ANNUAL REPORT 2021

SLOVAK TELEKOM

CONTENT

01 AN INTRODUCTION TO THE SLOVAK TELEKOM GROUP

A FOREWORD BY THE CEO

Dear ladies and gentlemen,

We have been through another challenging year during this global pandemic which has seen the company working between waves of restrictions and relaxation periods, but at the same time it learned to operate in a different mode and made use of the possibilities presented by home office, distance learning, and new forms of entertainment.

The company's demands for high-quality internet connection are gradually increasing with increasing consumption and the number of device connections in households and companies. In this regard, Slovak Telekom has implemented many steps to provide and improve connections.

Even more than in the past, the need to constantly invest in the fiber optical and metallic network is being confirmed, and the technologies built so far are paying off - such as our excellent 4G network, which the new generation of the 5G network has taking over from in the first locations. Data consumption is constantly growing and this trend will continue in the coming years.

Our mission remains the same even with the impacts of the pandemic - to continue to improve the customer experience. This comprises of several aspects: on the one hand - cutting-edge technologies, on the other - the quality of services. And between them - a number of bonuses and positive surprises which we focused on during the year - providing gifts for Valentine's Day, World Health Day, and Children's Day - when customers were surprised with extra credit and unlimited daily data.

One of the nicest benefits was unlimited data in July and August – which we dedicated to our customers so that in the summer they could discover unknown or less visited places in the country, and share their experiences with their loved ones. In the Christmas campaign, customers could find various surprises directly in the Telekom application itself.

We also rewarded those who work in incredibly demanding conditions and do a lot of overtime during the pandemic. Our Helping Healthcare campaign provided unlimited data for healthcare professionals so that they could stay in touch with their loved ones, or at least take a break between long work shifts.

Our DNA is high-quality technology, and 2021 brought expansion in both segments. We continue to expand our fiber optics and had another year in which we built more than 100,000 new connections to households. At the same time, however, we increased the availability of services to another 70,000 households on the fiber optical network thanks to a partnership. Our ambition is set at one million households in the medium term, and we are gradually moving towards it.

In the sphere of mobile networks, we managed to expand the 5G network to a larger number of locations. After the 5G launch in Bratislava in December 2020, we gradually introduced 5G to other large housing estates in the capital, and in June, began to cover the countryside as well. In total, we covered 25 municipalities in the Bratislava and Trnava regions with high data consumption. The number of supported phones also grew: from 12 to almost 40, which also forms the basis for future expansion.

More data and higher speeds were the mottos for improving services. We added extra portions of data to the mobile tariffs in March, and in the summer, we introduced the brand-new fixed KlasikNET and OptikNET internet portfolios - both characterized by higher download and upload speeds, and the option of extra speed for Magenta 1 customers was added to fiber optics. We introduced a guaranteed program speed on the VDSL network - each program has a speed range that the customer can attain: from minimum to maximum.

We are also making progress in the area of prepaid cards - we have managed to introduce several new features - including a strong Christmas campaign for Pre-paid, and have also achieved a slight year-on-year growth in SIM cards.

We also continue our social responsibility activities in the ENTER platform – which is aimed at developing the digital skills of Slovak children. Last year, we not only implemented the first grant program of 250,000 Euros to bring thousands of micro:bit tools to schools, but also announced other grant programs for schools and - most recently - for seniors. We think that in society it is necessary not only to educate new talents, but also to give the older generation a chance to not be afraid of new technologies and to be able to use them for a better life.

Many activities were also reflected in positive operating indicators. At the end of 2021, the number of SIM cards in the mobile segment increased to 2,502,000 and we were successful in the area of flat rates and prepaid cards. All fixed network indicators additionally recorded a growth trend, be be it TV customers (670, 000) or broadband access (772, 000).

From a financial point of view, our Group managed to slightly increase its revenues by two percent, and even managed to exceed the level of 2019 revenues.

2021 was yet another challenge in the pandemic era, but again we did not loosen our efforts in terms of connecting the country with modern technologies, introducing new services, pleasing customers and also implementing our activities in the field of social responsibility. In January 2021, for the first time in many years, we received the Operator of the Year award in a survey by Techbox magazine, which pleased us no end. 12 months later, we managed to defend this title - which we take as a huge thank you for our efforts. It is a token of gratitude to our customers, and we see it as encouragement for the years to come.

Jose Perdomo Lorenzo
Chief Executive Officer

2021 MILESTONES

JANUARY

The year kicks off with great awards
In January, 2021, Telekom managed to win the Operator of the Year award for its activities in the precedent period in the independent "NAY TECHBOX of the Year 2020" poll. This victory comes as a good signal and a reward for a number of activities in what was an extraordinary, demanding year, - be it for Telekom's focus on the customer experience, top networks, quality services, or for its top range of hardware.

FEBRUARY

The new generation of Magio GO
Telekom upgraded Magio GO digital television over the Internet to the level of IPTV and satellite television, and underwent significant innovation. Customers can watch TV anytime and anywhere on multiple devices at the same time, they can look forward to a 7-day TV archive, smart recording, and video rental. Customers can watch Magio GO on any internet connection.

MARCH

Telekom appreciates the work of healthcare workers
During the second wave of the pandemic, Telekom came up with its Data for Healthcare Workers campaign. We decided to award the people who face and fight the consequences of the Coronavirus pandemic on a daily basis. We expressed our gratitude with symbolic support in the form of unlimited data until the end of September, free of charge for all health professionals so that they can be as connected as possible with those who care about them the most.

In Telekom - not only Smartphones, but also accessories
Telekom knows that customers protect their mobile phones like nothing else, but accidents will happen. To keep customers more comfortable, we added two new benefits to help them reduce the risk of an accident. The new benefits are a coupon for a protective cover and other accessories, and a faster phone repair.

Extra data just like that
Telekom modernized its flat rate portfolio and increased data just like that in the tariffs for free. In addition, all customers received Ideal, Data or unlimited flat rates. Another novelty for all customers - regardless of their flat rate - was the benefit of Unlimited Connection at 128 kbps - with which they will be able to be constantly connected - even after exhausting their flat data volume.

APRIL

Collaboration with Orange in fiber optical network sharing
Slovak Telekom signed an agreement with Orange on the possibility of using part of its fiber optical network on which it will start providing its portfolio of fixed network services such as broadband internet, digital television Magio TV and Smart Package and Magenta 1.

MAY

Digital Magio Television is once again setting trends
Customers received an improved TV archive as of May - which includes high-definition TV stations. In addition, Magio TV could now be used to record TV programs on Magio boxes without a hard disk, directly into the cloud in high definition. Customers gained new options for archiving favourite shows, as well as more space.

Magio GO with 4K TV channels
Telekom has included two 4K TV channels in its Magio Go range for an even more detailed TV viewing experience. With the Eurosport 4K sports channel, customers could start to enjoy the sharpest sports experiences which until now could only be enjoyed in the stands. The Travel XP 4K lifestyle-travel channel allowed viewers to experience travelling from the comfort of their living rooms with their own eyes and to discover new parts of the world.

Telekom assists young people with career choices
In May, Telekom launched the Futureproof project – which aims to help young people reveal their skills and abilities, and help them identify their future careers. Behind the project lies a special digital tool that uses professional personality modelling and helps users show their potential future career opportunities.

JUNE

Discovering the beauties of Slovakia with unlimited data
Telekom prepared a summer campaign for the year in which it gave its customers a summer benefit in the form of the possibility of obtaining unlimited data. Telekom's goal was to motivate customers to travel to new or as yet unvisited parts of Slovakia, and to discover the beauties of their own homeland. Customers could use the summer benefit in all Telekom networks, including the latest 5G network.

Mobile phone insurance for unlimited tariffs
Telekom continued to focus on Smartphones and their protection in the summer as well, preparing a new version of insurance for customers with unlimited tariffs . It is intended for customers who have purchased a phone for €400 and higher. The amount of the insurance premium is divided into two price levels, €2 and €6, depending on the type of monthly flat rate.

The 5G network crossed the borders of Bratislava and is heading to the first municipalities
Half a year after the start of the network, Telekom expanded the 5G network outside the capital. Customers received a 5G signals in the first three locations outside the metropolis - namely in the municipalities of Veľký Biel, Tomášov, and Dunajská Lužná.

JULY

Telekom enriched the range of Smartphones with the new OPPO brand
For the first time, the OPPO mobile manufacturer brand appeared in Telekom's range - which brought two new products, including 5G support.

AUGUST

The Champions League returned to Telekom and DIGI Slovakia customers
After almost three years of silence, the world's best league returned to the screens of Slovak Telekom Group customers. In addition to the Champions League, viewers could continue to enjoy prestigious Serie A, Bundesliga, La Liga and Premier League competitions in the new season, so they could enjoy the best football experience from the comfort of their own home.

More telephones with folding displays
August brought a boom in folding-display phones. Samsung introduced a pair of new Galaxy Z Flip3 5G and Z Fold3 5G models. Telekom prepared pre-orders for them a few hours after their introduction, and at the end of the month they started to be included in the range and reached the first customers.

The new fixed internet portfolio
Telekom refreshed its Internet range with several new features. Customers on the fiber optical network were given greater options: more programs, higher speeds, and an extra benefit in the Magenta 1 group. Clients on the VDSL network received a guaranteed speed with the new KlasikNET, i.e., the minimum profile speed that the customer will achieve, as well as the maximum speed that will depend on network utilization and capacity.

Even better fixed internet for business customers
Customers automatically received higher speeds and could purchase even higher uploads. The product concerned the Biznis OptikNET and Biznis KlasikNET services which Telekom introduced in August 2020, and added further improvements a year later.

eSIM launch at Telekom
Telekom launched the highly-anticipated eSIM without extra fees. New possibilities have emerged for customers regarding how this new type of SIM card can be used in practice.

SEPTEMBER

30th anniversary of the first mobile call
Thirty years ago, on September 12th, 1991, the first mobile call took place in Czechoslovakia - laying the foundation for the mobile communication of the day. From that moment on, a new telecommunications history began to be written in Slovakia. On this occasion, Slovak Telekom offered all customers with mobile services free calls symbolically on September 12th.

The 1st Prepaid Anniversary
To mark the occasion of the first birthday of the new prepaid card, all customers who renewed their credit received twice as much credit as they purchased.

OCTOBER

Christmas special with surprises and a competition
Telekom presented a Christmas special in which it offered each customer a benefit for the services they used. Everyone could find a surprise in the Telekom application, and later participate in a draw for 1381 prizes. The Christmas special also included Christmas twinning, a lot of hardware, and extra Prepaid benefits.

NOVEMBER

ENTER took a new direction, announcing the Olympics in micro:bit programming
Telekom continued its digital education, and followed up on the first year of the ENTER grant program. By announcing the Olympics, we wanted to motivate students and their teachers to translate their acquired knowledge of working with micro:bits into practice through participating in the Olympics and resolving prepared tasks that transcended various social topics.

Support for the 5G network grows in two directions

By the end of November, the 5G signal had grown not only to 18 parts of Bratislava, but also to 25 municipalities in the Bratislava and Trnava regions.

DECEMBER

Telekom launches 5G roaming in the first European countries
From December 1st, Telekom's customers were able to start using all the benefits of the 5G network with compatible 5G phones not only in the home network, but also in the first European countries in which Deutsche Telekom's subsidiaries operate (Austria, the Czech Republic, Germany and Greece).

Another strong year for fiber optics
Throughout the year, the expansion of the fiber optical network found its way to new locations in several regions of Slovakia. In total, coverage by our own fiber optics has already reached more than 880,000 households across the country.

THE SLOVAK TELEKOM GROUP PROFILE

SLOVAK TELEKOM IS PART OF A GLOBAL DEUTSCHE TELEKOM GROUP. THE GRAPHIC SYMBOL OF THE ASSOCIATED COMPANIES IS A MAGENTA "T", WHICH ALSO INCORPORATES THE INTERNATIONALLY VALID VALUES ACCEPTED BY THE EMPLOYEES OF ALL COMPANIES.

IDENTICAL VALUES FOR ALL DEUTSCHE TELEKOM GROUP COMPANIES:

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

GROUP COMPOSITION

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

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

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

The accounting unit Slovak Telekom doesn’t have organizational subsidiary abroad (besides Commander Services operating in Czech republic).

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 disclosures, including requirements of the EU regulation 2020/852 on the establishment of a framework to facilitate sustainable investment, that are not included in the annual report will be included in the annual report of Deutsche Telekom AG.

GOVERNING BODIES

EXECUTIVE MANAGEMENT

Jose Perdomo Lorenzo
Chief Executive Officer 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.

Dušan Švalek
Director for Slovakia (until 31.5.2021)
Director for Mass Market (from 1.6.2021 until 14.9.2021)
Dušan Švalek received his university education at the University of Economics in Bratislava and subsequently at the University of Navarra. He began his career at Benckiser and Johnson & Johnson, and later worked for The Boston Consulting Group for six years. In 2004, he joined T-Mobile Slovakia as the director of the customer service division, and since 2007 he was the executive director of the marketing division. From October 1st, 2012, he held the position of Executive Director for the mass market segment in Slovakia, and from July 1st, 2016, he held this position on the Slovak and Czech markets. From March 1st, 2019, he held the position of director for Slovakia.

Mladen Mitič
Director for Mass Market (since 15.9.2021)
Mladen Mitič studied information science at the University of Belgrade, and completed an advanced strategic program at the IMD Business School in Lausanne. He brought with him a lot of knowledge from the telecommunications market from several markets and telecommunications groups. At the Serbian Telenor, he held the position of Prepaid Segment Manager and also held the positions of CRM Consumer Manager. In Telenore Norway, he led the marketing and product division with a strong customer focus. At the Danish operator TDC Business, he was responsible for marketing and focused on the areas of branding, FMC and digitization. He joined the Deutsche Telekom Group in January 2020 and was directly responsible for the transformation of the EU B2B segment in Bonn. From mid-September 2021, he took up the position of director of the mass market at Slovak Telekom.

Peter Laco
Enterprise Segment Director (since 15.6.2021)
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.

Branimir Marić
Chief Technology and IT Officer (until 31.7.2021)
Branimir Maric graduated from Zagreb Technical University Faculty of Electrical Engineering and Computer Science. Branimir Marić started working at the Hrvatski Telekom company in the management and development of the Internet network. Eventually he led the group for customer IP and data networks, was Head of Technical Research and Product Development, executive director of group strategy and the development network platform and also a member of the executive management of the Croatian T-Com. After the merger between Hrvatski Telekom and T-Mobile Hrvatska in January 2010 Branimir Maric held the position of Chief Operating Officer for service management and fixed and mobile network operations. From the 1st of January 2012, Branimir was the Slovak Telekom Chief Technology and IT Officer. Since July 2016, he has also held this position at T-Mobile Czech Republic.

Vladan Peković
Chief Technology and IT Officer (since 17.8.2021)
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.

Tomáš Ryšavý
Director of Customer Experience and Transformation (until 31.5.2021)
Tomáš Ryšavý joined T-Mobile Czech Republic as the head of after-sales services and held several managerial positions in the areas of procurement and logistics, customer care, and sales channel management, and has also worked as a product and segment manager for the residential market. Since 2016, he was a member of the company's management, initially as the director of strategy and transformation. At the beginning of 2019, he was entrusted with the management of the HR division - which he successfully lead through a challenging period of organizational change. From October 1, 2019, he worked as the Executive Director of the Customer Experience and Transformation Division at Slovak Telekom and T-Mobile Czech Republic.

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

THE BOARD OF DIRECTORS

Chair:
- Armin Sumesgutner (since 29.04.2020)

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

Member:
- Danijela Bujic (since 01.10.2021)
- Daria A. Dodonova (until 30.09.2021)

THE SUPERVISORY BOARD

Chair:
- Martin Renner (since 01.10.2021)
- Danijela Bujic (until 30.09.2021)

Members:
- Denisa Herdová (since 19.03.2018)
- Martin Švec (since 2.10.2020)
- Ida Zelenka Puda (until 13.08.2021)
- Drahoslav Letko (until 05.08.2021)

THE AUDIT COMMITTEE

Chair:
- Danijela Bujic (since 11.3.2022)
- Daria A. Dodonova (until 10.3.2022)

Members:
- Martin Renner
- Denisa Herdová

02 BUSINESS ACTIVITY REPORT

TECHNOLOGY, SERVICES AND PRODUCTS

Telekom has maintained its position as a technology leader in recent years by deploying and expanding new technologies, and continued this trend throughout 2021 in both segments. In the mobile segment, the expansion of the 5G network to other parts of Bratislava and in the countryside was successful, as did the expansion of fiber optics to cities and municipalities in all Slovak regions in the fixed-line segment.

FURTHER HELP DURING THE PANDEMIC

2021 was marked to a large extent by several waves of the pandemic - it began in the middle of the second wave, when many companies operated from home office, and teaching was conducted in the form of distance education. Slovak Telekom decided to help medical staff in the first quarter of 2021 and as a symbolic thank you prepared unlimited mobile data for free until the end of September so that they could be as connected as much as possible with those they care about. Paramedics spent endless hours in hospitals and outpatient clinics at the expense of their own families or leisure time - so Telekom decided to provide them with large amounts of data. But paramedics could also help patients by lending them their own phones - often to elderly patients - so that they could at least see their families via video call.

THE BEST CONNECTIVITY: ANOTHER STRONG YEAR FOR FIBER OPTICS AND 5G EXPANSION

Slovak Telekom's largest investments have gone into building fiber optics in recent years, and 2021 followed this trend. The company's ambition is to cover one million households in the medium term, and in 2021, it managed to move closer to this goal.

Slovak Telekom has been building fiber optics at a significant pace over the last three years, with more than 100,000 new access points being built each year. As of 31 December 2021, coverage was available for 882 thousand households throughout Slovakia as part of their own construction.

In the spring of 2021, however, Slovak Telekom managed to enter into a collaboration with Orange Slovensko and the company thus gained access to approximately 70,000 households, therefore the availability of Telekom's services on fiber optical networks increased even more – reaching 952,000 households.

In the field of mobile technologies, Slovak Telekom continued to build the new generation 5G network. While at the end of 2020 5G was available in 8 districts of the capital Bratislava, in January and February, construction and commissioning started in other districts: Rača, Kramáre, Karlová Ves, Staré Mesto, Dúbravka, Devín, Lamač, Záhorská Bystrica, Jarovce, and Rusovce.

From June 2021, we expanded construction beyond the borders of the capital and brought it to the first municipalities: Veľký Biel, Tomášov, and Dunajská Lužná. Coverage continued in the summer and autumn, and in total Telekom covered 25 municipalities in the Bratislava and Trnava regions, the last locality in 2021 was Bernolákovo.

Support for 5G phones has also expanded. In the first days of providing the 5G network, 12 models from five manufacturers (Apple, Samsung, Huawei, Xiaomi, and OnePlus) were supported. During the year, support more than tripled, and by the end of 2021, 39 models had been supported. New brands of 5G phones were also added: Motorola and OPPO.

In December 2021, Slovak Telekom launched 5G roaming in the first countries, in four Deutsche Telekom Group networks: T-Mobile Czech Republic, Magenta Telekom (Austria), Telekom Deutschland (Germany), and OTE (Greece).

THE BEST RANGE OF HARDWARE WITH A HIGHER LEVEL OF CARE

For many years, Telekom has positioned itself as an operator with a wide range of hardware for fixed and mobile network services. In the mobile segment, Telekom emphasizes the introduction of new smartphones, while trying to emphasize the benefits of new generations of networks such as 5G and 4G, including VoLTE technology (voice over LTE network). In addition, tablets, laptops, as well as 4K TVs for Magio TV and game consoles - including the new PlayStation 5 and Xbox Series X and S - are a stable part of the offer.

