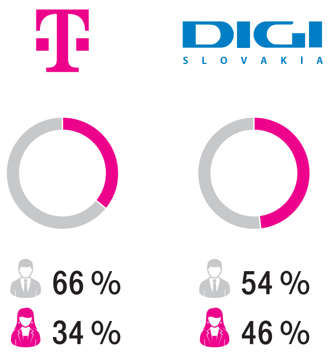
The Group in numbers

In 2023, Slovak Telekom employed 2,396 internal employees. In the respective period, subsidiaries DIGI Slovakia employed 125 internal employees.

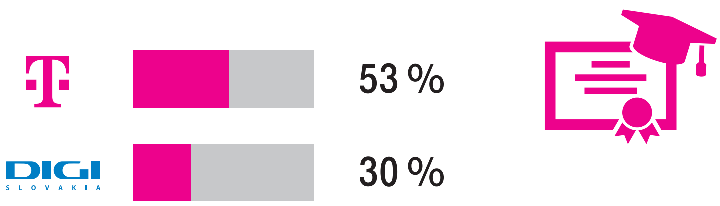
Average age of Slovak Telekom and DIGI SLOVAKIA employees in 2023



Percentage of males and females in Slovak Telekom and DIGI SLOVAKIA in 2023



Percentage of employees in Slovak Telekom and DIGI SLOVAKIA with a university degree.



The other employees had completed secondary education.

Best employer 2023

The 12th year of the prestigious Slovak poll for the most attractive employer organized by the Profesia awarded Slovak Telekom 1st place in the field of IT and telecommunications. In addition to the votes of internal employees, Telekom also scored among public votes, and the 11-member expert committee evaluated the employer branding activities very positively.

The Best Employer 2023
1st place for IT and Communication

Diversity, inclusion and equality of employees

In the area of diversity inclusion, and equal Telekom had a fruitful year. A large internal survey was carried out in which part of the public was also included in both Slovak Telekom and in Slovak society. The survey revealed that employees perceived most aspects of diversity and inclusion in the company's environment more positively than the public. This survey was followed up by a series of workshops in which discussions on this topic were conducted with employees in greater depth. Thanks to this, it was possible to define areas and proactive steps that needed to be taken in order to move forward.

The HR team also focused on supporting parents on maternity and parental leave by sending them a newsletter with news from the company. Another support area was the support of women in managerial, business and IT positions. At the same time, more intensive work is underway to support the multicultural environment and the well-being of employees.

Sharing knowledge

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

In 2023, 2,146 employees graduated from T-University and a total of 10,572 participations in all development activities were recorded.

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

- Morning Digi Talks
- AI in practice - tips for everyday use in the corporation
- AI – No way back
- The future of non-work - Leadership in the world of AI
- Financial literacy
- English Communication Club
- Emotions in communication

In the spring, under the auspices of T-University, "T-University Days" was held - the aim of which was to increase awareness of activities and also to introduce existing and new suppliers in short formats accessible to all. In the Autumn, "AI Days" were held in a similar spirit - focusing on new AI tools and their practical use in everyday life.

Deutsche Telekom group educational activities
Thanks to working in the Deutsche Telekom group, employees and managers had the opportunity to participate in very interesting international educational activities, such as the so-called Explorer Journeys - four to six weeks of guided

self-education on current topics such as Generative Ai, Cloud Basics, DevOps Basics, and The Power of Customer Centric Communication.

Just before the end of the year, there were also 2 online meetings with very interesting speakers - Kenneth Cukier (New York Times bestselling author) and Nicola Winter (German fighter pilot) on The Power of Human Intelligence and The Power of High Performing Teams.

Development program for new leaders
For the third year in a row, Telekom has systematically devoted itself to the development of its leaders, as it perceives leadership as a key element of corporate culture and employee satisfaction. In 2023, four 5-module training sessions were organized for managers who have just entered leadership positions. Almost 50 of our colleagues graduated from the program.

Talent Program
In 2023 the two-year talent program of 130 employees nominated by their managers ended. The employees were primarily educated in the field of digital mindset and taking care of their body and energy. The employees gathered experience through visits to various workplaces and agile management. A significant part of the development was based on dialogues between managers and their employees who were nominated for the program.

Of these 130 employees, a total of 23 signed up for the special T-Challengers program aimed at working on innovative projects that were implemented in the course of 2023. These were projects improving the customer experience and the improvement of internal functioning.

This talent program lasted one and a half years and brought excellent results, and furthermore significantly supported the development of employees. Its success was confirmed by positive responses from employees and managers. The program also started internal mentoring between leaders and talented individuals, and the result was a deeper mutual understanding and an emphasis on talent care - which benefits both internal and external customers.

Community building
In 2023, Telekom focused intensively on building employee communities which contribute to the creation of a positive and supportive work environment that in turn increases employee engagement and improves the performance of the entire team. In addition to the talent community, budding managers, and other communities already operating in our company such as the moderator community, the Linkedin ambassador community, the internal coach community, and the facilitator community.

Employer branding activities

A new campaign from the Deutsche Telekom workshop
The new “Who said that..?” campaign busts myths (not only) about work in the IT and ICT area, and is an adaptation of Deutsche Telekom's global "Question today, create tomorrow" campaign – the main faces of which are Telekom employees themselves. This online campaign fights against work and personality prejudices that we have become so used to in society that we often take them as facts. The campaign is ideologically connected to the #respect long-term communication platform.

Cooperation with secondary schools and universities
In 2023, intensive cooperation with selected secondary schools and universities as well as student organizations continued.

We entered into a general partnership with the Future Generation Europe organization as part of the **MiniErasmus - Experience university before applying** event. At Slovak Telekom, we welcomed dozens of students from all over Slovakia and gave them the opportunity to see a wide range of job positions and their respective duties so that they could better decide which direction to take and which university to go to. During the year, we welcomed many secondary school students to professional lectures, workshops, and excursions in Bratislava, Žilina and Košice.

We became a **UNISPACE co-working spaces** partner at the of the Bratislava Slovak Technical University Electrical Engineering and Informatics Faculty and thus created a pleasant zone for students to study, for team projects, and for relaxation.

Professional lectures and workshops, support in writing bachelor's and diploma theses, and meetings during career fairs were other opportunities for Telekom to be in contact with students everywhere. Other activities that develop the potential of talented university students include the Trainee program - thanks to which several graduates found employment at Slovak Telekom even after graduation.

In 2023, we continued our cooperation with the **AjTyvIT** (You, too in IT) association whose goal it is to motivate and support girls and women in the field of information technology. At the Slovak Telekom premises, we welcomed girls from all over Slovakia as part of the Girls day event where we prepared an interesting agile game for them through which they got to know new professions in the IT field.

Meetings with job seekers
In addition to intensive online communication on all social networks, we participated in several career fairs and events during 2023 in which we had the opportunity to discuss job opportunities in Slovak Telekom with thousands of students and people looking for new jobs.

Healthy society

On the basis of the long-term "**Zdravé Téčko**" (Healthy T) well-being strategy, a number of thematic events took place throughout the year which were focused on the protection of physical and mental health, personal development and the connection of communities. Among the biggest events were: Health Days, the Dry February challenge, but also the support of various sports activities such as: Cycling to work, the Step challenge, and preparation for the Telekom Night Run. The joint cycling challenge was a great success: the Magenta Bike Challenge - which led from Žilina to Ostrava through the heart of the Beskydy Mountains. The entire route was divided into two stages with a total length of 129 km. Priority was given to days with a specific focus on mental health, building immunity, and cancer prevention. Through T-University, employees enjoyed a lot of diverse lectures and webinars which were focused on healthy lifestyles, personality development, and health care.

Health Days were organized by Telekom in Bratislava, Žilina and Košice - where the employees could learn from a drop of blood how they are doing in terms of hemoglobin, cholesterol, triglycerides, and uric acid values, and also blood sugar. Eye examinations and vision measurements, smokerlyzer-monitor CO breath tests, examination of moles with a digital dermatoscope, massages, counselling and healthy snacks were all available. In total, more than 300 employees participated.

Over the course of the year, employees were provided with **10 well-being grants** which they could use within the team for activities supporting sports and health (playground rental, entry fees for races, and even dance lessons).

The uLekara.sk (At the Doctor’s) project was included in the Zdravé Téčko wellness program as part of the provision of above-standard health care – an application intended for online health consultations, help with ordering specialists, and spreading prevention. The application was provided free of charge to all employees and their family members. Employees and their families could continue to use free help in the psychological counselling centre and consult with psychologists about their problems.

As part of improving the health of employees, monitoring new health indicators and trends from the above-mentioned services (the most common health problems and psychological topics) and their application to the annual strategy were introduced.

Technicians working in the field were traditionally provided with sprays to protect health from insect bites and creams to protect skin from unwanted UV radiation. They could voluntarily get vaccinated against tick-borne encephalitis and hepatitis B.

Towards the end of the year, all employees received vouchers - through which they had the opportunity to purchase vitamins to support immunity. The value of the vouchers was significantly increased compared to 2022.

Slovak Telekom places emphasis on the work-life balance, and therefore provides flexible working regimes and the possibility of working from home. Over the course of the year, the head office and several other locations were gradually renovated - which fundamentally improved the standard of workplace equipment, and employees can now make more use of the healthy working environment with spaces for relaxation, exercise, organized training, and massages.

Communication

In the field of communication, the Telekom teams introduced several interesting campaigns and concepts, but as early as in February, the new Rešpekt platform set the bar for communication. Alongside this, however, various new features were presented at events, in non-traditional formats, and via original carriers.

Marketing communication

On February 13, 2023, Telekom launched the new communication platform named Rešpekt which it developed throughout the year and plans to use in the long term.

The new concept is based on respect - especially in its social dimension - where the operator feels co-responsibility, because the polarization in society is most visible precisely in the digital environment that Telekom is also building in Slovakia. At the same time, however, this is also a big commitment to customers – to bring services and products that respect their needs first and foremost. The new concept has ambitions to improve social and customer relations.

The Rešpekt platform started with a large 360° campaign featuring six personalities: Róbert Bezák, Bekim Aziri, Simona Salátová, Victor Ibara, Ivana Beláková, and Blue Grandma. Each familiar face represented one of the topics that often polarize society and even ones they themselves encountered in terms of "hate" against them. The aim of the campaign was to draw attention to negative social phenomena - especially in the digital environment - and at the same time to give the public a simple guide on how to improve it: it is enough for people to start showing more respect in discussions (not only) on the Internet.

At the end of March, a **campaign focused on Magio TV** followed, and showed another shade of respect stemming from the little things we can do for others - for example as the hero of a TV spot who inexplicably watches a soap opera until it finally is revealed that he works as a volunteer in a retirement home, where he talks over the plot of the series with his ward.

In May, a data donation campaign began for everyone with a flat rate allowing Telekom customers to use it - among other things - to help and spread good things. People were inspired by the TV spot and support activities to help Banská Štiavnica after a devastating fire, to clean up the countryside, and to donate blood.

At the beginning of the summer holidays, **Predplatenka** (Prepaid) customers were refreshed with a new tactical **MIXI** ad from a beach environment. The sympathetic barman mixed another package full of advantageous calls and free data with each MIXI package.

At the end of August, a campaign was launched for the **Wow Wi-Fi** service which introduced a new and more convenient way to order and activate it. This time, Telekom expressed respect for the time and comfort of its customers, while the TV ad was inspired by the heat of the summer of 2023.

In September, Telekom launched **new Telekom flat rates** that brought more data and "pushed the boundaries of infinity" because the operator simply respects what customers like. The campaign focused on carefree viewing of online content, which reflects the larger volume of data in flat rates.

The Christmas "Christmas Time" campaign was international in 2023, but this time it was created and covered by the Slovak MUW Saatchi & Saatchi advertising agency which has been working for Slovak Telekom for a long time. The theme of unpleasant Christmas questions resonated in the campaign, while the carol form gave the opportunity to talk about difficult topics with ease. The idea also developed the basic idea of mutual respect. Parent company Deutsche Telekom chose this concept as its international Christmas campaign for the ten European countries in which it operates. This campaign also introduced the brand's new international claim 'Connecting your world', which is an expression of its main mission.

