



Report of Independent Auditor, Annual Report
and Individual Financial Statements Compiled
Under International Financial Reporting Standards
in the Version Adopted by the European Union
as at 31 December 2021

O2 Slovakia, s.r.o.

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The background is a solid dark blue. Scattered throughout are numerous spheres of varying sizes and shades of blue, from light sky blue to deep navy. In the upper right corner, there are several translucent, overlapping circles resembling bubbles or light refractions. On the right side, a white door is partially open, revealing a dark interior filled with more spheres, some of which are also visible outside the door.

O₂

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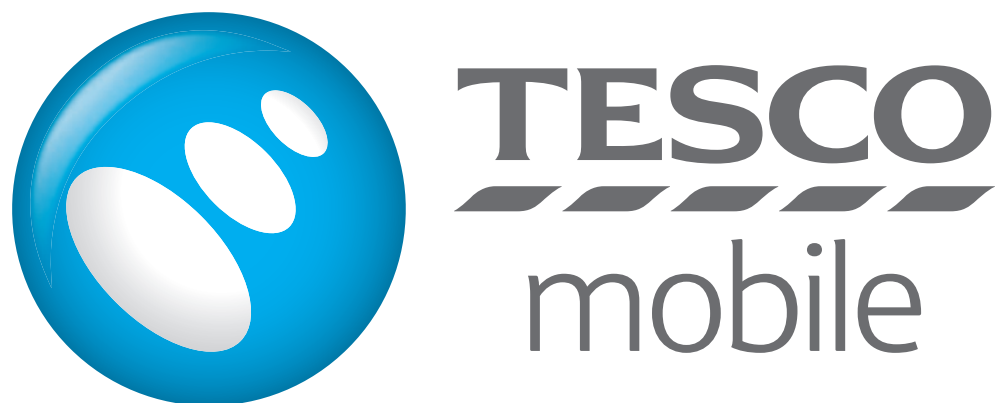
O2 Slovakia, s.r.o.



O2 came to the Slovak market in February 2007 as the third operator. From the beginning of its operation, it has been bringing revolutionary solutions, open communication and fairness for all customers alike. With its product portfolio, it has been systematically trying to change the rules of mobile communication. O2 counts among the most popular employers engaging itself through its Fair Foundation also in the area of corporate social responsibility. O2 is QMS quality certified according to the ISO 9001 standard, which guarantees a high level of quality of services including

their constant improvement, as well as certified according to the ISO 27001 standard aimed at information security management. O2 is simultaneously a holder of the ISO 37001 certificate – anti-corruption management systems, which only enhances observance of the above-mentioned values.

O2 Slovakia operates exclusively in the Slovak market without operating any organizational unit abroad.



O₂ Business Services

The telecommunication operator O₂ Business Services is a 100 % subsidiary of O2 Slovakia. It was established in 2015 for the purpose of increasing efficiency and flexibility of telecommunication services for corporate customers.

Tesco mobile

Tesco Mobile is a partner product of TESCO STORES SR, a.s. and O2 Slovakia, s.r.o. The sale is performed in the Tesco's sales network and the reliability of services provided is ensured by the use of the O2 Slovakia network. Tesco Mobile was introduced to the telecommunication market in December 2009 and since then it has followed its successful operation in the United Kingdom of Great Britain and Northern Ireland and in Ireland. Currently, it operates also in the Czech Republic. In Slovakia, Tesco Mobile is primarily concentrated on provision of prepaid services.

2



O2 Czech Republic, a.s.



The parent company of O2 Slovakia is O2 Czech Republic, which is the largest operator in the Czech market. It provides voice, online and data services to customers ranging from households, through small and medium enterprises to the large corporations.

O2 has always offered state-of-the-art technologies. Currently, it has been building the 5th generation network (5G) and it was the first to test it in real environment. O2 is simultaneously the largest provider of Internet to households and companies offering it for 99 % of addresses. The fixed line connection works best in combination with the O2 Smart Box modem, which has been developed by O2.

Its O2 TV service makes it the largest operator of online television broadcasting in the Czech Republic. O2 bought many exclusive sports rights for its customers so it offers the most attractive sports content in the Czech market.

The company counts among the biggest players in the area of hosting and cloud services, as well in the area of managed services and ICT. Since the trends in the telecommunication sector have been significantly changing, O2 is also focusing on developing and offering other than traditional telecommunication services. These include, for example, financial services such as insurance of devices, travel insurance in the mobile.



Company Management



Igor Tóth
Chief Executive Officer and
Executive Officer of O2 Slovakia

Igor Tóth has rich experience in the commercial area and he has been working with O2 already since 2008. He assumed the office of CEO on January 1, 2021 from his previous position as a Marketing Director. In O2, he started at the position of Market Survey Specialist where he was responsible for managing marketing activities in the segment of residential as well as business customers including plan product portfolio, brand strategy, marketing communication as well as customer value management. In 2011, he was engaged in the field of customer experience management at the Head Office of Telefónica Europe in London. In 2017, he won the first-ever title Marketer of the Year.



Dávid Durbák
Legal Affairs Director
and Executive Officer

Dávid Durbák graduated from the Faculty of Law of the Comenius University in Bratislava in 2001. He started his professional career in Slovak Telekom, a. s., at the Department for Regulatory Affairs where he spent 4 years being responsible for providing legal support to the company in proceedings with state authorities, mainly representing the company in several proceedings before the Antimonopoly Office of the Slovak Republic. He has been engaged in O2 since 2007, whereas he was responsible for assessment of new products and in 2011 he came to his current position of Legal Affairs Director and he has been the Executive Officer since 4 June 2014.



Tomáš Kimlička
Chief Financial Officer
and Executive Director

Tomáš Kimlička has been in charge of the finances from 1 February 2020, when he became a member of O2's top management. He has several years of work experience in managerial positions in the field of financial management in various companies such as Tatry Mountain Resorts or SkyEurope Airlines. Tomáš was primarily dedicated to implementation of new processes and systems in financial management and covered complex areas of accounting, controlling, procurement and IT. Tomáš Kimlička graduated from the Faculty of Economic Informatics at the University of Economics in Bratislava specialized in accounting and auditing. He became the company's Executive Officer on 1 August, 2020.



Juraj Eliáš
Networks Director

Juraj Eliáš joined O2 from O2 Business Services, where he held the position of the Technical Director. In 1988, he completed his studies at the Electrotechnical Faculty of the Slovak Technical University in Bratislava. He started his career in telecommunications at the Telecommunications Research Institute in Banská Bystrica, gaining further experience in the field of IT in Agrobanka Prague, Isternet, which was later bought by Euroweb. Since 2002, he was engaged in Nextra and following the acquisition by GTS Slovakia he acted as the Technical Director. His priority is to build a robust, reliable and simultaneously safe network, which will ensure quality converged mobile and fixed services for the needs of O2 and O2 Business Services, i.e. for all customers starting with households, including smaller business and ending with corporations and state administration.



Tomáš Masár
Business Strategy
and Development Director

Tomáš Masár studied at the Faculty of Management of the Comenius University in Bratislava and investment banking at the Paris Assas II University in Paris. His career started with Citibank London, later Citibank Private Bank in Geneva and ČSOB in Prague. In 2006, he started working in the telecommunication business, first in Eurotel CZ and later in Telefónica O2 CZ where he was dedicated to business development as well as to the project of establishment of the third mobile operator in Slovakia. He stayed in Slovakia to manage the Project Office and strategic projects in O2 Slovakia. From 2008, he was in charge of marketing product department, roaming and inter-operator relations (interconnect). Since 1 July 2012, he has been responsible for the strategic development of our company and search for new business opportunities.



Milan Morávek
Commercial Division Director

Milan Morávek started in O2 on 1 May 2018 at the position of the Sales and Customer Service Director. He has many years of experience in sales in the areas of FMCG and in telecommunications. At the age of 21, he started out in Coca-Cola. He joined O2 from the position of the Residential Sales Director at Telekom, where for 8 years he went through various areas in the Sales Department and since 2013 he was in charge of the entire residential sales. Milan Morávek got his bachelor's degree in Corporate Management & Economy at the University of Seattle. He got his MBA in finance and marketing at the Open University Business School in UK.



Jana Sekerová
Human Resources Director

Jana Sekerová has held the position of the Human Resources Director since 1 June 2019. She was engaged with O2 since 2008 at the Finance Department, where for the past 7 years prior to assuming her new position, she had acted as the Head of the Controlling Department. Moreover, in the period 2012 – 2013 she was also the financial manager for TESCO Mobile. Before joining O2, she worked for PricewaterhouseCoopers Slovakia as an auditor for companies mainly from the energy and foodstuffs industries.



Lucia Petrášová
Director of Brand and
Communication Division

Since 1 April 2021, Lucia Petrášová has been the director of O2 Slovakia's Brand and Communication Division. Lucia graduated from the department of culturology – management in culture, however from the beginning of her career, she gradually focused more and more on the field of advertising. First in leading positions in advertising agencies in Slovakia and Bulgaria, and in 2011 she joined O2, where she held several positions with responsibilities for below-the-line and above-the-line communication, sponsorship and social responsibility. In 2016, she became the head of marketing communication at O2. In this position, she led several successful campaigns aimed at promoting O2's image as a brand with an opinion. In 2020, she stood at the launch of the Radosť brand - digital operator.



Ján Vanovčan
Information Systems
Director

Ján Vanovčan studied software engineering specialized in artificial intelligence. After holding various IT positions in healthcare, insurance industry and SW development for telecommunication operators, since 2000 he held the consulting architect post in Logica. As a consultant, he worked on projects for Slovak telecommunication operators but also in Hungary, Czech Republic and UK. He joined O2 Slovakia in 2007 as Integration and Architecture Manager to be later promoted to the position of the Head of this department. He designed and managed several projects in O2 Slovakia in the area of CRM, integration of systems and electronic channels.



Supervisory Board Members

Supervisory Board Members

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Jindřich Fremuth

Chairman of Supervisory Board of O2 Slovakia, s.r.o.

Jindřich Fremuth has been engaged in O2 since 2009. Prior to assuming the position of the Chief Executive Officer of O2 CZ at the beginning of 2018 he lead the Commercial Division which includes also management of relations with residents, business and corporate customers as well as product development and marketing. Before joining O2, he worked as a consultant in the consulting company McKinsey & Company where he was focusing on technologies and telecommunications. He became a member of the Supervisory Board of O2 Slovakia on 10 January 2018.



Jan Bechyně

Member of Supervisory Board of O2 Slovakia, s.r.o.

Jan has been dedicated to finance his entire life. After graduating from the College of Economy, he held several positions starting with the financial manager in Unilever and ending with the Head of Financial Controlling in O2 Czech Republic. In the companies O2 IT Services, O2 Family and O2 TV he acts as a representative of the parent company O2 Czech Republic and performs the function of the Executive Officer. He has served as a member of the Supervisory Board of O2 Slovakia, s.r.o., since 1 November 2017.



Michal Gajdzica

Member of Supervisory Board of O2 Slovakia, s.r.o. until 31 December 2021

Michal Gajdzica has been engaged in O2 CZ since 2014. Before assuming the position of the Head of Security and Risk Management at the end of 2018, he headed the Internal Audit and Risk Management Department. In his early career, for several years he was dedicated to trading on the capital markets. He spent most of his career working as an analyst and a consultant in financial planning and strategic consulting in private and public sectors. Just before joining O2, he worked for SkyToll as its Chief Financial Officer. He has been a member of the Supervisory Board O2 Slovakia since 21 March 2018.



Michal Krejčík

Member of Supervisory Board of O2 Slovakia, s.r.o. from 1 January 2022

Michal Krejčík got his master's degree in law at the Faculty of Law of Charles University in 2001, where in 2003 he subsequently obtained also his title JUDr. As a judicial candidate at the District Court for Prague 9 and the Municipal Court in Prague, he was getting prepared for the position of a judge. In 2005, he successfully passed the judicial examinations. In July 2005, he joined the company (or the legal predecessor of Eurotel Prague), where he gradually held an entire series of positions within the Legal and Regulatory Affairs Division, especially with an emphasis on prevention and resolution of disputes including identification and elimination of their reasons. Simultaneously, he has been also focusing on the field of corporate law and internal regulations. He is a member professional working groups and bodies within the framework of the Czech Association of Electronic Communications (ČAEK) and Association of Mobile Network Operators (APMS). He has been the members of the Supervisory Board of O2 Slovakia since 1 January 2022.



Igor Tóth about 2021



Igor Tóth
generálny riaditeľ
a konateľ O2 Slovakia

Dear friends of O2 Slovakia,

we completed the year 2021 successfully. This is probably the most important and the boldest piece of information that can be seen in the annual reports of commercial entities. It is an immense pleasure for me that we can present such information about the company O2 Slovakia also in our annual report for the past year, which is likewise confirmed by the financial and operating performance. However, as it is often the case with success, it is not achieved by itself. And therefore in the following lines, allow me to summarize the most important events that my colleagues and I experienced at O2 for the second consecutive year of the pandemic. Immediately at the beginning of the year, we focused on better linking of our portfolio in relation to mobile services and services for households.