During the year, several news from many manufacturers were introduced. As early as January 2021, the new Samsung Galaxy S21 series was launched, and in August, the range of phones with folding screens was expanded by two new products, the Galaxy Z Flip3 and the Galaxy Z Fold3. During the year, Telekom also introduced many other models such as four versions of the Apple iPhone 13, the Xiaomi 11T Pro, the Motorola Moto G20 and G30, and the Huawei Nova 8i and 9. In addition, the new OPPO manufacturer with two 5G smartphones was on offer from the summer.

At the same time, Telekom also focused to a greater extent on other aspects of the hardware range. On the one hand, it extended the offer for loyal customers or better phone prices for Magenta 1 and launched a campaign in which customers could obtain a voucher for Smartphone accessories such as a protective covers and display glass.

The next step is faster phone repair, while Telekom's ambition is for the customer to get to their Smartphone back after it's been damaged and repaired as soon as possible - within 15 days. If it is not possible to repair the phone in a shorter time, the customer will receive an extra coupon for accessories. In June, Telekom also introduced higher insurance for unlimited flat rates, for which customers usually chose top-class Smartphones.

With these steps, Telekom also wishes to strengthen the perception that the strong hardware range includes not only the purchase of new devices, but also their protection and further care.

TOP SERVICES: MAGENTA 1, A NEW INTERNET PORTFOLIO, ADDITIONAL FLAT RATE DATA

Telekom continues to provide strong portfolios of fixed and mobile services, while offering a joint package of converged Magenta 1 services with several benefits. In the group, customers can get traditional benefits (more minutes, SMS and data, mutual calls and free SMS, data donation to their loved ones, better smartphone prices), several newer ones (free TV archive, lower price for a daily unlimited data package) and in 2021 added another benefit – extra fiber optical internet speed for the same price.

In August, Slovak Telekom introduced a new fixed internet portfolio with many new features such as guaranteed VDSL speed, extra speed for fiber optical internet customers in the Magenta 1 group free of charge, and a higher number of programs. This start was accompanied by the recording of a special podcast that explained the principles of the new offer and the benefits for customers. With the offer launching in the summer and the holiday season, journalists received the podcast attached directly so that they could listen to it on their own.

Telekom again implemented changes in the fixed Internet portfolio in its offer for small companies - Biznis.net. With fiber optics, a benefit for Magenta 1 and higher program speeds were added, with VDSL minimum and maximum profile speeds. Biznis.net also includes premium care through a personal T-Master agent, a premium router is included and - for greater security - an integrated OnNet Security solution.

In the mobile services segment, Telekom continues to provide families with flat-rate Basic, Ideal, Data and Unlimited for households, and Business Mini, Business Premium and Business Unlimited for business clients. These flat rates contain minimal price differences, so the customer can change the flat rate even during the contracted period and the price changes only in a small increment. Unlimited flat rates, in addition to an infinite number of minutes and SMS, still contain unlimited data, each with different parameters. Business packages include additional benefits such as better hardware prices and premium care through a T-Master personal agent in the form of consulting services.

In March 2021, Telekom took a pro-customer step and **increased the volume of data just like that in tariffs**. The packages received higher amounts of data (also in Magenta 1) or the 128 kbps Unlimited Connection package without a change in monthly fees.

For the summer, Telekom prepared a special campaign to motivate customers to find unknown places in Slovakia. For the months of July and August, we provided clients with unlimited flat-rate data so that they could share experiences from unknown places with their loved ones. The aim of the campaign was to discover places all over the country and at the same time - after two waves of the pandemic - to support travel in domestic regions.

In addition, throughout the year, Telekom prepared **positive surprises** for flat rate customers, as well as the new generation of the Prepayment card. On Valentine's Day, World Health Day, International Children's Day and the anniversary of the Instagram, we introduced one-day events such as double credit and an unlimited daily data package.

B2B SERVICES

The business environment has gone through a difficult period in the last two years of the pandemic, which is why Slovak Telekom has decided to make its services more attractive and to bring several innovations that would cover business needs.

The changes affected several services. The first area was the **Business packages, which received a permanent increase in the standard data volume**. From this year, business customers can also take advantage of another benefit in the form of an **unlimited connection at a speed of up to 128kbps**. They can activate the benefit free of charge after using the prepaid mobile data package for a specific flat rate.

Gradually, the number of companies that have switched from the online environment back to standard offline mode and opened their branches or operations and started looking for secure technological solutions again. During the year, Slovak Telekom introduced **new ICT IT solutions: Works - designed for small and medium-sized companies**, which are based on Managed Wi-Fi and Managed Security Box products. The provided solutions will provide them with a stable Wi-Fi connection and connectivity at a higher level, which is based on security functions responding to current cyber threats. The entire solution is delivered to the customer on a turnkey basis based on their needs, while trained specialists from Slovak Telekom take care of the entire operation.

During 2021, Telekom was part of a unique project which included not only IT technologies, but also networking and security. This section included the implementation of the SD-WAN solution - which was the first of its kind in Central Europe. Slovak Telekom is proud that its customers have decided to trust its know-how in the field of private data networks. In addition to this project, SD-WAN solutions have also been successfully implemented by other customers.

Slovak Telekom followed up on last year's launch of the new **BIZNIS Net** internet portfolio for smaller companies, and improved it again this year. Corporate customers received **higher download speeds** in original programs and at the same time they could increase their uploads for even more comfortable work from the office or home office for a monthly fee.

THE TV PORTFOLIO: THE NEW MAGIO GO AND THE FIRST 4K CHANNELS

Home entertainment in the form of television is an inseparable part of Slovak Telekom's continuous improvement, which is why it invests considerable funds into television services every year in order to satisfy the growing demands of Magio television platform users.

At the beginning of the year, Slovak Telekom launched its renewed Magio Go Internet television, which received several improvements and reached the level of its sister IPTV TV service. Customers could look forward to a **new portfolio of program packages, the top package of which consists of up to 140 TV channels**. Not only SD, but also HD TV channels are available in the individual packages for an even better and more detailed experience of watching your favourite TV stations.
Another improvement - which until now was only the realm of standard Magio TV with set-top boxes - was the introduction of a 7-day **TV archive and Video Rental**. Thanks to this new functionality, customers can watch a missed program from as far back as seven days. In addition to the TV Archive function, another innovation has been added in the form of the intelligent recording of any program or show that is currently being broadcast or to be broadcast. The new Magio GO Internet TV Video Rental offers unlimited viewing of films and series of various genres from domestic and international productions.

To watch Magio Internet TV, all you need is a stable Internet connection from any ISP, and some of the supported Magio GO compatible devices. The **launch of applications for LG smart TVs** expanded this range of devices last year. The widest portfolio of the most used devices is available to customers - including Samsung TVs and TVs with Android TV. Magio GO Internet TV can also be watched via the Magio GO TV set-top box from Slovak Telekom, or on mobile devices with Android and iOS, and even on a PC in a web browser.

Slovak Telekom has shown that it is really serious about broadcast quality, and has included **two Ultra HD (4K) quality TV channels in the channel structure of Magio GO**. The **Eurosport 4K** TV channel brought live broadcasts from the prestigious 2021 French Open tournament, the US Open, and the Olympic Games in Tokyo postponed as a result of a world pandemic. The **Travel XP 4K** lifestyle travel channel has taken people to the most beautiful corners of the world in the highest quality.

The innovations also affected digital Magio television on IPTV. The **TV Archive** underwent significant improvements, starting with a **7-day archive with high-quality content and a completely new way of storing content** not only on disk in Magio boxes, but directly **in the Cloud**. This will give customers up to 100 hours of storage space for their favourite programs, and this content can be viewed for up to 180 days from upload.

Two more TV channels were added to the Magio TV program portfolio, which expanded the existing offer for younger viewers. In terms of content, the **Chuck TV e-sports channel** focuses on a new form of electronic sports that is gaining in popularity. Viewers can now watch e-sports computer tournaments. For music lovers, the **Hungarian MTV HU localized International station** was added, and the Hungarian EXTRA has enriched the TV Magio digital TV package.

Part of the year's television content improvement was the **expansion of cooperation with content partner National Geographic** which brought a **completely new video library** of National Geographic documentary series to the Slovak television market. The **video library provides more than 400 hours of premium content** divided into 35 themes. This service is available within the Magio GO and digital Magio TV video library.

In 2021, football enthusiasts had it made, **Slovak Telekom along with DIGI Slovakia brought the UEFA Champions League back to its screens** after almost three years. Other European competitions remained in the program: **Serie A, Bundesliga, La Liga and The Premier League**. Prestigious football competitions are also on the spectators' screens thanks to three new channels, **Premier Sport 2, Nova Sport 3 and Nova Sport 4**, which have gradually replaced the original DIGI Sport stations.

The end of the year was a television one again – with an **exclusive Christmas TV show** for Magio TV customers which Slovak Telekom prepared for them **in the form of more than a month of free access to dozens of TV channels** for all age groups of viewers.

THE CUSTOMER EXPERIENCE: THE TELEKOM APPLICATION FEATURING LOTS OF INNOVATION

In 2021, Telekom continued to expand the functions in its Telekom applications, and brought a host of innovations to improve the customer experience with mobile and fixed network services.

During the year, customers were able to find several **positive surprises and to activate packages** such as Valentine's Data and the unlimited data package for International Children's Day.

The first highlight of the year was the introduction of the **Unlimited Data Package** during July and August as part of the Discover Slovakia campaign. The second was a massive Christmas campaign in which the customer picked up a benefit directly in the application itself and could also activate it there.

At the same time, however, customers also received **new services or functions**, such as the ability to change their package to a new portfolio, updating contact details and - at the end of the year - changing their SIM card to eSIM directly in the application. From the CSR area, the activation of the Good Angel package is worthy of mention.

Telekom is gradually **expanding the functions of the application into the world of fixed services.** Among the new features is Home Getaway - router management and its settings via the Telekom application. The possibility of extending the commitment for fixed service products was also added. In addition, a completely new fixed internet offer came out in August - including the possibility of changing the existing program to this portfolio. Fixed service customers were also able to join the Christmas campaign and receive one of the surprises.

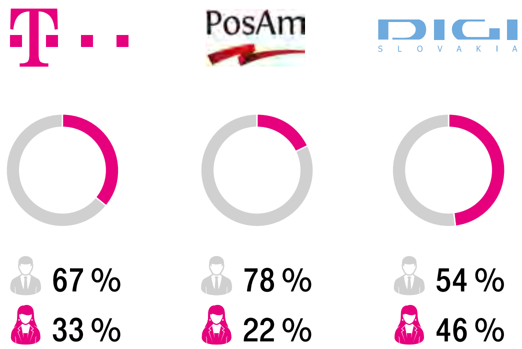
HUMAN RESOURCES AND EMPLOYEES

THE GROUP IN NUMBERS

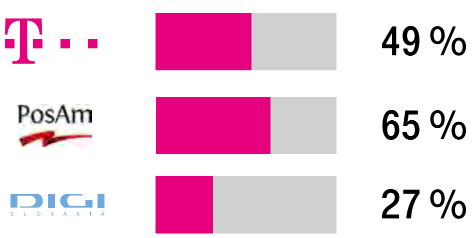
In 2021, Slovak Telekom employed 2704 internal employees. During this period, PosAm and Commander Services 340 and DIGI Slovakia employed 132 internal employees.

The average age of Slovak Telekom and its subsidiary employees in 2021

Percentage of males and females in Slovak Telekom and its subsidiaries in 2021



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



HEALTHY SOCIETY

Slovak Telekom regularly organizes a health week in Bratislava and regional health days for its employees, but due to a pandemic, none were organized in 2021. On the other hand, it was possible to at least organize eye examinations directly in workplaces in Bratislava, Žilina and Košice, which were attended by 170 employees. Employees worked mostly from home, but were able to listen to lectures on health protection and prevention online, and participate in online exercises and yoga.

Employees and their families were provided with a free psychological counselling centre, where they could consult their problems with a psychologist. Colleagues working on the front line were provided with protective equipment to protect their health against Coronavirus (disinfectant soaps, gels, sprays, wipes, respirators, drapes, protective gloves, goggles, shields and clothing). In addition In addition, technicians were provided with sprays to protect their health from insect bites. All employees received vouchers to purchase vitamins to gain immunity.

At the same time, employees have the opportunity to donate blood several times a year directly at the workplace; this year, due to a pandemic, this only happened once, with 28 donors participating.

KNOWLEDGE SHARING

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

In 2021, 1774 employees attended T-UNI programs, and in total 12 423 participations were registered in all development activities.

The highest attendance was for courses related primarily to digital skills:
- Digital productivity
- Digital wellbeing
- Technological change as the only certainty of the future
- Teams meetings and their functionality

The area of health also enjoyed our attention: The art of being healthy and emotional championship (Jan Vojáček and Jitka Ševčíková, MD). In 2021, employees paid great attention to activities that support their mental health and well-being.

Interesting speakers included Petr Mára, MuDr. Ján Vojáček, and also Karol Suchánek - a specialist in cyber security. Some of these lectures were held in hybrid form.

The vast majority of activities in 2021 took place online - something colleagues preferred not only because of the current situation, but also because employees from all parts of the country could participate in these activities.

In the field of education, a new format was tested: microlearning. From September to mid-November, Digi School operated on the Workplace social network. Every working day, one tip (usually a 2-3-minute video) for working effectively with applications from the Microsoft 365 package was published. The package has been deployed in the company for some time, but so far colleagues had worked more in self-taught scenarios and lesser-known tweaks.

At Telekom, work from anywhere has expanded, so employees can improve in areas such as effective communication and collaboration through Teams, or working asynchronously with team members on a single document by sharing through OneDrive or Sharepoint without unnecessarily emailing different versions.

ACTIVITIES FOR STUDENTS

An inseparable part of Slovak Telekom's activities is educating students and the general public. For example, Slovak Telekom has long supported the **You in IT** project, which seeks to build awareness and at the same time support IT studies for females.
The company also organizes its own events which include the **T-Day technology conference**. In 2021, the conference was held twice in online international cooperation with its sister company T-Mobile Czech Republic. Every innovation and technology enthusiast from Slovakia and the Czech Republic was able to register for T-Day. Other activities developing the potential of talented students include the Trainee **program**, thanks to which several graduates found employment in Slovak Telekom even after successfully completing the course.

COMMUNICATION

The level of communication intensity did not slow down during the second year of the pandemic. The year 2021 started in the middle of a new wave, and many companies and customers continued to work from home. During the year, the situation eased – only to worsen again before Christmas, and customers took full advantage of all communication options during lockdown and in normal mode. Slovak Telekom covers several segments (fixed, mobile) and service portfolios (fixed and mobile voice, fixed and mobile internet, TV, prepaid cards), which offered many new features, events, and changes during the year.

EXTERNAL COMMUNICATION

Even during 2021, it was difficult to organize press conferences and events in standard mode, so the first physical **press conference** took place in May in the form of a **parent association event** focusing on the results from the first year of the **ENTER digital learning platform**. In the first part, a survey by the Focus agency on teaching informatics during a pandemic was presented, in the second part, the grant program and activities for students and teachers were evaluated: education, seminars, online lessons, and other formats.

At the end of June, Telekom launched a summer campaign aimed at exploring undiscovered corners of Slovakia. This concept was also transformed into an **online press conference**, when all four speakers moved to different places in Slovakia by different means of transport: by bike to Uhrovec, by motorcycle to Hronský Beňadik, on foot to the forests behind Nová Baňa, and on a paddleboard at the Lozorno dam. From these places, the campaign itself was then introduced in which the speakers themselves demonstrated what places Slovakia has to offer.

In August, Slovak Telekom introduced a new fixed internet portfolio with many new features such as guaranteed VDSL speed, extra speed for fiber optical internet customers in the Magenta 1 group free of charge, and a higher number of programs. This start was accompanied by the recording of a special podcast that explained the principles of the new offer and the benefits for customers. With the offer launching in the summer and the holiday season, journalists received the podcast attached directly so that they could listen to it on their own.

At the end of October, the traditional Christmas special - accompanied by a Christmas talk show - started online again with several guests. Each speaker gradually presented their part of the special: a Christmas surprise for everyone, new Prepaid feature, and popular "Christmas twins" for customers of fixed and mobile services.

In addition to several events, Telekom also issued dozens of press releases during the year for the most important changes, events or news in the hardware range and answered hundreds of press questions. The emphasis has traditionally been placed on product communication, corporate topics, but also the CSR communication of several projects - for example, in the first quarter the Helping Healthcare campaign was created.

In September, Slovak Telekom organized a ENTER conference focused on digital education. The morning block was intended predominantly for students who were first inspired by speakers with the common theme of How to turn their passion into a profession. The interactive How to create content and make fashion accessories section followed, and the morning block was closed by the Labour Market of Future and Opportunities for Young People panel. The afternoon block of the conference was intended predominantly for teachers and was started by Bob Kartous with topics on how to prepare the next generation for the future. The next blocks touched on the issues of online education from several angles - including the psyche of children, its further direction, and the hybrid school and the dilemma of where we are able to move in education in terms of technology.

MARKETING COMMUNICATION

The pandemic continued in 2021 and the established trends of digitalization of communication continued. Marketing communication retained the concept of previous years - when the main faces of the campaigns were ordinary people with their, mostly smiling, stories from everyday life. Slovak Telekom continued to maintain its technological leadership with an emphasis on the positive customer experience and satisfaction. In the spring, there was a shift in communication with the introduction of a new claim: "It matters to us that you have the whole world in your hands", which emphasized an even stronger focus on the customer.

At the beginning of the year, a special campaign Helping Healthcare Professionals in the online environment was launched, reflecting the difficult times during the pandemic. In an emotional video, Telekom drew attention to paramedics and the difficult situations they find themselves in when - due to their busy schedule - they cannot spend as much time with loved ones as they would like.
At the same time, in cooperation with Všeobecná zdravotná poisťovňa, we gave them unlimited data until the end of September 2021, so that they could be in touch with their families whenever they needed to be thanks to an online connection.

The First Steps campaign was launched in March, promoting a mobile phone for loyal customers at a better price. The TV spot focused on the important role of mobile phones in the customer's life. In this case, parents wanted to record their child's first steps on their cell phones, and the drama followed as they began to search for him throughout their apartment.

Spring was a breakthrough in communication, because Slovak Telekom created a new claim. **It matters to us that you have the whole world in your hands**. This was the logical result of our long-term focus on customer satisfaction and a positive experience. Dušan Švalek, the director for Slovakia, introduced the new message in a series of three short videos. This short start was followed by a campaign in which specific propositions began to accomplish the new claim. In this case, it was a free increase in the flat rate that the grandmother and granddaughter used in the TV spot’s loving story so that they could be in contact as much as possible.

In the summer, anti-pandemic measures were relaxed after a long time, and this was reflected in our communication. Slovak Telekom gave all post-paid customers **unlimited data for the whole summer** for free and they could enjoy it all over Slovakia. People scattered outside and thousands of tourists appeared in the mountains. It was this that inspired the creative behind the summer "He stood, he stood" campaign, which humorously adapted the well-known hit by Karol Duchoň - Šiel, šiel (He went, he went). The TV spot pointed to overcrowding at the most famous tourist destinations in Slovakia after the easing of lockdown and at the same time pointed out the possibilities of discovering new, less visited places thanks to unlimited data from Telekom.