In the product part of the campaign, promotional devices were offered for which the customer could choose another device or even two for a symbolic price of four cents each. At the same time, customers received a gift in the form of interesting television content from the world of films, Christmas films, and documentaries.

Several non-television campaigns were communicated during the year. Among the important ones is the **campaign for the improved T Phone (2023) device and the launch of telekom's own tablet called T Tablet**. In addition to product non-television campaigns, Telekom also launched several important image campaigns - the first of which was a campaign aimed at **raising awareness of the importance of donating blood** during the summer months. The campaign in cooperation with the National Transfusion Service was very successful - and was able to bring a year-on-year increase in the number of donors by 20%.

The second important campaign was the support of a long-term international concept focused on young people. The campaign called **Summer of Joy, Youth & Freedom** reminded young people to enjoy the summer months with friends and music. And music was the central motif of the entire campaign – which culminated in a large concert under the Old Bridge in Bratislava. The wild pop-up event in the heart of the capital with headliners DJ HEARTSTRING and Slovak DJs FVLCRVM, Nina Farrina and Kristie Kardio transported almost 4,000 participants back to the 90s.

The third image campaign was a reminder of the tragic shooting on Zámocká Street in 2022. Radka Trokšiarová - who was shot during the attack - spoke in an emotional video about her fear of whether her loved ones arrived home safely. The campaign message also appealed to civil society experts. In the Sexist kix competition, this video won the Kumšt without sexism award.

Awards
In 2023, Telekom scored points in creative competitions – **predominantly with the Rešpekt** campaign for which it won 1 1 **Zlatý klinec** (Golden Nail), 1 Strieborný klinec (Silver Nail), and 3 bronze ones on home soil. At the same time, Telekom won third place in the Client of the Evening category.

The most important creative award of the Rešpekt campaign was the bronze Golden Drum in the Craft category at the Portorož international advertising competition. For its media approach, the campaign received two gold awards at the Flema competition, while one of them was the most valuable - **the Grand Prix.**

Telekom was also successful in the Prokop PR competition - where it won 4 awards: two for the ENTER program and two for the launch of the Wow Wi-Fi service. With the ENTER program, Telekom also scored points in the foreign Zlatý středník competition and won 2nd place in the Telecommunications and IT category.

In the **Most trusted Internet and TV services Provider brand category**, Telekom defended its win in this competition for the sixth time in a row.

External communication

For external communication, the first big moment of the year was the launch of the new Rešpekt communication platform. For the first time, the launch took place at a joint event for journalists and employees, and also expressed mutual respect for both target groups as they met in one place – something never seen before. The launch took place in with participation of several campaign ambassadors who represented their areas of respect. Robert Bezák, Bekim Aziri, Simona Salátová, and Victor Ibara appeared on stage.

Telekom's spring press conference was focused on two aspects - the renewed recognition that Telekom has high-quality mobile networks in Slovakia which was confirmed by the independent OpenSignal company according to user measurements which called Telekom's network the most awarded in Slovakia in 11 categories (detailed link and methodology: Slovakia: Mobile Network Experience Report March 2023). The second topic was a form of thanks for customers, and the provision of unlimited data in top networks until the end of June.

In May and June, the second year of the ENTER Program culminated. In terms of communication, Telekom conceived this year in two steps. First, Telekom focused on the announcement of the finalists themselves in the form of a "nomination morning" - on Thursday, May 18th, 2023. After arriving at their schools, students and teachers could watch the stream where the nominations for the best primary and secondary schools projects were announced live. Three weeks later, the grand finale took place in which the juries selected the winners after presentations at a press conference streamed throughout Slovakia. The event took place once again at the Bratislava Aurélium educational center.

At the beginning of the summer, Slovak Telekom and partners Siemens and SOVA Digital launched the first stand-alone private 5G network in Slovakia on the grounds of the Košice Technological University. This "press conference in motion" started directly at the principle’s office, and from there the participants moved around the university grounds, always tens of meters further, to the respective stations, where intelligent assistants, forms of augmented reality, a mobile manipulator with quality control and other demonstrations were already waiting.

The summer once again belonged to new features in the field of fixed services and **Wow Wi-Fi.** The launch of this service had taken place a year previously (July 2022) directly in the Slovak Telekom building on the -3rd floor, but this time the organizers headed to the top floor for the new features - the second portion of the new Wow Wi-Fi features took place on the 16th floor with a demonstration of the new AR measurement function directly in the surrounding areas. The latest version of the Telekom application was also available - which offered new fetures such as ordering Wow Wi-Fi directly in the application and tracking technicians' locations.

The biggest press conference of the year was the introduction of new flat rates associated with the launch of new hardware from Deutsche Telekom's workshop. The presentation of the six packages took place in the form of a ceremony in **Nova Cvernovka** - where each package represented an image transformed by AI. Participating journalists and invited colleagues walked directly in the space between the six paintings which gradually revealed new flat rates. The ENTIRE portfolio was then represented by a single image combining all flat rates and requirements on one canvas. In the final room, new hardware features awaited in one place: in the hardware corner. In addition to the improved T Phone and T Phone Pro models, the new T Tablet was also premiered.

The last conference of the year was the presentation of the Christmas campaign. Since the campaign focused largely on the topic of TV and film content, it took place directly in one of the largest CINEMAX Bratislava halls. The 4K screen featured new hardware such as push campaigns, a Predplatenka (Prepaid) special, and every new format of TV content was accompanied by a trailer - be it BBC First, Dramox, and even a teaser for the exclusive content by fitness trainer Maroš Molnár.

In addition to the top topics, external communication also covered Deutsche Telekom projects such as **Summer of Joy, Youth & Freedom**, which started in Vienna with a concert by DJ Jayda G. and in Slovakia with a concert at the end of July directly on Tyršovo nábreží (Tyrša Embankment).

Throughout the year, the external communication team supported a number of other new features and topics - which included, for example: significantly higher energy prices, rising inflation, investment into 5G and optics, and various HR areas.

Responsible business

At Slovak Telekom, we believe that the role of companies in society is significant. In addition to creating jobs, supporting economic growth with our business, and helping to improve people's quality of life through our products and services, we also go further - we stand for the values on which prosperity and peace are built. And we consider the way we treat the environment and handling of resources to be no less important. Proof that we are serious about sustainability is also the fact that in March 2023, a management summit was held in which all key company managers participated and was dedicated exclusively to ESG topics, followed by a webinar for all employees.

As part of our environmental responsibility, we regularly defend certificates according to ISO 14 001standards for environmental management systems (EMS) and ISO 50 001 for the Energy management system (EnMS). Our network is powered by electricity from sustainable sources. We are modernizing and making technologies more efficient, as well as optimizing the operation of buildings - thanks to which we managed to achieve annual energy savings of 7 GWh, not to mention the implementation of measures related to the vehicle fleet and its optimization.

We don't only look inwards, but also towards our customers and digitizing. In 2023, we signed 76.1% of contracts electronically, 60.3% of supporting receipts were sent electronically. More than 80% of our customers use electronic invoicing.

In order for customers to use our services, they need opt-ins. We rent out equipment for them to use internet and television services - which in practice means that we have access to the recycling and renovation of such equipment. If the customer decides not to return such a device, they face a fine that is high enough to motivate them to change their decision. For mobile phones and tablets owned by customers, we motivate them to bring the devices to us for ecological recycling - and for each such device we donate one Euro to save the wetlands on Rye Island. We cooperate with a local partner from Námestov on recycling and renovation.

In 2023, we introduced additional measures such as returnable packaging when delivering orders, and optimized packaging by removing unnecessary plastics. It is also important for us to educate our children on the responsible approach to handling electrical waste and the circular economy. This is why we have prepared an educational course in cooperation with CEEV Živica: The Secret Life of the Mobile Phone.

In addition to building infrastructure and providing services, it is important to us that people do not remain on the margins of digital society and at the same time they are digitally literate. In 2023, we continued the ENTER program - through which we help develop the digital skills among children and seniors.

In addition to education, we provide free and discounted telecommunications connections to various non-profit organizations and people with disabilities (the hearing and the visually impaired). We introduced an online interpreter service for our stores - which we helped to develop and develop as part of the Telekom Endowment Fund at the Pontis Foundation, and thanks to which we are able to serve customers in sign language.

For 2023, more than 382,781 people in Slovakia benefited from our activities aimed at digital inclusion, and we invested €801,846 into support. In addition to digital literacy, through the Telekom Endowment Fund at the Pontis Foundation we chiefly support education and respond to current social issues. You can find detailed information about these activities at www.nadacnyfondtelekom.sk.

DIGI Slovakia

17th year on the market marked by improving service quality
DIGI Slovakia aims to bring more high-quality content while maintaining the accessible basic program price. Each year, DIGI Slovakia brings more value to customers in the form of new exclusive content and the introduction of new TV channels in order to achieve increasing customer satisfaction.

Non-binding services
DIGI Slovakia continues to sell non-binding services. For customers who want to avoid initial fees for the establishment of the service, DIGI Slovakia provides a bonus and a self-installation option.

Expanding the television portfolio
In 2023, the range expanded to include new television programs such as Canal+ Action, JOJ Svet (World), TV Spark and Premier Sport 4.

The most sport on DIGI
In 2023, DIGI SLOVAKIA continued to deliver channels providing hundreds of football broadcasts from the best leagues in the world. Customers could watch the Champions League, the English Premier League, the Spanish La Liga, the German Bundesliga, and the Italian Serie A on the exclusive sports channels Premier Sport, Canal+ Sport, and Nova Sport.

In addition to football, viewers could also watch attractive tennis broadcasts, UFC combat sports, cycling, skiing, the NFL, and many other sports events. A new feature was the possibility to watch the OKTAGON tournaments of the largest Czech-Slovak mixed martial arts organization in the Czech Republic and Slovakia on the new PREMIER SPORT 4 channel.

Additional DIGI GO and TV Archive services
DIGI SLOVAKIA continues to provide customers with the DIGI GO application - thanks to which they have popular programs available on mobile phones and tablets.

DIGI Slovakia operates an additional TV Archive service which allows customers to watch programs on selected TV channels that had been broadcast up to 7 days prior.

VOYO
DIGI SLOVAKIA provided its customers with the Voyo Start benefit - which offers free viewing of five videos from selected Voyo content every 30 days. There is also the option of paid activation of the full version of Voyo.

Social responsibility

In 2023, DIGI SLOVAKIA once again supported the mountain film festival: Hory a mesto (Mountains and the City).

Annual report notes

Research and development activity costs
The Slovak Telekom Group did not have any research and development costs last year.

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 2023 will be decided at the general meeting, which was scheduled for April 2024.
Events after balance sheet closing day are included in financial statements which are attached to this annual report.

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 2023

Contents

Independent Auditor's Report

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Register of the City Court Bratislava III
Section Sro, File 4444/B
Company ID: 31 343 414
VAT ID: SK2020325516

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 2023, 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 2023, 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.