At the same time, we overhauled our O₂ TV service portfolio, which is now more transparent and more attractive. A very important milestone for the development of our company was the selection of the network supplier in February, i.e. Ericsson, which at this moment is not only building the 5G network, but also ensuring the replacement of our entire radio network. During the past year, we also focused on improving our successful product of the digital operator Radosť, which celebrated its first year of existence in September 2021. However, we were also active in the field of CSR projects. The campaign that resonated with the public the most was aimed at bringing sanity back on the Internet, as we realize that it is precisely in the online environment that interest is successfully stirred by false information that we witness every day. Together with the O₂ Matej Tóth

Sports Academy, we started a new series of videos, which during the pandemic served as an aid for a healthy exercising for children, either at home or in the classroom. We also started the fifth year of this extremely successful project in Slovak schools. Although the year 2021, from the perspective of the pandemic, was full of restrictions resulting from the anti-pandemic measures or even the chip crisis occurring towards the end of the year, from today's perspective the year 2022 will not give us anything for free either. The ongoing impact of the pandemic, as well as the development of the global geopolitical situation, the increasing rate of inflation or the announced hike in energy prices will present us with new challenges that we will face while maintaining the internal goals we set for ourselves each year. However, building on the results of the work of my colleagues, I believe that we

will fully withstand even this period and will continue to develop the O2 brand in Slovakia. As I indicated at the beginning, the last year's success did not come to us by itself, which is evidenced not only by the above-mentioned activities, but

mainly by many others, which may not have been so visible in the life of the company, but we perceived them to be all the more important. Behind all the activities, however, there are above all people who have earned this success.

And therefore, in this form, I would like to first of all thank my colleagues who worked hard to achieve this success, as well as all of you for the trust shown in us in the past year.

Igor Tóth, CEO of O2





Calendar of Significant Events of 2021

Calendar of Significant Events of 2021

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January

From 1 January 2021, the former marketing director Igor Tóth became the new CEO of O2 in Slovakia. The long-term CEO of O2 Slovakia Peter Gažik accepted the offer to manage the Hungarian telecommunication operator Telenor (Telenor Magyarország) and from 1 January 2021, he has been engaged in the position of CEO there. Telenor has been part of the PPF group since 2018.

February

From 2 February, O2 changed the offer of the popular services Internet na doma (Home Internet) and O₂ TV. Simultaneously, the operator introduced the O₂ Spolu (O2 Together) offer for a super convenient Home Internet that customers with a postpaid plan can get. The more postpaid plans the customers combine in one invoice profile, the greater the discount on the price of the

Chcete O₂ Internet na doma so zľavou?

Spojte sa s blízkymi na jednu faktúru a získajte O₂ Internet na doma lacnejšie.
Čím viac paušálov si cez O₂ SPOLU spojíte, tým vyššiu zľavu získate.

= -5 € mesačne	+ = -10 € mesačne
+ + = -15 € mesačne	

O₂ SPOLU

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Home Internet service. Already with three with postpaid plans, they can get the White or Blue Home Internet with a 100% discount. Not only temporarily, but every February.

From February 2021, O2 changed the offer of the O₂ TV service into a simpler, more attractive and with a better usability regardless of whether the customer has the O₂ Home Internet or not. It can be used with any Internet provider and activated with any O2 postpaid plan. Customers can watch it on a TV, notebook, mobile or others devices. Customers can use the service with or without a device from O2, since watching it on a smart TV or any other device equipped with the Tizen or Android TV operating system via the O₂ TV SK application does not require the use of a set top box.

In February 2021, O2 ended a several-month's selection

process for the supplier of the new generation networks and chose Ericsson as its partner for their construction. The thorough tender with the participation of all relevant players verified the possibilities of suppliers even in practical tests, when back in October 2020 O2 made the 5G network available in four selected parts of Bratislava also to the public.

O2 became the first mobile operator in Slovakia, which since February 2021 enabled its customers to communicate with the customer line via WhatsApp. It saves the customers' time because they can answer in the conversation when it is the most suitable for them and no messages are lost.

In February 2021, O2 was one of the founding members of the Coalition of Companies for Mental Health. Its purpose is, under the auspices of the

League for Mental Health (Liga za duševné zdravie), to associate companies that are trying to create a safe environment in which the topic of mental health of employees is a common part of life.

March

Also last year in March 2021, the O2 Fair Foundation decided to support the stalosato.sk (It Did Happen) project of the non-profit organization IPčko (IP Address) that was launched back in February of last year. The project was a necessary and an immediate response to the premiere of the documentary film V síti (On the Net), which disclosed the traps for children that are lurking in the world of the Internet.

April

From April 2021, O2 changed the structure of its Sales and Marketing Department. The Commercial

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Division was created by a merger of the Division of Customer Sales and Services and all parts of Marketing Division except for the Marketing Communication Department. The new Brand and Communication Division was created by merging the Marketing Communication and Corporate Communication Departments. The goal of the changes is to get even closer to the customer.

From 20 April 2021, O2 expanded its selection of applications very popular with customers as a part of O₂ SMART postpaid plans. Customers, among other things, can also choose 3 new premium applications, namely Voyo, .týždeň or Aktuality.sk. At the same time, O2 permanently increases data volume at full speed for the Platinum O₂ Home Internet.

From 20 April 2021, the Radosť (Joy) customers can call their loved ones without any restrictions via the VoLTE and VoWiFi services. These are automatically provided to every customer. If customers have a compatible device, they can use the services, they just need to have these functions enabled in their mobile devices. At the same time, in the new set up the Radosť customers have the possibility to have multiple SIM cards activated for the same number. In late April 2021, O2 called for compliance with fair practices in the area of unsolicited sales calls. The operator promotes transparent and a systematic solution to the topic of direct of marketing,

including unsolicited phone calls with the aim of making a marketing offer. According to the survey of O2 from December last year, customers of telecommunication services mind the unsolicited phone calls from unknown numbers.

May

O2 wants to combat hoaxes and bring back sanity to Internet, while it was the first to use

it in its deepfake video campaign from last May. The campaign started on the website of TV Markíza with a fake video with the anchorwoman Zlatica Švajdová Puškarová. However, her face, face expressions and voice, did not come from filming, but rather the artificial intelligence learned to imitate them precisely based on the quantity of video recordings of Televízne noviny (the TV News). O2 thus focused on the occurrence of hoaxes,

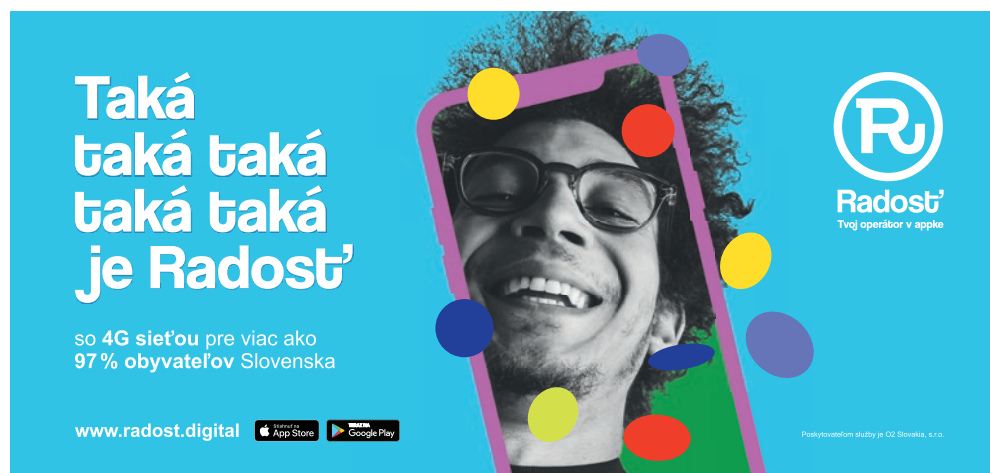


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disinformation and conspiracy theories on the Internet and draws attention to the need of verifying information. In connection with this the campaign, the O₂ Fair Foundation announced a public call and was looking for digital educational projects, platforms and initiatives helping in the field of media literacy and formation of critical thinking of children, young people and their teachers. It also supported projects focused on cultivation of information space, debunking of hoaxes, publishing of verified information and suppression of hate speech. The foundation allocated EUR 60,000 for this grant.

O2 wants to fight spam calls, therefore in late May 2021 it presented its own registry and initiative Nevolaĵtemi.sk (Do Not Call Me). The Nevolaĵtemi.sk Register serves anyone who wants to verify the unknown the number that called them. However, it also serves to those who do not want just to verify the call from an unknown number, but want to report the suspicious call in accordance with the legislation to the Regulatory Authority for Electronic Communications and Postal Services that should consequently verify the actions of the specific company and in case of any violation of legislation impose sanctions.



June

From June 2021, Radost' (Joy) is coming even closer to customers and they can get it also in selected regular shops of selected partners. The Radost' SIM card is available to customers for a single euro in newsagents or gas stations and then they can activate their digital operator in a mobile application.

O2 in cooperation with O₂ Matej Tóth Sports Academy during the coronavirus pandemic came with two series of instructional videos entitled Home Physical Education. Their goal was to respond to the situation, as a result of which the children remained cut off not only from schools, but also from the gyms and playgrounds, which significantly affected their movement, especially in winter. From June 2021, Home Physical Education came with a new series of videos, which children can practice in class, but also at home.

July

From July 2021, each new and also existing customers of the digital operator Radost' (Joy) can get one of the plans according to their own

choice for 30 days at half price. All they need to do is to recommend it to their friends and earn a 50% discount for themselves and their friends as well. If they recommend it to five people who will also use it, they can get Radost' (Joy) at half price for up to 5 months.

During last summer, the digital operator Radost' was a partner of the beach at Tyršovo nábrežie in Bratislava, known under the familiar name Tyršák. Thanks to the partnership with Radost', in addition to the fun activities the visitors of Tyršák could enjoy also a free WiFi. On the beach they even found various „joyful“ elements with the logo, they could relax, for example, on the deckchairs or enjoy sitting on the cushions.

August

At the end of August last year, O2 announced the beginning of its cooperation with a new partner in the segment of online cash registers – the company FiskalPro. At the same time, O2 informed about terminating the offer of its own solution called O₂ eKasa.

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September

In early September 2021, O2 announced 15 new locations with 5G signal availability in Slovakia. Simultaneously, it gave greater details about its plans in building the infrastructure. Together with the supplier Ericsson, O2 informed also about the change of the radio network, which was going to have a positive impact on the quality of the connection even in case 4G and 2G technology.

Along with the announced launch of a more significant 5G network coverage, O2 presented to its customers also an offer in the form of doubled data in selected O2 SMART postpaid plans. Customers had the opportunity to get a double volume of data for free within their postpaid plan until the end of January 2022.

On 24 September 2021, the digital operator Radosť celebrated the first anniversary of its presence in the market. Over that period of time, tens of thousands of satisfied customers used the benefits of digitalization. On this occasion, the operator published also interesting statistics or information,



such as that the most popular day for digital operator's activation is Wednesday.

October

At the beginning of October 2021, O2 and O2 Matej Tóth Sports Academy started already the fifth year of this successful project. After a long period of time when the gates of schools and gyms were closed, the organizers assumed

there would be a very high demand for the project.

November

As a part of its Christmas campaign, from 15 November 2021 O2 came with the Christmas extra bonus for the purchase of a 5G device for new and existing customers of O2 SMART postpaid plans and O2 Data. It means that customers could get two selected devices only at the price of the first one. The price of the second device was fully compensated by the Christmas extra device bonus.

In November, the Radosť digital operator started its first sale of smartphones via its own website. Customers could choose from seven phones together with a gift in the form of mobile phone covers.

Last year, for the sixth time in a row, O2 and the O2 Fair Foundation reminded the general public of values brought by 17 November 1989. In the past, people had the option to cross the virtual borders of the country, to show honour and respect to the heroes from under

the tribunes or read or listen to a book Tales of Freedom (Rozprávky o slobode) authored by Daniel Hevier, with whom O2 and the foundation has had a cooperation within the O2 Joyful School (O2 Radostná škola) project. Last year, together they wanted to thank the representatives of the younger generation for making the effort of promoting and spreading the message of November 89 and are thus some kind of „Protectors of Freedom“.

December

Gradually from 1 December, the digital operator Radosť (Joy) was opening three own kiosks in Slovakia in selected shopping centres in Bratislava, Žilina and Košice.

In early December, O2 covered with the 4G LTE signal the municipality of Príkra, which was the last municipality from the list of 511 white locations, which O2 voluntarily undertook to cover with high-speed Internet. With the last municipality covered it thus definitely fulfilled the Memorandum of Cooperation, which O2 along with other operators signed with the state back in 2018.

7



Portfolio



O₂ SMART Paušál

In November 2019, the extremely successful O₂ Paušál postpaid plan evolved into the new O₂ SMART Paušál postpaid plans. Each of them brings customers unlimited calls, SMS and MMS. Customers can enjoy large volumes of data, extra data for favourite applications, subscription to digital services included in a postpaid plan and a device bonus. In 2020, these postpaid plans were given several enhancements whether in form of new levels with unlimited data or expansion of portfolio of available services with prepaid option. The enhancements continued also in 2021

when the postpaid plans with limited data volume got the function “Doubled Data”, which give the customers the possibility to double their data at a symbolic fee. The year 2021 represented a significant leap forward for the SMART postpaid plans also thanks to the expansion of the 5G network with all the postpaid plans obtaining automatically access to this modern technology.

Radosť (Joy)

Radosť (Joy) is a digital plan from O2, which was launched in the Slovak mobile market by introduction of its offer in September 2020. It includes 3 plans at

the price ranging from EUR 5 to 20. Radosť works exclusively in a simple application available for Android and iOS systems. Throughout 2021, the Radosť plan was attempting to get even closer to its customers by expanding its field of operation by a network of kiosks and partner networks. Since last year, the customers can enjoy an even more convenient offer due to the recommendation bonus. All that a customer needs to do is to recommend the Radosť plan to his/her friends in order to get a 50% for them and himself/herself as well.



O₂ Dáta

The offer of O₂ Data plans is designed for customers with a large data and a lower SMS and voice consumption. The O₂ Data plans are built on significantly higher volumes of data, whereas the price of calls and SMS is driven by the actual consumption of customers. Thanks to a bonus, customers may choose with their plan a device at a convenient price.