In addition to the TV spot, the campaign ran on social networks where it focused on tourist tips for the least visited places. Telekom additionally cooperated with the Ministry of the Environment of the Slovak Republic and supported its Tourist Traffic Light, which also informed people about the number of visitors in various tourist destinations. Slovak Telekom also created a special advertising medium when it reconstructed a signpost near Rainer's shelter in the High Tatras and installed a solar charger for tourists' mobile phones. At the same time, we introduced a mobile application with the sound of a bell, which repels bears and other wild animals during the tour.

In September, a campaign was launched in which the **benefit of mobile internet backup** in the event of fixed internet failure occurring for any reason was communicated free of charge. The TV spot communicated this benefit with a happy story from an ordinary household in which the father breaks a router with his clumsiness and has to compensate his daughter for her lost internet connection - until the mother quickly switches on the previously mentioned backup internet.

The Christmas campaign reflected on another challenging year, and focused on digitally connecting people who could not spend Christmas Eve with their loved ones due to work responsibilities. The heroes of the series of happy spots were a policeman and the father of a small son in one person along with Mišo - his service dog. We presented Christmas benefits for all customers, including a Christmas contest, as well as a hardware special. At the same time, Mišo the German shepherd became a central figure in the social media campaign.

COMMUNICATION AWARDS

Slovak Telekom received several awards for its marketing communication: two gold and one Silver Nail awards and three shortlists from the prestigious all-Slovak Golden Nail 2021 competition. The First Steps and the Helping Healthcare campaigns won the highest award. The "Zastávka" (Bus Stop) television spot won silver in 2020.

Slovak Telekom also scored abroad in the Golden Drum 2021 creativity competition, where two shortlists were won for the "Zastávka" spot and the spot from the "Are we there yet?" 2020 Christmas campaign.

Beyond our borders, there was also an award in the EFFIE EUROPE 2021 competition in the form of a shortlist for communication and customer acquisition during the biggest global crisis - the COVID-19 pandemic.

Slovak Telekom was also successful in the field of PR competitions, when at the beginning of the year it won a shortlist for the Start of the 5G network, and a press conference at the L + S Theater in December 2020.

PR and marketing teams, together with their agencies (casual, wavemaker, MUW Saatch & Saatchi), achieved even greater success at the Zlatý středník (Golden Median) competition, winning bronze in the Social Responsibility and Sustainability category for the **ENTER - Digital Education project**.

SOCIAL RESPONSIBILITY

We are a technological leader who respects natural resources and - through digital technologies - is transforming Slovakia into a modern society. Despite the fact that 2021 was marked by the continuation of the Coronavirus pandemic which dramatically affected our lives, we continued to focus on the future in our business, and addressed our long-term responsibilities in the field of corporate responsibly.

The key areas of responsible business are:
- Good corporate governance - ethics, transparency and human rights
- The environment
- Society
- Digital technologies and security

Good corporate governance - ethics, transparency and human rights
At Telekom, we place great emphasis on transparency, openness and ethical behaviour. In our work, we follow a Code of Ethics which is uniform for all companies of the Deutsche Telekom Group.

Employees, customers, and other third parties may contact the Compliance Department at Telekom or the parent company of Deutsche Telekom AG directly with questions, and report suspected violations or unethical conduct.

We additionally require our suppliers to adhere to ethical rules - especially in the areas of the prevention of corruption, social responsibility, environmental responsibility, AML, competition law, and artificial intelligence through a binding Supplier Code of Ethics. In 2021, our Compliance Management System successfully passed the external certification focused on the effectiveness of the system in the fight against corruption.

We are one of the signatories of the Slovak Diversity Charter - a voluntary initiative of companies and organizations aimed at promoting inclusion and diversity in the workplace.

In 2021, we made a financial contribution to the Fund for a Transparent Slovakia - which aims to improve the business environment, increase transparency and reduce corruption.

The environment
In 2021, we implemented a number of solutions and processes that help combat climate change and reduce our carbon footprint. The biggest environmental burden of our business is electricity consumption. In 2021, our network was green in terms of energy, i.e., 100% of the electricity consumed was covered by renewable sources.

At Slovak Telekom, we meet the strictest environmental protection standards, and have implemented an environmental management system in accordance with the ISO 14001 standard. The specific activities we have implemented in the field of environmental protection include systematic reduction of emission formation, waste prevention and recovery and the largest share thereof, as well as prevention of the risk of leakage when handling substances harmful to environmental elements. For example, in 2021, we refurbished more than 100,000 end-user devices that would otherwise have ended up as waste, but will be used further. We also collected 3.5 tons of used electrical devices from customers and secured their recycling.

We continued to digitize our sales - gradually making them greener. You will not find paper brochures or plastic bags, ball-point pens have disappeared, and the number of screens has also been significantly reduced. Thanks to this today, in the T-Center Aupark in Bratislava you can find only 14 of the original 50 screens. In the OC Europa T-Center in Banská Bystrica from the original 37 screens only three remained in 2021. Instead of halogen lights with an output of 45W and a lifetime/guarantee of 5 years, we switched to LED lamps with a power of 32W and a lifetime/guarantee of at least 8 years. We switched to floors made from recyclable materials when reconstructing stores. We save 12 tons of paper annually by merely removing POS materials from stores.

Society
Having an infrastructure is not enough. We need people who are digitally intelligent and literate, are adapted to technologies not only in terms of consumption, but they also know how to create with them, and understand digital ethics and security. Therefore, in 2021 we implemented multiple projects that help develop digital literacy of children and support the process of transforming education to modern and digital.

Smart technologies have accompanied them since they were born. They play, chat and as early as in elementary school they know how to handle smartphones and tablets more skilfully than their parents. We call them the digital generation. But only 4 out of 10 children can easily create a simple table or presentation. In the future, 9 out of 10 jobs will require digital skills. In addition, robotization and automation bring additional risks for the labour market. This matters to Telekom, and that's why we created the ENTER platform which aims to bring innovation in education and develop digital children's skills.

The first program launched within ENTER is aimed at supporting the growing interest of children in digital technologies, understanding how they work, and the desire to think about how to use them for creative solutions. The program is built on three pillars - increasing children's motivation and education, teacher education, and school hardware. We chose micro:bit as a tool - a small programmable microcomputer that can create simple games, measure temperature, and control the sound or luminosity of other devices.

We also joined forces with non-profit organizations - You in IT (Aj Ty v IT) and SPY - Teaching with HW, which helps us educate children and teachers. We created the enter.study website where teachers, parents and children can find useful advice, procedures and videos on how to work with micro:bit. In cooperation with the most successful YouTuber in Slovakia – Daniel „GoGo" Štrauch - we created a 7-part series called Micro:battle where we showed that programming with a micro:bit was not boring, and presented the wide possibilities of micro:bit use in connection with various professions, activities and subjects.

Grant programs were implemented - thanks to which micro:bits worth €300,000 got into schools. In September, an all-day ENTER conference was held - the morning program of which was dedicated to students, digital technologies and the labour market of the future, and the afternoon program covered the development of teachers and building schools of the future.

For the fourth year, we continued the general partnership for the Teacher of Slovakia 2021 Award and the promotion of the Comenius Institute, the Educational Program for Teachers of Slovakia. Within the Digital Skills platform, we supported digital coordinators' education at schools.

Part of our digital inclusion is help for, and involvement of people with sensory impairments through providing advantageous services and applications such as the Online Interpreter and Corvus.

In addition to our strategic solutions, we also consider it equally important to respond to current changes and situations in society. In 2021 - which has seen the continuation of the COVID-19 pandemic – our response was to help health professionals, teachers and students by providing data, equipment and funding.

An integral part of our support for communities and people in Slovakia are activities implemented through the Telekom Endowment Fund at the Pontis Foundation.

Data protection

Digital technologies are an inherent part of our lives. With their development and importance, their safety is pushed more and more to the forefront. Cyber threats are now becoming more sophisticated.

We protect our technologies and information, but we also protect our customers, employees and business partners. We are holders of the ISO 27001 Information Security Management System certificate, have a Cloud Personal Data Management System according to ISO 27018, a Continuity Management System according to ISO 22301 and an information technologies Service Management System as per ISO 20 000-1.

For business customers, we have prepared a consultancy and tailor-made services to make their business online secure - such as OnNet Security. Individuals can protect themselves through our Magio Internet Security.

DIGI SLOVAKIA

15th year on the market marked by increasing quality of services
DIGI SLOVAKIA's aims to bring more quality content while maintaining the affordable price of the basic offer. Every year, DIGI SLOVAKIA provides customers greater value in the form of new television content and the inclusion of new TV channels in order to achieve the highest customer satisfaction.

Non-binding services
DIGI SLOVAKIA continues to sell non-binding services. For customers who wish to avoid a fee for setting up the service, offering an installation bonus or the option of self-installation.

Expanding the TV portfolio
In 2021, new television programs were added to the range such as PREMIER SPORT 2, NOVA Šport 3, NOVA Šport 4, and RTVS Šport. During the Olympic Games, the TV range was temporarily expanded to include the 4K version of Eurosport.

The most sports on DIGI
In 2021, DIGI SLOVAKIA continued to bring programs offering hundreds of football broadcasts from the best leagues in the world. Customers could watch the English Premier League, the Spanish La Liga, the German Bundesliga, the Italian Serie A. Since the new season, the Champions League was available on the new Premier Sport 2, Nova Sport 3 and 4 programs. In addition to football, viewers could watch tennis, UFC martial arts, cycling, skiing, and many other sporting events.

Additional DIGI GO and TV Archive services
DIGI continues to offer customers the DIGI GO application - thanks to which customers can have their favourite programs on their mobile phone or tablet. Throughout the year, the range of sports programs expanded to include TV stations featuring the Champions League.

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

Cardless CA module
In 2021, DIGI SLOVAKIA successfully expanded its portfolio of end-user devices used in the provision of television services with a new product: a wireless CA module with support for automatic channel map tuning.

SOCIAL RESPONSIBILITY

In 2021, DIGI SLOVAKIA again supported the Mountain Film Festival: Mountains and the City.

POSAM AND COMMANDER SERVICES

2021 was extremely challenging for PosAm, especially from the economic point of view. However, the difficult year brought positives in the form of valuable experience, references, and innovative practices. The company opened up new market opportunities in both development areas - in information support for workforce management and city parking policies.

PosAm successfully completed the pilot of the first stage of the workforce management project for ČEZ, a.s. - one of the largest and most ambitious solutions for managing field performance in the region. After a sharp deployment, around 2,000 technicians will be navigated in the field via mobile devices every day. The most modern optimization methods are used to effectively define their routes.

The **ParkDots** city parking system implemented a large number of projects last year – with key projects including Smart parking for the city of Pardubice where 3,421 occupancy sensors, 5,000 Bluetooth identifiers for drivers, LPR cameras, and LED boards were delivered – along with the integral integration of data from these systems into the city's central system.

The delivery of a parking rights management system for Bratislava was also a strategic project. ParkDots form the core of parking policy in pilot regulated zones in the city. The project met the demanding expectations of the city and can be considered a regional challenge for other cities in terms of comfort for citizens. When issuing parking permits, ParkDots integrates five state registers and approves applications automatically. As a result, a significant part of the population can obtain their parking permit online from the comfort of their own home.

Commander Services had a successful business year. Once again, Commander Services achieved the expected revenue and profit plan. The customer base reached the magic benchmark of 50,000 vehicles. Commander enriched its portfolio with an attractive offer of DKV fuel cards.

The deployment of the new PosAm Servio application in the MS Azure infrastructure contributed to the more efficient operation of the company. Thanks to the application, more than a thousand GPS monitoring unit installations and service interventions take place every month through electronic planning and the assignment of work orders to field technicians - including the ability to sign acceptance protocols electronically on mobile devices. Commander Services also benefits from complete paperless processes.

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 2021

CONTENTS

INDEPENDENT AUDITOR'S REPORT

Independent Auditor's Report

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

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Slovak Telekom, a.s. (the "Company") and its subsidiaries (together - the "Group") as at 31 December 2021, and the Group's consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated income statement for the year ended 31 December 2021;
- the consolidated statement of comprehensive income for the year ended 31 December 2021;
- the consolidated statement of financial position as at 31 December 2021;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

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

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

Independence

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

Emphasis of Matter

We draw attention to Note 32 to these consolidated financial statements, which describe the infringement decisions of the European Commission and Antimonopoly Office of the Slovak Republic against the Company and the implications thereof. The ultimate outcome of the related proceedings cannot presently be determined. Our opinion is not modified in respect of this matter.

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The firm's ID No.: 35 739 347. The firm is registered in the Commercial Register of Bratislava I District Court, Ref. No.: 16611/B, Section: Sro.
IČO Spoločnosti je 35 739 347. Spoločnosť je zapísaná v Obchodnom registri Okresného súdu Bratislava I, pod Vložkou č.: 16611/B, Oddiel: Sro.

pwc

Reporting on other information including the Annual Report

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

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

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

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

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

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

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

Management's responsibilities for the consolidated financial statements

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

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

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

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

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

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

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

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

Ing. Štefan Čupil, FCCA
UDVA licence No. 1088

11 March 2022
Bratislava, Slovak Republic

Translation Note:

This version of our report is a translation from the original, which was prepared in Slovak. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER

thousands of EUR	Notes	2021	2020
Revenue from contracts with customers	4	794,615	778,230
Other operating income	5	14,242	16,792
Staff costs	6	(130,951)	(128,771)
Material and equipment		(98,335)	(88,487)
Depreciation, amortisation and impairment losses	11, 12, 13	(181,702)	(198,198)
Interconnection fees and other telecommunication services		(60,346)	(58,080)
Net impairment losses on financial and contract assets		(9,680)	(14,937)
Own work capitalised	6	16,485	20,719
Other operating costs	7	(178,077)	(183,564)
Operating profit		166,251	143,704
Financial income	8	367	1,855
Financial expense	9	(2,781)	(3,523)
Net financial result		(2,414)	(1,668)
Profit before tax		163,837	142,036
Income tax expense	10	(42,908)	(42,120)
Profit for the year		120,929	99,916

Profit is attributable to			
Owner of Slovak Telekom, a.s.		120,809	100,213
Non-controlling interests		120	(297)
Profit for the year		120,929	99,916

The consolidated financial statements on pages 28 to 75 were authorised for issue on behalf of the Board of Directors of the Group on 10 March 2022 and signed on their behalf by:

Armin Sumesgutner
Chairman board of directors

Danijela Bujic
Member board of directors

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER

thousands of EUR	Notes	2021	2020
Profit for the year		120,929	99,916
Other comprehensive income / (expense)			
Loss on remeasurement of defined benefit plans	24	(332)	(367)
Deferred tax income	10	70	77
Other comprehensive loss not to be reclassified to profit or loss in subsequent years, net of tax		(262)	(290)
Other comprehensive loss for the year, net of tax		(262)	(290)
Total comprehensive income for the year, net of tax		120,667	99,626
Total comprehensive income for the period is attributable to:			
Owners of Slovak Telekom, a.s.		120,547	99,923
Non-controlling interests		120	(297)
		120,667	99,626

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER

thousands of EUR	Notes	31.12.2021	31.12.2020
ASSETS			
Non-current assets			
Intangible assets	11	327,549	340,522
Property and equipment	12	774,056	752,563
Right-of-use assets	13	95,635	108,069
Deferred tax	10	1,931	1,207
Other receivables	16	13,058	10,845
Contract assets	17	7,192	8,412
Contract costs	17	6,151	6,257
Prepaid expenses and other assets	18	11,753	1,534
		1,237,325	1,229,409
Current assets			
Inventories	19	25,390	14,768
Term deposits	20	800	800
Loans	21	152,000	132,000
Trade and other receivables	16	151,243	131,195
Contract assets	17	21,128	14,320
Contract costs	17	16,608	16,204
Current income tax receivable		209	380
Prepaid expenses and other assets	18	14,045	16,377
Cash and cash equivalents	22	44,701	67,389
Assets classified as held for sale	14	10,100	-
		436,224	393,433
TOTAL ASSETS		1,673,549	1,622,842
EQUITY AND LIABILITIES			
Shareholders' equity			
Issued capital	23	864,113	864,113
Statutory reserve fund	23	172,823	172,823
Other		(2,281)	(2,016)
Retained earnings and profit for the year		192,794	167,495
Capital and reserves attributable to owners of Slovak Telekom, a.s.		1,227,449	1,202,415
Non-controlling interests		7,722	7,734
Total equity		1,235,171	1,210,149
Non-current liabilities			
Deferred tax liability	10	64,682	73,382
Lease liabilities	26	78,183	89,403
Provisions	24	43,218	41,505
Other payables	25	950	6,662
Contract liabilities	17	29,724	16,064
		216,756	227,016
Current liabilities			
Provisions	24	16,611	7,980
Trade and other payables	25	120,534	103,086
Contract liabilities	17	31,527	23,525
Other liabilities	28	35,553	32,525
Lease liabilities	26	15,429	15,142
Current income tax liabilities		1,967	3,419
		221,622	185,677
Total liabilities		438,378	412,693
TOTAL EQUITY AND LIABILITIES		1,673,549	1,622,842

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 2020								
As at 1 January 2020		864,113	172,823	(1,723)	189,696	1,224,909	-	1,224,909
Change in accounting policy	2.21	-	-	-	(10,515)	(10,515)	8,706	(1,809)
Restated as at 1 January 2020		864,113	172,823	(1,723)	179,181	1,214,394	8,706	1,223,100
Profit for the year		-	-	-	100,213	100,213	(297)	99,916
Other comprehensive income		-	-	(290)	-	(290)	-	(290)
Total comprehensive income		-	-	(290)	100,213	99,293	(297)	99,626
Transactions with shareholder:								
Other changes in equity		-	-	(3)	-	(3)	-	(3)
Dividends	23	-	-	-	(111,899)	(111,899)	(675)	(112,574)
At 31 December 2020		864,113	172,823	(2,016)	167,495	1,202,415	7,734	1,210,149
Year ended 31 December 2021								
As at 1 January 2021		864,113	172,823	(2,016)	167,495	1,202,415	7,734	1,210,149
Profit for the year		-	-	-	120,809	120,809	120	120,929
Other comprehensive income		-	-	(262)	-	(262)	-	(262)
Total comprehensive income		-	-	(262)	120,809	120,547	120	120,667
Transactions with shareholder:								
Other changes in equity		-	-	(3)	-	(3)	-	(3)
Dividends	23		-	-	(95,510)	(95,510)	(132)	(95,642)
At 31 December 2021		864,113	172,823	(2,281)	192,794	1,227,449	7,722	1,235,171

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER

thousands of EUR	Notes	2021	2020
Operating activities			
Profit before tax		163,837	142,036
Depreciation, amortisation and impairment losses	11, 12, 13	181,702	198,198
Interest expense, net		2,781	3,176
(Gain) / loss from disposal of intangible assets and property and equipment	5	(528)	1,546
Other non-cash items		2,067	1,184
Change in provisions	24	8,625	(1,895)
Change in trade receivables and other assets		(27,660)	(12,578)
Change in inventories		(11,260)	633
Change in trade payables and other liabilities		47,395	(16,609)
Cash from operating activities		366,959	315,691
Income taxes paid		(53,544)	(58,010)
Net cash from operating activities		313,415	257,681
Investing activities			
Purchase of intangible assets and property and equipment	11, 12, 29	(170,692)	(204,384)
Proceeds from disposal of intangible assets and property and equipment		2,327	423
Payment for acquisition of subsidiary		-	(250)
Proceeds from disposal of subsidiary	1	-	12,280
Disbursement of loans		(145,000)	(102,000)
Repayment of loans		125,000	130,000
Net cash from cash pooling		(15,414)	29,331
Termination of term deposits		-	3,046
Interest received		1	82
Other cash paid for investing activities		(13)	(36)
Net cash used in investing activities		(203,791)	(131,508)
Financing activities			
Dividends paid	23	(95,510)	(111,899)
Repayment of financial liabilities	29	(18,915)	(18,696)
Repayment of principal portion of lease liabilities		(15,708)	(14,141)
Interest paid		(2,413)	(2,785)
Dividends paid to non-controlling interests		(132)	(675)
Other cash from financing activities		349	-
Net cash used in financing activities		(132,329)	(148,196)
Effect of exchange rate changes on cash and cash equivalents		17	(11)
Net decrease in cash and cash equivalents		(22,688)	(22,034)
Cash and cash equivalents at 1 January	22	67,389	89,423
Cash and cash equivalents at 31 December	22	44,701	67,389

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. For shareholders overview of the Company refer to Note 23.