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 2023 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, 25 March 2024

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

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

Consolidated Income Statement

for the year ended 31 December

thousands of EUR	Notes	2023	2022
Revenue from contracts with customers	4	828,811	810,585
Other operating income	5	17,772	15,924
Staff costs	6	(128,529)	(129,025)
Material and equipment		(118,539)	(103,004)
Depreciation, amortisation and impairment losses	11, 12, 13	(172,170)	(167,459)
Interconnection fees and other telecommunication services		(47,287)	(51,403)
Net impairment losses on financial and contract assets	15,16	(3,807)	(13,780)
Own work capitalised	6	13,531	14,725
Other operating costs	7	(187,027)	(175,795)
Operating profit		202,755	200,768
Financial income	8	3,732	1,973
Financial expense	9	(4,049)	(2,989)
Net financial result		(317)	(1,016)
Profit before tax		202,438	199,752
Income tax expense	10	(51,954)	(42,302)
Profit for the year		150,484	157,450
Profit is attributable to			
Owner of Slovak Telekom, a.s.		151,034	154,922
Non-controlling interests		(550)	2,528
Profit for the year		150,484	157,450

The consolidated financial statements on pages 31 to 79 were authorised for issue on behalf of the Board of Directors of the Group on 8 March 2024 and signed on their behalf by:

Armin Sumesgutner
Chairman of the Board of Directors

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	2023	2022
Profit for the year		150,484	157,450
Other comprehensive income / (expense)			
(Loss) / gain on remeasurement of defined benefit plans	23	(1,549)	2,975
Deferred tax income / (expense)	10	325	(625)
Other comprehensive (loss) / gain not to be reclassified to profit or loss in subsequent years, net of tax		(1,224)	2,350
Other comprehensive (loss) / gain for the year, net of tax		(1,224)	2,350
Total comprehensive income for the year, net of tax		149,260	159,800
Total comprehensive income for the period is attributable to:			
Owners of Slovak Telekom, a.s.		149,810	157,272
Non-controlling interests		(550)	2,528
		149,260	159,800

Consolidated Statement of Financial Position

thousands of EUR	Notes	31.12.2023	31.12.2022
ASSETS			
Non-current assets			
Intangible assets	11	332,610	344,938
Property and equipment	12	821,473	804,396
Right-of-use assets	13	93,552	85,362
Deferred tax	10	2,058	4,114
Other receivables	15	18,495	14,564
Contract assets	16	7,990	6,682
Contract costs	16	15,520	6,532
Prepaid expenses and other assets	17	11,177	11,237
		1,302,875	1,277,825
Current assets			
Inventories	18	23,752	29,772
Term deposits	19	-	900
Loans	20	90,000	140,000
Trade and other receivables	15	175,360	149,022
Contract assets	16	19,968	20,249
Contract costs	16	16,749	17,110
Current income tax receivable		240	-
Prepaid expenses and other assets	17	9,059	11,274
Cash and cash equivalents	21	72,863	56,658
		407,991	424,985
TOTAL ASSETS		1,710,866	1,702,810
EQUITY AND LIABILITIES			
Shareholders' equity			
Issued capital	22	864,113	864,113
Statutory reserve fund	22	172,823	172,823
Other		(1,171)	67
Retained earnings and profit for the year		206,867	204,189
Capital and reserves attributable to owners of Slovak Telekom, a.s.		1,242,631	1,241,192
Non-controlling interests		-	10,250
Total equity		1,242,631	1,251,442
Non-current liabilities			
Deferred tax liability	10	52,544	55,847
Lease liabilities	25	77,820	69,208
Provisions	23	35,215	35,765
Other payables	24	20,750	20,732
Contract liabilities	16	31,949	30,344
		218,278	211,896
Current liabilities			
Provisions	23	27,535	22,240
Trade and other payables	24	138,933	129,339
Contract liabilities	16	32,128	34,413
Other liabilities	27	35,247	34,733
Lease liabilities	25	14,908	14,362
Current income tax liabilities		1,206	4,385
		249,957	239,472
Total liabilities		468,235	451,368
TOTAL EQUITY AND LIABILITIES		1,710,866	1,702,810

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 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
Year ended 31 December 2023								
As at 1 January 2023		864,113	172,823	67	204,189	1,241,192	10,250	1,251,442
Profit for the year		-	-	-	151,034	151,034	(550)	150,484
Other comprehensive income		-	-	(1,224)	-	(1,224)	-	(1,224)
Total comprehensive income		-	-	(1,224)	151 034	149,810	(550)	149,260
Transactions with shareholder:								
Other changes in equity		-	-	(15)	-	(15)	-	(15)
Disposal of non-controlling interest		-	-	-	-	-	(4,153)	(4,153)
Dividends	22		-	-	(148,356)	(148,356)	(5,547)	(153,903)
At 31 December 2023		864,113	172,823	(1,172)	206,867	1,242,631	-	1,242,631

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

Consolidated Statement of Cash flows

for the year ended 31 December

thousands of EUR	Notes	2023	2022
Operating activities			
Profit before tax		202,438	199,752
Depreciation, amortisation and impairment losses	11, 12, 13	172,170	167,459
Interest expense, net		318	2,508
(Gain) / loss on disposal of intangible assets and property and equipment	5, 7	(1,019)	443
Gain on disposal of subsidiary	1, 5	(3,825)	(6,456)
Other non-cash items		2,318	10,146
Change in provisions	23	689	4,418
Change in trade receivables and other assets		(43,779)	(15,440)
Change in inventories		3,613	(5,868)
Change in trade payables and other liabilities		14,745	14,198
Cash from operating activities		347,668	371,160
Income taxes paid		(58,483)	(51,452)
Net cash from operating activities		289,185	319,708
Investing activities			
Purchase of intangible assets and property and equipment	11, 12, 28	(147,870)	(161,061)
Proceeds from disposal of intangible assets and property and equipment		4,460	3,079
Proceeds from disposal of subsidiary	1	6,127	10,739
Disbursement of loans		(98,000)	(140,000)
Repayment of loans		148,000	152,000
Net cash from cash pooling	15	(2,856)	4,423
Acquisition of term deposits		-	(100)
Termination of term deposits		900	-
Interest received		3,021	405
Other cash (paid for) / from investing activities		(14)	619
Net cash used in investing activities		(86,232)	(129,896)
Financing activities			
Dividends paid	22	(148,356)	(143,529)
Repayment of financial liabilities	28	(14,853)	(15,798)
Repayment of principal portion of lease liabilities		(15,481)	(16,152)
Interest paid		(2,847)	(2,348)
Dividends paid to non-controlling interests	1	(5,330)	-
Other cash from financing activities		134	-
Net cash used in financing activities		(186,733)	(177,827)
Effect of exchange rate changes on cash and cash equivalents		(15)	(28)
Net increase in cash and cash equivalents		16,205	11,957
Cash and cash equivalents at 1 January	21	56,658	44,701
Cash and cash equivalents at 31 December	21	72,863	56,658

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

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. The Company is registered with the Business Register of the Municipal Court Bratislava III, section Sa, insert No.: 2081/B. For shareholders overview of the Company refer to Note 22.

Slovak Telekom is the largest Slovak multimedia operator providing its products and services under the Telekom brand via fixed and mobile networks. In terms of fixed networks the Company is the largest optical fibre and metallic cable broadband internet provider in the country (FTTX, ADSL and VDSL), providing digital television through state-of-the-art IPTV and DVB-S2 satellite technology. In the field of mobile communications the Company provides internet connectivity via several high-speed data transmission technologies namely 2G (GPRS/EDGE), 4G (LTE, LTE-CA) and 5G. Slovak Telekom's customers receive roaming services in mobile operator networks in destinations all over the world. Slovak Telekom is considered the leader in the provision of telecommunication services to the most demanding segment of business customers, both in terms of the respective range of services as well as in terms of quality.

Slovak Telekom provides services via authorisations for strong portfolio of radio frequencies: the LTE licence (bands 800 MHz and 2600 MHz) valid until 31 December 2028, authorisation for the provision of mobile services on 900 MHz and 1800 MHz frequency bands, which is valid up to 31 December 2025, and the UMTS licence for 2100 MHz frequency band (including the 28/29 GHz frequency band for backhaul connections), which is valid up to 31 August 2026. Additionally, Slovak Telekom has the authorisation to use the 3700 MHz frequency band in Bratislava, valid until 31 December 2024. At the end of 2020, Telekom has acquired the authorisation for 700 MHz frequency band, valid until 31 December 2040. In May 2022, Slovak Telekom has obtained the authorisation to use the 3700–3800 MHz frequency band, valid from 1.9.2025 until 31.12.2045.

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

Name and registered office	Activity	Share and voting rights 31.12.2023	Share and voting rights 31.12.2022
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") 2022: Bajkalská 28, 821 09 Bratislava	IT services, applications and business solutions	-	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 consolidated 100% of PosAm and presented 49% of equity interest in PosAm as non-controlling interests. The business combination's agreement contained the put & call options which, if triggered, might result in the transfer of the residual 49% equity interest in PosAm to Slovak Telekom. The Group concluded that terms of the transaction represented a contractual obligation to purchase the Group's equity instrument and as such, the Group recognised the financial liability from put option in the fair value, i.e. present value of the redemption amount (Note 24). The put option obligation was presented in current liabilities as the put option could be exercised on demand.

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

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

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

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 was 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 at 31 December 2022 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 in 2022 comparatives 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 2023

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

Members:
- Peter Vražda (since 20.03.2023)
- Martin Švec (since 02.10.2020)
- Denisa Herdová (until 19.03.2023)

Audit committee

Members:
- Vladimir Lucev (since 01.03.2024)
- Daniela Bujic (since 11.10.2021)
- Martin Švec (since 20.03.2023)
- Denisa Herdová (until 19.03.2023)
- Martin Renner (until 31.05.2023)
- Marc Engroff (until 31.12.2023)

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

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

2. Accounting policies

The principal accounting policies adopted in the preparation of these 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 2.20.

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	5 to 23 years
Content licences	1 to 4 years
Customer relationships	8 to 15 years

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

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

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

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

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

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

The Group recognizes the content licences as an intangible assets if it is highly probable that the content will be delivered, contract duration is longer than one year and the cost are determined or determinable. Acquired content licences are recognised at acquisition cost. If there is no fixed price defined in the contract, the Group uses best estimate to assess the fee during the contracted period. The useful lives of content licences are based on the underlying agreements and are amortised on a straight-line basis over the period from availability for commercial use until the end of the licence term which is granted to the Group. Content contracts which do not meet the criteria for capitalization are expensed and presented in 'other operating costs' in the 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 2023 and 2022 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 provided to related parties. Where the expected lifetime of an asset is less than 12 months, expected losses are measured at its expected lifetime. Currently the loans are in Stage 1. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. ECLs for loans were assessed but not booked as they are not material.

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

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 2023. 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 upon the delivery of services and products and customer's acceptance. Revenue from rendering of services and from sales of equipment is shown net of value added tax and discounts. Revenue is measured at the amount of transaction price that is allocated to the performance obligation.

The Group recognises revenue as follows:

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

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

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

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

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

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

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

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

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

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

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

The Group typically satisfied its performance obligations at the point in time (mainly sales of equipment) and over time (services). The Group is not aware of any unusual payment terms. Payments are typically due within 14 days. Revenue from sales of equipment is recognised when control of that equipment is transferred to a customer and when the equipment delivery and installation is completed. Completion of an installation is a prerequisite for transfer of control on such equipment where installation is not simple in nature and functionally constitutes a significant component of the sale.

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

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

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

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

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

2.16 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 2023, the levy of 4.356% per annum (2022: 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 2023 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	2023	2024	2025	2026	2027 and after
Non-current assets	(3,017)	(4,210)	(3,555)	2,807	7,975

Customer relationships
The Group maintains record of customer relationships obtained during the acquisition of control of DIGI (Note 11) and regularly evaluates appropriateness of useful lives used to amortise these intangible assets on the basis of churn of customers acquired through the business combinations. No changes to useful lives were necessary in 2023 and 2022.

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 1 to 33 years at 31 December 2023.

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 1,699 thousand (2022: increase by EUR 1,836 thousand). If the inflation rate increased by 0.5%, it would cause an increase of asset retirement obligation by EUR 1,242 thousand (2022: increase by EUR 1,422 thousand). If the risk-adjusted, pre-tax discount rate increased by 0.5%, it would cause a decrease of asset retirement obligation by EUR 1,141 thousand (2022: decrease by EUR 1,307 thousand). If the amounts necessary to settle future obligations increased by 10%, it would cause an increase of asset retirement obligation by EUR 2,489 thousand (2022: increase by EUR 2,517 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 5,707 thousand (2022: EUR 6,990 thousand). If the expected lease term was prolonged by 10 years (from 20 years to 30 years) it would cause an increase in the lease liability by EUR 9,135 thousand (2022: EUR 10,399 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 8,007 thousand (2022: EUR 6,859 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 11,351 thousand (2022: EUR 8,010 thousand). Assumed calculation is prepared on the basis of the subsequent extension of initial lease term after it's expiry by 10 years.