O₂ Fér

O₂ Fér is a revolutionary product that brought the “no commitment” principle and equal prices of calls and SMS messages to all networks and at all times to the market. All this without any regular fees or catches in small print. With O₂ Fér, it does not matter whether customers pay for services by means of an invoice or they recharge their credit. In both cases, they use the plan enjoying the same benefits.

O₂ Voľnosť (Freedom)

With the O₂ Voľnosť prepaid card, the customers do not need to count the minutes and may call as much as they want. The entire call to all networks costs only 10 cents, even if it lasted an hour. The SMS is charged 5 cents and they also have 1GB of data for EUR 1.



O₂ Internet na doma (O₂ a Internet)

O₂ Internet na doma is a wireless Internet connection designed for households and companies. It involves the use of LTE TDD technology on the frequency range of 3.5 GHz and 3.7 GHz allowing to provide customers with speed and experience similar to metallic networks without the necessity to dig for cables. O₂ Internet na doma brings a high transmission speed, stable connection without outages or impact of the weather and an easy free-of-charge installation.

In 2021, we enabled our customers to get the Home Internet even more conveniently by introducing the O₂ Spolu (Together) service. Thanks to O₂ Spolu, customers have the possibility to get for each SMART postpaid on their invoice profile a discount of €5 on the Home Internet. Many customers can thus have the Home Internet completely free of charge.

O₂ TV

The digital television O₂ TV gives the customers a possibility to enjoy more than 70 TV channels. The O₂ TV service is available for four devices and different TV channels may be watched on several devices at the same time. Customers may use the comfort of the digital television with the recording and stop function, or the option to watch live broadcasting or re-playing shows during up to seven days after its broadcasting. O₂ TV is available also in the version for mobile devices as a part of O₂ SMART Paušál postpaid plans.

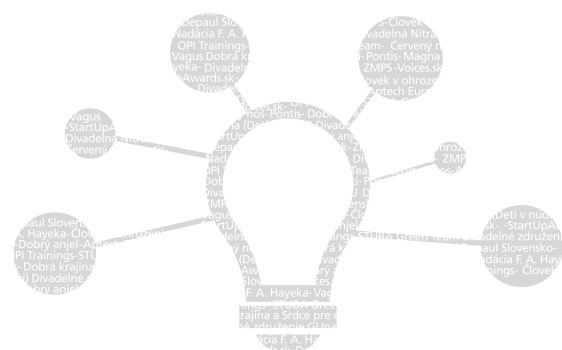


8



Social Responsibility





O2 has long counted among those companies that have the courage to voice their opinion also in society-wide topics not directly related with its business. It perceives corporate responsibility as its integral part without hesitating to step up for the values of transparency and fairness and promote them also within a wider happening in the society. Precisely these values represent the key pillars of the company that are encoded in its corporate culture and the company builds on them also in its social responsibility strategy.

Highlighting the importance of the values of freedom in its various aspects, tolerance and justice or increasing the media literacy and fighting disinformation and hoaxes spreading online, which it considers a dangerous phenomenon, remain integral parts of the company's corporate social responsibility activities. It equally emphasizes the importance of

responsible use of data and mobile phones, such as their use for the needs of digital education. The basic pillars of the social responsibility strategy of O2 includes, besides a fair approach to all customers, also an open relation to employees based on mutual trust and understanding and a careful selection of suppliers with the aim of excluding from the supplier chain businesses with affairs or dubious practices. For these efforts the company was honoured also with the Via Bona Slovakia award in the category Fair Player in the Market, namely for the "courage to open sensitive social topics" and for the overall fair approach to business.

Corporate Culture

The values of fairness, transparency and openness are a natural part of the corporate culture of O2. The topics of mental health care and prevention of possible problems related to its insufficient protection were also added

to them, considering their importance. At O2, we care about our employees finding mental balance and well-being not only at work, but also in their private lives. Mental health topics, such as burnout or stress, should not be taboo for them, but in line with the corporate culture, they should be discussed together and openly, and ways to prevent stressful situations should be found. Such are, for example, O₂ Prázdniny (O₂ Holidays) or Stredozen (Wednesday Zen) – Wednesday as a day of the week without any work meetings, which helps to prevent fatigue from a number of meetings, provides space to finalize one's work tasks individually and, last but not least, to increase creativity. The current pandemic crisis makes employees face many life situations that they had not encountered before, not only at work, but also in their private lives as parents or partners. Therefore, the employees had also access to several webinars on how to manage stress from the home office with children and

family, as well as on the epidemiological situation. They also have the opportunity to use consultations with psychologists or other experts. O2 is one of the first signatories of the Coalition of Companies for Mental Health established at the Association for Mental Health (Liga za duševné zdravie) associating socially responsible companies that care about mental health and development of their employees.

As in the previous years, also in 2021 we supported the community spirit of employees with the Employee Grant Program of the O₂ Fair Foundation and supported dozens of projects in the total amount of more than EUR 60,000. On a regular basis, we were bringing the employees tips on how to manage home office, various online workshops and webinars. Even despite the pandemic situation, we supported Christmas charity activities such as a collection for a community centre and

fundraising for selected organizations. The O2 employees fulfilled more than 100 children's Christmas dreams and wishes.

Supporting Permanent Sustainability

O2 strives to put emphasis on environmental protection, therefore it stopped using plastic bottles in its offices and shops, saving as many as 160,000 PET bottles a year.

O2 also cancelled bigboards and billboards along express roads, not only because they distract the drivers from driving, but also due to ecological reasons. Customers have also the possibility to sign all contracts biometrically, i.e. paperlessly. Our goal is to make our events meet a certain ecological standard.

Share Wisely

As continuation of the long-term "Use Data Responsibly" initiative,

O2 prepared the „Share Wisely“ campaign. Also this campaign O2's response to the fact that technology can be a good servant but a bad master. Specifically, it wanted to point out how easily hoaxes, misinformation and conspiracies could be spread through these technologies. The campaign started with a video in which the familiar face of Zlatica Švajdová Puškárová spoke to the audience. However, Zlatica Puškárová had actually never acted in the video. The actress was Kristína Tormová, who was altered with the help of artificial intelligence (so-called deepfake) into the form of the famous moderator. At the end of the video, there was a revelation explaining that one cannot trust everything. On the web datujzodpovedne.sk (Use Data Responsibly) visitors could take a media literacy quiz and get free unlimited data for a day. Many online and offline media and influencers were involved in the campaign. Each smartphone sold in

O2 Stores was equipped with a sticker containing the information about responsible data use and within a special installation customers could watch on tablets stories of people whose lives were negatively affected by hoaxes. The campaign video became the most successful post on all O2's social networks throughout history, the website was visited by more than 100,000 people and the quiz was taken by nearly 43,000 visitors. The campaign „Share Wisely“ won in creative competitions the Bronze, Silver and Golden Nails 2021 and the Golden EFFIE 2021.

O2 Joyful School with Daniel Hevier

The O₂ Fair Foundation has had a long-term cooperation with the writer Daniel Hevier within the project O2 Joyful School with Daniel Hevier. Its goal is systematic bottom up change of the education system, starting with teachers, pupils and their parents. Daniel Hevier

worked systematically with teachers even during the coronavirus pandemic through social networks and meetings via online platforms, during which they shared experiences and tips to streamline teaching during the period of closed schools.

17 November – Protectors of Freedom

Also in 2021, O2 together with the O₂ Fair Foundation continued for the sixth time in a campaign commemorating the message of 17 November 1989. This date is one of the most important milestones of the modern history of our country. Freedom is very fragile, difficult to obtain, and can be rather lightly and naively lost. Sometimes you just need to get comfortable and forget what was happening. Therefore, O2 wanted again to remind and alert all that freedom is not commonplace #slobodaniejesamozrejmost. In the campaign „Protectors of Freedom“, O2 along with O₂ Fair Foundation thanked

the representatives of the younger generation that became the bearer and follower of values, being guided by them and promoting them in their work, art or civic lives. Many of them did not even experience the period of socialism or they were too small or young to be able to influence the public matters. A group of 89 awarded personalities was composed of artists, actors, actresses, writers, sociologists, representatives of non-governmental organizations or civil activists. Those who promote awareness on social networks and help to make the Internet a better place for living were included as well. A short quiz about November 1989 was prepared for O2 customers in the online magazine Soda, which was created in cooperation with the portal Zmudri.sk (Get Wiser). In addition, they had the option to use a free admission to the N89 exhibition, which took place at Bratislava Castle and was dedicated to the events of November 1989. As a bonus to the campaign,

O2 commemorated 17 November by publishing its own playlist of revolutionary compositions on the Tidal Music streaming service and in collaboration with HBO GO draw the attention to the movies with the theme of November 89.

O₂ Matej Tóth Sports Academy

During the pandemic, the problem of children with a lack of movement got even worse. Also this year O2 followed up on its several-year's support of the O₂ Matej Tóth Sports Academy project and again together with the team around Matej Tóth they prepared activities attempting to give back the movement to children. In the first half of the year, O2 together with the Academy brought the third series of training videos Home Physical Education, this time with the subtitle „Even in the Classroom“. Each episode is dedicated to a different sports discipline and introduces children to various types of sports. Exercises in these videos imitate the movements

of the given sports. In children, they create the feeling that they are directly performing the given sport at home or in the classroom.

At the same time, almost every exercise derives from the methodology of the O2 Matej Tóth Sports Academy. In autumn, O2 together with the Academy started another year of the competition, in which 32 primary schools in Slovakia could win establishment of an O₂ Sports Academy in its premises for pupils free of charge for the period of one year. Another 4 schools, which failed in the voting, could get a guaranteed participation in the O2 Joyful School of Daniel Hevier. This year's competition was a big success. As many as 445 primary schools participated in it and together they gained as many as 494,943 votes. It is the biggest number of schools involved and votes received ever from the competition year back in 2018. At year-end, O2 gave the children from the O₂ Matej Tóth Sports Academy

space for making wishes for 2022 for our customers. A number of wishes, which the children had created, gave rise to the year-end campaign, in which these wishes were used in PF New Year's cards for customers and partners of O2.

O₂ Fair Foundation

The O2 Fair Foundation was established in 2016 to support projects aspiring to change Slovakia for the better and make it more educated, innovative and open. Currently, it is primarily devoted to innovative and digital education, the goal of which is to support critical thinking and media literacy of young people. The second no less important area is support of projects and initiatives aimed at emphasizing the values of freedom, democracy, humanity, fairness, transparency and protection of human rights. The „Share Wisely“ campaign included also a grant call from the O₂ Fair Foundation „Let’s Bring Back Sanity to the Internet“, which was aimed

to find projects fighting against the spreading of disinformation on the Internet, but also focused on projects and aiming towards cultivation of an information space, publishing of verified information, critical thinking and media literacy. In total, as many as 13 projects were selected and supported in the amount of EUR 60,000.

The O₂ Fair Foundation together with O₂ Business Services enabled the creation of the first telephone line in Slovakia, which is aimed at helping people with anorexia, bulimia or binge eating and their relatives. The Chuť žiť (The Will to Live) line makes available experienced psychologists with practical experience in the field of eating disorders, who will

understand what the callers are feeling, and will provide them with the support and guidance they need.

Also this year, the Fair Foundation was a proud partner of the White Crow award, which is traditionally handed over in November honouring people who are being talked about less,

yet they excel in immense courage, integrity and sense of justice.

Instead of a thank you for their actions they often face threats or even loss of employment. The deserved support, recognition and encouragement is each year given to them precisely through this award. The Foundation also supports the

Fund of Investigative Journalism, a project by Pontis Foundation Generation 3.0, a civic association called IPčko (IP Address) dedicated to prevention and assistance to victims of sexual violence on the Internet, Tvoj Buddy (Your Buddy) organization or the charitable project ďakujeme.sk (Thank You).

Board of Trustees of O2 Fair Foundation



Igor Tóth
Chairman of the
Board of Trustees

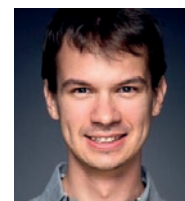


Lucia Petrášová
Board member



Lucia Kardošová
Board member

Inspiring People Standing with O2 Fair Foundation



Michal Meško
(Martinus)



Juraj Vaculík
(Aeromobil)



Peter Gažík
(Yettel Hungary)

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ESG

The ESG pillars represent the foundations that our sustainable business is based on. Each pillar contains the fundamental topics and non-financial qualitative information demonstrating development, performance, positioning including the impact of our activities in the area of the environment, employee-related and social issues as well as business ethics. At O2, we are fully aware of our responsibility

against the environment and we observe all relevant legal regulations applicable in the area of environmental protection.

In 2022, there is a project running in O2 and in the PPF Telecom Group aimed at implementing the ESG principles and pillars. The result of this project will be a report that the PPF Telecom Group will publish throughout the year on its website www.ppftelecom.eu.

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Additional Financial Information

Additional Financial Information

O2 Slovakia, s.r.o. | 2021 Annual Report

Research and Development

In 2021, O2 spent a total of EUR 1,160 thous. on research and development of its internal systems. These costs were spent as capitalization of the work of employees on improvement of a new innovative customer service system aimed at simplification and unification of internal processes within the project of assisted self-service.

Profit Distribution

For 2021, O2 reached the profit of EUR 50,894 thous. and the decision on its distribution was taken by the sole owner. The statutory body proposes to transfer the profit to the account of retained earnings from past years.

Further Information

In 2021, the company did not acquire own shares or had an organizational unit abroad.

O2 Slovakia, s.r.o. | 2021 Annual Report



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Web www.koma.sk

Translation of the Independent Auditors' Report originally prepared in Slovak language

To the Owner and Directors of O2 Slovakia, s.r.o.