Slovak Telekom is the largest Slovak multimedia operator providing its products and services under the Telekom brand via fixed and mobile networks. In terms of fixed networks the Company is the largest optical fibre and metallic cable broadband internet provider in the country (FTTX, ADSL and VDSL), providing digital television through state-of-the-art IPTV and DVB-S2 satellite technology. In the field of mobile communications the Company provides internet connectivity via several high-speed data transmission technologies – namely 2G (GPRS/EDGE), 3G (UMTS/HSDPA/HSUPA), 4G (LTE, LTE-CA) and 5G. Slovak Telekom's customers receive roaming services in mobile operator networks in destinations all over the world. Slovak Telekom is considered the leader in the provision of telecommunication services to the most demanding segment of business customers, both in terms of the respective range of services as well as in terms of quality.

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

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

Name and registered office	Activity	Share and voting rights 31.12.2021	Share and voting rights 31.12.2020
DIGI SLOVAKIA, s.r.o. ("DIGI") Röntgenova 26, 851 01 Bratislava	TV services, broadband services and TV channels production	100%	100%
PosAm, spol. s r.o. ("PosAm") Bajkalská 28, 821 09 Bratislava	IT services, applications and business solutions	51%	51%
Telekom Sec, s.r.o. ("Telekom Sec") Bajkalská 28, 817 62 Bratislava	Security services	100%	100%

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

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

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

On 29 January 2010 the Group acquired 51% of the share capital and voting rights in PosAm and obtained control of PosAm. The Group consolidates 100% of PosAm and presents 49% of equity interest in PosAm as non-controlling interests. The business combination's agreement contained the put & call options which, if triggered, may result in the transfer of the residual 49% equity interest in PosAm to Slovak Telekom. The Group concluded that terms of the transaction represent a contractual obligation to purchase the Group's equity instrument and as such, the Group recognised the financial liability from put option in the fair value, i.e. present value of the redemption amount (Note 25). The put option obligation is presented in current liabilities as the put option can be exercised on demand.

On 16 June 2020 Slovak Telekom sold its former subsidiary Zoznam. The cash from selling price in amount of EUR 12,584 thousand was received in 2020. Gain on disposal of subsidiary in amount of EUR 7,977 thousand is presented within the Other operating income (Note 6). The details of the disposed assets and liabilities and disposal consideration were as follows:

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

Members of the Statutory Boards at 31 December 2021

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)
- Daria A. Dodonova (until 30.09.2021)

SUPERVISORY BOARD

Chairman:
- Martin Renner (since 01.10.2021)
- Danijela Bujic (until 30.09.2021)

Members:
- Ing. Denisa Herdová (since 19.03.2018)
- Martin Švec (since 02.10.2020)
- Ida Zelenka Puda (until 13.08.2021)
- Ing. Drahoslav Letko (until 05.08.2021)

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

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

2. ACCOUNTING POLICIES

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

Changes to significant accounting policies are described in Note 2.22.

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 2.20.

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.

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	5 to 50 years
Operating equipment:	
Network technology equipment	4 to 30 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 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 2.20.
The useful lives assigned to the various categories of intangible assets are as follows:

Software	3 to 21 years
Telecommunications licences	1 to 23 years
Content licences	1 to 4 years
Customer relationships	8 to 15 years

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

Software and licences
Development costs directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets when the following criteria are met:
a) it is technically feasible to complete the software product so that it will be available for use;
b) management intends to complete the software product and use or sell it;
c) there is an ability to use or sell the software product;
d) it can be demonstrated how the software product will generate probable future economic benefits;
e) adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
f) the expenditures attributable to the software product during its development can be reliably measured.

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

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

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

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

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

2.5 Leases

2.5.1 Right-of-use assets

Right-of-use assets represent property and equipment which is leased based on a contract containing a lease according to IFRS 16. The 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. The accretion of interest is recognized as finance costs to profit or loss over the lease period using the effective interest method. 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 equal 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 fair value less costs of disposal. The calculation is determined by reference to discounted cash flows calculations. These discounted cash flows calculations are based on financial budgets approved by management, usually covering a four-year period. Cash flows beyond the detailed planning periods are extrapolated using appropriate growth rates. Key assumptions on which management bases the determination of fair value less costs of disposal include average revenue per user, customer acquisition and retention costs, churn rates, capital expenditures, market share, growth rates and discount rates. Discount rates reflect risks specific to the CGU. Cash flows reflect management assumptions and are supported by external sources of information. This 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 15.

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.

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

2.9 Financial assets

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

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

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

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

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

Financial assets at amortised cost (debt instruments)
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. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

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

2.10 Impairment of financial assets

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

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

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

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

2.11 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 2021. 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.

2.15 Revenue recognition

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

The Group recognises revenue as follows:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

2.16 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. From 2021, the levy of 4.356% per annum (2020: 6,54% per annum) is applied on the basis calculated as the profit before tax determined in accordance with the Slovak Accounting Standards multiplied by ratio of regulated revenues (according to Act on Electronic Communications Nr. 351/2011) on total revenues.

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

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

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

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

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 Joint arrangements

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

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

2.20 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 2021 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	2021	2022	2023	2024	2025 and after
Non-current assets	(4,826)	(15,751)	(12,268)	1,313	31,532

Customer relationships
The Group maintains record of customer relationships obtained during the acquisition of control of DIGI and PosAm (Note 11) and regularly evaluates appropriateness of useful lives used to amortise these intangible assets on the basis of churn of customers acquired through the business combinations. No changes to useful lives were necessary in 2021 and 2020.

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 15.

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

Asset retirement obligation
The Group enters into lease contracts for land and premises on which mobile communication network masts are sited. The Group is committed by these contracts to dismantle the masts and restore the land and premises to their original condition. Management anticipates the probable settlement date of the obligation to equal useful life of mast, which is estimated to be 30 years. The remaining useful life of masts ranges from 2 to 30 years at 31 December 2021.

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 Group's credit standing;
b) the amounts necessary to settle future obligations;
c) inflation rate.

If probable settlement date of the obligation was shortened by 10 years (from 30 years to 20 years) it would cause a decrease of asset retirement obligation by EUR 1,518 thousand (2020: decrease by 1,805 thousand). If the inflation rate increased by 0.5%, it would cause an increase of asset retirement obligation by EUR 2,163 thousand (2020: increase by EUR 2,177 thousand). If the risk-adjusted, pre-tax discount rate increased by 0.5%, it would cause a decrease of asset retirement obligation by EUR 2,009 thousand (2020: decrease by EUR 2,020 thousand). If the amounts necessary to settle future obligations increased by 10%, it would cause an increase of asset retirement obligation by EUR 2,862 thousand (2020: increase by 2,734 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 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 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 4,126 thousand. If the expected lease term was prolonged by 10 years (from 20 years to 30 years) it would cause an increase in the lease liability by EUR 9,118 thousand.

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

2.21 Comparatives

Interest expense in the amount of EUR 473 thousand is presented in Consolidated statement of cash flows within Interest expense, net. In 2020 Consolidated statement of cash flows this amount was presented within Other non-cash items.

Following changes in comparatives 2020 related to Non-controlling interest are reflecting change in IFRS standards, are related only to equity and do not have significant impact on the Group's financial statements.

a) Consolidated statement of financial position - change in Goodwill within Intangible assets of EUR 1,809 thousand, change in Retained earnings and profit for the year within Shareholders' equity of EUR 7,330 thousand, new cathegory Retained earnings and profit for the year – Non-controlling interest within Shareholders' equity of EUR 7,734 thousand and change in Financial liability from put option within Trade and other payables in amount of EUR 2,213 thousand.
b) Consolidated income statement - change in Remeasurement of Put option liability from financial expense of EUR 441 thousand to financial income of EUR 1,772 thousand, and cancellation of Dividends paid to minority owners of PosAm within financial expenses in amount of EUR 675 thosusand.
c) Consolidated statement of cash flows - dividends paid to non-controlling interests in subsidiaries in amount of EUR 675 thousand were presented in 2020 Consolidated statement of cash flows within Other charges paid for financing activities.

Another following adjustment, in accordance with IAS 1.38, has been made for the purpose of comparability of data and reported periods:

thousands of EUR

Note in FS 2020 / Line in BS/PL	Line in particular Note FS 2020	Comparative Note in FS 2021 / Line in BS/PL	Comparative Line in particular Note in FS 2021	Amount
Intangible assets	Licences	Intangible assets	Telecommunication licences	61,666
Intangible assets	Licences	Intangible assets	Other licences and rights	7,858
Property and equipment	Duct, cable and other outside plant	Property and equipment	Telecommunications line network	432,031
Property and equipment	Telecommunications equipment	Property and equipment	Transmission and switching equipment	56,093
Property and equipment	Radio and transmission equipment	Property and equipment	Transmission and switching equipment	52,302
Revenue from contracts with customers	Other	Revenue from contracts with customers	Fixed network revenue	20,325
Revenue from contracts with customers	Other	Revenue from contracts with customers	Mobile network revenue	16,569
Interconnection and other fees to operators		Interconnection fees and other tel. services		58,080
Other op. income	Other	Other op. income	Income from reinvoicing of services	3,427
Financial income	Interest on term deposits, bank accounts and cash pooling	Financial income	Interest income	70
Financial income	Other	Financial income	Interest income	13
Financial expense	Interest costs from lease	Financial expense	Interest expense from lease	2,693
Financial expense	Interest costs on employee benefits provision	Financial expense	Other interest expense	140
Financial expense	Interest cost on other non-current provisions	Financial expense	Other interest expense	333
Financial expense	Bank charges and other financial expense	Financial expense	Other interest expense	93
Other operating costs	Other	Other operating costs	IT services	1,637
Material, goods and eq.		Other operating costs	Other	373
Rel. party transactions	Receivables - DT AG	Rel. party transactions	Receivables - DT AG Group	2,184
Rel. party transactions	Payables - DT AG	Rel. party transactions	Payables - DT AG Group	3,701
Rel. party transactions	Sales and income - DT AG	Rel. party transactions	Sales and income - DT AG Group	2,749
Rel. party transactions	Purchases - DT AG	Rel. party transactions	Purchases - DT AG Group	6,013

2.22 Adoption of IFRS during the year

Standards, interpretations and amendments to published standards effective for the Group's accounting period beginning on 1 January 2021

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2021:

a) Covid-19-Related Rent Concessions beyond 30 June 2021– amendments to IFRS 16
b) Interest Rate Benchmark Reform – Phase 2 – Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

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

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

2.23 Impact of Covid-19 on financial statements at 31 December 2021

The coronavirus pandemic has developed into a global economic crisis. Due to higher demand for certain telecommunications services, the impact of the crisis is being felt less severely by the telecommunications industry and the Group than by other industries. Business activities and thus the results of operations and financial position of the Group were impacted by the coronavirus pandemic in various business areas, affecting revenue and earnings, although not to any significant extent. At this time, we can report only minor impact with respect to payment defaults and customer numbers, but no material specific impairment allowance to the Group's receivables was recorded as of 31 December 2021.

Impairment reviews are ordinarily performed on annual basis. At 31 December 2021, the Group reviewed whether there are any new impairment indicators present due to the uncertainty caused by Covid-19. No significant adjustment to Group's accounting estimates has been deemed necessary. There is no additional impairment required.

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

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 Treasury works in association with the Group's operating units and with the Deutsche Telekom Group Treasury. There are policies in place to cover specific areas, such as market risk, credit risk, liquidity risk and the investment of excess funds.

3.1 Market risk

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

3.1.1 Foreign currency risk

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

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

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

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 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		2021	2020
Profit after tax	Depreciation of USD by 10%	(70)	148
	Appreciation of USD by 10%	70	(148)

thousands of EUR		2021	2020
Profit after tax	Depreciation of CZK by 10%	(10)	25
	Appreciation of CZK by 10%	10	(25)

3.1.2 Interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group entered into a Master agreement on Upstream loans with DT AG in October 2008 based on which the Group can provide loans to DT AG. Currently, there is outstanding loan in amount of EUR 152,000 thousand (2020: EUR 132,000 thousand) at fixed interest rate (Note 21). The term deposits in banks outstanding at 31 December 2021 in the amount of EUR 800 thousand (2020: EUR 800 thousand) have been concluded with fixed interest rate (Note 20). The Group has no material financial instruments with variable interest rates as at 31 December 2021.

3.1.3 Other price risk

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

3.2 Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharg 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 152,000 thousand (2020: EUR 132,000 thousand) provided to DT AG (Germany) and trade receivables from DT AG and other entities in DT Group in amount of EUR 33,511 thousand (2020: EUR 17,554 thousand).

The Group's cash and cash equivalents are held with major regulated financial institutions; the two largest ones hold approximately 46% and 31 % (2020: 43% and 23 %).

For credit ratings see the following tables:

thousands of EUR	31.12.2021	31.12.2020
Term deposits (Note 20)		
A2	800	800
	800	800

thousands of EUR	31.12.2021	31.12.2020
Loans (Note 21)		
Baa1	152,000	132,000
	152,000	132,000

thousands of EUR	31.12.2021	31.12.2020
Cash and cash equivalents (Note 22)		
A3	-	29,028
A2	42,999	22,754
Aa3	1,649	15,262
Not rated	53	345
	44,701	67,389

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

The Group establishes an allowance for impairment that represents its estimate of expected credit losses in respect of trade, other receivables and contract assets. Cash and cash equivalents and intercompany receivables are also subject to the impairment requirements of IFRS 9, however, the identified impairment loss determined based on probability of default would be immaterial.

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

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

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

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

		Past due					
thousands of EUR	Not past due	< 30 days	31-90 days	91-180 days	181-365 days	> 365 days	Total
At 31 December 2021							
Trade and other receivables	150,007	5,095	1,813	1,421	2,039	3,926	164,301
Allowance for impaired receivables	(10,933)	(492)	(1,059)	(1,527)	(3,271)	(12,865)	(30,147)

thousands of EUR	Not past due	< 30 days	31-90 days	91-180 days	181-365 days	> 365 days	Total
		Past due					
At 31 December 2020							
Trade and other receivables	122,872	5,077	4,361	3,606	1,989	4,135	142,040
Allowance for impaired receivables	(8,764)	(663)	(2,271)	(1,949)	(3,362)	(10,949)	(27,958)

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

	Not past due	< 30 days	31-90 days	91-180 days	181-365 days	> 365 days	> 3600 days
		Past due					
At 31 December 2021	1,5%	10%	33%	49%	57%	83%	100%
At 31 December 2020	1,5%	10%	33%	49%	57%	83%	100%

No significant individually impaired trade receivables were included in the allowance for impairment losses in 2021 or 2020.

Trade receivables that are past due as at 31 December 2021, but not impaired, are from creditworthy customers who have a good track record with the Group and, based on historical default rates, management believes that no additional impairment allowance is necessary. Management also believes that currently no additional impairment allowance is necessary to trade receivables that are neither past due nor impaired.

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 settled by delivering cash or another financial asset.

The Group's liquidity risk mitigation principles define the level of cash and cash equivalents, marketable securities, short-term financial assets and intragroup financing measures in line with DT Group Centralized funding approach available to the Group to allow it to meet its obligations on time and in full. Liquidity needs are to be covered by intragroup funding measures of DT Group, i.e. cash pooling or additional financing facilities, then also cash, cash equivalents and liquid short term financial assets, with the objective of holding predetermined minimum amounts of cash and cash equivalents and credit facilities available on demand.

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

thousands of EUR	On demand	Less than 3 months	3 to 12 months	Over 1 year	Total
At 31 December 2021					
Trade and other payables	6,974	103,997	9,673	840	121,484
At 31 December 2020					
Trade and other payables	736	89,848	12,502	6,662	109,748

For maturity of lease liabilities refer to Note 26.

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 2021			
Current financial assets – Trade receivables	3,054	(2,003)	1,051
Current financial liabilities – Trade payables	4,247	(2,003)	2,244
At 31 December 2020			
Current financial assets – Trade receivables	3,581	(2,572)	1,009
Current financial liabilities – Trade payables	4,565	(2,572)	1,993

For the Group's accounting policy on offsetting refer to Note 2.9. Balances of Trade receivables and Trade payables are presented on a nett basis in the 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 2021.

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 23). Management of the Group manages capital measured in terms of shareholder's equity amounting to at 31 December 2021 EUR 1,230,582 thousand (2020: EUR 1,210,149 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 2021 and 2020 other than measurement of financial liability from put option.

3.5.2 Non-recurring fair value measurement

There were no non-recurring fair value measurements in 2021 and 2020 other than measurement of assets held for sale.