2.20 Adoption of IFRS during the year

Standards, interpretations and amendments to published standards effective for the Group's accounting period beginning on 1 January 2023

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2023:

a) Insurance Contracts – IFRS 17
b) Definition of Accounting Estimates– Amendments to IAS 8
c) Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2
d) Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12
e) International Tax Reform—Pillar Two Model Rules – Amendments to IAS 12

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

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

3. Financial risk management

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

The Group's financial instruments include cash and cash equivalents, intra-group loans, 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 spot and foreign exchange fixed-term financial contracts to hedge these uncommitted net exposures (Note 19).

Short-term cash flow forecasts are prepared on a rolling basis to quantify the 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	31.12.2023	31.12.2022	31.12.2023	31.12.2022
	USD	USD	CZK	CZK
Monetary assets	353	405	366	358
Monetary liabilities	(689)	(341)	(4,889)	(12,208)
	(336)	64	(4,523)	(11,850)

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		2023	2022
Profit after tax	Depreciation of USD by 10 %	24	(5)
	Appreciation of USD by 10 %	(24)	5

thousands of EUR		2023	2022
Profit after tax	Depreciation of CZK by 10 %	14	39
	Appreciation of CZK by 10 %	(14)	(39)

3.1.2 Interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group entered into a Master agreement on Upstream loans with DTAG in October 2008 based on which the Group can provide loans to DTAG. Currently, there is outstanding loan in amount of EUR 90,000 thousand (2022: EUR 140,000 thousand) at fixed interest rate (Note 20). There are no term deposits concluded with fixed interest rate in banks outstanding at 31 December 2023 (2022: EUR 900 thousand) (Note 19). The Group has no material financial instruments with variable interest rates as at 31 December 2023.

3.1.3 Other price risk

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

3.2 Credit risk

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

The Group is exposed to credit risk from its operating activities and certain 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 90,000 thousand (2022: EUR 140,000 thousand) provided to DTAG (Germany) and trade receivables from DTAG and other entities in DT Group in amount of EUR 38,638 thousand (2022: EUR 31,213 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 91% and 6% (2022: 40% and 37%).

For credit ratings see the following tables:

thousands of EUR	31.12.2023	31.12.2022
Term deposits (Note 19)		
A2	-	900
	-	900

thousands of EUR	31.12.2023	31.12.2022
Loans (Note 20)		
Baa1	90,000	140,000
	90,000	140,000

thousands of EUR	31.12.2023	31.12.2022
Cash and cash equivalents (Note 21)		
A2	71,174	53,466
Aa3	1,550	3,117
Not rated	139	75
	72,863	56,658

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

The Group establishes an allowance for impairment that represents its estimate of expected credit losses in respect of trade, other receivables and contract assets. Cash and cash equivalents and intercompany receivables are also subject to the impairment requirements of IFRS 9, however, the identified impairment loss determined based on probability of default would be immaterial. The receivables from the DTAG group do not give rise to a significant credit risk. The Group has considered the financial performance, external debt and future cash flows of the related parties and concluded that the credit risk relating to these receivables is limited and consequently the probability of default relating to these balances is low.

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

In respect of financial assets, which comprise cash and cash equivalents, intra-group loans, 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 2023							
Trade and other receivables	174,686	9,548	3,377	1,858	1,399	2,987	193,855
Allowance for receivables	(8,527)	(1,097)	(1,927)	(2,546)	(4,728)	(15,243)	(34,068)

		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)

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 2023	2 %	13 %	40 %	63 %	74 %	92 %	100 %
At 31 December 2022	2 %	13 %	40 %	63 %	74 %	92 %	100 %

No significant individually assessed trade receivables were included in the loss allowance in 2023 or 2022.

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 considered to be low:

thousands of EUR	31.12.2023	31.12.2022
Cash and cash equivalents	72,863	56,658
Cash pooling receivable (included in Trade and other receivables)	19,747	16,915
Loans	90,000	140,000
	182,610	213,573

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 2023					
Trade and other payables	7,571	127,251	4,110	20,751	159,683
At 31 December 2022					
Trade and other payables	7,464	113,374	8,501	20,732	150,071

For maturity of lease liabilities refer to Note 25. Trade and other payables, which are past due as at 31 December 2023, are in amount of EUR 5,962 thousand (out of which EUR 5,914 thousand are Trade and other payables past due not more than 30 days). Trade and other payables, which were past due as at 31 December 2022, were in amount of EUR 6,864 thousand (out of which EUR 6,494 thousand were Trade and other payables past due not more than 30 days.)

3.3.1 Offsetting financial assets and liabilities

The following financial assets and liabilities are subject to offsetting:

thousands of EUR	Gross amounts	Offsetting	Net amounts
At 31 December 2023			
Current financial assets – Trade receivables	4,307	(2,985)	1,322
Current financial liabilities – Trade payables	4,212	(2,985)	1,227
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

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 2023.

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 1,242,631 thousand at 31 December 2023 (2022: EUR 1,251,442 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 2023 and 2022 other than measurement of financial liability from put option. Financial liability from put option at 31 December 2022 in amount of EUR 5,000 thousand was measured based on contract terms and its fair value was equal 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 2023 and 2022.

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	31.12.2023	31.12.2022
ASSETS		
Financial assets at amortised cost		
Trade and other receivables (Note 15)	193,855	163,586
Term deposits (Note 19)	-	900
Loans (Note 20)	90,000	140,000
Cash and cash equivalents (Note 21)	72,863	56,658
LIABILITIES		
Financial liabilities at amortised cost		
Trade and other payables (Note 24) – other than those at fair value through profit or loss	159,683	145,071
Lease liabilities (Note 25)	92,728	83,570
Financial liabilities at fair value through profit or loss		
Trade and other payables (Note 24) – Financial liability from put option	-	5,000

4. Revenue from contracts with customers

thousands of EUR	2023	2022
Fixed network revenue	314,837	310,345
Mobile network revenue	330,737	318,684
Terminal equipment	128,042	112,518
System solutions / IT	49,582	64,828
Other	5,613	4,210
	828,811	810,585

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	2023	2022
Gain on disposal of property and equipment and intangible assets, net	1,019	-
Gain from material sold	232	97
Gain on disposal of subsidiary (Note 1)	3,825	6,456
Reversal of impairment of property and equipment (Note 11, 12, 13)	3,200	2,320
Income from reinvoicing of services	5,827	4,698
Other	3,669	2,353
	17,772	15,924

6. Staff costs

thousands of EUR	2023	2022
Wages and salaries	97,641	97,761
Defined contribution pension costs	13,604	13,611
Other social security contributions	17,284	17,653
	128,529	129,025

	2023	2022
Number of employees at year end	2,521	2,909
Average number of employees during the year	2,561	3,033

Majority of own work capitalized in amount of EUR 13,531 thousand (2022: EUR 14,725 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	2023	2022
Repairs and maintenance	15,166	14,234
Loss on disposal of property and equipment and intangible assets, net	-	443
Marketing costs	15,088	14,664
Energy	36,596	15,189
Printing and postage	3,408	3,869
Logistics	3,316	3,450
Rentals and leases (not in scope of IFRS 16)	1,770	1,120
IT services	8,736	9,200
Dealer commissions	18,402	22,890
Recurring frequency and other fees to Regulatory Authority	3,053	3,984
Content fees	28,882	27,605
Legal and regulatory claims (Note 32)	257	1,349
Property related costs	2,627	2,333
Consultancy	1,718	4,106
Services related to delivery of solutions for customers	28,877	33,096
Fees paid to group companies	6,821	6,065
Other	12,310	12,198
	187,027	175,795

8. Financial income

thousands of EUR	2023	2022
Interest income	3,732	481
Remeasurement of put option liability	-	1,000
Foreign exchange gains, net	-	492
	3,732	1,973

9. Financial expense

thousands of EUR	2023	2022
Interest expense from lease	2,836	2,277
Other interest expense	1,213	712
	4,049	2,989

10. Taxation

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

thousands of EUR	2023	2022
Current tax expense	47,304	48,996
Current tax expense of prior periods	(17)	(1,385)
Deferred tax income	(3,110)	(11,685)
Levy on regulated industries	7,123	6,494
Levy on regulated industries of prior years	654	(118)
Income tax expense reported in the income statement	51,954	42,302

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	2023	2022
Profit before income tax	202,438	199,752
Income tax calculated at the statutory rate of 21% (2022: 21%)	42,512	41,948
Effect of non-taxable income and tax non-deductible expenses:		
Cost related to legal and regulatory claims	50	302
Other tax non-deductible items, net	241	(3,512)
Gain from disposal of subsidiary	1,391	(1,427)
Tax charge in respect of prior years	(17)	(1,503)
Levy on regulated industries	7,777	6,494
Income tax at the effective tax rate of 26% (2022: 21%)	51,954	42,302

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

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

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)

Deferred tax asset of EUR 2,058 thousand (2022: EUR 4,114 thousand) is recognised in respect of subsidiary DIGI and deferred tax liability of EUR 51,259 thousand (2022: 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	31.12.2023	31.12.2022
Deferred tax asset to be settled within 12 months	2,088	2,131
Deferred tax asset to be settled after more than 12 months	-	2,076
Deferred tax liability to be settled after more than 12 months	(30)	(93)
Net deferred tax asset	2,058	4,114

thousands of EUR	31.12.2023	31.12.2022
Deferred tax asset to be settled within 12 months	20,367	18,613
Deferred tax asset to be settled after more than 12 months	25,294	23,318
Deferred tax liability to be settled within 12 months	(7,402)	(7,331)
Deferred tax liability to be settled after more than 12 months	(90,803)	(90,447)
Net deferred tax liability	(52,544)	(55,847)

The Slovak Republic has implemented legislation to ensure global minimum taxation in accordance with Pillar II of the OECD and the corresponding EU Directive. The Slovak legislation was adopted in December 2023. However, the legislation would be applicable from 2024. Therefore, no minimum tax is due at the balance sheet date. In addition, the Group applies the exemption from the recognition of deferred taxes related to the global minimum tax.

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

Customer relationships were recognised at acquisition of subsidiary DIGI with total net book value at 31 December 2023 of EUR 9,115 thousand (2022: EUR 11,068 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 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

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

Property and equipment, excluding motor vehicles, is locally insured to a limit of EUR 25,000 thousand (2022: EUR 25,000 thousand). Any loss exceeding local limit is insured by DTAG Global Insurance Program up to EUR 725,000 thousand (2022: 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 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

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 2023 and at 31 December 2022.

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

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 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

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	31.12.2023	31.12.2022
T-Mobile	73,313	73,313
DIGI	28,621	28,621
PosAm	-	4,559
	101,934	106,493

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 (2022: 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 5.83% (2022: 5.53%). 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

The recoverable amounts of the cash-generating units were determined using cash flows projections based on the three-year (2022: 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 three/four-year period were extrapolated using a 1.00% growth rate (2022: 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:

	2023	2022
DIGI (TV business)	7.28 %	7.04 %
PosAm (IT solutions business)	-	7.87 %

Further key assumptions on which management has based its determination of the recoverable amounts of the cash-generating units include the development of revenue, customer acquisition and retention costs, capital expenditures and market share, which are based on past performance and management's expectations for the future. Input parameters used to determine the recoverable amount are classified in Level 3 in accordance with IFRS 13. The recoverable amounts of the cash-generating units based on value in use calculation exceeded their carrying amounts in 2023 and 2022. If the Group in 2023 used the growth rate lower by 0.5% with all other parameters unchanged, the carrying amount of cash-generating unit would exceed its recoverable amount by EUR 505 thousand. If the Group in 2023 used the discount rate higher by 0.5% with all other parameters unchanged, carrying amount of cash-generating unit would exceed its recoverable amount by EUR 910 thousand. Management believes that any reasonably possible change in the key assumptions in 2022 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	31.12.2023	31.12.2022
Non-current		
Receivables from instalment sale	18,040	13,516
Finance lease receivables	455	1,048
	18,495	14,564
Current		
Trade receivables	150,925	125,666
Cash pooling receivable	19,747	16,915
Other receivables	4,512	3,930
Finance lease receivables	176	2,511
	175,360	149,022

Trade receivables are net of an allowance of EUR 34,068 thousand (2022: EUR 34,881 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 1,672 thousand higher (2022: EUR 1,381 thousand).