Report on the Audit of the Financial Statements

Opinion

- notes to the separate financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2021, and of its financial performance and its cash flows for the period then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements of the Act No. 423/2015 Coll. on statutory audit and on amendments to Act No. 431/2002 Coll. on accounting as amended ("the Act on Statutory Audit") including the Code of Ethics for an Auditor that are relevant to our audit of the financial statements, and we have fulfilled our



other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Statutory Body and Those Charged with Governance for the Financial Statements

The statutory body is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as the statutory body determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the statutory body 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 the statutory body either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 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 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 the statutory body;
- Conclude on the appropriateness of the statutory body'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 such a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the 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 auditors' 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 financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



We communicate with those charged with governance 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.

Report on Other Legal and Regulatory Requirements

Reporting on other information in the Annual Report

The statutory body is responsible for the other information. The other information comprises the information included in the Annual Report prepared in accordance with the Act No. 431/2002 Coll. on Accounting as amended ("the Act on Accounting") but does not include the financial statements and our auditors' report thereon. Our opinion on the financial statements does not cover the other information in the Annual Report.

In connection with our audit of the financial statements, our responsibility is to read the other information in the Annual Report that has been obtained prior to the date of the auditors' report on the audit of the financial statements, and in doing so consider whether the other information is materially inconsistent with the audited financial statements or our knowledge obtained in the audit of the financial statements, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

With respect to the Annual Report, we are required by the Act on Accounting to express an opinion on whether the other information given in the Annual Report is consistent with the financial statements prepared for the same financial year, and whether it contains information required by the Act on Accounting.

Based on the work undertaken in the course of the audit of the financial statements, in our opinion, in all material respects:

- the other information given in the Annual Report for the year ended 31 December 2021 is consistent with the financial statements prepared for the same financial year; and
- the Annual Report contains information required by the Act on Accounting.

In addition to this, in light of the knowledge of the Company and its environment obtained in the course of the audit of the financial statements, we are required by the Act on Accounting to report if we have identified material misstatements in the other information in the Annual Report. We have nothing to report in this respect.

Audit firm:
KPMG Slovensko spol. s r.o.
License SKAU No. 96



Bratislava, 20 May 2022

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Report of Independent Auditor and Individual Financial Statements

Compiled Under International Financial Reporting Standards in the Version Adopted by the European Union as at 31 December 2021

Separate financial statements for the year ended 31 December 2021

O2 Slovakia, s.r.o. | 2021 Annual Report

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2021

in thousands of EUR	Note	31 December 2021	31 December 2020
ASSETS			
Non-current assets			
Property, plant and equipment (net)	9, 11	232,493	220,057
Non-current intangible assets (net)	10	86,414	85,564
Capitalized contract acquisition costs and contract assets	12	7,609	7,524
Investment in subsidiaries	6	4,534	6,934
Investment in joint venture	6	3	3
Non-current receivables	16	548	10,833
Deferred tax asset	13	553	594
TOTAL NON-CURRENT ASSETS		332,154	331,508
Current assets			
Inventories	14	12,019	10,340
Trade receivables and other financial receivables	16	39,391	48,056
Trade receivables at fair value	17	51,072	–
Income tax		–	1,103
Capitalized contract acquisition costs and contract assets	12	–	222
Cash and cash equivalents		8,932	26,616
Prepaid expenses		2,475	1,600
TOTAL CURRENT ASSETS		113,889	87,936
TOTAL ASSETS		446,043	419,444
EQUITY			
Share capital		103,203	103,203
Legal reserve fund and other funds		10,320	10,320
Retained earnings		50,894	52,975
TOTAL EQUITY	19	164,418	166,499
LIABILITIES			
Non-current liabilities			
Other non-current liabilities	20	53,661	64,395
TOTAL NON-CURRENT LIABILITIES		53,661	64,395
Current liabilities			
Trade payables and other financial liabilities	21	102,789	81,251
Current income tax liability		1,274	–
Loans received	18	116,000	100,000
Contract liabilities	22	7,901	7,299
TOTAL CURRENT LIABILITIES		227,964	188,550
TOTAL LIABILITIES		281,625	252,945
TOTAL EQUITY AND LIABILITIES		446,043	419,444

The notes on pages 10 to 48 are an integral part of these financial statements.

Separate financial statements for the year ended 31 December 2021

O2 Slovakia, s.r.o. | 2021 Annual Report

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2021

in thousands of EUR	Note	2021	2020
REVENUES	23	301,803	286,830
Activation of fixed assets		3,390	2,986
Cost of sales	24	(143,032)	(130,895)
Depreciation and amortization	9, 10	(48,432)	(38,773)
Depreciation of contract assets	12	(7,239)	(6,314)
Salaries & Employee benefits	25	(26,729)	(26,258)
Other gains		1,979	–
Other costs	26	(5,657)	(5,198)
Net gain on sale of financial assets at amortized costs		563	990
Impairment of financial assets	16	(2,776)	(5,459)
PROFIT FROM OPERATIONS		73,870	77,909
Financial costs	27	(4,337)	(6,910)
Net fair value gains/(losses) on financial assets at FVTPL	17	(2,999)	–
Financial income	27	365	318
PROFIT BEFORE TAX		66,899	71,318
Income tax expense	28	(16,005)	(18,342)
PROFIT AFTER TAX		50,894	52,975
Other comprehensive income for the period		–	–
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		50,894	52,975

The notes on pages 10 to 48 are an integral part of these financial statements.

Separate financial statements for the year ended 31 December 2021

O2 Slovakia, s.r.o. | 2021 Annual Report

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2021

in thousands of EUR	Share capital	Legal reserve fund and other funds	Retained earnings from previous periods	Total equity
BALANCE AS AT 1 JANUARY 2020	103,203	10,320	53,148	166,671
Dividends	–	–	(53,148)	(53,148)
Total comprehensive income for the period	–	–	52,975	52,975
BALANCE AS AT 31 DECEMBER 2020	103,203	10,320	52,975	166,498
BALANCE AS AT 1 JANUARY 2021	103,203	10,320	52,975	166,498
Dividends	–	–	(52,975)	(52,975)
Total comprehensive income for the period	–	–	50,894	50,894
BALANCE AS AT 31 DECEMBER 2021	103,203	10,320	50,894	164,418

The notes on pages 10 to 48 are an integral part of these financial statements.

Separate financial statements for the year ended 31 December 2021

O2 Slovakia, s.r.o. | 2021 Annual Report

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2021

in thousands of EUR	31 December 2021	31 December 2020
Profit/loss from ordinary activities before income tax	66,899	71,318
Cash flows from operating activities		
Depreciation of property, plant and equipment and amortization of intangible assets	48,432	38,773
Change in provisions for receivables and write-off of receivables	2,776	5,459
Net fair value gains/(losses) on financial assets at FVTPL	2,999	–
Change in accruals and deferrals	(273)	303
Interest expense	3,689	4,072
Gain/loss on sale of non-current assets	(1,979)	29
Depreciation of capitalized expenses to obtain a contract	7,239	6,314
Effect of changes in working capital		
Change in receivables from operations	(36,183)	42,963
Change in payables from operations	(4,615)	(8,078)
Change in inventories	(1,679)	(1,510)
Interest paid	(3,689)	(4,072)
Income tax paid and levy on business in regulated industries	(14,857)	(18,796)
NET CASH FLOWS FROM OPERATING ACTIVITIES	68,759	136,775
Cash flows from investing activities		
Acquisition of property, plant and equipment	(7,401)	(29,212)
Acquisition of non-current intangible assets	(34,927)	(32,589)
Proceeds from sale of property, plant and equipment	17	85
Short-term loans provided to subsidiary	–	1,000
Income from the payment of other capital funds by the subsidiary	2,400	–
NET CASH FLOWS USED IN INVESTING ACTIVITIES	(39,911)	(60,716)
Cash flows from financing activities		
Dividends paid	–	–
Lease payments	(9,556)	(9,741)
Loans received	(36 975)	(70 923)
NET CASH FLOWS USED IN FINANCING ACTIVITIES	(46,531)	(80,664)
NET INCREASE OF CASH AND CASH EQUIVALENTS	(17,683)	(4,605)
Cash and cash equivalents at the beginning of the accounting period	26,616	31,221
Cash and cash equivalents at the end of the accounting period	8,933	26,616

The notes on pages 10 to 48 are an integral part of these financial statements.

Separate financial statements for the year ended 31 December 2021

O2 Slovakia, s.r.o. | 2021 Annual Report

NOTES TO SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

1. GENERAL INFORMATION ABOUT THE COMPANY

REPORTING ENTITY

O2 Slovakia, s.r.o. ("the Company") is a limited liability company established on 18 November 2002. The Company was incorporated into the Commercial Register of the District Court Bratislava, Section s.r.o., file 27882/B on 12 December 2002.

The Company's registered office is in Bratislava, Einsteinova 24, Slovak Republic, registration number 35848863, tax registration number 2020216748.

The Company is part of O2 Czech Republic group ("the Group"). The parent company is

O2 Czech Republic a.s.,
Za Brumlovkou 266/2, 140 22 Prague 4 – Michle, the Czech Republic.

The majority shareholder of the parent company in 2021 were companies within PPF Group.

The Company belongs to the leading telecommunication operators in the Slovak market providing phone, data and multimedia services via a public mobile phone network.

The company is entitled to conduct its business under the brand name O2 till 2036 on the basis of a newly signed license agreement valid from 28 January 2022. The Company is incorporated in the partnership program of the Telefónica Group which enables the partner telecommunication operators

to draw economic benefits from the extent of the Telefónica Group and to co-operate in key business areas.

NUMBER OF EMPLOYEES

The number of employees employed by the Company in 2021 amounted in average to 707, in 2020 it was 701 employees.

The number of employees as at 31 December 2021 was 724, thereof 10 managers (as at 31 December 2020 it was 694, thereof 9 managers).

INFORMATION ON UNLIMITED LIABILITY

The Company is not a partner with unlimited liability in other entities according to Article 56 (5) of the Commercial Code.

LEGAL REASON FOR THE PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements have been prepared as ordinary financial statements in accordance with Article 17 (6) and Article 17a (2) of the Act No. 431/2002 Coll. on Accounting as amended for the accounting period from 1 January 2021 to 31 December 2021. Due to the split-up of the Company as at 1 January 2022 which is the decisive date, these financial statements are also considered extraordinary financial statements in accordance with §16 par. 6 of the Accounting Act no. 431/2002 Coll. as amended.

DATE OF APPROVAL OF THE FINANCIAL STATEMENTS FOR ISSUE

These financial statements have been prepared as at 31 December 2021 and for the year then ended and were prepared and authorized for issue by the Company's statutory representatives on 30 March 2022.

These financial statements can be amended until their approval by the general meeting.

DATE OF APPROVAL OF THE FINANCIAL STATEMENTS FOR THE PRECEDING ACCOUNTING PERIOD

The financial statements of the Company as at 31 December 2020, i.e., for the preceding accounting period, were approved by the Annual General Meeting on 24 March 2021.

Separate financial statements for the year ended 31 December 2021

O2 Slovakia, s.r.o. | 2021 Annual Report

NOTES TO SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

THE COMPANY'S BODIES

EXECUTIVE OFFICERS

Ing. Tomáš Kimlička (from 1 August 2020)

Mgr. Dávid Durbák (from 4 June 2014)

Mgr. Igor Tóth, PhD. (from 1 January 2021)

SUPERVISORY BOARD

Ján Bechyně (from 1 November 2017)

Ing. Jindřich Fremuth (from 10 January 2018)

Mgr. Michal Gajdzica

(from 21 March 2018 until 31 December 2021)

SHAREHOLDER STRUCTURE

Shareholder structure is as follows:

	As at 31 December 2021 (in thousands of EUR)	Share and voting rights (%)	As at 31 December 2020 (in thousands of EUR)	Share and voting rights (%)
O ₂ Czech Republic a.s.	103,203	100	103,203	100
TOTAL	103,203	100	103,203	100

Separate financial statements for the year ended 31 December 2021

O2 Slovakia, s.r.o. | 2021 Annual Report

NOTES TO SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

INFORMATION ABOUT THE ULTIMATE PARENT

The Company is part of O2 Czech Republic group ("the Group").

The parent company is O2 Czech Republic a.s., Za Brumlovkou 266/2, 140 22 Prague 4 – Michle, the Czech Republic.

As of 31 December 2021, 90.52 % of the Company's voting rights were held indirectly by Mrs. Renáta Kellnerová through PPF Telco B.V. – a company from the PPF group, which is controlled by Mrs. Renáta Kellnerová, who was appointed as an administrator of the inheritance of the late Mr. Kellner authorised to manage all the assets belonging to the inheritance in ordinary course of business.

The consolidated financial statements are prepared by O2 Czech Republic

a.s. The consolidated financial statements are available at the registered office of the parent company and at the City court in Prague, the Czech Republic.

The companies mentioned above belong in PPF Group N.V.. The consolidated financial statements of PPF Group N.V. are available at the registered office of the company, at Strawinskylaan 933, 1077 XX Amsterdam, the Netherlands.

2. STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS/EU).

3. BASIS OF PREPARATION

The financial statements were prepared using the going concern

assumption. The Company will be split-up in 2022 please see paragraphs 4 and 34 for more information.

The Company operates in the telecommunications sector which was affected by the COVID-19 pandemic slightly. The Company has shown relatively stable sales in 2021 with a slight increase compared to 2020 its operations including supplies have not been discontinued. Based on the experience of the pandemic so far and on publicly

available information as at the date of preparation of the financial statements, the Company's management has assessed the potential impact of the pandemic and its expected impact on the Company and the Company's economic environment in which it operates including measures already taken by the Slovak

Government and other governments in which the Company's partners and customers operate.

Based on assessment of currently achieved key performance indicators of the Company mentioned above as well as the steps taken by the Company's management, the Company's management does not expect a direct immediate and significantly adverse impact of the COVID - 19 pandemic on the Company, its operations, financial condition and operating results.