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	31.12.2021	31.12.2020
ASSETS		
Financial assets at amortised cost		
Trade and other receivables (Note 16)	164,301	142,040
Term deposits (Note 20)	800	800
Loans (Note 21)	152,000	132,000
Cash and cash equivalents (Note 22)	44,701	67,389
LIABILITIES		
Financial liabilities at amortised cost		
Trade and other payables (Note 25) – other than those at fair value through profit or loss	115,484	104,477
Lease liabilities (Note 26)	93,612	104,545
Financial liabilities at fair value through profit or loss		
Trade and other payables (Note 25) – Financial liability from put option	6,000	5,271

4. REVENUE FROM CONTRACTS WITH CUSTOMERS

thousands of EUR	2021	2020
Fixed network revenue	304,514	303,179
Mobile network revenue	306,866	299,909
Terminal equipment	104,639	93,472
System solutions / IT	74,149	76,485
Other	4,447	5,185
	794,615	778,230

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	2021	2020
Gain on disposal of property and equipment and intangible assets, net	528	-
Gain from material sold	1,514	2,133
Gain on disposal of subsidiary (Note 1)	-	7,977
Reversal of impairment of property and equipment (Note 12, 13)	5,948	966
Income from reinvoicing of services	4,415	3,427
Other	1,837	2,289
	14,242	16,792

6. STAFF COSTS

thousands of EUR	2021	2020
Wages and salaries	98,239	96,693
Defined contribution pension costs	13,613	14,077
Other social security contributions	18,370	18,001
Remeasurement of put option liability	729	-
	130,951	128,771

	2021	2020
Number of employees at year end	3,176	3,288
Average number of employees during the year	3,186	3,315

Majority of own work capitalized in amount of EUR 16,485 thousand (2020: EUR 20,719 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	2021	2020
Repairs and maintenance	13,672	12,523
Loss on disposal of property and equipment and intangible assets, net	-	1,546
Marketing costs	13,537	12,445
Energy	14,105	14,570
Printing and postage	4,401	5,046
Logistics	5,163	5,365
Rentals and leases (not in scope of IFRS 16)	844	1,582
IT services	11,540	8,962
Dealer commissions	21,034	19,488
Recurring frequency and other fees to Regulatory Authority	4,840	4,854
Content fees	28,271	16,481
Legal and regulatory claims (Note 32)	216	16,401
Consultancy	2,933	2,507
Services related to delivery of solutions for customers	39,544	43,199
Fees paid to group companies	5,118	5,260
Other	12,859	13,335
	178,077	183,564

8. FINANCIAL INCOME

thousands of EUR	2021	2020
Interest income	-	83
Remeasurement of put option liability	-	1,772
Foreign exchange gains, net	367	-
	367	1,855

9. FINANCIAL EXPENSE

thousands of EUR	2021	2020
Interest expense from lease	2,311	2,693
Other interest expense	470	566
Foreign exchange losses, net	-	264
	2,781	3,523

10. TAXATION

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

thousands of EUR	2021	2020
Current tax expense	44,865	45,308
Current tax expense of prior periods	(368)	(17)
Deferred tax income	(9,354)	(11,843)
Levy on regulated industries	6,998	8,438
Levy on regulated industries of prior years	767	234
Income tax expense reported in the income statement	42,908	42,120

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	2021	2020
Profit before income tax	163,837	142,036
Income tax calculated at the statutory rate of 21% (2020: 21%)	34,406	29,828
Effect of non-taxable income and tax non-deductible expenses:		
Cost related to legal and regulatory claims	44	3,445
Other tax non-deductible items, net	1,060	191
Tax charge in respect of prior years	400	218
Levy on regulated industries	6,998	8,438
Income tax at the effective tax rate of 26% (2020: 30%)	42,908	42,120

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

thousands of EUR	1 January 2021	Through income statement	Through statement of comprehensive income	31 December 2021
Difference between carrying and tax value of fixed assets	(104,831)	11,392	-	(93,439)
Lease liabilities	21,466	(2,182)	-	19,284
Staff cost accruals	2,409	819	-	3,228
Allowance for bad debts	4,855	182	-	5,037
Termination benefits	614	(49)	-	565
Retirement benefit obligation	2,703	(34)	70	2,739
Asset retirement obligation	5,740	270	-	6,010
Contract assets	(6,938)	(1,957)	-	(8,895)
Contract costs	(4,716)	(52)	-	(4,768)
Contract liability	1,558	219	-	1,777
Other	4,965	746	-	5,711
Net deferred tax liability	(72,175)	9,354	70	(62,751)

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

Deferred tax asset of EUR 1,931 thousand is recognised in respect of subsidiaries DIGI, PosAm and Commander Services and deferred tax liability of EUR 64,682 thousand in respect of other entities. The Group offsets deferred tax assets and deferred tax liabilities if, and only if, those relate to income taxes levied by the same taxation authority on the same taxable entity.

thousands of EUR	31.12.2021	31.12.2020
Deferred tax asset to be settled within 12 months	2,033	1,296
Deferred tax asset to be settled after more than 12 months	2	7
Deferred tax liability to be settled after more than 12 months	(104)	(96)
Net deferred tax asset	1,931	1,207

thousands of EUR	31.12.2021	31.12.2020
Deferred tax asset to be settled within 12 months	16,177	15,494
Deferred tax asset to be settled after more than 12 months	27,050	28,742
Deferred tax liability to be settled within 12 months	(9,808)	(8,168)
Deferred tax liability to be settled after more than 12 months	(98,101)	(109,450)
Net deferred tax liability	(64,682)	(73,382)

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

Customer relationships were recognised at acquisition of subsidiaries DIGI, PosAm and Commander Services with total net book value at 31 December 2021 of EUR 14,739 thousand (2020: EUR 17,196 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 15.

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 2020								
Cost	554,111	193,139	47,311	9,859	113,076	44,733	50,974	1,013,203
Accumulated amortisation	(506,050)	(121,918)	(26,926)	(5,384)	(3,000)	(22,917)	-	(686,195)
Net book value	48,061	71,221	20,385	4,475	110,076	21,816	50,974	327,008
Additions	12,505	-	6,177	493	-	-	70,905	90,080
Amortisation charge	(37,045)	(9,554)	(19,136)	(944)	-	(4,620)	-	(71,299)
Disposals	-	(1)	-	-	3,000	-	-	2,999
Sale of subsidiary (Note 1)	(850)	-	-	-	(4,668)	-	(889)	(6,407)
Correction due to NCI	-	-	-	-	(1,809)	-	-	(1,809)
Transfers	27,388	-	432	433	-	-	(28,303)	(50)
At 31 December 2020								
Cost	536,202	191,540	46,495	10,785	106,599	44,733	92,687	1,029,041
Accumulated amortisation	(486,143)	(129,874)	(38,637)	(6,328)	-	(27,537)	-	(688,519)
Net book value	50,059	61,666	7,858	4,457	106,599	17,196	92,687	340,522

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 2021						
Cost	157,763	1,145,723	658,502	204,193	111,490	2,277,671
Accumulated depreciation	(105,403)	(713,693)	(550,106)	(155,730)	(176)	(1,525,108)
Net book value	52,360	432,030	108,396	48,463	111,314	752,563
Additions	35	21,962	24,785	5,765	73,197	125,744
Depreciation charge	(4,117)	(42,012)	(40,635)	(10,674)	-	(97,438)
Impairment charge	(71)	-	-	(1)	(75)	(147)
Reversal of impairment	5,503	-	23	1	11	5,538
Disposals	(314)	(227)	(21)	(73)	(1,250)	(1,885)
Transfers	1,175	53,429	27,815	4,230	(86,868)	(219)
Assets classified as held for sale	(10,100)	-	-	-	-	(10,100)
At 31 December 2021						
Cost	125,282	1,219,981	645,349	199,926	96,379	2,286,917
Accumulated depreciation	(80,811)	(754,799)	(524,986)	(152,215)	(50)	(1,512,861)
Net book value	44,471	465,182	120,363	47,711	96,329	774,056

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

thousands of EUR	Land, buildings and structures	Telecommu-nications line network	Telecommu-nications equipment	Other	Capital work in progress including advances	Total
At 1 January 2020						
Cost	171,807	1,110,706	491,975	306,532	85,525	2,166,545
Accumulated depreciation	(95,812)	(695,506)	(414,209)	(229,404)	(1)	(1,434,932)
Net book value	75,995	415,200	77,766	77,128	85,524	731,613
Additions	10	15,427	15,296	6,659	93,635	131,027
Depreciation charge	(3,417)	(40,705)	(43,582)	(10,780)	-	(98,484)
Impairment charge	(9,950)	-	(178)	(15)	(176)	(10,319)
Reversal of impairment	966	-	-	-	-	966
Disposals	(18)	(144)	(684)	(267)	(974)	(2,087)
Sale of subsidiary (Note 1)	-	-	-	(190)	(13)	(203)
Transfers	(11,226)	42,252	59,778	(24,072)	(66,682)	50
At 31 December 2020						
Cost	157,763	1,145,723	658,502	204,193	111,490	2,277,671
Accumulated depreciation	(105,403)	(713,693)	(550,106)	(155,730)	(176)	(1,525,108)
Net book value	52,360	432,030	108,396	48,463	111,314	752,563

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 2021 and at 31 December 2020.

thousands of EUR	Leased land	Leased buildings	Leased technical equipment and machinery	Total
At 1 January 2021				
Cost	24,681	101,241	12,829	138,751
Accumulated depreciation	(6,054)	(20,287)	(4,341)	(30,682)
Net book value	18,627	80,954	8,488	108,069
Additions	1,310	8,522	1,325	11,157
Depreciation charge	(2,995)	(11,202)	(2,836)	(17,033)
Impairment charge	(323)	-	-	(323)
Reversal of impairment	410	-	-	410
Disposals	(799)	(4,868)	(978)	(6,645)
At 31 December 2021				
Cost	24,882	103,141	12,196	140,219
Accumulated depreciation	(8,652)	(29,735)	(6,197)	(44,584)
Net book value	16,230	73,406	5,999	95,635

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

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 26).

14. ASSETS CLASSIFIED AS HELD FOR SALE

Management is committed to a plan to sell one of its owned buildings. During the year 2021 the Group has already initiated active process to locate potential buyers. Offered prices are reasonable in relation to its current fair value. Selling price and lease back conditions are still under negotiation, however, it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn. The sale is expected to take place during the year 2022. Therefore, it meets the criteria for classification as Asset Held for Sale (AHfS).

The gain amounting to EUR 4,590 thousand recognised as result of remeasurement to fair value less costs to sell is presented within Other operating income detailed in Note 5.

thousands of EUR	31.12.2021	31.12.2020
Land, buildings and related equipment		
At 1 January	-	-
Net transfer from / (to) PPE	10,100	-
Disposals	-	-
At 31 December	10,100	-

15. IMPAIRMENT OF GOODWILL

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

thousands of EUR	31.12.2021	31.12.2020
T-Mobile	73,313	73,313
DIGI	28,621	28,621
PosAm	4,559	4,559
Commander Services	106	106
	106,599	106,599

T-Mobile (Mobile telecommunication business)

The goodwill was recognised at the acquisition of T-Mobile in December 2004. The recoverable amount of the cash-generating unit was determined using cash flows projections based on the four-year financial plans that present the management's best estimate on market participants' assumptions and expectations. Cash flows beyond the four-year period were extrapolated using a 1.00% growth rate (2020: 1.50%). 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 pre-tax rate of 3.88% (2020: 4.07%). Further key assumptions on which management has based its determination of the recoverable amount of the cash-generating unit include the development of revenue, customer acquisition and retention costs, churn rates, capital expenditures and market share, which are based on past performance and management's expectations for the future. Input parameters used to determine the recoverable amount are classified in Level 3 in accordance with IFRS 13. The recoverable amount of the cash-generating unit based on fair value less costs of disposal calculation exceeded its carrying value. Management believes that any reasonably possible change in the key assumptions on which the cash-generating unit's recoverable amount is based would not cause its carrying amount to exceed its recoverable amount.

DIGI, PosAm, Commander Services

The recoverable amounts of the cash-generating units were determined using cash flows projections based on the four-year financial plans that have been approved by management and are also used for internal purposes of the cash-generating units. Cash flows beyond the four-year period were extrapolated using a 1.50% growth rate (2020: 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:

	2021	2020
DIGI (TV business)	4.49%	4.57%
PosAm (IT solutions business)	5.22%	5.17%
Commander Services (GPS monitoring of the motor vehicles)	6.88%	6.27%

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

16. TRADE AND OTHER RECEIVABLES

thousands of EUR	31.12.2021	31.12.2020
Non-current		
Receivables from instalment sale	11,315	9,584
Finance lease receivables	1,743	1,261
	13,058	10,845
Current		
Trade receivables	124,161	122,317
Cash pooling receivable	21,281	5,837
Other receivables	5,147	701
Finance lease receivables	654	2,340
	151,243	131,195

Trade receivables are net of an allowance of EUR 30,147 thousand (2020: EUR 27,958 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 1,285 thousand higher (2020: EUR 1,316 thousand).

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

thousands of EUR	2021	2020
At 1 January	27,958	27,102
Charge for the year, net	8,414	13,049
Utilised	(6,225)	(12,193)
At 31 December	30,147	27,958

17. ASSETS AND LIABILITIES RELATED TO CONTRACTS WITH CUSTOMERS

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

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

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

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

thousands of EUR	31.12.2021	31.12.2020
Non-current assets		
Contract assets	8,482	9,131
Loss allowance	(1,290)	(719)
	7,192	8,412
Contract costs	6,151	6,257
	6,151	6,257
Current assets		
Contract assets	23,619	18,746
Loss allowance	(2,491)	(4,426)
	21,128	14,320
Contract costs	16,608	16,204
	16,608	16,204
Non-current liabilities		
Contract liabilities	29,724	16,064
	29,724	16,064
Current liabilities		
Contract liabilities	31,527	23,525
	31,527	23,525

Revenue recognised in the reporting year that was included in the contract liability balance at the beginning of the year amounted to EUR 20,953 thousand (2020: EUR 22,910 thousand).

Transaction price allocated to the performance obligations that are unsatisfied as of the end of reporting year amounted to EUR 399,346 thousand (2020: EUR 377,250 thousand). Management expects that the transaction price allocated to the unsatisfied contracts as of 31 December 2021 will be recognised as revenue as follows: EUR 303,210 thousand during first year; EUR 95,295 thousand during second year and EUR 841 thousand during third-sixth year (2020: EUR 282,987 thousand during first year; EUR 93,152 thousand during second year and EUR 1,111 thousand during third-seventh year).
Wages and salaries include also amortisation of costs to obtain a contract with customer in the amount of EUR 2,747 thousand (2020: EUR 3,406 thousand) (Note 6).

Dealer commission includes also amortisation of costs to obtain a contract with customer in the amount of EUR 19,195 thousand (2020: EUR 17,891 thousand) (Note 7).

18. PREPAID EXPENSES AND OTHER ASSETS

thousands of EUR	31.12.2021	31.12.2020
Non-current		
Other prepaid expenses	11,753	1,534
	11,753	1,534
Current		
Other prepaid expenses	4,918	4,006
Advance payments	8,979	12,271
Other assets	148	100
	14,045	16,377

19. INVENTORIES

thousands of EUR	31.12.2021	31.12.2020
Materials	9,220	7,742
Goods	16,170	7,026
	25,390	14,768

Inventories are net of an allowance of EUR 1,762 thousand (2020: EUR 1,529 thousand). The write-down of inventories in the amount of EUR 663 thousand (2020: EUR 661 thousand) was recognised in cost of material and equipment.

20. TERM DEPOSITS

thousands of EUR	31.12.2021	31.12.2020
Term deposits in banks	800	800
	800	800

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

21. LOANS

thousands of EUR	31.12.2021	31.12.2020
Loans to Deutsche Telekom AG	152,000	132,000
	152,000	132,000

The loans granted to Deutsche Telekom AG were not secured. Loans outstanding at 31 December 2021 were provided in December 2021 and are repayable in February 2022 (2020: provided in December 2020, repayable in January 2021). For credit ratings see Note 3.2.

22. CASH AND CASH EQUIVALENTS

thousands of EUR	31.12.2021	31.12.2020
Cash and cash equivalents	44,701	67,389
	44,701	67,389

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 2021, Slovak Telekom had authorised and issued 86,411,300 ordinary shares (2020: 86,411,300) with a par value of EUR 10.00 per share (2020: EUR 10.00 per share). All the shares issued were fully subscribed. All the shares represent the rights of shareholder to participate in the managing of Slovak Telekom, on the profit and liquidation balance upon the winding-up of Slovak Telekom with liquidation.

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

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

The Financial statements of the Group for the year ended 31 December 2020 were authorised for issue on behalf of the Board of Directors of Slovak Telekom on 8 March 2021.

On 26 April 2021 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 95,510 thousand (2020: EUR 111,899 thousand) were paid in May 2021, which amounted to EUR 1.11 per share (2020: EUR 1.29 per share).

Approval of the 2021 profit distribution will take place at the Annual General Meeting scheduled for April 2022.

24. PROVISIONS

thousands of EUR	Legal and regulatory claims (Note 31)	Asset retirement obligation	Termination benefits	Employee benefits	Other	Total
At 1 January 2021	4,242	27,336	2,919	13,200	1,788	49,485
Arising during the year	4,265	464	2,687	1,225	6,200	14,841
Utilised	(12)	-	(2,919)	(39)	(601)	(3,571)
Reversals	(517)	-	-	(1,134)	(257)	(1,908)
Transfers to current liabilities	-	-	-	-	59	59
Interest impact	-	820	-	108	(5)	923
At 31 December 2021	7,978	28,620	2,687	13,360	7,184	59,829
Non-current	-	28,620	-	13,360	1,238	43,218
Current	7,978	-	2,687	-	5,946	16,611
	7,978	28,620	2,687	13,360	7,184	59,829

thousands of EUR	31.12.2021	31.12.2020
Non-current	43,218	41,505
Current	16,611	7,980
	59,829	49,485

Asset retirement obligation

The Group is subject to obligations for dismantlement, removal and restoration of assets associated with its cell site lease agreements (Note 2.20). 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 Group operations resulted in headcount reduction of 169 employees in 2021 (2020: 136 employees). The Group expects a further headcount reduction of 133 employees in 2022 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 2021 the Group recognised an expense resulting from termination benefits in amount of EUR 3,228 thousand (2020: EUR 3,351 thousand) in staff costs.

Retirement and jubilee benefits

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

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

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

Remeasurement of defined benefit plans related to retirement benefits in amount of EUR 332 thousand consists of change in financial assumptions in amount of EUR 851 thousand partially netted by change in experience adjustments in amount of EUR 519 thousand.

The curtailment gain in amount of EUR 1,111 thousand resulted mainly from a reduction in the number of participants covered by the retirement plan that occurred in 2021 or was announced for 2022. There were no special events causing any new past service cost during 2021 other than the curtailment mentioned above.

Principal actuarial assumptions used in determining the defined benefit obligation and the curtailment effect in 2021 include the discount rate of 1.14% (2020: 0.83%). The expected expense for 2021 has been determined based on the discount rate as at the beginning of the accounting year of 0.83% (2020: 1.16%). Average retirement age is 63 years and 2 months (2020: 63 years and 2 months). The expected growth of nominal wages over the long term is 2.0% (2020: 2.0%). The remaining weighted average duration of the defined benefit obligation is 12.7 years (2020: 13.0 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 2021 and 2021 is as follows:

thousands of EUR	(Decrease) / increase of employee benefits provision	
	31.12.2021	31.12.2020
Change of actuarial assumption:		
Discount rate change +100 bp / -100 bp	(1,504) / 1,795	(1,528) / 1,834
Salary change +0.50% / -0.50%	846 / (782)	861 / (795)

25. TRADE AND OTHER PAYABLES

thousands of EUR	31.12.2021	31.12.2020
Non-current		
Financial liabilities for capitalised content licences	949	2,808
Financial liabilities for frequency licences	-	3,843
Other payables	1	11
	950	6,662
Current		
Trade payables	55,885	40,290
Uninvoiced deliveries	46,347	43,813
Financial liabilities for capitalised content licences	7,808	9,056
Financial liabilities for frequency licences	3,843	4,118
Financial liability from put option	6,000	5,271
Other payables	651	538
	120,534	103,086

26. LEASE LIABILITIES

thousands of EUR	31.12.2021	31.12.2020
Up to 1 year	15,429	15,142
1 to 5 years	40,285	43,607
Over 5 years	37,898	45,796
Total other lease liabilities	93,612	104,545

thousands of EUR	31.12.2021	31.12.2020
Up to 1 year	17,344	17,608
1 to 5 years	45,508	50,303
Over 5 years	42,467	53,298
Total undiscounted cash flows (lease liability)	105,319	121,209

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).