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

thousands of EUR	2023	2022
At 1 January	34,881	30,147
Charge for the year, net	4,009	11,646
Utilised	(4,822)	(6,912)
At 31 December	34,068	34,881

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	31.12.2023	31.12.2022
Non-current assets		
Contract assets	8,879	8,703
Loss allowance	(889)	(2,021)
	7,990	6,682
Contract costs	15,520	6,532
	15,520	6,532
Current assets		
Contract assets	22,631	23,189
Loss allowance	(2,663)	(2,940)
	19,968	20,249
Contract costs	16,749	17,110
	16,749	17,110

Non-current liabilities		
Contract liabilities	31,949	30,344
	31,949	30,344
Current liabilities		
Contract liabilities	32,128	34,413
	32,128	34,413

Revenue recognised in the reporting year that was included in the contract liability balance at the beginning of the year amounted to EUR 29,595 thousand (2022: EUR 28,948 thousand).

Transaction price allocated to the performance obligations that are unsatisfied as of the end of reporting year amounted to EUR 364,330 thousand (2022: EUR 352,732 thousand). Management expects that the transaction price allocated to the unsatisfied contracts as of 31 December 2023 will be recognised as revenue as follows: EUR 275,202 thousand during first year; EUR 86,952 thousand during second year and EUR 2,176 thousand during third-sixth year (2022: EUR 278,813 thousand during first year; EUR 72,662 thousand during second year and EUR 1,257 thousand during third-fifth year).

Wages and salaries include also amortisation of costs to obtain a contract with customer in the amount EUR 1,895 thousand (2022: EUR 2,055 thousand) (Note 6).

Dealers commission includes also amortisation of costs to obtain a contract with customer in the amount EUR 22,094 thousand (2022: EUR 20,392 thousand) (Note 7).

The Group changed amortization period for acquisition commissions based on updated estimate of customers lifetime from 24 to 48 months in year 2023. Change of estimated lifetime of customer contracts resulted in decrease of costs in amount of EUR 6,117 thousand.

17. Prepaid expenses and other assets

thousands of EUR	31.12.2023	31.12.2022
Non-current		
Other prepaid expenses	11,177	11,237
	11,177	11,237
Current		
Other prepaid expenses	3,257	6,907
Advance payments	5,760	4,310
Other assets	42	57
	9,059	11,274

18. Inventories

thousands of EUR	31.12.2023	31.12.2022
Materials	7,610	8,945
Goods	16,142	20,827
	23,752	29,772

Inventories are net of an allowance of EUR 3,153 thousand (2022: EUR 2,055 thousand). The write-down of inventories in the amount of EUR 1,969 thousand (2022: EUR 907 thousand) was recognised in cost of material and equipment.

19. Term deposits

thousands of EUR	31.12.2023	31.12.2022
Term deposits in banks	-	900
	-	900

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	31.12.2023	31.12.2022
Loans to Deutsche Telekom AG	90,000	140,000
	90,000	140,000

The loans granted to Deutsche Telekom AG were not secured. Loans outstanding at 31 December 2023 were provided in July and December 2023 and were repayable in January and February 2024 (2022: provided in December 2022, repayable in January 2023). For credit ratings see Note 3.2.

21. Cash and cash equivalents

thousands of EUR	31.12.2023	31.12.2022
Cash and cash equivalents	72,863	56,658
	72,863	56,658

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 2023, Slovak Telekom had authorised and issued 86,411,300 ordinary shares (2022: 86,411,300) with a par value of EUR 10.00 per share (2022: 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 2022 were authorised for issue on behalf of the Board of Directors of Slovak Telekom on 14 March 2023.

On 25 April 2023 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 148,356 thousand (2022: EUR 143,529 thousand) were paid in May 2023, which amounted to EUR 1.72 per share (2022: EUR 1.66 per share).

Approval of the 2023 profit distribution will take place at the Annual General Meeting scheduled for April 2024.

23. Provisions

thousands of EUR	Legal and regulatory claims (Note 31)	Asset retirement obligation	Termination benefits	Employee benefits	Other	Total
At 1 January 2023	10,923	25,179	4,141	9,354	8,408	58,005
Arising during the year	1,710	1,357	5,570	2,077	2,960	13,674
Utilised	-	(10)	(3,782)	(41)	(896)	(4,729)
Reversals	(356)	(2,440)	(359)	(1,263)	(932)	(5,350)
Sale of subsidiary	-	-	-	-	(53)	(53)
Interest impact	-	807	-	379	17	1,203
At 31 December 2023	12,277	24,893	5,570	10,506	9,504	62,750
Non-current	-	23,765	-	10,506	944	35,215
Current	12,277	1,128	5,570	-	8,560	27,535
	12,277	24,893	5,570	10,506	9,504	62,750

thousands of EUR	31.12.2023	31.12.2022
Non-current	35,215	35,765
Current	27,535	22,240
	62,750	58,005

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 190 employees in 2023 (2022: 259 employees). The Group expects a further headcount reduction of 280 employees in 2024 as a result of an ongoing restructuring program. A detailed formal plan that specifies the number of staff involved and their locations and functions was defined and authorised by management and announced to the trade unions. The amount of compensation to be paid for terminating employment was calculated by reference to the collective agreement. The termination payments are expected to be paid within twelve months of the statement of financial position date and are recognised in full in the current period. In 2023 the Group recognised an expense resulting from termination benefits in amount of EUR 3,816 thousand (2022: EUR 5,237 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 2023	9,133	221	9,354
Current service cost	506	19	525
Interest cost	371	8	379
Benefits paid	(12)	(29)	(41)
Remeasurement of defined benefit plans	1,549	3	1,552
Curtailment gain	(1,263)	-	(1,263)
At 31 December 2023	10,284	222	10,506

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

Remeasurement of defined benefit plans related to retirement benefits in amount of EUR 1,549 thousand consists of change in financial assumptions in amount of EUR 666 thousand, change in demographic assumptions in amount of EUR 520 thousand and change in experience adjustments in amount of EUR 363 thousand.

The curtailment gain in amount of EUR 1,263 thousand resulted mainly from a reduction in the number of participants covered by the retirement plan that occurred in 2023 or was announced for 2024. There were no special events causing any new past service cost during 2023 other than the curtailment mentioned above.

Principal actuarial assumptions used in determining the defined benefit obligation and the curtailment effect in 2023 include the discount rate of 3.46% (2022: 4.13%). The expected expense for 2023 has been determined based on the discount rate as at the beginning of the accounting year of 4.13% (2022: 1.14%). Average retirement age is 63 years and 2 months (2022: 63 years and 2 months). The expected growth of nominal wages over the long term is 2.0% (2022: 2.0%). The remaining weighted average duration of the defined benefit obligation is 10.1 years (2022: 9.8 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 2023 and 2022 is as follows:

thousands of EUR	(Decrease) / increase of employee benefits provision	
	31.12.2023	31.12.2022
Change of actuarial assumption:		
Discount rate change +100 bp / -100 bp	(971) / 1,132	(832) / 958
Salary change +0.50 % / -0.50 %	549 / (513)	472 / (441)

24. Trade and other payables

thousands of EUR	31.12.2023	31.12.2022
Non-current		
Financial liabilities for capitalised content licences	544	1,654
Financial liabilities for frequency licences	20,070	19,078
Other payables	136	-
	20,750	20,732
Current		
Trade payables	68,096	67,102
Uninvoiced deliveries	57,980	50,027
Financial liabilities for capitalised content licences	9,483	6,437
Financial liability from put option	-	5,000
Other payables	3,374	773
	138,933	129,339

25. Lease liabilities

thousands of EUR	31.12.2023	31.12.2022
Up to 1 year	14,908	14,362
1 to 5 years	44,275	36,182
Over 5 years	33,545	33,026
Total other lease liabilities	92,728	83,570

thousands of EUR	31.12.2023	31.12.2022
Up to 1 year	17,885	16,578
1 to 5 years	52,272	42,494
Over 5 years	39,028	37,596
Total undiscounted cash flows (lease liability)	109,185	96,668

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).

In 2023, the Group has entered into an agreement to share mobile network technology with one of it's competitors. The Group has re-assessed the lease term related to the relevant contracts for renting the space on telecommunication infrastructure and reflected this significant event in the estimated lease term, which resulted in the longer lease term and increased lease liability.

26. Impact from leasing contracts

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

thousands of EUR	2023	2022
Depreciation expense of right-of-use assets (Note 13)	16,459	16,500
Impairment of right-of-use assets (Note 13)	591	83
Reversal of impairment of right-of-use assets (Note 13)	(215)	(239)
(Gain) / Loss from disposal of right-of-use assets	(167)	25
Other income	(60)	(21)
Interest expense on lease liabilities (Note 9)	2,836	2,277
At 31 December	19,444	18,625

27. Other liabilities and deferred income

thousands of EUR	31.12.2023	31.12.2022
Current		
Amounts due to employees	26,667	24,668
Other tax liabilities	2,901	4,658
Other liabilities	5,679	5,407
	35,247	34,733

Amounts due to employees include social fund liabilities:

thousands of EUR	2023	2022
At 1 January	289	237
Additions	1,924	1,540
Utilisation	(1,620)	(1,488)
At 31 December	593	289

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 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

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

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	31.12.2023	31.12.2022
Acquisition of property and equipment	65,319	63,625
Acquisition of intangible assets	21,515	7,047
Purchase of services and inventory	104,120	124,607
	190,954	195,279

30. Related party transactions

thousands of EUR	Receivables		Payables		Commitments	
	2023	2022	2023	2022	2023	2022
DTAG	110,551	157,124	3,265	1,300	44	145
Other entities in DTAG Group	18,087	14,089	16,682	13,312	5,462	1,015
	128,638	171,213	19,947	14,612	5,506	1,160

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

thousands of EUR	DTAG		Other entities in DTAG group	
	2023	2022	2023	2022
Sales and income				
Interconnect / roaming revenues	-	-	9,888	10,195
System solutions / IT revenues	-	-	5,637	7,246
Income from reinvoicing of services	175	291	8,281	7,633
Other revenue / income	4,015	913	4,544	3,642
	4,190	1,204	28,350	28,716
Purchases				
Interconnect / roaming costs	-	-	11,550	12,975
Customer solutions	-	-	2,092	2,459
IT services	-	-	3,107	3,050
Expenses from reinvoicing of services	4,916	4,393	2,095	1,831
Other purchases	891	1,732	14,755	10,258
	5,807	6,125	33,599	30,573

Other purchases include data services, management, consultancy, other services and purchases of fixed assets.
The Group purchased fixed assets in amount of EUR 3,021thousand (2022: EUR 3,555 thousand) from related parties.

In 2023 the Group granted Deutsche Telekom AG a short-term loan of EUR 90,000 thousand (2022: EUR 140 000 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. DTAG Group entities in relevant countries are service providers for the Group. The total value of the contract amounts to EUR 41,537 thousand. In 2023 the Group recognised revenue with TSI in amount of 2,659 thousand (2022: EUR 3,713 thousand), revenue with other DTAG Group entities in amount of EUR 58 thousand (2022: EUR 352 thousand) and expenses with other DTAG Group entities in amount of EUR 1,522 thousand (2022: EUR 2,578 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 2023 or 2022.

Compensation of key management personnel
The key management personnel as at 31 December 2023, 13 in number (2022: 13) 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	2023	2022
Short term employee benefits	2,875	2,556
Defined contribution pension plan benefits	27	24
Share based compensations	265	194
	3,167	2,774

thousands of EUR	2023	2022
Management Board	3,160	2,766
Board of Directors	-	1
Supervisory Board	7	7
	3,167	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 1,321 thousand has been recognised as at 31 December 2023 (2022: EUR 1,169 thousand). In 2023 the Company recognised an expense resulting from these long-term incentive plans in amount of EUR 576 thousand (2022: EUR 520 thousand) in Staff costs.

31. Contingencies

Legal and regulatory cases
On 17 October 2014 the European Commission sent an infringement decision to the Group in case AT 39.523 (hereinafter “the EC Decision”). EC Decision found the Group (and DTAG, as parent company) liable for breach of competition law (margin squeeze and refusal to deal) in relation to ULL for the period 12 August 2005 – 31 December 2010 and imposed a fine of EUR 38,838 thousand on DTAG and the Group, jointly and severally. The fine was paid by the Group in January 2015. Judicial review was closed by Court of Justice’s judgment of March 2021 confirming the EC Decision in major part, although court did find, that European Commission did not prove that the infringement occurred before 2006 and decreased imposed fine accordingly.