However, the Company's management cannot rule out the possibility that the deterioration of the pandemic and adverse impact of measures on the Company's economic environment will not adversely effect on the Company and its financial position and results in the medium and long term. The Company's management continues

to monitor the situation closely and will respond to it in order to mitigate the impact of such events and circumstances as they occur.

i. Basis of measurement

The financial statements have been prepared on the historical cost basis except for the trade receivables recognized in fair value through profit or loss.

ii. Functional and presentation currency

The Company's functional currency is euro. The financial statements are presented in the euro and all amounts are presented in thousands of euro, unless otherwise indicated.

iii. Use of estimates and judgments

The preparation of the financial statements in conformity with IFRS/ EU requires management to make judgments, estimates and assumptions

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that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are

recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

In connection with future activities the Company makes estimates and assumptions. Actual results may differ from those estimated. Information about estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are discussed in the following section:

Leasing

The company is the lessee of the technology location premises. Some of the contracts are of indefinite duration. For the purpose of determining the amount of the lease obligation under IFRS 16, the Company estimates the useful life of such contracts. The lifetime of contracts is derived from the average lifetime of similar fixed-term contracts, on average 9 years.

The estimated provision for disposal of the facilities – Assets retirement obligation (ARO)

The Company is obliged to remove the base stations and their technical equipment, if they put an end to

their use. Provision for removal was determined based on the cost of the removal (for single base), which the Company will have to make to meet its commitments to environmental protection in the context of removing the base and putting them in their original condition. The provision is determined on the basis of current costs, which are extrapolated into future years using the best available estimate of dealing with this obligation. The liability is discounted at the risk-free interest rate. This estimate is reviewed annually and the provision is adjusted accordingly, while the value of assets is also adjusted. The Company estimates the useful life

of their stations ranges from 30 to 50 years. The provision for disposal of the facilities (ARO) was recognized in the amount of EUR 7,303 thousand (2020: EUR 3,117 thousand). Average cost for dismantling the station is estimated to be EUR 13 thousand.

Sensitivity analysis of Assets retirement obligation (ARO)

Change in the discount rate by 1 percentage point and change in the costs for removing the base by 10% compared to the original estimates used as at 31 December 2021 would increase or decrease the provision for the dismantling of the facilities (ARO) in the following amounts:

in thousands of EUR	31 December 2021	
	Increase	Decrease
Discount rate +/- 1 p.p.	(2 121)	3,548
Dismantling costs +/- 10%	869	(591)

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Sensitivity analysis has been estimated based on year-end balances and the actual results of these estimates may vary in the future.

The Company expects that the total costs of dismantling the facilities and putting leased sites to their original condition will be at the end of their useful life in the total amount of EUR 29,603 thousand (2020: EUR 27,444 thousand) in future prices.

Future events and their impact cannot be determined with a certainty. Similarly, accounting estimates require review and estimates used for preparation of the financial statements are adjusted when new circumstances arise, or new information and experience is available, or when the business environment in which the Company operates changes. Actual results may differ from those estimated.

Sales commissions as incremental contract acquisition costs

The amortization period (useful life) for capitalized incremental costs of obtaining a contract was set as the expected average time that the customer will use the Company's services. This amortization period was further specified by the product and the sales channel that received the contract. Amortization periods are revised and reassessed regularly with respect to the development of business activities, trends in the telecommunications sector and the structure of business channels.

4. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been consistently applied in all periods presented in the financial statements.

a) Measurement of assets and liabilities due to split-up

By the decision of the sole shareholder dated 25 April 2022 was decided that the Company will be split-up into two separate companies, O2 Slovakia, s.r.o. and O2 Networks, s.r.o., as at 1 June 2022. The decisive date was set as 1 January 2022. As this is "under common control" transaction type, i.e. both companies will have the same shareholder and at the same time will remain part of PPF group, the IFRS standards do not contain specific provision on how to account for such transactions. Considering this is under common control transaction, the Company applied group accounting policy and measured its assets and liabilities at current net book values using accounting methods and policies described hereinafter.

b) Foreign currency

Transactions in foreign currencies are translated to the functional currency (euro) at the foreign exchange rate of the European Central Bank ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the end of reporting period are translated to euro at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Foreign exchange differences arising on translation are recognized in profit or loss.

c) Non-current intangible assets

i. Recognition and measurement
Intangible assets acquired by the Company have a finite useful life and are measured at cost less accumulated amortization and any accumulated

impairment losses (see accounting policy f)). Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed intangible assets includes cost of materials, direct labor and production overheads.

ii. Subsequent expenditure

Subsequent expenditure is capitalized only when it, increases the future economic benefits embodied in the specific intangible asset to which it relates. All other expenditures, including expenditure on internally generated goodwill and brands, are recognized in profit or loss when incurred.

iii. Amortization

Amortization is calculated from the acquisition cost of the asset.

Amortization is charged to profit or loss on a straight-line basis over the

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The estimated useful life, amortization method and amortization rate are set out for individual groups of non-current intangible assets, as provided in the table below:

	Estimated useful life in years	Annual rate of amortization in %	Amortization method
Software	1 to 19	5 to 100	straight-line
Brand	6	17	straight-line
Other valuable rights	2 to 19	5 to 50	straight-line

estimated useful lives of each part of intangible assets.

Where the use of non-current intangible assets is determined by a contract (e.g. brand) or by an official decision (license), useful life shall be determined according to the validity of the contract or official decision. Amortization methods and useful lives, as well as residual values, are reassessed at the reporting date and adjusted if appropriate.

iv. Impairment review

Impairment review of non-current intangible assets is performed in

a similar manner as for property, plant and equipment described in the accounting policy c) iv. below.

d) Property, plant and equipment

i. Recognition and measurement

Items of property, plant and equipment are initially measured at cost less accumulated depreciation (see below) and accumulated impairment losses (see accounting policy g)). Cost includes expenditure that is directly attributable to the acquisition of the asset and also the initial estimate of costs related to future dismantle of telecommunication transmitters and

bringing of rented locations into original conditions after the end of useful life. The cost of self-constructed assets includes the cost of materials, direct labor and any other costs directly attributable to bringing the assets to a working condition for their intended use.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and

equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognized net in profit or loss.

ii. Subsequent expenditure

The Company recognizes in the carrying amount of an item of property or plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied within the item will flow to the Company and its cost can be measured reliably. Expenditure on repairs or maintenance of property

and equipment incurred to restore or maintain future economic benefits expected from the assets is recognized as an expense when incurred.

iii. Depreciation

Depreciation is charged to profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land and assets under construction are not depreciated.

iv. Impairment review

Factors considered important, as part of an impairment review, include the following:

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The estimated useful life, depreciation method and depreciation rate are set out for individual groups of property, plant and equipment as follows:

	Estimated useful life in years	Annual rate of depreciation in %	Depreciation method
Buildings	1 to 55	2 to 100	straight-line
Technology and office equipment	1 to 30	3 to 100	straight-line
Optical networks	11 to 35	3 to 9	straight-line
Other property, plant and equipment	2 to 10	10 to 50	straight-line

Depreciation methods and useful lives, as well as residual values, are reassessed at the reporting date and adjusted if appropriate.

In the event of a temporary decrease in the value in use of a non-current tangible asset, an impairment provision equal to the difference between its value in use and net book value is recognized.

<ul style="list-style-type: none"> technological advancements; significant underperformance relative to expected historical or projected future operating results; significant changes in the manner of the Company's use of the acquired assets or the strategy for the Company's overall business; obsolescence of products. 	<p>assets may not be recoverable based upon the existence of one or more of the above indicators of impairment, any impairment is measured based on the Company's estimates of projected net discounted cash flows expected to result from that asset, including eventual disposition. The estimated impairment could prove insufficient if the analysis overestimated the cash flows or conditions change in the future. For further details refer to note g) Impairment.</p>	<p>e) Leases – IFRS 16</p> <p>At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Company considers a contract to be a lease if it meets all of the following criteria:</p> <ul style="list-style-type: none"> there is an identified asset, whether explicit or implicit, and 	<ul style="list-style-type: none"> the lessee obtains substantially all economic benefits from the use of the identified asset, and the lessee has the right to control the use of the identified property. <p>This accounting method shall apply to contracts concluded after 1 January 2019.</p> <p>The Company applied the exemption and applied the new IFRS 16 to</p>	<p>all contracts it concluded prior to 1 January 2019 and identified them as leases under IAS 17 and IFRIC 4 (grandfather the definition of lease on transition). This means that it does not reassess leases classified under IAS 17 and whether they meet the new definition of leases under IFRS 16. The Company used a single discount rate for sets of leasing contracts with similar characteristics according to the length of the lease up to 5 years, 6 to 10 years and 10 or more years.</p>
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When the Company determines that the carrying value of non-current

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Short-term leases that do not relate to the lease of network technologies are reported in the same way as low-value leases within operating costs evenly over the lease term. The effective interest rate is 1,8%.

Within the chosen accounting policy, the Company assesses the possibility and probability of exercising of the right to renew or early termination when reporting the right to use.

Upon initial recognition and subsequent revaluation of a lease that includes a lease and a non-lease component, the Company allocates the contractually agreed consideration to each lease component on a pro rata basis, if agreed separately, and based on the total value of the non-lease components if agreed separately. The Company recognizes separately the leasing and non-leasing

components of land and real estate leases.

i. Assets leased (the Company as Lessee)

The Company recognizes the right-of-use assets and lease obligations at the commencement of the lease. The initial value of the right to use the property is determined as the sum of the initial value of the lease obligation, the rental payments made before or on the commencement date of the lease, the initial direct cost to the lessee less any lease incentives received. The Company has a liability for dismantling or restoring the leased asset after the lease term and therefore creates a provision under IAS 37 described in Part 3 (iii).

In determining the lease term, the length of the agreed lease term as well as the possibility of its early termination or termination are

considered or the possibility of extending the contract. In assessing the likelihood of exercising the option to extend or prematurely terminate the lease term, the Company takes into account all relevant facts and circumstances that provide economic incentives to exercise (non-exercise) those options. The period by which the contract can be renewed (or the period following the possibility to terminate the contract prematurely) is included in the lease term only if the Company is sufficiently certain that the extension will be exercised.

The right-of-use assets is depreciated on a straight-line basis over the lease term from the commencement of the lease to its termination. If the lease involves a transfer of ownership or a purchase option, the right-of-use assets is depreciated on a straight-line basis over the useful life of the asset. Depreciation begins on the date of

commencement of the lease. The assessment of possible impairment of the right-of-use assets is carried out in a similar way to the assessment of impairment of property, plant and equipment as described in accounting policy (b) iv. above.

The lease obligation is initially measured on the date when the leased asset is made available to the lessee (the lease commencement date). Leases are initially measured at the present value of the lease payments over the lease term that were not paid at the initial measurement using the discount rate, which is the incremental borrowing rate. Lessee's incremental borrowing rate was determined based on available financial information relating to the Company. Subsequent revaluation of the lease obligation is made in the event of a change in the terms of the contract (e.g. a change in the lease term due to the option to

extend or prematurely terminate the contract, change in rental payment based on a change in the index or rate used to determine payments, change in the assessment of the probability of a purchase option enforcement, etc.). Any subsequent reassessment of the lease obligation will also affect the measurement of the right-of-use asset. If this would lead to a negative value of the right-of-use asset, the remaining impact is recognized with an impact on profit or loss (so the resulting right-of-use asset will be recognized at nil). During the accounting period, the Company did not account for the revaluation of the lease obligation due to the above changes.

The Company has exercised an optional exemption and does not report the right-of-use asset or lease obligation in lease contracts where the value of the leased assets is clearly less than EUR 5,000. The estimated

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value of assets is based on the assumption that they are new assets. If the value of the asset cannot be reliably determined, the optional exemption is not applied to such lease.

In the statement of financial position, the Company recognizes the right-of-use assets under tangible fixed assets, machinery and equipment and lease liabilities under current and long-term payables. In addition, the Company recognized lease transactions in the cash flow statement as follows:

- principal payments relating to lease obligations in cash flow from financing activities,
- interest payments on lease obligations under cash flow from operating activities (interest requirements are applied here in accordance with IAS 7),
- payments for short-term rental, lease of small assets and payments of variable parts of rent that are

not included in the measurement of lease obligations under cash flow from operating activities.

f) Financial instruments i. Non-derivative financial assets and liabilities – recognition and derecognition

The Company initially recognizes receivables on the date when they originated. Other financial assets and financial liabilities are recognized when the Company becomes a part of the contractual relationship.

The Company derecognizes a financial asset when contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and

rewards of ownership and does not retain control over the transferred asset.

Non-derivative financial liabilities and financial assets are initially recognized at fair value less any directly attributable transaction costs. Subsequently to initial recognition, these liabilities are measured at amortized costs using the effective interest method.

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

ii. Non-derivative financial assets – measurement

The Company classifies financial assets into the following categories: financial assets at amortized cost, financial assets at fair value through other comprehensive income (FVOCI)

and financial assets at fair value through profit or loss (FVTPL). The classification depends on business model for managing the asset and the asset's contractual cash flow characteristics. From the above categories, the Company only records assets measured at amortized cost and FVTPL in the reporting periods.

Financial assets are measured at amortized cost unless they are designated as FVTPLs and are held under a business model to collect contractual cash flows and their respective contractual terms and conditions provide for the emergence of cash flows that are exclusively principal and interest payments.

All financial assets other than trade receivables related to the sale of hardware (mobile telephones and accessories) in installments are valued at amortized cost.