27. IMPACT FROM LEASING CONTRACTS

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

thousands of EUR	2021	2020
Depreciation expense of right-of-use assets (Note 13)	17,033	17,215
Impairment of right-of-use assets (Note 13)	323	881
Interest expense on lease liabilities (Note 9)	2,311	2,693
At 31 December	19,667	20,789

28. OTHER LIABILITIES AND DEFERRED INCOME

thousands of EUR	31.12.2021	31.12.2020
Current		
Amounts due to employees	24,589	20,389
Other tax liabilities	4,425	6,083
Other liabilities	6,539	6,053
	35,553	32,525

Amounts due to employees include social fund liabilities:

thousands of EUR	2021	2020
At 1 January	227	273
Additions	1,533	1,562
Utilisation	(1,523)	(1,608)
At 31 December	237	227

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 2020	20,668	113,458
Additions	17,924	10,171
Non-cash movements	-	(4,943)
Cash used in financing activities	(18,696)	(16,834)
Accretion of interest	-	2,693
Foreign exchange adjustments	(71)	-
At 31 December 2020	19,825	104,545

thousands of EUR	Financial liabilities (Note 25)	Lease liabilities (Note 26)
At 1 January 2021	19,825	104,545
Additions	11,615	11,177
Non-cash movements	-	(6,402)
Cash used in financing activities	(18,915)	(18,019)
Accretion of interest	-	2,311
Foreign exchange adjustments	75	-
At 31 December 2021	12,600	93,612

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

30. COMMITMENTS

The Group's purchase commitments were as follows:

thousands of EUR	31.12.2021	31.12.2020
Acquisition of property and equipment	65,738	77,504
Acquisition of intangible assets	11,840	12,166
Purchase of services and inventory	105,411	67,370
	182,989	157,040

31. RELATED PARTY TRANSACTIONS

thousands of EUR	Receivables		Payables		Commitments	
	2021	2020	2021	2020	2021	2020
DT AG	173,437	137,936	999	879	44	122
Other entities in DT AG Group	12,074	11,618	16,479	13,891	3,739	7,061
	185,511	149,554	17,478	14,770	3,783	7,183

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

thousands of EUR	DT AG		Other entities in DT AG group	
	2021	2020	2021	2020
Sales and income				
Interconnect / roaming revenues	-	-	10,689	10,676
System solutions / IT revenues	-	-	8,940	9,372
Income from reinvoicing of services	196	218	7,805	8,011
Other revenue / income	62	60	4,175	4,729
	258	278	31,609	32,788
Purchases				
Interconnect / roaming costs	-	-	15,528	12,791
Customer solutions	-	-	2,896	3,875
IT services	197	-	3,354	2,691
Expenses from reinvoicing of services	3,107	3,888	7,029	6,491
Other purchases	1,150	15	6,888	5,993
	4,454	3,903	35,695	31,840

Other purchases include data services, management, consultancy, other services and purchases of fixed assets. The Group purchased fixed assets in amount of EUR 3,213 thousand (2020: EUR 2,968 thousand) from related parties.

In 2021 the Group granted Deutsche Telekom AG a short-term loan of EUR 152,000 thousand (2020: EUR 132,000 thousand).

In 2016 the Group signed an ICT contract with a duration of 80 months with T-Systems International GmbH ("TSI"). Within this contract, the Group acts as the main subcontractor for the restructuring of the Allianz communication network in the selected countries. DT AG Group entities in relevant countries are service providers for the Group. The total value of the contract amounts to EUR 41,537 thousand. In 2021 the Group recognised revenue with TSI in amount of EUR 4,025 thousand (2020: EUR 4,937 thousand), revenue with other DT AG Group entities in amount of EUR 430 thousand (2020: EUR 262 thousand) and expenses with other DT AG Group entities in amount of EUR 2,933 thousand (2020: EUR 3,753 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 2021 or 2020.

Compensation of key management personnel

The key management personnel as at 31 December 2021, 16 in number (2020: 14) 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	2021	2020
Short term employee benefits	2,592	1,996
Defined contribution pension plan benefits	22	-
Share based compensations	160	14
	2,774	2,010

thousands of EUR	2021	2020
Management Board	2,762	1,996
Supervisory Board	12	14
	2,774	2,010

32. CONTINGENCIES

Legal and regulatory cases

On 17 October 2014 the European Commission sent an infringement decision to the Group in case AT 39.523 (hereinafter "the EC Decision"). EC Decision found the Group (and DT AG, as parent company) liable for breach of competition law (margin squeeze and refusal to deal) in relation to ULL for the period 12 August 2005 – 31 December 2010 and imposed a fine of EUR 38,838 thousand on DT AG and the Company, jointly and severally. The Group filed an appeal against the EC Decision to General Court of the European Union in December 2014, the fine was paid by the Group in January 2015. Judicial review was closed by 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 2021, two cases are pending following the EC Decision. Two competitors of the Group filed action against Slovak Telekom with the civil court in Bratislava in 2015 and 2017. These claims seek compensation for damages allegedly incurred due to Company's abuse of its dominant market position, as determined by the EC Decision and amount to EUR 111,607 thousand plus interest. Proceeding ongoing at a court of first instance. Other competitors that believe they have been harmed by the Group anti-competitive conduct during the infringement period may decide to file actions for damages as well.

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"). Group filed an action for judicial review of AMO Decision in 2009. Courts 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 Group filed a complaint with Constitutional Court. The penalty was paid in October 2017.

As of 31 December 2021, there are two cases pending, where two competitors filed actions against Group 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. All cases are pending at the first instance court.

As of 31 December 2021, the Group 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 Group is otherwise involved in legal and regulatory proceedings in the normal course of business.

33. AUDIT FEES

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

thousands of EUR	2021	2020
Audit services	389	376
Other assurance services	60	-
Tax advisory services	4	4
Other non-audit services	5	1
	458	381

34. EVENTS AFTER REPORTING YEAR

After the end of 2021, political tensions in the region escalated into a war between the Russian Federation and Ukraine. This conflict has severely affected global events, adversely impacted commodity prices and financial markets, and attributed to increased volatility within the business environment. The situation remains very unstable, and the impact of imposed sanctions, restrictions on the business activities of companies operating in the region, and the consequences for the economic environment as a whole (primarily restrictions on supply and demand chains) can be expected. However, the extent of the consequences of these events on the Group cannot currently be fully anticipated. We consider these as non-adjusting events.

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 2021.

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 2021

CONTENTS

INDEPENDENT AUDITOR'S REPORT

pwc

Independent Auditor's Report

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

Our opinion

In our opinion, the separate financial statements present fairly, in all material respects, the financial position of Slovak Telekom, a.s. (the "Company") as at 31 December 2021, and the Company's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

What we have audited

The Company's separate financial statements comprise:

- the income statement for the year ended 31 December 2021;
- the statement of comprehensive income for the year ended 31 December 2021;
- the statement of financial position as at 31 December 2021;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the separate financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

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

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

Independence

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

Emphasis of matter

We draw attention to Note 33 to these separate financial statements, which describe the infringement decisions of the European Commission and Antimonopoly Office of the Slovak Republic against the Company and the implications thereof. The ultimate outcome of the related proceedings cannot presently be determined. Our opinion is not modified in respect of this matter.

PricewaterhouseCoopers Slovensko, s.r.o., Karadžičova 2, Bratislava, 815 32, Slovak Republic
T: +421 (0) 2 59350 111, F: +421 (0) 2 59350 222, www.pwc.com/sk

The firm's ID No.: 35 739 347. The firm is registered in the Commercial Register of Bratislava I District Court, Ref. No.: 16611/B, Section: Sro.
IČO Spoločnosti je 35 739 347. Spoločnosť je zapísaná v Obchodnom registri Okresného súdu Bratislava I, pod Vložkou č.: 16611/B, Oddiel: Sro.

pwc

Reporting on other information including the Annual Report

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

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

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

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

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

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

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

Management's responsibilities for the separate financial statements

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

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

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

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

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

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

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

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

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

Ing. Štefan Čupil, FCCA
UDVA licence No. 1088

11 March 2022
Bratislava, Slovak Republic

Translation Note:

This version of our report is a translation from the original, which was prepared in Slovak. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER

thousands of EUR	Notes	2021	2020
Revenue from contracts with customers	4	730,775	708,834
Other operating income	5	18,402	22,067
Staff costs	6	(112,891)	(110,642)
Material and equipment		(94,770)	(83,207)
Depreciation, amortisation and impairment losses	11, 12, 13	(171,430)	(184,644)
Interconnection fees and other telecommunication services		(59,907)	(55,243)
Net impairment losses on financial and contract assets		(8,824)	(13,969)
Own work capitalised	6	15,099	19,415
Dividends from subsidiaries	32	25,972	702
Other operating costs	7	(154,674)	(164,049)
Operating profit		187,752	139,264
Financial income	8	263	83
Financial expense	9	(2,621)	(3,377)
Net financial result		(2,358)	(3,294)
Profit before tax		185,394	135,970
Income tax expense	10	(41,865)	(40,460)
Profit for the year		143,529	95,510

The financial statements on pages 77 to 122 were authorised for issue on behalf of the Board of Directors of the Company on 10 March 2022 and signed on their behalf by:

Armin Sumesgutner
Chairman board of directors

Danijela Bujic
Member board of directors

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER

thousands of EUR	Notes	2021	2020
Profit for the year		143,529	95,510
Other comprehensive income / (expense)			
Loss on remeasurement of defined benefit plans	25	(332)	(367)
Deferred tax income	10	70	77
Other comprehensive loss not to be reclassified to profit or loss in subsequent years, net of tax		(262)	(290)
Other comprehensive loss for the year, net of tax		(262)	(290)
Total comprehensive income for the year, net of tax		143,267	95,220

STATEMENT OF FINANCIAL POSITION

thousands of EUR	Notes	31.12.2021	31.12.2020
ASSETS			
Non-current assets			
Intangible assets	11	273,757	281,795
Property and equipment	12	764,882	744,289
Right-of-use assets	13	89,754	101,112
Investments in subsidiaries	16	65,402	65,402
Other receivables	17	15,083	13,873
Contract assets	18	7,192	8,412
Contract costs	18	6,151	6,257
Prepaid expenses and other assets	19	11,703	1,436
		1,233,924	1,222,576
Current assets			
Inventories	20	23,835	13,784
Term deposits	21	800	800
Loans	22	153,500	132,000
Trade and other receivables	17	143,977	126,498
Contract assets	18	21,128	14,320
Contract costs	18	16,608	16,204
Prepaid expenses and other assets	19	13,008	15,145
Assets classified as held for sale	14	10,100	-
Cash and cash equivalents	23	21,152	21,639
		404,108	340,390
TOTAL ASSETS		1,638,032	1,562,966
EQUITY AND LIABILITIES			
Shareholders' equity			
Issued capital	24	864,113	864,113
Statutory reserve fund	24	172,823	172,823
Other		(2,281)	(2,016)
Retained earnings and profit for the year		195,666	147,647
Total equity		1,230,321	1,182,567
Non-current liabilities			
Deferred tax liability	10	61,666	69,855
Lease liabilities	27	76,689	87,451
Provisions	25	43,207	41,472
Other payables	26	773	6,131
Contract liabilities	18	29,656	15,936
		211,991	220,845
Current liabilities			
Provisions	25	13,788	6,423
Trade and other payables	26	106,004	87,889
Contract liabilities	18	28,221	19,913
Other liabilities	29	30,667	27,323
Lease liabilities	27	15,143	14,768
Current income tax liability		1,897	3,238
		195,720	159,554
Total liabilities		407,711	380,399
TOTAL EQUITY AND LIABILITIES		1,638,032	1,562,966

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 2020						
At 1 January 2020		864,113	172,823	(1,723)	164,036	1,199,249
Profit for the year		-	-	-	95,510	95,510
Other comprehensive income		-	-	(290)	-	(290)
Total comprehensive income		-	-	(290)	95,510	95,220
Transactions with shareholder:						
Other changes in equity		-	-	(3)	-	(3)
Dividends	24	-	-	-	(111,899)	(111,899)
At 31 December 2020		864,113	172,823	(2,016)	147,647	1,182,567
Year ended 31 December 2021						
At 1 January 2021		864,113	172,823	(2,016)	147,647	1,182,567
Profit for the year		-	-	-	143,529	143,529
Other comprehensive expense		-	-	(262)	-	(262)
Total comprehensive income		-	-	(262)	143,529	143,267
Transactions with shareholder:						
Other changes in equity		-	-	(3)	-	(3)
Dividends	24	-	-	-	(95,510)	(95,510)
At 31 December 2021		864,113	172,823	(2,281)	195,666	1,230,321

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER

thousands of EUR	Notes	2021	2020
Operating activities			
Profit before tax		185,394	135,970
Depreciation, amortisation and impairment losses	11, 12, 13	171,430	184,644
Interest expense, net		2,621	3,010
(Gain) / loss from disposal of intangible assets and property and equipment	5, 7	(529)	1,560
Dividend income from subsidiaries	32	(25,972)	(702)
Other non-cash items		535	1,169
Change in provisions	25	7,381	(1,636)
Change in trade receivables and other assets		(23,498)	(8,750)
Change in inventories		(10,714)	742
Change in trade payables and other liabilities		47,234	(20,350)
Cash from operating activities		353,882	295,657
Income taxes paid		(51,325)	(55,599)
Dividends received	32	25,972	702
Net cash from operating activities		328,529	240,760
Investing activities			
Purchase of intangible assets and property and equipment	11, 12, 30	(165,393)	(199,788)
Proceeds from disposal of intangible assets and property and equipment		2,294	398
Proceeds from disposal of subsidiary	16	-	12,584
Disbursement of loans		(146,500)	(102,000)
Repayment of loans		125,000	130,000
Net cash from cash pooling	17	(15,414)	29,331
Termination of term deposits		-	3,046
Interest received		1	83
Other cash paid for investing activities		(13)	(36)
Net cash used in investing activities		(200,025)	(126,382)
Financing activities			
Dividends paid	24	(95,510)	(111,899)
Repayment of financial liabilities	30	(16,455)	(14,241)
Repayment of principal portion of lease liabilities		(15,132)	(13,468)
Interest paid		(2,258)	(2,620)
Other cash from financing activities		348	-
Net cash used in financing activities		(129,007)	(142,228)
Effect of exchange rate changes on cash and cash equivalents		16	(10)
Net decrease in cash and cash equivalents		(487)	(27,860)
Cash and cash equivalents at 1 January	23	21,639	49,499
Cash and cash equivalents at 31 December	23	21,152	21,639

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

INDEX TO THE NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Slovak Telekom, a.s. ("the Company" or "Slovak Telekom") is a joint-stock company incorporated on 1 April 1999 in the Slovak Republic. The Company's registered office is located at Bajkalská 28, 817 62 Bratislava. The business registration number (IČO) of the Company is 35 763 469 and the tax identification number (DIČ) is 202 027 3893. For shareholders overview of the Company refer to Note 24.

Slovak Telekom is the largest Slovak multimedia operator providing its products and services under the Telekom brand via fixed and mobile networks. In terms of fixed networks the Company is the largest optical fibre and metallic cable broadband internet provider in the country (FTTX, ADSL and VDSL), providing digital television through state-of-the-art IPTV and DVB-S2 satellite technology. In the field of mobile communications the Company provides internet connectivity via several high-speed data transmission technologies – namely 2G (GPRS/EDGE), 3G (UMTS/HSDPA/HSUPA), 4G (LTE, LTE-CA) and 5G. Slovak Telekom's customers receive roaming services in mobile operator networks in destinations all over the world. Slovak Telekom is considered the leader in the provision of telecommunication services to the most demanding segment of business customers, both in terms of the respective range of services as well as in terms of quality.

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

Members of the Statutory Boards at 31 December 2021

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)
- Daria A. Dodonova (until 30.09.2021)

SUPERVISORY BOARD

Chairman:
- Martin Renner (since 01.10.2021)
- Danijela Bujic (until 30.09.2021)

Members:
- Ing. Denisa Herdová (since 19.03.2018)
- Martin Švec (since 02.10.2020)
- Ida Zelenka Puda (until 13.08.2021)
- Ing. Drahoslav Letko (until 05.08.2021)

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

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

2. ACCOUNTING POLICIES

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

Changes to significant accounting policies are described in Note 2.23.

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 2.21.

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 2021 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	5 to 50 years
Operating equipment:	
Network technology equipment	4 to 30 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 2.21.

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 2.21.

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

Software	3 to 21 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 on the basis of the costs incurred to acquire and bring to use specific software. Costs comprise all directly attributable costs necessary to create, produce and prepare the software to be capable of operating in a manner intended by management, including enhancements of applications in use.

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

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

Goodwill

Goodwill previously recognised through the acquisition of the fully owned subsidiary T-Mobile was separately recognised in the statement of financial position of the integrated company Slovak Telekom as at 1 July 2010. Following initial recognition, goodwill is carried at cost less any accumulated impairment losses. Goodwill is not amortised but it is tested for impairment annually or more frequently, if events or changes in circumstances indicate that the carrying value may be impaired (Note 15). Carrying value of the cash generating unit ("CGU") to which goodwill belongs to is compared to its recoverable amount, which is the higher of value in use and fair value less costs to sell. Any impairment is recognised immediately as an expense and is not subsequently reversed. Fair values less costs to sell of CGU's with allocated goodwill tested for impairment are in Level 3 of the fair value hierarchy.

2.5 Leases

2.5.1. Right-of-use assets

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

Assessment of the lease term for evergreen leases (i.e. leases with no specified contract maturity, 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. The accretion of interest is recognized as finance costs to profit or loss over the lease period using the effective interest method. 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 profit or loss in equal instalments 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 fair value less costs of disposal. The calculation is determined by reference to discounted cash flows calculations. These discounted cash flows calculations are based on financial budgets approved by management, usually covering a four-year period. Cash flows beyond the detailed planning periods are extrapolated using appropriate growth rates. Key assumptions on which management bases the determination of fair value less costs of disposal include average revenue per user, customer acquisition and retention costs, churn rates, capital expenditures, market share, growth rates and discount rates. Discount rates used reflect risks specific to the CGU. Cash flows reflect management assumptions and are supported by external sources of information. This impairment test is highly judgmental, which carries the inherent risk of arriving at materially different recoverable amounts if estimates used in the calculations proved to be inappropriate.

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

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

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

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

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

2.8 Inventories

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

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

2.9 Cash and cash equivalents

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

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

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

2.10 Financial assets

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

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

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

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

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

Financial assets at amortised cost (debt instruments)
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. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

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

2.11 Impairment of financial assets

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

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

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

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

2.12 Financial liabilities

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

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

2.13 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 2021. 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.

2.16 Revenue recognition

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

The Company recognises revenue as follows:

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

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

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

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

In the case of multiple-element arrangements (e.g. mobile contract plus handset) with subsidised products delivered in advance, the transaction price is allocated to the performance obligations in the contract by reference to their relative standalone selling prices. Standalone selling prices of hardware are estimated using price list prices adjusted by margin haircut resulting 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 or on a straight-line basis over lease period, i.e. operating lease.

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

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

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

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

2.17 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. From 2021, the levy of 4.356% per annum (2020: 6,54% per annum) is applied on the basis calculated as the profit before tax determined in accordance with the Slovak Accounting Standards multiplied by ratio of regulated revenues (according to Act on Electronic Communications Nr. 351/2011) on total revenues.

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

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

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

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

2.20 Joint arrangements

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

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

2.21 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 2021 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	2021	2022	2023	2024	2025 and after
Non-current assets	(4,826)	(15,751)	(12,268)	1,313	31,532

Assessment of impairment of goodwill
The 2010 legal merger with T-Mobile led to recognition of goodwill. Goodwill is tested annually for impairment as further described in Note 2.7 using estimates detailed in Note 15.

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

Asset retirement obligation
The Company enters into lease contracts for land and premises on which mobile communication network masts are sited. The Company is committed by these contracts to dismantle the masts and restore the land and premises to their original condition. Management anticipates the probable settlement date of the obligation to equal useful life of mast, which is estimated to be 30 years. The remaining useful life of masts ranges from 2 to 30 years at 31 December 2021.

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

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

If probable settlement date of the obligation was shortened by 10 years (from 30 years to 20 years) it would cause a decrease of asset retirement obligation by EUR 1,518 thousand (2020: decrease by EUR 1,805 thousand). If the inflation rate increased by 0.5%, it would cause an increase of asset retirement obligation by EUR 2,163 thousand (2020: increase by EUR 2,177 thousand). If the risk-adjusted, pre-tax discount rate increased by 0.5%, it would cause a decrease of asset retirement obligation by EUR 2,009 thousand (2020: decrease by EUR 2,020 thousand). If the amounts necessary to settle future obligations increased by 10%, it would cause an increase of asset retirement obligation by EUR 2,862 thousand (2020: increase by EUR 2,734 thousand).