As of 31 December 2023, 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 2023, 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 2023, there is a number of other various cases pending in the cumulative amount of EUR 35,974 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 2023, the Group recognised provision for all known and quantifiable risks related to proceedings against the Group, which represent the Group's best estimate of the amounts, which are more likely than not to be paid. The actual amounts of penalties, if any, are dependent on a number of future events the outcome of which is uncertain, and, as a consequence, the amount of provision may change at a future date.

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

32. Audit fees and other fees

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

thousands of EUR	2023	2022
Audit services	364	363
Other non audit services	4	-
	368	363

33. Events after reporting year

In March 2024, the Board of Directors have drawn-up the Transformation Project which regulates the conditions and manner of execution of the spin-off by merger part of the Company´s assets and liabilities to the company Slovak Telekom Infra, a.s. Such Transformation Project shall be submitted to the sole shareholder of the Company exercising the power of the general meeting for final approval. Conditions for the presentation in accordance with IFRS 5 were not met at 31 December 2023 and therefore those assets and liabilities were not presented separately at the statement of financial position in these financial statements.

As of 1 June 2024 the position of Chief Executive Officer and Vice–chairman of Board of Directors of Slovak Telekom will be taken by Melinda Szabó.

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 2023.

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 2023

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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 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 2023, 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 2023, 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.

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 2023 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, 25 March 2024

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

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

Income statement

for the year ended 31 December

thousands of EUR	Notes	2023	2022
Revenue from contracts with customers	4	792,523	750,183
Other operating income	5	15,120	10,268
Staff costs	6	(123,148)	(112,864)
Material and equipment		(118,113)	(100,418)
Depreciation, amortisation and impairment losses	11, 12, 13	(164,723)	(157,098)
Interconnection fees and other telecommunication services		(45,696)	(49,602)
Net impairment losses on financial and contract assets	16, 17	(3,163)	(13,157)
Own work capitalised	6	13,286	13,599
Dividends from subsidiaries	31	16,736	6,376
Other operating costs	7	(171,368)	(148,926)
Operating profit		211,454	198,361
Financial income	8	3,741	992
Financial expense	9	(7,936)	(8,123)
Net financial result		(4,195)	(7,131)
Profit before tax		207,259	191,230
Income tax expense	10	(50,388)	(42,874)
Profit for the year		156,871	148,356

The financial statements on pages 80 to 128 were authorised for issue on behalf of the Board of Directors of the Company on 8 March 2024 and signed on their behalf by:

Armin Sumesgutner
Chairman of the Board of Directors

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	2023	2022
Profit for the year		156,871	148,356
Other comprehensive income / (expense)			
(Loss) / gain on remeasurement of defined benefit plans	24	(1,549)	2,975
Deferred tax income / (expense)	10	325	(625)
Other comprehensive (loss) / gain not to be reclassified to profit or loss in subsequent years, net of tax		(1,224)	2,350
Other comprehensive (loss) / gain for the year, net of tax		(1,224)	2,350
Total comprehensive income for the year, net of tax		155,647	150,706

Statement of Financial position

thousands of EUR	Notes	31.12.2023	31.12.2022
ASSETS			
Non-current assets			
Intangible assets	11	291,932	296,100
Property and equipment	12	815,656	797,126
Right-of-use assets	13	92,679	79,744
Investments in subsidiaries	15	48,496	60,141
Other receivables	16	18,495	16,771
Contract assets	17	7,990	6,682
Contract costs	17	15,520	6,532
Prepaid expenses and other assets	18	11,177	11,181
		1,301,945	1,274,277
Current assets			
Inventories	19	21,791	27,327
Term deposits	20	-	900
Loans	21	90,000	140,000
Trade and other receivables	16	173,474	145,609
Contract assets	17	19,968	20,249
Contract costs	17	16,750	17,110
Prepaid expenses and other assets	18	8,541	10,160
Cash and cash equivalents	22	58,038	21,333
		388,562	382,688
TOTAL ASSETS		1,690,507	1,656,965
EQUITY AND LIABILITIES			
Shareholders' equity			
Issued capital	23	864,113	864,113
Statutory reserve fund	23	172,823	172,823
Other		(1,172)	67
Retained earnings and profit for the year		209,008	200,493
Total equity		1,244,772	1,237,496
Non-current liabilities			
Deferred tax liability	10	50,696	53,623
Lease liabilities	26	77,027	67,508
Provisions	24	35,214	35,757
Other payables	25	20,330	19,757
Contract liabilities	17	31,949	30,263
		215,216	206,908
Current liabilities			
Provisions	24	24,032	19,037
Trade and other payables	25	128,212	113,819
Contract liabilities	17	29,376	30,958
Other liabilities	28	32,936	30,418
Lease liabilities	26	14,757	14,036
Current income tax liability		1,206	4,293
		230,519	212,561
Total liabilities		445,735	419,469
TOTAL EQUITY AND LIABILITIES		1,690,507	1,656,965

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 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 expense		-	-	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
Year ended 31 December 2023						
At 1 January 2023		864,113	172,823	67	200,493	1,237,496
Profit for the year		-	-	-	156,871	156,871
Other comprehensive income		-	-	(1,224)		(1,224)
Total comprehensive income		-	-	(1,224)	156,871	155,647
Transactions with shareholder:						
Other changes in equity		-	-	(15)		(15)
Dividends	23	-	-	-	(148,356)	(148,356)
At 31 December 2023		864,113	172,823	(1,172)	209,008	1,244,772

Statement of Cash flows

for the year ended 31 December

thousands of EUR	Notes	2023	2022
Operating activities			
Profit before tax		207,259	191,230
Depreciation, amortisation and impairment losses	11, 12, 13	164,723	157,098
Interest expense, net		265	2,313
(Gain) / loss on disposal of intangible assets and property and equipment	5, 7	(1,035)	438
Dividend income from subsidiaries	31	(16,736)	(6,376)
Other non-cash items		5,643	15,833
Change in provisions	24	343	4,041
Change in trade receivables and other assets		(40,547)	(16,329)
Change in inventories		3,567	(4,398)
Change in trade payables and other liabilities		13,815	11,625
Cash from operating activities		337,297	355,475
Income taxes paid		(56,076)	(49,146)
Dividends received	31	16,736	6,376
Net cash from operating activities		297,957	312,705
Investing activities			
Purchase of intangible assets and property and equipment	11, 12, 29	(146,843)	(158,325)
Proceeds from disposal of intangible assets and property and equipment		4,456	2,679
Proceeds from disposal of subsidiary	15	7,707	-
Disbursement of loans		(98,000)	(140,000)
Repayment of loans		148,000	153,500
Net cash from cash pooling	16	(2,856)	4,423
Acquisition of term deposits		-	(100)
Termination of term deposits		900	-
Interest received		3,021	476
Other cash (paid for) / from investing activities		(14)	618
Net cash used in investing activities		(83,629)	(136,729)
Financing activities			
Dividends paid	23	(148,356)	(143,529)
Repayment of financial liabilities	29	(11,471)	(14,433)
Repayment of principal portion of lease liabilities		(15,119)	(15,585)
Interest paid		(2,795)	(2,221)
Other cash from financing activities		134	-
Net cash used in financing activities		(177,607)	(175,768)
Effect of exchange rate changes on cash and cash equivalents		(16)	(27)
Net increase in cash and cash equivalents		36,705	181
Cash and cash equivalents at 1 January	22	21,333	21,152
Cash and cash equivalents at 31 December	22	58,038	21,333

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. The Company is registered with the Business Register of the Municipal Court Bratislava III, section Sa, insert No.: 2081/B. For shareholders overview of the Company refer to Note 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), 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 2023

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

Members:
- Peter Vražda (since 20.03.2023)
- Martin Švec (since 02.10.2020)
- Denisa Herdová (until 19.03.2023)

Audit committee

Members:
- Vladimir Lucev (since 01.03.2024)
- Daniela Bujic (since 11.10.2021)
- Martin Švec (since 20.03.2023)
- Denisa Herdová (until 19.03.2023)
- Martin Renner (until 31.05.2023)
- Marc Engroff (until 31.12.2023)

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

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

2. Accounting policies

The principal accounting policies adopted in the preparation of these 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 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 2023 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 2023 and 2022 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 provided to related parties. Where the expected lifetime of an asset is less than 12 months, expected losses are measured at its expected lifetime. Currently the loans are in Stage 1. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. ECLs for loans were assessed but not booked as they are not material.

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

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 2023. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using discount rate of weighted-average yields for high-quality (Bloomberg Aa*) - non-cancellable, non-putable corporate bonds. The currency and term of the bonds are broadly consistent with the currency and estimated term of the benefit obligations. Past service costs are recognised immediately in income statement. Remeasurement gains and losses arising from experience-based adjustments and changes in actuarial assumptions are recognised in the period in which they occur within other comprehensive income for retirement benefits and within the income statement for jubilee benefits. Current service cost, past service cost and curtailment gain are included within wages and salaries under staff costs. Interest costs are included within financial expense.

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

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

2.16 Revenue recognition

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

The Company recognises revenue as follows:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

2.17 Operating profit

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

2.18 Foreign currency translation

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

2.19 Taxes

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

Current income tax
Current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted as of the statement of financial position date. Current income tax includes additional levy imposed by the Slovak government on regulated industries effective from 1 September 2012. In 2023, the levy of 4.356% per annum (2022: 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 2023 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	2023	2024	2025	2026	2027 and after
Non-current assets	(3,017)	(4,210)	(3,555)	2,807	7,975

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 1 to 33 years at 31 December 2023.

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 1,699 thousand (2022: increase by EUR 1,836 thousand). If the inflation rate increased by 0.5%, it would cause an increase of asset retirement obligation by EUR 1,242 thousand (2022: increase by EUR 1,422 thousand). If the risk-adjusted, pre-tax discount rate increased by 0.5%, it would cause a decrease of asset retirement obligation by EUR 1,141 thousand (2022: decrease by EUR 1,307 thousand). If the amounts necessary to settle future obligations increased by 10%, it would cause an increase of asset retirement obligation by EUR 2,489 thousand (2022: increase by EUR 2,517 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 5,472 thousand (2022: EUR 6,263 thousand). If the expected lease term was prolonged by 10 years (from 20 years to 30 years) it would cause an increase in the lease liability by EUR 7,479 thousand (2022: EUR 8,067 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 8,003 thousand (2022: EUR 6,855 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 11,348 thousand (2022: EUR 8,006 thousand). Assumed calculation is prepared on the basis of the subsequent extension of initial lease term after it's expiry by 10 years.

2.21 Adoption of IFRS during the year

Standards, interpretations and amendments to published standards effective for the Company's accounting period beginning on 1 January 2023

The Company has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2023:

a) Insurance Contracts – IFRS 17
b) Definition of Accounting Estimates– Amendments to IAS 8
c) Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2
d) Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12
e) International Tax Reform—Pillar Two Model Rules – Amendments to IAS 12

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

New standards and interpretations not yet adopted

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

3. Financial risk management

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

The Company's financial instruments include cash and cash equivalents, trade receivables, intra-group loans, 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 spot and 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	31.12.2023	31.12.2022	31.12.2023	31.12.2022
	USD	USD	CZK	CZK
Monetary assets	316	305	366	343
Monetary liabilities	(689)	(341)	(4,889)	(12,208)
	(373)	(36)	(4,523)	(11,865)

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		2023	2022
Profit after tax	Depreciation of USD by 10 %	27	3
	Appreciation of USD by 10 %	(27)	(3)

thousands of EUR		2023	2022
Profit after tax	Depreciation of CZK by 10 %	14	39
	Appreciation of CZK by 10 %	(14)	(39)

3.1.2 Interest rate risk

The Company's income and operating cash flows are substantially independent of changes in market interest rates. The Company entered into a Master agreement on Upstream loans with DTAG in October 2008 based on which the Company can provide loans to DTAG. Currently, there is outstanding loan in amount of EUR 90,000 thousand (2022: EUR 140,000 thousand) at fixed interest rate (Note 21). Loan of EUR 1,500 thousand with fixed interest rate which was granted to former subsidiary PosAm spol. s.r.o in 2021, was in 2022 fully repaid. There are no term deposits concluded with fixed interest rate in banks outstanding at 31 December 2023 (2022: EUR 900 thousand) (Note 20). The Company has no material financial instruments with variable interest rates as at 31 December 2023.