In 2021, the Company reassessed the valuation model used to value the trade receivables portfolio from the sale of hardware (ie sales of mobile telephones and accessories). The Company changed its valuation model from amortized cost to fair value through profit or loss because the decision to securitize receivables at regular intervals changed the primary objective of the portfolio, which is to sell, not to hold to maturity. As at 1 January 2021, receivables were transferred from the category of receivables at amortized cost to the category of receivables at fair value. The detail of receivables can be found in table no.17.

iii. Non-derivative financial liabilities – measurement

The Company classifies its financial liabilities according to related contractual relations and depending on the purpose which the

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Company's management concluded a contract for. The Company has only financial assets at amortized cost in the reported periods (loans, trade payables and other financial liabilities)

The Company's management determines the classification at initial recognition and reassesses it at each reporting date. The initial measurement is at fair value less transaction costs directly attributable to acquisition of a specific financial liability and subsequently stated at amortized carrying amount determined using the effective interest rate method. Profit or loss resulting from financial liabilities is recognized in the statement of profit or loss.

Financial liabilities are classified as short-term if the Company does not have an unconditional right to settle

the liability in more than 12 months after the reporting date.

Loans

Interest-bearing loans are recognized initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing loans are stated at amortized cost with any difference between cost and redemption value being recognized in profit or loss over the period of the loan on an effective interest rate basis.

Trade and other payables

Trade and other payables are recognized initially at fair value. Subsequent to initial recognition they are stated at amortized cost.

g) Impairment

Financial assets

Financial assets at amortized cost and contract assets are considered to

be impaired base on expected credit losses The Company has not any financial asset at FVOCI.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as expected lifetime credit losses. There is an exception for the following financial assets where 12-month expected credit losses are recognized: non-current bank loans and deposits in banks where the credit risk from initial recognition did not significantly increase.

Significant increase of credit risk

When making the assessment of whether there has been a significant increase in credit risk since initial recognition and estimating the expected credit losses, the Company considers appropriate and applicable 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 risk assessment, including information on possible future developments.

The Company assumes that the credit risk of financial assets has increased significantly if the maturity of the financial asset exceeds 30 days.

Default

The Company considers a financial asset to be in default if it is unlikely that the borrower meets its obligations to the Group in full without undertaking any steps like realization of the security (if available); or the borrower is overdue for more than 90 days.

Expected credit losses

Expected credit losses are determined as a weighted probability estimate of credit losses at the present value of all cash outflows. They are discounted at the effective interest rate of the financial asset.

All impairment losses are recognized in profit or loss and reflected in an allowance account against receivables.

Due to the ongoing economic crisis caused by COVID-19, the Company also took into account forecasts of macroeconomic indicators of unemployment and the development of the gross domestic product of the Slovak Republic as assumption of future development when determining expected credit losses. The company determined the causal dependence between the

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Applied scenarios for the development of macroeconomic indicators:

	Basic scenario	Negative scenario	Positive scenario	Scenario used
GDP development	5,09 %	2,09 %	7,09 %	4,14 %
Development of unemployment	6,40 %	7,40 %	5,40 %	6,70 %
Value of impairment provision in thousands of EUR	4,924	5,089	4,744	4,975

given indicators and the repayment of receivables on the basis of correlation and regression analysis and subsequently determined possible of future development scenario of the used macroeconomic indicators based on the forecasts of the National Bank of Slovakia. The company also considered the impact of the end of the payment moratorium on the repayment of bank loans by customers.

Non-financial assets

The carrying amounts of the Company's non-financial assets, including property, plant and equipment (see accounting policy c)

iv), intangible assets (see accounting policy c) iv), inventories (see accounting policy h)) and deferred tax assets (see accounting policy n)) are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognized whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognized in profit or loss. A cash-generating

unit is the smallest identifiable asset group that generates cash flows that are largely independent from other assets and groups. Impairment losses recognized in respect of cash-generating units are allocated to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

The recoverable amount of an asset or cash-generating unit is the greater of its fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that

reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had been recognized.

h) Inventories

Inventories are measured at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Acquisition cost includes the purchase price and related costs (transport

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costs, customs duty, commissions, etc.). Any discounts and rebates received decrease the cost of inventories. Slow moving and obsolete inventories are written down for any impairment of value. The amount of any write-down of inventories to net realizable value and all losses of inventories are recognized as an expense in the period the write down or loss occurred.	principle of expenses and revenues in the period to which they belong in terms of substance and time, these are the anticipation and transition accrual items. Prepaid expenses comprise mainly performance ordered from the Company's suppliers and providers and these relate to future periods in terms of substance and time. Upon delivery of a service these will be recognized in cost of services provided or cost of goods.	k) Provisions A provision is recognized in the statement of financial position when the Company has a present legal or constructive obligation as a result of a past event that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. The Company recognizes provision for decommissioning of transmitter stations, provision for untaken holiday and provision for litigations.	Tax, discounts and deductions (rebates, bonuses, early payment discounts, credit notes etc.). Revenues are recognized at the date of delivery of goods or provision of services. They are measured at fair value of the consideration received or receivable if this amount can be estimated reliably. Revenues from services are recognized in the accounting period when rendered in proportion to the stage of completion of the service. The stage of completion is assessed by reference to proportion of services rendered to the overall extent of agreed services. Depending on the tariff, customers may use a defined extent of telecommunication services during the billing period. The unused extent of services is not transferred to the following periods except for data	transfer service, where unused data can be transferred to the following period. In assessing whether revenues should be recognized gross (i.e. with separate disclosure of costs) or on a net basis, the Company considers the following indicators of gross reporting: a) the Company is the primary obligor in the arrangement, b) the Company is exposed to general inventory risk, c) the Company has price latitude, d) the Company changes the product or provides additional services, e) the Company has discretion in supplier selection, f) the Company is involved in the determination of product or service specifications, g) the Company is exposed to credit risk,
i) Prepaid expenses and accrued income Prepaid expenses and accrued income are presented in accordance with the matching principle in terms of substance and time. The Company recognizes the accrual accounts in accordance with the	j) Accrued expenses and deferred income Accrued expenses and deferred income are presented in accordance with the matching principle in terms of substance and time. Deferred income includes mainly customer's credit for prepaid services.	l) Revenues Revenues from own services and goods are stated net of Value Added		

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- h) the Company has the option to set the terms of the transaction
- i) the Company manages control over the transaction.

The relative weight of each indicator is considered when concluding which revenue accounting treatment to use. If the Company enters into a relation characterized by representation or mediation (agent relationship), the revenue is recognized in its net value, i.e. at the amount of a margin or commission.

The main activity of the Company is sale of telecommunication services to end customers, other operators and sale of mobile phones and accessories.

Voice services, SMS and data

Revenues from billed telecommunication services are invoiced to customers on a monthly basis and are recognized in the period

of using the service regardless of the date of invoicing. Revenues from prepaid services are recognized in the period of using the service regardless of the date of charging credit.

Sale of mobile phones and accessories

Revenues from sale of mobile phones and accessories are recognized at the date of sale to a distributor or end customer. Resulting losses from sale at a discount are recognized at the date of sale to a distributor or end customer. konečnému zákazníkovi.

Strata z predaja v prípade poskytnutej zľavy je vykázaná v období predaja distribútorovi alebo konečnému zákazníkovi.

Premium SMS

Revenues from SMS enabling payment via mobile phones for goods and services provided by third parties, are recognized net in the form of commission for the services provided.

Connection fees

Revenues from connection fees arise from phone calls started in the network of another domestic or foreign operator but finished or transferred via the Company's network.

These revenues are recognized at the time of accepting such a phone call in the Company's network. The same approach is also applied for SMS and MMS.

m) Finance costs and finance income

Finance costs and finance income comprise mainly from:

- bank charges,
- interest expense, and
- interest income
- losses from the issuance of investment certificates, and
- foreign currency gains and losses.

Interest income is recognized in profit or loss as they accrue, using the effective interest method.

Foreign currency gains and losses on financial assets and liabilities are reported on a net basis as either finance income or finance cost depending on whether foreign currency movements are in a net gain or net loss position.

The loss from the issuance of investment certificates represents the difference between the nominal value of the underlying receivables from hardware financing and the issue price of investment certificates adjusted for the cost of the service obligation and the settled provisions for receivables.

n) Income tax

Income tax (expense) comprises current and deferred tax. Current tax and deferred taxes are recognized in profit or loss except to the extent that they relates to items recognized directly in equity or in other comprehensive income.

i. Current tax

Current tax is the expected tax payable or receivable on the taxable income or loss for the period, using tax rates enacted at the reporting date, and any adjustment to tax payable in respect of previous periods.

ii. Deferred tax

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries,

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<p>associates and jointly controlled entities, in specific cases.</p> <p>The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.</p> <p>Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.</p> <p>Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend</p>	<p>to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.</p> <p>A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profit will be available against which they can be utilized.</p> <p>Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.</p> <p>iii. Tax exposures</p> <p>In determining the amount of current and deferred tax, the Company takes into account the impact of uncertain tax positions and whether additional taxes or interest may be due. This assessment relies on estimates and assumptions and may</p>	<p>involve a series of judgments about future events. New information may become available that causes the Company to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.</p> <p>o) Employee benefits</p> <p>Short-term employee benefits</p> <p>Short-term employee benefits obligations are measured on an undiscounted basis and are expensed as the related service is provided. A provision is recognized for the amount expected to be paid under short-term cash bonus if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.</p>	<p>Employee benefits after employment</p> <p>The company creates a provision for retirement benefits based on the requirements of the Labor Code. In the calculation, it uses actuarial methods using the probability of life according to age, average annual fluctuation, discount rate and average salary of the employee and its increase in the future. In the past, the Company did not create this provision as its amount was insignificant. At present, as at 31 December 2021, its amount is EUR 177 thousand. Due to its total amount, which is still insignificant, the Company has decided not to disclose the sensitivity of the amount of the provision to changes in the assumptions used.</p> <p>5. DETERMINATION OF FAIR VALUES</p> <p>Fair values have been determined for measurement and/or disclosure</p>	<p>purposes based on the following methods:</p> <p>i. Trade receivables and other financial receivables</p> <p>In 2020, the Company for the first time proceeded with the sale of receivables from the financing of equipment sold to end customers, the so-called internal financing in the form of a securitization certificate in order to raise funds before their due date. The Company decided to make such a sale at regular intervals and this decision changed the primary objective of portfolio of receivables, which is their sale, not holding to maturity.</p> <p>Thus, in 2021, the Company changed its business model for receivables from internal financing and reclassified these receivables from the category of receivables at amortized cost to the category of receivables at</p>
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fair value through profit or loss. The Company uses some inputs that are not directly observable, either directly or indirectly, to determine fair value, so these inputs have been classified as Level 3 inputs. The Company determines fair value as follows:

- a) *The fair value of invoiced receivables that are more than seven days overdue*, the company determines the fair value of such receivables on the basis of indicative offers from collection agencies according to individual categories of days overdue,
- b) *Fair value of unbilled receivables that are not due or less than seven days past due* - The Company determines fair value as the present value of future cash flows discounted at the discount rate from the last successful securitization, which is subsequently adjusted by a mark-

up corresponding to future economic developments.

Fair value is determined at initial measurement and for disclosure purposes at each balance sheet date. An overview of receivables at fair value is given in Table 17.

ii. Non-derivative financial liabilities

Non-derivative financial liabilities are measured at fair value, at initial recognition and for disclosure purposes, at each annual reporting date. Fair value is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the measurement date. Fair values of loans are calculated by discounting future cash flows using effective interbank rates. For received loans with a remaining maturity of less than three months,

it is reasonable to regard their book value as approximate fair value.

6 INVESTMENTS

The Company has a 50% share in the company Tesco Mobile Slovakia, s.r.o. which is joint venture of the Company and Tesco Stores SR, a.s. Share capital of the company is EUR 5 thousand. Financial statements of the company Tesco Mobile Slovakia, s.r.o. for 2021 were not available as at the date of preparation of these financial statements. Profit for 2020 amounted to EUR 21 thousand. Retained earnings from previous years amounted to EUR 110 thousand as at 31 December 2020.

The Company established new company O2 Business Services, a.s. on 3 December 2015, in which the Company has 100% share. Share capital of EUR 25 thousand was fully paid, equity is of EUR 3,115

thousand as at 31 December 2021.

The Company records investment into equity and capital funds investment in total sum of EUR 4,528 thousand. The Company assessed the potential impairment of investment and reached the conclusion that the investment is not impaired.

7 NEW STANDARDS AND INTERPRETATIONS

The following new Standards and Interpretations are not yet mandatorily effective for annual periods beginning on or after 1 January 2021 and did not have a material impact on these financial statements.

8 STANDARDS AND INTERPRETATIONS NOT YET ADOPTED AS AT 31 DECEMBER 2021

Standards and Interpretations that are not yet effective for annual

periods beginning after 1 January 2021 and were not used in these financial statements.

Amendments to IFRS 16 Leases, COVID-19-Related rent concessions Effective for annual periods beginning on or after 1 April 2021. Earlier application is permitted, including in financial statements not authorised for issue at 31 March 2021.

The amendments extend by one year the period of application of the optional practical exemption, which simplifies the way tenants are charged as a direct consequence of COVID-19. The original procedure was issued in May 2020 and the Company applied it in its financial statements.

The Lessee applies the amendments retrospectively and shows the

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cumulative effect of their first application in the opening state of retained earnings of the accounting period in which it first applied them.

The adoption of the above amendments did not have a material impact on the Company's accounting policies and financial statements.

Amendments to IFRS 10 and IAS 28 Sale or contribution of assets between an investor and its associate or joint venture
Effective date deferred indefinitely.
Available for optional adoption in full IFRS financial statements.