Provisions and contingent liabilities
The Company is a participant in several lawsuits and regulatory proceedings. When considering the recognition of a provision, management judges the probability of future outflows of economic resources and its ability to reliably estimate such future outflows. If these recognition criteria are met a provision is recorded in the amount of the best estimate of the expenditure required to settle the present obligation at the end of the reporting period. Such judgments and estimates are continually reassessed taking into consideration the developments of the legal cases and proceedings and opinion of lawyers and other subject matter experts involved in resolution of the cases and proceedings. The factors considered for individual cases are described in Notes 25 and 33.

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 3,542 thousand. If the expected lease term was prolonged by 10 years (from 20 years to 30 years) it would cause an increase in the lease liability by EUR 6,384 thousand.

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

2.22 Comparatives

Dividends received are presented in cash flow statement within Net cash from operating activities. In 2020 cash flow statement Dividends received in the amount of EUR 702 thousand were presented within Net cash used in investing activities.

Interest expense in the amount of EUR 473 thousand is presented in cash flow statement within Interest expense, net. In 2020 cash flow statement this amount was presented within Other non-cash items.

Following adjustment, in accordance with IAS 1.38, has been made for the purpose of comparability of data and reported periods:

thousands of EUR

Note in FS 2020 / Line in BS/PL	Line in particular Note in FS 2020	Comparative Note in FS 2021 / Line in BS/PL	Comparative Line in particular Note in FS 2021	Amount
Intangible assets	Licences	Intangible assets	Telecommunication licences	61,666
Intangible assets	Licences	Intangible assets	Other licences and rights	3,538
Property and equipment	Duct, cable and other outside plant	Property and equipment	Telecommunications line network	431,388
Property and equipment	Telecommunications equipment	Property and equipment	Transmission and switching equipment	56,088
Property and equipment	Radio and transmission equipment	Property and equipment	Transmission and switching equipment	52,303
Revenue from contracts with customers	Other	Revenue from contracts with customers	Fixed network revenue	7,590
Revenue from contracts with customers	Other	Revenue from contracts with customers	Mobile network revenue	16,569
Interconnection and other fees to operators		Interconnection fees and other telecommunication services		55,243
Other operating income	Reinvoicing of TV and employee related costs to subsidiary DIGI	Other operating income	Inc. from reinvoicing of services	4,590
Other operating income	Other	Other operating income	Inc. from reinvoicing of services	3,427
Other operating costs	Other	Other operating costs	IT services	1,636
Other operating costs	Consultancy	Other operating costs	Other	81
Mat., goods and equip.		Other operating costs	Other	193
Financial income	Interest on term deposits, bank accounts and cash pooling	Financial income	Interest income	70
Financial income	Other	Financial income	Interest income	13
Financial income	Dividends from subs.	Dividends from subsidiaries		702

Financial expense	Interest costs from lease	Financial expense	Interest expense from lease	2,613
Financial expense	Interest costs on employee benefits provision	Financial expense	Other interest expense	140
Financial expense	Interest cost on other non-current provisions	Financial expense	Other interest expense	333
Financial expense	Bank charges and other financial expense	Financial expense	Other interest expense	7
Related party transactions	Receivables - DT AG	Related party transactions	Receivables – Other entities in DT AG Group	2,184
Related party transactions	Payables - DT AG	Related party transactions	Payables - Other entities in DT AG Group	3,701
Related party transactions	Sales and income - DT AG	Related party transactions	Sales and income - Other entities in DT AG Group	2,745
Related party transactions	Purchases - DT AG	Related party transactions	Purchases - Other entities in DT AG Group	6,508

2.23 Adoption of IFRS during the year

Standards, interpretations and amendments to published standards effective for the Company's accounting period beginning on 1 January 2021

The Company has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2021:

a) Covid-19-Related Rent Concessions beyond 30 June 2021 – amendments to IFRS 16
b) Interest Rate Benchmark Reform – Phase 2 – Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

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

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

2.24 Impact of Covid-19 on financial statements at 31 December 2021

The coronavirus pandemic has developed into a global economic crisis. Due to higher demand for certain telecommunications services, the impact of the crisis is being felt less severely by the telecommunications industry and the Company than by other industries. Business activities and thus the results of operations and financial position of the Company were impacted by the coronavirus pandemic in various business areas, affecting revenue and earnings, although not to any significant extent. At this time, we can report only minor impact with respect to payment defaults and customer numbers, but no material specific impairment allowance to the Company's receivables was recorded as of 31 December 2021.

Impairment reviews are ordinarily performed on annual basis. At 31 December 2021, the Company reviewed whether there are any new impairment indicators present due to the uncertainty caused by Covid-19. No significant adjustment to Company's accounting estimates has been deemed necessary. There is no additional impairment required.

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

3. FINANCIAL RISK MANAGEMENT

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

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

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

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

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

3.1 Market risk

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

3.1.1 Foreign currency risk

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

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

For all planned, but not yet determined, foreign currency denominated cash flows (uncommitted net exposure) of the following 12 months (rolling 12 month approach) a hedging ratio of at least 50% of net foreign-exchange exposure is applied. The Company uses foreign exchange spot and foreign exchange fixed-term financial contracts to hedge these uncommitted net exposures (Note 21).

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

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

The following table details the sensitivity of the Company's profit 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		2021	2020
Profit after tax	Depreciation of USD by 10%	(25)	224
	Appreciation of USD by 10%	25	(224)

thousands of EUR		2021	2020
Profit after tax	Depreciation of CZK by 10%	29	35
	Appreciation of CZK by 10%	(29)	(35)

3.1.2 Interest rate risk

The Company's income and operating cash flows are substantially independent of changes in market interest rates. The Company entered into a Master agreement on Upstream loans with DT AG in October 2008 based on which the Company can provide loans to DT AG. Currently, there is outstanding loan in amount of EUR 152,000 thousand (2020: EUR 132,000 thousand) at fixed interest rate (Note 22). Also, a loan of EUR 1,500 thousand with fixed interest rate was granted to subsidiary PosAm spol.s.r.o in 2021 (Note 22). The term deposits in banks outstanding at 31 December 2021 in the amount of EUR 800 thousand (2020: EUR 800 thousand) have been concluded with fixed interest rate (Note 21). The Company has no material financial instruments with variable interest rates as at 31 December 2021.

3.1.3 Other price risk

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

3.2 Credit risk

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

The Company is exposed to credit risk from its operating activities and certain investing activities. The Company's credit risk policy defines products, maturities of products and limits for financial counterparties. The Company limits credit exposure to individual financial institutions on the basis of the credit ratings assigned to these institutions by reputable rating agencies and these limits are reviewed on a regular basis. The Company makes only short-term cash deposits. The Company deposits free cash into financial instruments such as financial investments in the form of loans to DTAG and subsidiary PosAm spol. s.r.o. The Company is exposed to concentration of credit risk from holding loan receivable in the amount of EUR 152,000 thousand (2020: EUR 132,000 thousand) provided to DT AG (Germany), loan receivable in the amount of EUR 1,500 thousand (no loan provided in 2020) provided to subsidiary PosAm spol. s.r.o. and trade receivables from DT AG, subsidiaries and other entities in DT Group in amount of EUR 37,220 thousand (2020: EUR 22,830 thousand).

The Company's cash and cash equivalents are held with major regulated financial institutions; the two largest ones hold approximately 72% and 27% (2020: 53% and 46%).

For credit ratings see the following tables:

thousands of EUR	31.12.2021	31.12.2020
Term deposits (Note 21)		
A2	800	800
	800	800

thousands of EUR	31.12.2021	31.12.2020
Loans (Note 22)		
Baa1	152,000	132,000
Not rated	1,500	-
	153,500	132,000

thousands of EUR	31.12.2021	31.12.2020
Cash and cash equivalents (Note 23)		
A2	21,107	10,076
A3	-	11,445
Not rated	45	118
	21,152	21,639

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

The Company establishes an allowance for impairment that represents its estimate of expected credit losses in respect of trade, other receivables and contract assets. Cash and cash equivalents and intercompany receivables are also subject to the impairment requirements of IFRS 9, however, the identified impairment loss determined based on probability of default would be immaterial.

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

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

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

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

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

		Past due					
thousands of EUR	Not past due	< 30 days	31-90 days	91-180 days	181-365 days	> 365 days	Total
At 31 December 2020							
Trade and other receivables, net	122,312	4,322	4,171	3,580	1,851	4,135	140,371
Allowance for impaired receivables	(8,718)	(552)	(2,097)	(1,739)	(2,929)	(10,511)	(26,546)

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

		Past due					
	Not past due	< 30 days	31-90 days	91-180 days	181-365 days	> 365 days	> 3600 days
At 31 December 2021	1,5%	10%	33%	49%	57%	83%	100%
At 31 December 2020	1,5%	10%	33%	49%	57%	83%	100%

No significant individually impaired trade receivables were included in the allowance for impairment losses in 2021 or 2020.

Trade receivables that are past due as at 31 December 2021, but not individually impaired, are from creditworthy customers who have a good track record with the Company and, based on historical default rates, management believes that no additional impairment allowance is necessary. Management also believes that currently no additional impairment allowance is necessary to trade receivables that are neither past due nor impaired.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in Note 17, 21, 22 and 23. For sensitivity of impairment charge of uncollectible receivables refer to Note 17.

3.3 Liquidity risk

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

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 2021					
Trade and other payables	6,493	96,665	2,846	773	106,777
At 31 December 2020					
Trade and other payables	317	80,766	6,806	6,131	94,020

For maturity of lease liabilities refer to Note 27.

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 2021.

Based on Individual Loan Contract governed by the Master Loan Agreement concluded between the Company and subsidiary PosAm spol.s.r.o a loan of EUR 1,500 thousand with fixed interest rate was granted to subsidiary PosAm spol.s.r.o in 2021. The loan is repayable in June 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 2021			
Current financial assets – Trade receivables	3,054	(2,003)	1,051
Current financial liabilities – Trade payables	4,247	(2,003)	2,244
At 31 December 2020			
Current financial assets – Trade receivables	3,581	(2,572)	1,009
Current financial liabilities – Trade payables	4,565	(2,572)	1,993

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

3.4 Capital management

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

The Company's management proposes to the owner of the Company (through the Board of Directors) to approve dividend payments or adopt other changes in the Company's equity capital in order to optimize the capital structure of the Company. This can be achieved primarily by adjusting the amount of dividends paid to the shareholder, or alternatively, by returning capital to the shareholder by capital reductions, issue new shares or sell assets to reduce debt. The Company also takes into consideration any applicable guidelines of the ultimate parent company. No changes were made to the objectives, policies or processes in 2021.

The capital structure of the Company consists of equity attributable to shareholder, comprising issued capital, statutory reserve fund, retained earnings and other components of equity (Note 24). Management of the Company manages capital measured in terms of shareholder's equity amounting to at 31 December 2021 EUR 1,230,321 thousand (2020: EUR 1,182,567 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 2021 and 2020.

3.5.2 Non-recurring fair value measurement

There were no non-recurring fair value measurements in 2021 and 2020 other than measurement of assets held for sale.

3.5.3 Financial assets and financial liabilities not measured at fair value

The fair value of other financial assets and financial liabilities approximate their carrying amounts at the statement of financial position date. The loans are short-term. For further details on loans refer to Notes 3.2 and 22. Financial assets and financial liabilities are discounted unless the effect of discounting was inconsiderable.

3.6 Presentation of financial instruments by measurement category

thousands of EUR	31.12.2021	31.12.2020
ASSETS		
Financial assets at amortised cost		
Trade and other receivables (Note 17)	159,060	140,371
Term deposits (Note 21)	800	800
Loans (Note 22)	153,500	132,000
Cash and cash equivalents (Note 23)	21,152	21,639
LIABILITIES		
Financial liabilities at amortised cost		
Trade and other payables (Note 26)	106,777	94,020
Lease liabilities (Note 27)	91,832	102,219

4. REVENUE FROM CONTRACTS WITH CUSTOMERS

thousands of EUR	2021	2020
Fixed network revenue	269,211	265,288
Mobile network revenue	307,125	300,117
Terminal equipment	104,708	93,522
System solutions / IT	44,681	43,521
Other	5,050	6,386
	730,775	708,834

For assets and liabilities related to contracts with customers or cost to obtain a contract with customer refer to Note 18.

5. OTHER OPERATING INCOME

thousands of EUR	2021	2020
Gain on disposal of property and equipment and intangible assets, net	529	-
Gain from material sold	1,497	2,134
Gain on disposal of subsidiary (Note 16)	-	8,828
Reversal of impairment of property and equipment (Note 12)	5,948	966
Income from reinvoicing of services	8,606	8,017
Other	1,822	2,122
	18,402	22,067

6. STAFF COSTS

thousands of EUR	2021	2020
Wages and salaries	85,451	83,292
Defined contribution pension costs	11,949	12,365
Other social security contributions	15,491	14,985
	112,891	110,642

	2021	2020
Number of employees at year end	2,704	2,807
Average number of employees during the year	2,717	2,817

Majority of own work capitalized in amount of EUR 15,099 thousand (2020: EUR 19,415 thousand) represents capitalization of staff costs of internal employees.

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

7. OTHER OPERATING COSTS

thousands of EUR	2021	2020
Repairs and maintenance	13,416	12,588
Loss on disposal of property and equipment and intangible assets, net	-	1,560
Marketing costs	12,654	11,095
Energy	13,918	14,352
Printing and postage	4,242	4,785
Logistics	5,150	5,352
Rentals and leases (not in scope of IFRS 16)	762	1,328
IT services	11,477	8,799
Dealer commissions	20,812	19,323
Frequency fees	4,813	4,827
Content fees	18,183	12,381
Legal and regulatory claims (Note 33)	209	16,407
Consultancy	2,417	1,883
Customer solutions	30,072	32,345
Fees paid to group companies	5,118	5,260
Other	11,431	11,764
	154,674	164,049

8. FINANCIAL INCOME

thousands of EUR	2021	2020
Interest income	-	83
Foreign exchange gains, net	263	-
	263	83

9. FINANCIAL EXPENSE

thousands of EUR	2021	2020
Interest expense from lease	2,255	2,613
Other interest expense	366	480
Foreign exchange losses, net	-	284
	2,621	3,377

10. TAXATION

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

thousands of EUR	2021	2020
Current tax expense	42,751	43,150
Current tax expense of prior years	(319)	(24)
Deferred tax income	(8,119)	(10,947)
Levy on regulated industries	6,785	8,046
Levy on regulated industries of prior years	767	234
Income tax expense reported in the income statement	41,865	40,459

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	2021	2020
Profit before income tax	185,394	135,969
Income tax calculated at the statutory rate of 21% (2020: 21%)	38,933	28,554
Effect of non-taxable income and tax non-deductible expenses:		
Dividends	(5,454)	(147)
Cost related to legal and regulatory claims	44	3,445
Other tax non-deductible items, net	1,463	351
Tax charge in respect of prior years	94	210
Levy on regulated industries	6,785	8,046
Income tax at the effective tax rate of 23% (2020: 30%)	41,865	40,459

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

thousands of EUR	1 January 2021	Through income statement	Through statement of comprehensive income	31 December 2021
Difference between carrying and tax value of fixed assets	(101,096)	10,871	-	(90,225)
Lease liabilities	21,466	(2,181)	-	19,285
Staff cost accruals	2,184	807	-	2,991
Allowance for bad debts	4,592	75	-	4,667
Termination benefits	613	(49)	-	564
Retirement benefit obligation	2,704	(34)	70	2,740
Asset retirement obligation	5,740	270	-	6,010
Contract assets	(6,938)	(1,957)	-	(8,895)
Contract costs	(4,715)	(52)	-	(4,767)
Contract liability	1,616	236	-	1,852
Other	3,979	133	-	4,112
Net deferred tax liability	(69,855)	8,119	70	(61,666)

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

thousands of EUR	31.12.2021	31.12.2020
Deferred tax asset to be settled within 12 months	16,177	15,494
Deferred tax asset to be settled after more than 12 months	26,955	28,632
Deferred tax liability to be settled within 12 months	(9,806)	(8,168)
Deferred tax liability to be settled after more than 12 months	(94,992)	(105,813)
Net deferred tax liability	(61,666)	(69,855)

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

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 2020							
Cost	549,953	193,139	26,618	4,965	73,313	49,185	897,173
Accumulated amortisation	(502,964)	(121,918)	(14,899)	(2,825)	-	-	(642,606)
Net book value	46,989	71,221	11,719	2,140	73,313	49,185	254,567
Additions	12,489	-	6,039	4	-	69,619	88,151
Amortisation charge	(36,788)	(9,555)	(14,214)	(316)	-	-	(60,873)
Disposals	-	-	-	-	-	-	-
Transfers	27,382	-	(7)	222	-	(27,647)	(50)
At 31 December 2020							
Cost	536,101	191,540	25,247	5,191	73,313	91,157	922,549
Accumulated amortisation	(486,029)	(129,874)	(21,710)	(3,141)	-	-	(640,754)
Net book value	50,072	61,666	3,537	2,050	73,313	91,157	281,795

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 2021						
Cost	157,354	1,142,651	657,966	179,953	109,535	2,247,459
Accumulated depreciation	(105,160)	(711,263)	(549,575)	(136,996)	(176)	(1,503,170)
Net book value	52,194	431,388	108,391	42,957	109,359	744,289
Additions	35	21,823	24,783	4,218	71,576	122,435
Depreciation charge	(4,085)	(41,850)	(40,631)	(8,499)	-	(95,065)
Impairment charge	(71)	-	-	(1)	(75)	(147)
Reversal of impairment	5,503	-	23	1	11	5,538
Disposals	(314)	(227)	(20)	(51)	(1,237)	(1,849)
Transfers	1,174	53,429	27,814	3,937	(86,574)	(220)
Assets classified as held for sale	(10,100)	-	-	-	-	(10,100)
At 31 December 2021						
Cost	124,873	1,216,770	644,811	176,949	93,109	2,256,512
Accumulated depreciation	(80,536)	(752,207)	(524,451)	(134,387)	(49)	(1,491,630)
Net book value	39,747	464,563	120,360	42,562	93,060	764,882

Property and equipment, excluding motor vehicles, is locally insured to a limit of EUR 25,000 thousand (2020: EUR 25,000 thousand). Any loss exceeding local limit is insured by DT AG Global Insurance Program up to EUR 700,000 thousand. The Company has the third-party liability insurance for all motor vehicles.

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

thousands of EUR	Land, buildings and structures	Telecommu-nications line network	Transmission and switching equipment	Other	Capital work in progress including advances	Total
At 1 January 2020						
Cost	171,386	1,107,670	491,439	281,945	84,905	2,137,345
Accumulated depreciation	(95,595)	(693,247)	(413,680)	(210,558)	(1)	(1,413,081)
Net book value	75,791	414,423	77,759	71,387	84,904	724,264
Additions	3	15,391	15,296	4,525	92,245	127,460
Depreciation charge	(3,373)	(40,534)	(43,581)	(8,569)	-	(96,057)
Impairment charge	(9,950)	-	(178)	(15)	(176)	(10,319)
Reversal of impairment	966	-	-	-	-	966
Disposals	(17)	(144)	(683)	(256)	(974)	(2,074)
Transfers	(11,226)	42,252	59,778	(24,115)	(66,640)	49
At 31 December 2020						
Cost	157,354	1,142,651	657,966	179,953	109,535	2,247,459
Accumulated depreciation	(105,160)	(711,263)	(549,575)	(136,996)	(176)	(1,503,170)
Net book value	52,194	431,388	108,391	42,957	109,359	744,289

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 2021 and at 31 December 2020.

thousands of EUR	Leased land	Leased buildings	Leased technical equipment and machinery	Total
At 1 January 2021				
Cost	24,681	92,194	12,626	129,501
Accumulated depreciation	(6,054)	(18,130)	(4,205)	(28,389)
Net book value	18,627	74,064	8,421	101,112
Additions	1,310	8,211	1,324	10,845
Depreciation charge	(2,995)	(10,164)	(2,766)	(15,925)
Impairment charge	(323)	-	-	(323)
Reversal of impairment	410	-	-	410
Disposals	(799)	(4,588)	(978)	(6,365)
At 31 December 2021				
Cost	24,882	94,133	11,991	131,006
Accumulated depreciation	(8,652)	(26,610)	(5,990)	(41,252)
Net book value	16,230	67,523	6,001	89,754

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

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

14. ASSETS CLASSIFIED AS HELD FOR SALE

Management is committed to a plan to sell one of its owned buildings. During the year 2021 the Company has already initiated active process to locate potential buyers. Offered prices are reasonable in relation to its current fair value. Selling price and lease back conditions are still under negotiation, however, it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn. The sale is expected to take place during the year 2022. Therefore, it meets the criteria for classification as Asset Held for Sale (AHfS).