3.1.3 Other price risk

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

3.2 Credit risk

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

The Company is exposed to credit risk from its operating activities and certain 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 former subsidiary PosAm spol. s.r.o. The Company is exposed to concentration of credit risk from holding loan receivable in the amount of EUR 90,000 thousand (2022: EUR 140,000 thousand) provided to DTAG (Germany) and trade receivables from DTAG, subsidiaries and other entities in DT Group in amount of EUR 40,010 thousand (2022: EUR 35,026 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 97% and 3% (2022: 78% and 21%).

For credit ratings see the following tables:

thousands of EUR	31.12.2023	31.12.2022
Term deposits (Note 20)		
A2	-	900
	-	900

thousands of EUR	31.12.2023	31.12.2022
Loans (Note 21)		
Baa1	90,000	140,000
	90,000	140,000

thousands of EUR	31.12.2023	31.12.2022
Cash and cash equivalents (Note 22)		
A2	57,958	21,264
Not rated	80	69
	58,038	21,333

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

The Company establishes an allowance for impairment that represents its estimate of expected credit losses in respect of trade, other receivables and contract assets. Cash and cash equivalents and intercompany receivables are also subject to the impairment requirements of IFRS 9, however, the identified impairment loss determined based on probability of default would be immaterial. The receivables from the DTAG group do not give rise to a significant credit risk. The Company has considered the financial performance, external debt and future cash flows of the related parties and concluded that the credit risk relating to these receivables is limited and consequently the probability of default relating to these balances is low.

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

In respect of financial assets, which comprise cash and cash equivalents, intra-group loans, 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 2023							
Trade and other receivables, net	173,123	9,396	3,314	1,826	1,370	2,940	191,969
Allowance for receivables	(8,493)	(1,042)	(1,798)	(2,360)	(4,396)	(14,867)	(32,956)

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)

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 2023	2 %	13 %	40 %	63 %	74 %	92 %	100 %
At 31 December 2022	2 %	13 %	40 %	63 %	74 %	92 %	100 %

No significant individually assessed trade receivables were included in the loss allowance in 2023 or 2022.

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 considered to be low:

thousands of EUR	31.12.2023	31.12.2022
Cash and cash equivalents	58,038	21,333
Cash pooling receivable (included in Trade and other receivables)	19,747	16,915
Loans	90,000	140,000
	167,785	178,248

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 2023					
Trade and other payables	7,546	119,167	1,499	20,330	148,542
At 31 December 2022					
Trade and other payables	6,464	106,142	1,213	19,757	133,576

For maturity of lease liabilities refer to Note 26.

Trade and other payables, which are past due as at 31 December 2023, are in amount of EUR 5,959 thousand (out of which EUR 5,912 thousand are Trade and other payables past due not more than 30 days.) Trade and other payables, which were past due as at 31 December 2022, were in amount of EUR 6,326 thousand (out of which EUR 5,964 thousand were Trade and other payables past due not more than 30 days.)

The Company has granted credit limit to subsidiary DIGI SLOVAKIA, s.r.o. in amount of EUR 5,000 thousand with interest rate 1M Euribor + 1% margin. The limit was not used as at 31 December 2023. Based on Individual Loan Contract governed by the Master Loan Agreement concluded between the Company and former subsidiary PosAm spol.s.r.o a loan of EUR 1,500 thousand with fixed interest rate was granted to former 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 2023			
Current financial assets – Trade receivables	4,307	(2,985)	1,322
Current financial liabilities – Trade payables	4,212	(2,985)	1,227
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

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 2023.

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 1,244,772 thousand at 31 December 2023 (2022: EUR 1,237,496 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 2023 and 2022.

3.5.2 Non-recurring fair value measurement

There were no non-recurring fair value measurements in 2023 and 2022.

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	31.12.2023	31.12.2022
ASSETS		
Financial assets at amortised cost		
Trade and other receivables (Note 16)	191,969	162,380
Term deposits (Note 20)	-	900
Loans (Note 21)	90,000	140,000
Cash and cash equivalents (Note 22)	58,038	21,333
LIABILITIES		
Financial liabilities at amortised cost		
Trade and other payables (Note 25)	148,542	133,576
Lease liabilities (Note 26)	91,784	81,544

4. Revenue from contracts with customers

thousands of EUR	2023	2022
Fixed network revenue	285,436	281,097
Mobile network revenue	330,557	318,948
Terminal equipment	123,026	107,321
System solutions / IT	47,086	37,920
Other	6,418	4,897
	792,523	750,183

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	2023	2022
Gain on disposal of property and equipment and intangible assets, net	1,035	-
Gain from material sold	231	73
Reversal of impairment of property and equipment (Notes 11, 12, 13)	3,200	2,319
Income from reinvoicing of services	6,891	5,794
Other	3,763	2,082
	15,120	10,268

6. Staff costs

thousands of EUR	2023	2022
Wages and salaries	93,636	85,773
Defined contribution pension costs	13,083	12,082
Other social security contributions	16,429	15,009
	123,148	112,864

	2023	2022
Number of employees at year end	2,396	2,535
Average number of employees during the year	2,439	2,573

Majority of own work capitalized in amount of EUR 13,286 thousand (2022: EUR 13,599 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	2023	2022
Repairs and maintenance	15,130	14,002
Loss on disposal of property and equipment and intangible assets, net	-	438
Marketing costs	13,890	13,194
Energy	36,273	14,951
Printing and postage	3,249	3,669
Logistics	3,308	3,422
Rentals and leases (not in scope of IFRS 16)	1,711	1,032
IT services	8,604	9,027
Dealer commissions	18,233	22,683
Frequency fees	3,026	3,957
Content fees	18,455	16,568
Legal and regulatory claims (Note 32)	373	1,459
Property related costs	2,613	2,272
Consultancy	1,552	3,538
Customer solutions	26,344	21,455
Fees paid to group companies	6,821	6,065
Other	11,786	11,194
	171,368	148,926

8. Financial income

thousands of EUR	2023	2022
Interest income	3,733	548
Foreign exchange gains, net	8	444
	3,741	992

9. Financial expense

thousands of EUR	2023	2022
Interest expense from lease	2,790	2,218
Impairment of investments in subsidiaries (Note 15)	3,938	5,261
Other interest expense	1,208	644
	7,936	8,123

10. Taxation

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

thousands of EUR	2023	2022
Current tax expense	45,491	46,764
Current tax expense of prior years	(17)	(1,372)
Deferred tax income	(2,602)	(8,669)
Levy on regulated industries	6,861	6,269
Levy on regulated industries of prior years	655	(118)
Income tax expense reported in the income statement	50,388	42,874

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	2023	2022
Profit before income tax	207,259	191,230
Income tax calculated at the statutory rate of 21% (2022: 21%)	43,524	40,158
Effect of non-taxable income and tax non-deductible expenses:		
Dividends	(3,514)	(6,376)
Cost related to legal and regulatory claims	(329)	302
Other tax non-deductible items, net	3,208	2,834
Tax charge in respect of prior years	(17)	(313)
Levy on regulated industries	7,516	6,269
Income tax at the effective tax rate of 24% (2022: 22%)	50,388	42,874

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

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

thousands of EUR	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	31.12.2023	31.12.2022
Deferred tax asset to be settled within 12 months	20,367	18,612
Deferred tax asset to be settled after more than 12 months	25,227	23,227
Deferred tax liability to be settled within 12 months	(7,402)	(7,331)
Deferred tax liability to be settled after more than 12 months	(88,887)	(88,131)
Net deferred tax liability	(50,695)	(53,623)

The Slovak Republic has implemented legislation to ensure global minimum taxation in accordance with Pillar II of the OECD and the corresponding EU Directive. The Slovak legislation was adopted in December 2023. However, the legislation would be applicable from 2024. Therefore, no minimum tax is due at the balance sheet date. In addition, the Company applies the exemption from the recognition of deferred taxes related to the global minimum tax.

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

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 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

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

Property and equipment, excluding motor vehicles, is locally insured to a limit of EUR 25,000 thousand (2022: EUR 25,000 thousand). Any loss exceeding local limit is insured by DTAG Global Insurance Program up to EUR 725,000 thousand (2022: 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 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

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 2023 and at 31 December 2022.

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

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 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

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	31.12.2023	31.12.2022
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 (2022: 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 5.83% (2022: 5.53%). 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 31.12.2023	Share and voting rights 31.12.2022
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") 2022: Bajkalská 28, 821 09 Bratislava	IT services, applications and business solutions	-	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 31.12.2023	Cost of investment 31.12.2022	Profit / (loss) 2023	Profit / (loss) 2022	Net assets 31.12.2023	Net assets 31.12.2022
DIGI SLOVAKIA, s.r.o.	48,424	52,362	5,235	5,625	10,902	16,630
PosAm, spol. s r.o.	-	7,707	-	5,576	-	20,759
Telekom Sec, s.r.o.	72	72	(1)	(1)	54	54
	48,496	60,141				

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 2023 were not available. The table is prepared based on their non-approved draft financial statements.

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

Cost of investment in PosAm in amount of EUR 7,707 thousand was net of impairment of EUR 5,261 thousand (Note 9). In 2023 the Company sold PosAm for the selling price EUR 7,707 thousand. Cash from the selling price in amount of EUR 7,707 thousand was received in 2023.

16. Trade and other receivables

thousands of EUR	31.12.2023	31.12.2022
Non-current		
Receivables from instalment sale	18,040	13,516
Finance lease receivables	455	3,255
	18,495	16,771
Current		
Trade receivables	149,057	122,362
Cash pooling receivable	19,747	16,915
Other receivables	4,494	3,883
Finance lease receivables	176	2,449
	173,474	145,609

Trade receivables are net of an allowance of EUR 32,956 thousand (2022: EUR 33,777 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 1,667 thousand higher (2022: EUR 1,376 thousand).

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

thousands of EUR	2023	2022
At 1 January	33,777	27,913
Charge for the year, net	3,397	11,175
Utilised	(4,218)	(5,311)
At 31 December	32,956	33,777

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	31.12.2023	31.12.2022
Non-current assets		
Contract assets	8,879	8,703
Loss allowance	(889)	(2,021)
	7,990	6,682
Contract costs	15,520	6,532
	15,520	6,532
Current assets		
Contract assets	22,631	23,189
Loss allowance	(2,663)	(2,940)
	19,968	20,249
Contract costs	16,750	17,110
	16,750	17,110
Non-current liabilities		
Contract liabilities	31,949	30,263
	31,949	30,263
Current liabilities		
Contract liabilities	29,376	30,958
	29,376	30,958

Revenue recognised in the reporting year that was included in the contract liability balance at the beginning of the year amounted to EUR 26,615 thousand (2022: EUR 25,676 thousand).

Transaction price allocated to the performance obligations that are unsatisfied as of the end of reporting year amounted to EUR 364,330 thousand (2022: EUR 352,732 thousand). Management expects that the transaction price allocated to the unsatisfied contracts as of 31 December 2023 will be recognised as revenue as follows: EUR 275,202 thousand during first year; EUR 86,952 thousand during second year and EUR 2,176 thousand during third-sixth year (2022: EUR 278,813 thousand during first year; EUR 72,662 thousand during second year and EUR 1,257 thousand during third-fifth year).

Wages and salaries include also amortisation of costs to obtain a contract with customer in the amount of EUR 1,895 thousand (2022: EUR 2,055 thousand) (Note 6).

Dealers commission includes also amortisation of costs to obtain a contract with customer in the amount of EUR 22,094 thousand (2022: EUR 20,392 thousand) (Note 7).

The Company changed amortization period for acquisition commissions based on updated estimate of customers lifetime from 24 to 48 months in year 2023. Change of estimated lifetime of customer contracts resulted in decrease of costs in amount of EUR 6,117 thousand.