The European Commission decided to defer the endorsement indefinitely, it is unlikely that it will be endorsed by the EU in the foreseeable future)

The Amendments clarify that in a transaction involving an associate

or joint venture, the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business, such that:

- a full gain or loss is recognised when a transaction between an investor and its associate or joint venture involves the transfer of an asset or assets which constitute a business (whether it is housed in a subsidiary or not), while
- a partial gain or loss is recognised when a transaction between an investor and its associate or joint venture involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

The Entity expects that the amendments, when initially applied, will not have a material impact on its financial statements.

However, the quantitative impact of adopting the amendments can only

be assessed in the year when the amendments are applied for the first time, as this impact will depend on the transfer of property or business to an associated company or joint venture that took place in the given accounting period.

Amendments to IAS 1 Presentation of financial statements classification of liabilities as current or non-current

Effective for annual periods beginning on or after 1 January 2023. Early application is permitted.

The amendments clarify that the classification of liabilities as current or non-current shall be based solely on the Entity's right to defer settlement at the end of the reporting period.

The company's right to defer settlement for at least 12 months from the reporting date need not be unconditional but must have substance. The classification is not

affected by management's intentions or expectations about whether and when the Entity will exercise its right. The amendments also clarify the situations that are considered settlement of a liability.

The Entity expects that the amendments, when initially applied, could not have a material impact on its financial statements.

Amendment to IAS 16 Property, plant and equipment property – proceeds before Intended use

Effective for annual periods beginning on or after 1 January 2022. Early application is permitted.

The amendments to IAS 16 require that the proceeds from selling items produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the

manner intended must be recognised, together with the cost of those items, in profit or loss and that the entity must measure the cost of those items applying the measurement requirements of IAS 2.

The amendments must be applied retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. The cumulative effect of initially applying the amendments will be recognised as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented (if necessary).

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The Entity expects that the amendments, when initially applied, will not have a material impact on its financial statements.

Amendments to IAS 37 Provisions, contingent liabilities and contingent assets – Onerous contracts – Cost of fulfilling a contract

Effective for annual periods beginning on or after 1 January 2022
Early application is permitted.

In determining costs of fulfilling a contract, the amendments require an entity to include all costs that relate directly to a contract. Paragraph 68A clarifies that the cost

of fulfilling a contract comprises both: the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling contracts.

An entity shall apply those amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application). The entity shall not restate comparative information. Instead, the entity shall recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained

earnings or other component of equity, as appropriate, at the date of initial application.

The Entity expects that the amendments, when initially applied, will not have a material impact on its financial statements.

However, the quantitative impact of the application of the amendments has not yet been determined, as it depends on the status of the contracts in question as of the date of the first application of the amendments.

Annual Improvements to IFRS Standards 2018-2020

Effective for annual periods beginning on or after 1 January 2022. Early application is permitted.

Amendment to IFRS 9 Financial Instruments

The improvements clarify that, when assessing whether an exchange of debt instruments between an existing borrower and lender are on terms that are substantially different, the fees to include together with the discounted present value of the cash flows under the new terms include only fees paid or received between the borrower and the lender, including fees paid

or received by either the borrower or lender on the other's behalf.

Amendment to Illustrative Examples accompanying IFRS 16 Leases

The improvements remove from illustrative Example 13 accompanying IFRS 16 reference to a reimbursement by the lessor to the lessee for leasehold improvements as well as an explanation of a lessee's accounting for such reimbursement.

The Entity expects that the amendments, when initially applied, will not have a material impact on the financial statements of the Entity.

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9. PROPERTY, PLANT AND EQUIPMENT

in thousands of EUR	Land	Buildings	Optical networks	Technologies and office equipment	Other assets	Right-of-use asset	Acquisition of property, plant and equipment	Total
Acquisition cost/Conversion cost								
Balance as at 1 January 2020	–	66 634	19 029	127 820	495	68 519	43 347	325 844
Additions	–	3 570	1 923	4 744	117	11 613	15 233	37 200
Disposals	–	645	–	14 592	90	2	–	15 329
Transfers	–	8 427	3 097	24 081	676	–	-36 281	–
BALANCE AS AT 31 DECEMBER 2020	–	77 987	24 048	142 054	1 198	80 130	22 299	347 716
Balance as at 1 January 2021	–	77 987	24 048	142 054	1 198	80 130	22 299	347 716
Additions	47	2 794	26	6 975	37	3 543	32 413	45 835
Disposals	–	355	–	9 548	–	–	–	9 903
Transfers	–	1 144	10 700	11 264	-160	–	-22 948	–
BALANCE AS AT 31 DECEMBER 2021	47	81 570	34 774	150 745	1 075	83 673	31 764	383 648
Accumulated depreciation								
Balance as at 1 January 2020	–	26 629	1 933	74 685	452	9 213	3 019	115 931
Additions	–	3 352	1 280	11 801	46	9 933	595	27 008
Transfers	–	107	54	2 277	115	–	–	2 553
Disposals	–	629	–	14 562	89	–	2 553	17 833
BALANCE AS AT 31 DECEMBER 2020	–	29 459	3 266	74 201	524	19 146	1 061	127 658
Balance as at 1 January 2021	–	29 459	3 266	74 201	524	19 146	1 061	127 658
Additions	–	3 380	2 057	17 212	-47	9 878	97	32 576
Disposals	–	351	–	9 480	–	–	–	9 831
BALANCE AS AT 31 DECEMBER 2021	–	32 488	5 323	81 933	477	29 024	1 158	150 403
Provisions								
Balance as at 1 January 2020	–	–	–	–	–	–	–	0
Additions	–	–	–	–	–	–	–	0
Disposals	–	–	–	–	–	–	–	–
BALANCE AS AT 31 DECEMBER 2020	–	–	–	–	–	–	–	–
Balance as at 1 January 2021	–	–	–	–	–	–	–	0
Additions	–	–	–	752	–	–	–	752
Disposals	–	–	–	–	–	–	–	–
BALANCE AS AT 31 DECEMBER 2021	–	–	–	752	–	–	–	752
Carrying amount								
Balance as at 1 January 2020	–	40 005	17 095	53 135	43	59 306	40 328	209 913
BALANCE AS AT 31 DECEMBER 2020	–	48 527	20 782	67 853	674	60 984	21 238	220 057
Balance as at 1 January 2021	–	48 527	20 782	67 853	674	60 984	21 238	220 057
BALANCE AS AT 31 DECEMBER 2021	47	49 082	29 451	68 060	598	54 649	30 606	232 493

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Property, plant and equipment do not include any separate, individually significant items. The Company does not record any property, plant and equipment which are not utilized, except for property, plant and equipment in acquisition.

The Company does not lease its property, plant and equipment to third parties. The right to use optical networks is reported in the Optical Networks category.

The company created a provision in 2021 in the amount of EUR 752 thousand, which concerns the depreciation of material for the construction of a telecommunications network.

PLEDGED ASSETS

No pledge has been established on property, plant and equipment as at 31 December 2021 (as at 31 December 2020: nil).

The Company does not have any restricted rights to property, plant and equipment as at 31 December 2021 (as at 31 December 2020: nil).

INSURANCE

The Company's non-current assets are insured within the O2 Group for damage caused by theft and natural disaster.

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10. NON-CURRENT INTANGIBLE ASSETS

in thousands of EUR	Licences	Software and valuable rights	Brand	Acquisition of intangibles	Total
Acquisition cost/Conversion cost					
Balance as at 1 January 2020	49,552	79,879	21,589	4,001	155,022
Additions	–	7,718	1,900	34,200	43,818
Disposals	–	142	–	–	142
Transfers	–	3,416	–	(3,416)	–
BALANCE AS AT 31 DECEMBER 2020	49,552	90,871	23,489	34,785	198,698
Balance as at 1 January 2021	49,552	90,871	23,489	34,785	198,698
Additions	2,736	10,001	1,942	1,780	16,459
Disposals	1,282	5,877	–	–	7,159
Transfers	33,358	1,360	–	(34 719)	–
BALANCE AS AT 31 DECEMBER 2021	84,364	96,355	25,431	1,846	207,998
Accumulated depreciation					
Balance as at 1 January 2020	20,376	59,481	21,431	225	101,512
Additions	3,469	6,357	1,901	–	11,727
Transfers	–	256	1	(257)	–
Disposals	–	136	–	(32)	104
BALANCE AS AT 31 DECEMBER 2020	23,845	65,957	23,332	–	113,134
Balance as at 1 January 2021	23,845	65,957	23,332	–	113,134
Additions	4,690	8,457	1,903	–	15,050
Disposals	724	5,876	–	–	6,600
BALANCE AS AT 31 DECEMBER 2021	27,811	68,538	25,235	–	121,584
Carrying amount					
Balance as at 1 January 2020	29,176	20,399	159	3,776	53,510
BALANCE AS AT 31 DECEMBER 2020	25,707	24,913	158	34,785	85,564
Balance as at 1 January 2021	25,707	24,913	158	1,395	52,174
BALANCE AS AT 31 DECEMBER 2021	56,553	27,817	197	1,846	86,414

The Company does not have any non-current intangible assets which are not utilized in meeting its objectives, except for non-current intangible assets in acquisition.

The Company does not lease its non-current intangible assets to third parties.

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Non-current intangible assets include a telecommunication license acquired between 2006 to 2021, key system and a brand summarized as follows:

in thousands of EUR		31 December 2021	31 December 2020
Telecommunication licence	Acquisition cost	84,365	49,520
	Carrying amount	56,554	25,707
CRM system	Acquisition cost	42,877	36,057
	Carrying amount	11,765	11,389
Brand	Acquisition cost	25,389	23,489
	Carrying amount	158	158

LIEN

No lien has been established on non-current intangible assets as at 31 December 2021 (as at 31 December 2020: nil).

The Company does not have any restricted rights to non-current intangible assets as at 31 December 2021 (as at 31 December 2020: nil).

INSURANCE

See note 9 Property, plant and equipment.

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11. LEASING

The Company especially leases sales premises, administrative and technological buildings, land for the location of telecommunications technology, vehicles and various office equipment.

Leases for the sales premises and administrative buildings are usually for a period of 3 to 5 years. Contracts may include options to extend the lease term and the amount of payments is often adjusted according to the development of the consumer price index. If it is probably that the option will be applied, it is taken into account in determining the length of the lease.

Rental of land, premises or masts where the telecommunications technology is located is usually concluded approximately for a period of 10 years, rental of vehicles for a period of 2 years. Rental of office equipment is usually short-term or a low-value underlying asset. The company has decided not to report assets for use and lease liabilities from these leases.

An overview of the rights to use leased assets in accordance with IFRS 16 reported under property, plant and equipment is given in the following table:

in thousands of EUR	2021	2020
Land and buildings for Network technology	47,876	53,289
Administrative premises	2,932	4,180
Stores	3,622	3,242
Motor vehicles	219	273
Total assets for rights and use	54,649	60,984

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An overview of lease liabilities by residual maturity is given in the following table:

in thousands of EUR	2021	2020
Less than 1 year	9,761	8,951
1 to 5 years	30,755	24,392
More than 5 years	15,514	28,705
Total lease liability	56,030	62,048

In 2021, the additions of lease liabilities are amount of EUR 3,538 thousand (2020: EUR 11,611 thousand).

An overview of lease-related transactions reported in profit or loss is given in the following table:

in thousands of EUR	2021	2020
Land and buildings for Network technology	7,342	7,271
Administrative premises	1,349	1,344
Stores	1,002	1,116
Motor vehicles	195	201
Total depreciation of the right of use	9,888	9,933
Interest expense (included in finance costs)	1,112	1,224
Costs of low-value assets not reported under current lease liabilities (included in service costs)	115	110
Variable costs not included in rental liabilities (included in service costs)	387	376

Payments for leases relating to principal during the accounting period in the amount of EUR 9,556 thousand (2020: EUR 9,741 thousand) are reported under cash flows from financing activities in the cash flow statement.

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12. CAPITALIZED CONTRACT ACQUISITION COSTS AND CONTRACT ASSETS

Capitalized contract acquisition costs are mostly commissions paid to external intermediaries directly attributable to obtaining a contract with customers (see note 3.iii Use of estimates and judgments).

in thousands of EUR	Impact of IFRS 15 application
As at 1 January 2020	6,902
Capitalization of contract acquisition costs	6,714
Amortization of contract acquisition costs	6,314
As at 31 December 2020	7,302
As at 1 January 2021	7,302
Capitalization of contract acquisition costs	7,546
Amortization of contract acquisition costs	7,239
As at 31 December 2021	7,609

Contract asset is Company's right to consideration in exchange for goods or services that the Company already transferred to a customer and has not yet invoiced. These are contracts with customers where sale of subsidized telecommunication equipment is attached to the supply of telecommunication services. The contract asset is then result of relocation of contract revenues from telecommunication services provided and recognized during the life of the contract to revenues from sale of the subsidized equipment at the point in time.

in thousands of EUR	31 December 2021	31 December 2020
Current contract assets	–	222
Non-current contract assets	–	221
TOTAL CONTRACT ASSETS	–	443

Due to the fact that the Company provides mainly services in which customers do not incur a bond or sells telecommunications equipment without a subsidy, the amount of the contractual asset has become insignificant and the Company has decided not to report this asset..

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13. DEFERRED TAX ASSET

in thousands of EUR	31 December 2021	31 December 2020
Deferred tax asset at the beginning of the period	594	3,203
Change in statement of profit or loss	(41)	(2 609)
<i>there of: effect of a change in tax rate</i>	–	–
Change in prior year profit	–	–
<i>there of: effect of a change of accounting method</i>	–	–
Deferred tax assets at the end of the period	553	594

The deferred tax assets are represented by the following items:

in thousands of EUR	31 December 2021	31 December 2020
Property, plant and equipment and non-current intangible assets	0	(5,197)
Receivables	0	1,120
Inventories	0	10
Liabilities	587	4,703
Other	(34)	(42)
Total deferred tax asset	553	594
Part realizable in 12 months	621	5,332
Part realizable later than in 12 months	(68)	(4,738)
Total deferred tax asset	553	594

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The Company has offset deferred tax assets and liabilities because there is a legally enforceable right to offset current tax assets against current tax liabilities, which relate to the same tax authority. Deferred taxes are calculated using currently enacted tax rates expected to apply in the period in which the asset is realized or the liability settled. Deferred tax rate applied to temporary differences relating to corporate income tax pursuant to Act 595/2003 Coll. on Income Tax is 21% (2020: 21%). The total deferred tax asset contains also the deferred tax liability from the special tax on business in the regulated sectors.