The gain amounting to EUR 4,590 thousand recognised as result of remeasurement to fair value less costs to sell is presented within Other operating income detailed in Note 5.

thousands of EUR	31.12.2021	31.12.2020
Land, buildings and related equipment		
At 1 January	-	-
Net transfer from / (to) PPE	10,100	-
Disposals	-	-
At 31 December	10,100	-

15. IMPAIRMENT OF GOODWILL

thousands of EUR	31.12.2021	31.12.2020
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 a 1.00% growth rate (2020: 1.50%). 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 pre-tax rate of 3.88% (2020: 4.07%). Further key assumptions on which management has based its determination of the recoverable amount of the cash-generating unit include the development of revenue, customer acquisition and retention costs, churn rates, capital expenditures and market share, which are based on past performance and management's expectations for the future. Input parameters used to determine the recoverable amount are classified in Level 3 in accordance with IFRS 13. The recoverable amount of the cash-generating unit based on fair value less costs of disposal calculation exceeded its carrying value. Management believes that any reasonably possible change in the key assumptions on which the cash-generating unit's recoverable amount is based would not cause its carrying amount to exceed its recoverable amount.

16. INVESTMENTS IN SUBSIDIARIES

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

Name and registered office	Activity	Share and voting rights 31.12.2021	Share and voting rights 31.12.2020
DIGI SLOVAKIA, s.r.o. ("DIGI") Röntgenova 26, 851 01 Bratislava	TV services, broadband services and TV channels production	100%	100%
PosAm, spol. s r.o. ("PosAm") Bajkalská 28, 821 09 Bratislava	IT services, applications and business solutions	51%	51%
Telekom Sec, s.r.o. ("Telekom Sec") Bajkalská 28, 817 62 Bratislava	Security services	100%	100%

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

thousands of EUR	Cost of investment 31.12.2021	Cost of investment 31.12.2020	Profit / (loss) 2021	Profit / (loss) 2020	Net assets 31.12.2021	Net assets 31.12.2020
DIGI SLOVAKIA, s.r.o.	52,362	52,362	5,337	6,376	17,381	37,878
PosAm, spol. s r.o.	12,968	12,968	(1,119)	1,346	14,024	15,413
Telekom Sec, s.r.o.	72	72	(1)	(1)	55	56
	65,402	65,402				

Financial data for subsidiaries are based on their separate financial statements. At the date of authorisation of these separate financial statements for issue, the approved financial statements of subsidiaries for the year ended 31 December 2021 were not available. The table is prepared based on their non-approved draft financial statements.

On 16 June 2020 Slovak Telekom sold its former subsidiary Zoznam. The cash from selling price in amount of EUR 12,584 thousand was received in 2020. Gain on disposal of subsidiary in amount of EUR 8,828 thousand is presented within the Other operating income (Note 5).

17. TRADE AND OTHER RECEIVABLES

thousands of EUR	31.12.2021	31.12.2020
Non-current		
Receivables from instalment sale	11,315	9,572
Finance lease receivables	3,768	4,301
	15,083	13,873
Current		
Trade receivables	117,325	117,469
Cash pooling receivable	21,281	5,837
Other receivables	4,750	659
Finance lease receivables	621	2,533
	143,977	126,498

Trade receivables are net of an allowance of EUR 27,913 thousand (2020: EUR 26,546 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 1,270 thousand higher (2020: EUR 1,301 thousand).

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

thousands of EUR	2021	2020
At 1 January	26,546	25,712
Charge for the year, net	7,585	12,118
Utilised	(6,218)	(11,284)
At 31 December	27,913	26,546

18. 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 services.

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

thousands of EUR	31.12.2021	31.12.2020
Non-current assets		
Contract assets	8,482	9,131
Loss allowance	(1,290)	(719)
	7,192	8,412
Contract costs	6,151	6,257
	6,151	6,257
Current assets		
Contract assets	23,619	18,746
Loss allowance	(2,491)	(4,426)
	21,128	14,320
Contract costs	16,608	16,204
	16,608	16,204
Non-current liabilities		
Contract liabilities	29,656	15,936
	29,656	15,936
Current liabilities		
Contract liabilities	28,221	19,913
	28,221	19,913

Revenue recognised in the reporting year that was included in the contract liability balance at the beginning of the year amounted to EUR 17,375 thousand (2020: EUR 19,635 thousand).

Transaction price allocated to the performance obligations that are unsatisfied as of the end of reporting year amounted to EUR 399,346 thousand (2020: EUR 377,250 thousand). Management expects that the transaction price allocated to the unsatisfied contracts as of 31 December 2021 will be recognised as revenue as follows: EUR 303,210 thousand during first year; EUR 95,295 thousand during second year and EUR 841 thousand during third-sixth year (2020: EUR 282,987 thousand during first year; EUR 93,152 thousand during second year and EUR 1,111 thousand during third-seventh year).

Wages and salaries include also amortisation of costs to obtain a contract with customer in the amount of EUR 2,747 thousand (2020: EUR 3,406 thousand) (Note 6).

Dealers commission includes also amortisation of costs to obtain a contract with customer in the amount of EUR 19,195 thousand (2020: EUR 17,891 thousand) (Note 7).

19. PREPAID EXPENSES AND OTHER ASSETS

thousands of EUR	31.12.2021	31.12.2020
Non-current		
Other prepaid expenses	11,703	1,436
	11,703	1,436
Current		
Other prepaid expenses	4,214	3,096
Advance payments	8,650	11,963
Other assets	144	86
	13,008	15,145

20. INVENTORIES

thousands of EUR	31.12.2021	31.12.2020
Materials	8,421	7,318
Goods	15,414	6,466
	23,835	13,784

Inventories are net of an allowance of EUR 1,642 thousand (2020: EUR 1,365 thousand). The write-down of inventories in the amount of EUR 663 thousand (2020: EUR 664 thousand) was recognised in cost of material and equipment.

21. TERM DEPOSITS

thousands of EUR	31.12.2021	31.12.2020
Term deposits in banks	800	800
	800	800

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

22. LOANS

thousands of EUR	31.12.2021	31.12.2020
Loans to Deutsche Telekom AG	152,000	132,000
Loan to subsidiary	1,500	-
	153,500	132,000

The loans granted to Deutsche Telekom AG were not secured. Loans outstanding at 31 December 2021 were provided in December 2021 and are repayable in February 2022 (2020: provided in December 2020, repayable in January 2021). The loan granted to subsidiary was partially secured. Loan was provided in June 2021 and is repayable in June 2022. For credit ratings see Note 3.2.

23. CASH AND CASH EQUIVALENTS

thousands of EUR	31.12.2021	31.12.2020
Cash and cash equivalents	21,152	21,639
	21,152	21,639

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

24. SHAREHOLDERS' EQUITY

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

As at 31 December 2021, Slovak Telekom had authorised and issued 86,411,300 ordinary shares (2020: 86,411,300) with a par value of EUR 10.00 per share (2020: EUR 10.00 per share). All the shares issued were fully subscribed. All the shares represent the rights of shareholder to participate in the managing of Slovak Telekom, on the profit and liquidation balance upon the winding-up of Slovak Telekom with liquidation.

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

Category Other in the Statement of changes in equity covers mainly changes of equity from retirement benefits (Note 25).

The Financial statements of the Company for the year ended 31 December 2020 were authorised for issue on behalf of the Board of Directors of Slovak Telekom on 8 March 2021.

On 26 April 2021 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 95,510 thousand (2020: EUR 111,899 thousand) were paid in May 2021, which amounted to EUR 1.11 per share (2020: EUR 1.29 per share).

Approval of the 2021 profit distribution will take place at the Annual General Meeting scheduled for April 2022.

25. PROVISIONS

thousands of EUR	Legal and regulatory claims	Asset retirement obligation	Termination benefits	Employee benefits	Other	Total
	(Note 32)					
At 1 January 2021	2,727	27,336	2,920	13,200	1,712	47,895
Arising during the year	2,680	464	2,687	1,225	6,197	13,253
Utilised	(12)	-	(2,921)	(39)	(559)	(3,531)
Reversals	(213)	-	-	(1,134)	(257)	(1,604)
Transfer to current liabilities	-	-	-	-	59	59
Interest impact	-	820	-	108	(5)	923
At 31 December 2021	5,182	28,620	2,686	13,360	7,147	56,995
Non-current	-	28,620	-	13,360	1,227	43,207
Current	5,182	-	2,686	-	5,920	13,788
	5,182	28,620	2,686	13,360	7,147	56,995

thousands of EUR	31.12.2021	31.12.2020
Non-current	43,207	41,472
Current	13,788	6,423
	56,995	47,895

Asset retirement obligation

The Company is subject to obligations for dismantlement, removal and restoration of assets associated with its cell site operating leases (Note 2.21). Cell site lease agreements may contain clauses requiring restoration of the leased site at the end of the lease term, creating an asset retirement obligation.

Termination benefits

The restructuring of the Company's operations resulted in headcount reduction of 169 employees in 2021 (2020: 136 employees). The Company expects a further headcount reduction of 133 employees in 2022 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 2021 the Company recognised an expense resulting from termination benefits in amount of EUR 3,228 thousand (2020: EUR 3,351 thousand) in staff costs.

Retirement and jubilee benefits

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

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

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

Remeasurement of defined benefit plans related to retirement benefits in amount of EUR 332 thousand consists of change in experience adjustments in amount of EUR 851 thousand partially netted by change in financial assumptions in amount of EUR 519 thousand.

The curtailment gain in amount of EUR 1,111 thousand resulted mainly from a reduction in the number of participants covered by the retirement plan that occurred in 2021 or was announced for 2022. There were no special events causing any new past service cost during 2021 other than the curtailment mentioned above.

Principal actuarial assumptions used in determining the defined benefit obligation and the curtailment effect in 2021 include the discount rate of 1.14% (2020: 0.83%). The expected expense for 2021 has been determined based on the discount rate as at the beginning of the accounting year of 0.83% (2020: 1.16%). Average retirement age is 63 years and 2 months (2020: 63 years and 2 months). The expected growth of nominal wages over the long term is 2.0% (2020: 2.0%). The remaining weighted average duration of the defined benefit obligation is 12.7 years (2020: 13.0 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 2021 and 2020 is as follows:

thousands of EUR	(Decrease) / increase of employee benefits provision	
	31.12.2021	31.12.2020
Change of actuarial assumption:		
Discount rate change +100 bp / -100 bp	(1,504) / 1,795	(1,528) / 1,834
Salary change +0.50% / -0.50%	846 / (782)	861 / (795)

26. TRADE AND OTHER PAYABLES

thousands of EUR	31.12.2021	31.12.2020
Non-current		
Financial liabilities for capitalised content licences	772	2,287
Financial liabilities for frequency licences	-	3,843
Other payables	1	1
	773	6,131
Current		
Trade payables	52,742	35,295
Uninvoiced deliveries	42,167	41,142
Financial liabilities for capitalised content licences	7,252	6,866
Financial liabilities for frequency licences	3,843	4,118
Other payables	-	468
	106,004	87,889

27. LEASE LIABILITIES

thousands of EUR	31.12.2021	31.12.2020
Up to 1 year	15,143	14,768
1 to 5 years	39,647	42,774
Over 5 years	37,042	44,677
Total other lease liabilities	91,832	102,219

	31.12.2021	31.12.2020
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).

28. IMPACT FROM LEASING CONTRACTS

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

thousands of EUR	2021	2020
Depreciation expense of right-of-use assets (Note 13)	15,925	16,515
Impairment of right-of-use assets (Note 13)	323	881
Interest cost on lease liabilities (Note 9)	2,255	2,613
At 31 December	18,503	20,009

29. OTHER LIABILITIES

thousands of EUR	31.12.2021	31.12.2020
Current		
Amounts due to employees	22,242	17,866
Other tax liabilities	3,980	5,601
Other liabilities	4,445	3,856
	30,667	27,323

Amounts due to employees include social fund liabilities:

thousands of EUR	31.12.2021	31.12.2020
At 1 January	172	185
Additions	1,448	1,476
Utilisation	(1,447)	(1,489)
At 31 December	173	172

30. CASH FLOW DISCLOSURES

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

thousands of EUR	Financial liabilities (Note 26)	Lease liabilities (Note 27)
At 1 January 2020	13,589	110,357
Additions	17,837	10,274
Non-cash movements	-	(4,944)
Cash used in financing activities	(14,241)	(16,081)
Accretion of interest	-	2,613
Foreign exchange adjustments	(71)	-
At 31 December 2020	17,114	102,219
At 1 January 2021	17,114	102,219
Additions	11,133	10,866
Non-cash movements	-	(6,121)
Cash used in financing activities	(16,455)	(17,387)
Accretion of interest	-	2,255
Foreign exchange adjustments	75	-
At 31 December 2021	11,867	91,832

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

31. COMMITMENTS

The Company's purchase commitments were as follows:

thousands of EUR	31.12.2021	31.12.2020
Acquisition of property and equipment	65,741	77,507
Acquisition of intangible assets	11,840	11,179
Purchase of services and inventory	105,880	67,817
	183,461	156,503

32. RELATED PARTY TRANSACTIONS

	Receivables		Payables		Commitments	
thousands of EUR	2021	2020	2021	2020	2021	2020
DT AG	173,437	137,936	999	879	44	122
Subsidiaries	5,658	5,914	400	1,402	472	463
Other entities in DT AG Group	11,625	10,980	16,474	13,891	3,739	7,061
	190,720	154,830	17,873	16,172	4,255	7,646

The Company conducts business with its subsidiaries (DIGI, PosAm, Telekom Sec, Commander (100% subsidiary of PosAm)) as well as with its ultimate parent, Deutsche Telekom AG and its subsidiaries, associates and joint ventures.

	DT AG		Subsidiaries		Other related parties	
thousands of EUR	2021	2020	2021	2020	2021	2020
Sales and income						
Interconnect / roaming revenues	-	-	811	640	10,689	10,676
System solutions / IT revenues	-	-	166	253	6,467	6,788
Income from reinvoicing of services	196	218	4,190	4,590	7,805	8,011
Dividends	-	-	25,972	702	-	-
Other revenue / income	62	60	1,254	1,733	3,564	3,962
	258	278	32,393	7,918	28,525	29,437
Purchases						
Interconnect / roaming costs	-	-	296	13	15,528	12,791
Customer solutions	-	-	344	302	2,896	3,865
IT services	197	-	80	89	3,354	2,691
Expenses from reinvoicing of services	3,107	3,888	-	-	7,029	6,491
Other purchases	1,150	16	2,071	4,108	6,888	6,246
	4,454	3,904	2,791	4,512	35,695	32,084

Other purchases include data services, management, consultancy, other services and purchases of fixed assets. In 2021 the Company purchased fixed assets in amount of EUR 4,155 thousand (2020: EUR 4,747 thousand) from related parties.

In 2021 the Company granted a short-term loan of EUR 152,000 thousand (2020: EUR 132,000 thousand) to Deutsche Telekom AG and EUR 1,500 thousand to subsidiary PosAm.

In April 2021 the General meeting of PosAm declared a dividend of EUR 137 thousand (2020: EUR 702 thousand), which was paid in April 2021. In March 2021 the General meeting of DIGI declared a dividend of EUR 25,835 thousand. Dividends were paid in March 2021. There was no other dividend declared by other subsidiaries in 2021and 2020.

In 2016 the Company signed an ICT contract with a duration of 80 months with T-Systems International GmbH ("TSI"). Within this contract, the Company acts as the main subcontractor for the restructuring of the Allianz communication network in the selected countries. DT AG Group entities in relevant countries are service providers for the Company. The total value of the contract amounts to EUR 41,537 thousand. In 2021 the Company recognised revenue with TSI in amount of EUR 4,025 thousand (2020: EUR 4,937 thousand), revenue with other DT AG Group entities in amount of EUR 430 thousand (2020: EUR 262 thousand) and expenses with other DT AG Group entities in amount of EUR 2,933 thousand (2020: EUR 3,753 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 2021 or 2020.

Compensation of key management personnel
The key management personnel as at 31 December 2021, 16 in number (2020: 14) 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	2021	2020
Short term employee benefits	2,592	1,996
Defined contribution pension plan benefits	22	14
Share based compensations	160	-
	2,774	2,010

thousands of EUR	2021	2020
Management Board	2,762	1,996
Supervisory Board	12	14
	2,774	2,010

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 986 thousand has been recognised as at 31 December 2021 (2020: EUR 793 thousand). In 2021 the Company recognised an expense resulting from these long-term incentive plans in amount of EUR 429 thousand (2020: EUR 312 thousand) in Staff costs.

33. CONTINGENCIES

Legal and regulatory cases
On 17 October 2014 the European Commission sent an infringement decision to the Company in case AT 39.523 (hereinafter "the EC Decision"). EC Decision found the Company (and DT AG, as parent company) liable for breach of competition law (margin squeeze and refusal to deal) in relation to ULL for the period 12 August 2005 – 31 December 2010 and imposed a fine of EUR 38,838 thousand on DT AG and the Company, jointly and severally. The Company filed an appeal against the EC Decision to General Court of the European Union in December 2014, the fine was paid by the Company in January 2015. Judicial review was closed by 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 2021, two cases are pending following the EC Decision. Two competitors of the Company filed action against Slovak Telekom with the civil court in Bratislava in 2015 and 2017. These claims seek compensation for damages allegedly incurred due to Company's abuse of its dominant market position, as determined by the EC Decision and amount to EUR 111,607 thousand plus interest. Proceeding ongoing at a court of first instance. Other competitors that believe they have been harmed by the Company anti-competitive conduct during the infringement period may decide to file actions for damages as well.

In 2009, the Anti-Monopoly Office 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"). Company filed an action for judicial review of AMO Decision in 2009. Courts 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 2021, 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. All cases are pending at the first instance court.

As of 31 December 2021, 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.

34. AUDIT FEES

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

thousands of EUR	2021	2020
Audit services	300	289
Other assurance services	60	-
Oher non-audit services	4	-
	364	289

35. EVENTS AFTER THE REPORTING YEAR

After the end of 2021, political tensions in the region escalated into a war between the Russian Federation and Ukraine. This conflict has severely affected global events, adversely impacted commodity prices and financial markets, and attributed to increased volatility within the business environment. The situation remains very unstable, and the impact of imposed sanctions, restrictions on the business activities of companies operating in the region, and the consequences for the economic environment as a whole (primarily restrictions on supply and demand chains) can be expected. However, the extent of the consequences of these events on the Company cannot currently be fully anticipated. We consider these as non-adjusting events.

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 2021.

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