18. Prepaid expenses and other assets

thousands of EUR	31.12.2023	31.12.2022
Non-current		
Other prepaid expenses	11,177	11,181
	11,177	11,181
Current		
Other prepaid expenses	3,015	5,999
Advance payments	5,466	4,108
Other assets	60	53
	8,541	10,160

19. Inventories

thousands of EUR	31.12.2023	31.12.2022
Materials	5,650	6,990
Goods	16,141	20,337
	21,791	27,327

Inventories are net of an allowance of EUR 3,069 thousand (2022: EUR 1,964 thousand). The write-down of inventories in the amount of EUR 1,969 thousand (2022: EUR 906 thousand) was recognised in cost of material and equipment.

20. Term deposits

thousands of EUR	31.12.2023	31.12.2022
Term deposits in banks	-	900
	-	900

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	31.12.2023	31.12.2022
Loans to Deutsche Telekom AG	90,000	140,000
	90,000	140,000

The loans granted to Deutsche Telekom AG were not secured. Loans outstanding at 31 December 2023 were provided in July and December 2023 and were repayable in January and February 2024 (2022: provided in December 2022, repayable in January 2023). For credit ratings see Note 3.2.

22. Cash and cash equivalents

thousands of EUR	31.12.2023	31.12.2022
Cash and cash equivalents	58,038	21,333
	58,038	21,333

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 2023, Slovak Telekom had authorised and issued 86,411,300 ordinary shares (2022: 86,411,300) with a par value of EUR 10.00 per share (2022: 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 2022 were authorised for issue on behalf of the Board of Directors of Slovak Telekom on 14 March 2023.

On 25 April 2023 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 148,356 thousand (2022: EUR 143,529 thousand) were paid in May 2023, which amounted to EUR 1.72 per share (2022: EUR 1.66 per share).

Approval of the 2023 profit distribution will take place at the Annual General Meeting scheduled for April 2024.

24. Provisions

thousands of EUR	Legal and regulatory claims	Asset retirement obligation	Termination benefits	Employee benefits	Other	Total
	(Note 32)					
At 1 January 2023	7,773	25,179	4,141	9,354	8,347	54,794
Arising during the year	1,026	1,357	5,570	2,077	2,960	12,990
Utilised	-	(10)	(3,782)	(41)	(888)	(4,721)
Reversals	(26)	(2,440)	(359)	(1,263)	(932)	(5,020)
Interest impact	-	807	-	379	17	1,203
At 31 December 2023	8,773	24,893	5,570	10,506	9,504	59,246
Non-current	-	23,765	-	10,506	943	35,214
Current	8,773	1,128	5,570	-	8,561	24,032
	8,773	24,893	5,570	10,506	9,504	59,246

thousands of EUR	31.12.2023	31.12.2022
Non-current	35,214	35,757
Current	24,032	19,037
	59,246	54,794

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

Termination benefits
The restructuring of the Company's operations resulted in headcount reduction of 190 employees in 2023 (2022: 259 employees). The Company expects a further headcount reduction of 280 employees in 2024 as a result of an ongoing restructuring program. A detailed formal plan that specifies the number of staff involved and their locations and functions was defined and authorised by management and announced to the trade unions. The amount of compensation to be paid for terminating employment was calculated by reference to the collective agreement. The termination payments are expected to be paid within twelve months of the statement of financial position date and are recognised in full in the current period. In 2023 the Company recognised an expense resulting from termination benefits in amount of EUR 3,816 thousand (2022: EUR 5,237 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 2023	9,133	221	9,354
Current service cost	506	19	525
Interest cost	371	8	379
Benefits paid	(12)	(29)	(41)
Remeasurement of defined benefit plans	1,549	3	1,552
Curtailment gain	(1,263)	-	(1,263)
At 31 December 2023	10,284	222	10,506

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

Remeasurement of defined benefit plans related to retirement benefits in amount of EUR 1,549 thousand consists of change in financial assumptions in amount of EUR 666 thousand, change in demographic assumptions in amount of EUR 520 thousand and change in experience adjustments in amount of EUR 363 thousand.

The curtailment gain in amount of EUR 1,263 thousand resulted mainly from a reduction in the number of participants covered by the retirement plan that occurred in 2023 or was announced for 2024. There were no special events causing any new past service cost during 2023 other than the curtailment mentioned above.

Principal actuarial assumptions used in determining the defined benefit obligation and the curtailment effect in 2023 include the discount rate of 3.46% (2022: 4.13%). The expected expense for 2023 has been determined based on the discount rate as at the beginning of the accounting year of 4.13% (2022: 1.14%). Average retirement age is 63 years and 2 months (2022: 63 years and 2 months). The expected growth of nominal wages over the long term is 2.0% (2022: 2.0%). The remaining weighted average duration of the defined benefit obligation is 10.1 years (2022: 9.8 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 2023 and 2022 is as follows:

thousands of EUR	(Decrease) / increase of employee benefits provision	
	31.12.2023	31.12.2022
Change of actuarial assumption:		
Discount rate change +100 bp / -100 bp	(971) / 1,132	(832) / 958
Salary change +0.50 % / -0.50 %	549 / (513)	472 / (441)

25. Trade and other payables

thousands of EUR	31.12.2023	31.12.2022
Non-current		
Financial liabilities for capitalised content licences	123	679
Financial liabilities for frequency licences	20,070	19,078
Other payables	137	-
	20,330	19,757
Current		
Trade payables	66,722	64,505
Uninvoiced deliveries	51,817	44,172
Financial liabilities for capitalised content licences	6,872	4,878
Other payables	2,801	264
	128,212	113,819

26. Lease liabilities

thousands of EUR	31.12.2023	31.12.2022
Up to 1 year	14,757	14,036
1 to 5 years	43,937	35,456
Over 5 years	33,090	32,052
Total other lease liabilities	91,784	81,544
	31.12.2023	31.12.2022
Up to 1 year	17,057	17,049
1 to 5 years	44,871	49,111
Over 5 years	41,611	50,691
Total undiscounted cash flows (lease liability)	103,539	116,851

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).

In 2023, the Company has entered into an agreement to share mobile network technology with one of it's competitors. The Company has re-assessed the lease term related to the relevant contracts for renting the space on telecommunication infrastructure and reflected this significant event in the estimated lease term, which resulted in the longer lease term and increased lease liability.

27. Impact from leasing contracts

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

thousands of EUR	2023	2022
Depreciation expense of right-of-use assets (Note 13)	16,090	15,437
Impairment of right-of-use assets (Note 13)	591	84
Reversal of impairment of right-of-use assets (Note 13)	(215)	(239)
(Gain) / Loss from disposal of right-of-use assets	(167)	26
Other income	(60)	(21)
Interest cost on lease liabilities (Note 9)	2,790	2,218
At 31 December	19,029	17,505

28. Other liabilities

thousands of EUR	31.12.2023	31.12.2022
Current		
Amounts due to employees	25,757	22,661
Other tax liabilities	2,959	4,157
Other liabilities	4,220	3,600
	32,936	30,418

Amounts due to employees include social fund liabilities:

thousands of EUR	31.12.2023	31.12.2022
At 1 January	240	173
Additions	1,895	1,467
Utilisation	(1,560)	(1,400)
At 31 December	575	240

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 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
At 1 January 2023	24,635	81,544
Additions	13,901	30,614
Non-cash movements	-	(5,255)
Cash used in financing activities	(11,471)	(17,909)
Accretion of interest	-	2,790
At 31 December 2023	27,065	91,784

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	31.12.2023	31.12.2022
Acquisition of property and equipment	65,319	63,628
Acquisition of intangible assets	21,515	7,047
Purchase of services and inventory	100,510	115,369
	187,344	186,044

31. Related party transactions

	Receivables		Payables		Commitments	
thousands of EUR	2023	2022	2023	2022	2023	2022
DTAG	110,551	157,124	3,265	1,300	44	145
Subsidiaries	1,826	4,193	59	608	283	405
Other entities in DTAG Group	17,633	13,709	16,272	13,129	5,462	1,015
	130,010	175,026	19,596	15,037	5,789	1,565

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

	DTAG		Subsidiaries		Other related parties	
thousands of EUR	2023	2022	2023	2022	2023	2022
Sales and income						
Interconnect / roaming revenues	-	-	908	837	9,888	10,195
System solutions / IT revenues	-	-	133	182	5,567	6,184
Income from reinvoicing of services	175	291	3,019	2,902	9,055	8,008
Dividends	-	-	16,736	6,376	-	-
Other revenue / income	4,072	579	722	1,396	4,145	3,207
	4,247	870	21,518	11,693	28,655	27,594
Purchases						
Interconnect / roaming costs	-	-	6	6	12,021	13,191
Customer solutions	-	-	22	263	2,092	2,459
IT services	-	-	9	46	3,107	3,050
Expenses from reinvoicing of services	4,916	4,393	-	-	7,491	7,093
Other purchases	948	352	209	63	9,823	10,502
	5,864	4,745	246	378	34,534	36,295

Other purchases include data services, management, consultancy, other services, inventory and purchases of fixed assets. In 2023 the Company purchased fixed assets in amount of EUR 2,999 thousand (2022: EUR 4,137 thousand) from related parties.

In 2023 the Company granted a short-term loan of EUR 90,000 thousand (2022: EUR 140,000 thousand) to Deutsche Telekom AG.

In March 2023 the General meeting of DIGI declared a dividend of EUR 10,962 thousand (2022: EUR 6,376 thousand). Dividends were paid in March 2023. In February 2023 the General meeting of PosAm declared a dividend of EUR 5,733 thousand (2022: 137 thousand EUR), which was paid in February 2023. There was no other dividend declared by other subsidiaries in 2023 and 2022.

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. DTAG Group entities in relevant countries are service providers for the Company. The total value of the contract amounts to EUR 41,537 thousand. In 2023 the Company recognised revenue with TSI in amount of EUR 2,659 thousand (2022: EUR 3,713 thousand), revenue with other DTAG Group entities in amount of EUR 58 thousand (2022: EUR 352 thousand) and expenses with other DTAG Group entities in amount of EUR 1,522 thousand (2022: EUR 2,578 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 2023 or 2022.

Compensation of key management personnel
The key management personnel as at 31 December 2023, 13 in number (2022: 13) 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	2023	2022
Short term employee benefits	2,875	2,556
Defined contribution pension plan benefits	27	24
Share based compensations	265	194
	3,167	2,774

thousands of EUR	2023	2022
Management Board	3,160	2,766
Board of Directors	-	1
Supervisory Board	7	7
	3,167	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 1,321 thousand has been recognised as at 31 December 2023 (2022: EUR 1,169 thousand). In 2023 the Company recognised an expense resulting from these long-term incentive plans in amount of EUR 576 thousand (2022: EUR 520 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 DTAG, as parent company) liable for breach of competition law (margin squeeze and refusal to deal) in relation to ULL for the period 12 August 2005 – 31 December 2010 and imposed a fine of EUR 38,838 thousand on DTAG and the Company, jointly and severally. The fine was paid by the Company in January 2015. Judicial review was closed by Court of Justice’s judgment of March 2021 confirming the EC Decision in major part, although court did find, that European Commission did not prove that the infringement occurred before 2006 and decreased imposed fine accordingly.

As of 31 December 2023, 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 2023, 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 2023, there is a number of other various cases pending in the cumulative amount of EUR 35,974 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 2023, 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 and other fees

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

thousands of EUR	2023	2022
Audit services	319	293
Oher non audit services	4	-
	323	293

34. Events after the reporting year

In March 2024, the Board of Directors have drawn-up the Transformation Project which regulates the conditions and manner of execution of the spin-off by merger part of the Company´s assets and liabilities to the company Slovak Telekom Infra, a.s. Such Transformation Project shall be submitted to the sole shareholder of the Company exercising the power of the general meeting for final approval. Conditions for the presentation in accordance with IFRS 5 were not met at 31 December 2023 and therefore those assets and liabilities were not presented separately at the statement of financial position in these financial statements.

As of 1 June 2024 the position of Chief Executive Officer and Vice–chairman of Board of Directors of Slovak Telekom will be taken by Melinda Szabó.

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 2023.

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