From 1 January 2017, the time limit of Act No. 235/2012 Coll. on Special Levy on Business in Regulated Industries ceased to be effective. Therefore, the Company recorded deferred tax liability for the special levy on business in regulated industries resulting from adjustments to the Company's profit or loss according to Decree of the Finance Ministry of the Slovak Republic No. MF/011053/2006-72 from 15 February 2016, as amended on 19 December 2006 by Decree of the Ministry of Finance of the Slovak Republic No. MF/026217/2006. To calculate the deferred tax on a special levy on business in regulated industries, the Company uses the expected coefficient of the share of the revenues from the regulated activity to the total revenues of the Company and the applicable tax rates expected to apply in the period in which the liability is settled.

The amount of the deferred tax receivable and also the payable income tax reported as at 31 December 2021 corresponds to the adjustments that need to be made on the basis of Act no. 595/2003 Coll. on income tax on the day preceding the decisive day in the tax period ending on that day.

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14. INVENTORIES

in thousands of EUR	31 December 2021	31 December 2020
Material	576	532
Merchandise	11,443	9,808
TOTAL INVENTORIES	12,019	10,340

The Company recognized a provision for slow moving material and merchandise in total amount of EUR 49 thousand (2020: EUR 49 thousand).

No lien has been established on inventories as at 31 December 2021 (as at 31 December 2020: nil).

In 2021, material in the amount of EUR 1,221 thousand, merchandise in the amount of EUR 45,005 thousand were recognized as expenses (in 2020: material in the amount of EUR 1,358 thousand, merchandise in the amount of EUR 38,249 thousand).

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15. FINANCIAL INSTRUMENTS ACCORDING TO CATEGORIES

31 December 2021 (in thousands of EUR)

Assets according to statement of financial position	Amortized cost	Nominal value	FVTPL	Total
Trade receivables, loans and other financial receivables	39,391	–	–	39,391
Trade receivables at FVTPL	–	–	51,072	51,072
Investments in subsidiaries	4,534	–	–	4,534
Investments in joint ventures	3	–	–	3
Long-term receivables	548	–	–	548
Cash and cash equivalents	–	8,933	–	8,933
TOTAL ASSETS ACCORDING TO STATEMENT OF FINANCIAL POSITION	44,476	8,933	51,072	104,480

31 December 2021 (in thousands of EUR)

Liabilities according to the statement of financial position	Amortized cost	Total
Trade payables and other financial liabilities	156,449	156,449
Loans received	116,000	116,000
TOTAL LIABILITIES ACCORDING TO THE STATEMENT OF FINANCIAL POSITION	272,449	272,449

31 December 2020 (in thousands of EUR)

Assets according to statement of financial position	Amortized cost	Nominal value	Total
Trade receivables, loans and other financial receivables	48,056	–	48,056
Investments in subsidiaries	6,934	–	6,934
Investments in joint ventures	3	–	3
Long-term receivables	10,833	–	10,833
Cash and cash equivalents	–	26,616	26,616
TOTAL ASSETS ACCORDING TO STATEMENT OF FINANCIAL POSITION	65,826	26,616	92,441

31 December 2020 (in thousands of EUR)

Liabilities according to the statement of financial position	Amortized cost	Total
Trade payables and other financial liabilities	145,646	145,646
Loans received	100,000	100,000
TOTAL LIABILITIES ACCORDING TO THE STATEMENT OF FINANCIAL POSITION	245,646	245,646

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16. TRADE AND OTHER FINANCIAL RECEIVABLES

in thousands of EUR	31 December 2021	31 December 2020
Receivables	44,366	54,982
Impairment provision	(4,975)	(6,927)
NET RECEIVABLES	39,391	48,056

in thousands of EUR	31 December 2021	31 December 2020
Receivables not impaired	20,495	6,384
Receivables impaired	23,871	48,598
TOTAL RECEIVABLES	44,366	54,982

In 2021, receivables were transferred from the category of impaired receivables to the category of non-impaired receivables, as the creation of provisions for these receivables was insignificant for the Company. The value of transferred receivables as at 31 December 2021 is EUR 13,238 thousand, which was reflected in the increase of receivables in the maturity category in the table for the age structure of non-impaired receivables and conversely, in the table for the age structure of impaired receivables, the decrease in the value of maturity receivables was reflected.

Ageing structure of receivables not impaired:

in thousands of EUR	31 December 2021	31 December 2020
Not past due	18,206	3,778
Overdue less than 90 days	1,276	2,191
Overdue less than 180 days	155	381
Overdue less than 365 days	773	13
Overdue more than 365 days	85	21
TRADE RECEIVABLES NOT IMPAIRED	20,495	6,384

These are mainly receivables from companies within the consolidated unit.

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Ageing structure of receivables impaired:

in thousands of EUR	31 December 2021	31 December 2020
Not past due	16,976	40,760
Overdue less than 90 days	3,170	3,038
Overdue less than 180 days	566	821
Overdue less than 365 days	958	1,118
Overdue more than 365 days	2,201	2,862
TOTAL RECEIVABLES IMPAIRED	23,871	48,598

Ageing structure of impairment provision:

in thousands of EUR	31 December 2021	31 December 2020
Not past due	1,347	1,767
Overdue less than 90 days	440	430
Overdue less than 180 days	302	751
Overdue less than 365 days	709	1,117
Overdue more than 365 days	2,177	2,862
IMPAIRMENT PROVISION AT THE END OF THE PERIOD	4,975	6,927

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Movements in the impairment provision:

in thousands of EUR	31 December 2021	31 December 2020
At the beginning of the period	7,143	8,627
Transfer to receivables at fair value	1,816	–
Write-offs	3,125	5,953
Impairment loss in the statement of profit or loss	2,776	4,469
IMPAIRMENT PROVISION AT THE END OF THE PERIOD	4,978	7,143

The total value of impairment provisions at the end of 2021 also includes provision for long-term receivables in the amount of EUR 3 thousand.

Long-term receivables decreased significantly in 2021 compared to 2020 due to the transfer of receivables from the financing of hardware sold to end customers from the category of receivables at amortized cost to the category of receivables at fair value. Long-term receivables consist mainly of trade receivables due to the provision of financing for the transfer of a contractual penalty from another operator in the amount of EUR 278 thousand (2020: EUR 381 thousand) as well as receivables from the provision of future discounts on the lease of the Company's administrative premises in the amount of EUR 261 thousand (2020: EUR 193 thousand).

The Company's experience in recovering receivables is reflected in the created provision. The Company also included into the value of the provision information concerning the future development of the economy (see note 4.f. Impairment). The Company's management believes that there are no other risks that would reduce the value of receivables beyond the impairment provision.

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The Company's receivables are covered by a combination of bank guarantees, blank promissory notes and collateral received as shown in the following table (at fair values):

in thousands of EUR	31 December 2021	31 December 2020
Combination of bank guarantees and blank promissory note	830	838
Collaterals received	1,023	1,302
TOTAL SECURED RECEIVABLES	1,853	2,140

Credit risks and currency risks to which the Company is exposed to and impairment provisions to trade receivables and other financial receivables are described in note 29.

As at 31 December 2021, receivables are not secured by a lien (as at 31 December 2020: nil).

The Company does not have any restricted rights to receivables.

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17. RECEIVABLES AT FAIR VALUE

in thousands of EUR	Nominal value as at 31 December 2021	Fair value as at 31 December 2021
Not past due	52,400	49,948
Overdue less than 90 days	963	635
Overdue less than 180 days	820	273
Overdue less than 365 days	675	166
Overdue more than 365 days	332	50
TOTAL RECEIVABLES AT FAIR VALUE	55,190	51,072

The development of receivables at fair value during 2021 is given in the following table:

Prehľad vývoja pohľadávok v reálnej hodnote	in thousands of EUR
Receivables as at 31 December 2020	23,126
Transfer of receivables to Level 3	(316)
Receivables as at 1 January 2021	22,810
Increase of receivables from hardware sales	51,339
Payments of receivables from hardware sales	(20,486)
Receivables securitization	–
Profit from sale of receivables	93
Receivables revaluation costs	(2,683)
RECEIVABLES AS AT 31 DECEMBER 2021	51,072

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18. LOANS RECEIVED

in thousands of EUR	Interest rate	Maturity	31 December 2021	31 December 2020
Loans received				
O ₂ Czech Republic a.s.	„6M EURIBOR p.a. + 1,70%“	30 April 2022	116,000	100,000
TOTAL LOANS RECEIVED			116,000	100,000

The Company has established a credit line with the parent company and with several banks according to the following overview:

in thousands of EUR	31 December 2021	31 December 2020
Slovenská sporiteľňa, a.s.	5,000	5,000
O ₂ Czech Republic a.s.	200,000	200,000
TOTAL AGREED LOAN FACILITY	205,000	205,000

The company does not record any loan provided. The Company provided a credit limit to O2 Business Services subsidiary in the amount of EUR 5,000 thousand.

Should the 6M EURIBOR interest rate be negative with respective interest expense also negative, the companies O2 Slovakia, s.r.o., O2 Czech Republic a.s. and O2 Business Services, a.s. will apply so called „Zero Floor“, which means that provided loan will be charged zero interest plus agreed margin.

Within the scope of financial costs or financial income, the Company reports interest on the provided, or credit received as well as from the granted and undrawn credit facility.

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19. EQUITY

SHARE CAPITAL

Total authorized and issued share capital of the Company amounts to EUR 103,203 thousand as at 31 December 2021 (as at 31 December 2020: EUR 103,203 thousand). The share capital is fully paid up. Shareholder's share represents rights and responsibilities of shareholders.

LEGAL RESERVE FUND

According to the Commercial Code the Company is obliged to create a legal reserve fund in the minimum amount of 5% of net profit (annually) and up to a maximum of 10% of share capital. As at 31 December 2021 the balance of legal reserve fund is in the amount of EUR 10,230 thousand (as at 31 December 2020: EUR 10,230 thousand). The Company has reached the maximum amount of legal reserve fund creation. The legal reserve fund may only be used to cover the Company's losses.

DISTRIBUTION OF ACCOUNTING PROFIT REPORTED IN THE PRECEDING ACCOUNTING PERIOD

The sole shareholder decided to pay dividends in the amount of EUR 52,975 thousand on 24 March 2021.

Dividends for 2020 were settled with the sole shareholder by agreement on offsetting mutual receivables dated 21 April 2021.

In 2021, the Company generated a profit of EUR 50,894 thousand and its distribution will be decided by a single shareholder.

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20. OTHER NON-CURRENT LIABILITIES

in thousands of EUR	31 December 2021	31 December 2020
Social fund	49	73
Liabilities from leasing and other payables	46,309	61,206
Provision for base stations' removal	7,303	3,117
TOTAL NON-CURRENT LIABILITIES	53,661	64,396

Lease liabilities and other payables include lease liabilities in the amount of EUR 46,269 thousand (2020: EUR 53,097 thousand) arising from the application of the new IFRS 16 (see note 11 Leasing).

Out of which: Social fund

The social fund liability is recognized as a payable to employees and its movements during the accounting period were as follows:

in thousands of EUR	Social fund
BALANCE AS AT 1 JANUARY 2021	73
Creation	171
Drawing	195
Release	—
BALANCE AS AT 31 DECEMBER 2021	49

According to the Social Fund Act, the social fund is used for social, health and other needs of employees.

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21. TRADE AND OTHER FINANCIAL LIABILITIES

in thousands of EUR	31 December 2021	31 December 2020
Trade payables	60,522	45,393
Unbilled supplies	25,177	21,269
Leasing liabilities	9,761	8,951
Tax liabilities (except for income tax)	3,243	1,779
Employees	4,086	3,859
TOTAL CURRENT LIABILITIES	102,789	81,251

Ageing structure of current liabilities:

in thousands of EUR	31 December 2021	31 December 2020
Not past due	101,963	80,754
Overdue less than 180 days	709	239
Overdue less than 365 days	25	101
Overdue more than 365 days	92	157
TOTAL CURRENT LIABILITIES	102,789	81,251

The structure of liabilities according to their maturity is presented in note 27, part Liquidity risk.

Trade payables and other financial liabilities are not secured by a lien or any other form of security.

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22. CONTRACTUAL OBLIGATIONS

Contractual obligation is the Company's obligation to deliver goods or provide services for which the Company has already received the consideration from the customer. Contractual obligations include a commitment to prepaid telecommunication service customers on prepaid cards. The revenue is recognized when the call or data transfer is made, other services are provided or expiry of the card's life and associated prepaid credit.

in thousands of EUR	31 December 2021	31 December 2020
Current Contractual obligations	7,901	7,299
Non-current Contractual obligations	–	–
TOTAL CONTRACTUAL OBLIGATIONS	7,901	7,299

For the year audited 31 December 2021, the Company recognized a revenue from contractual obligations in the amount of EUR 7,299 thousand, which were recognized on the balance sheet as at 31 December 2020

In the following year, the Company expects to recognize revenue in the amount of EUR 7,901 thousand in respect of contractual obligations from prepaid but not yet delivered services.

23. REVENUES

in thousands of EUR	2021	2020
Revenue from sale of services	245,517	236,927
Revenue from sale of merchandise	52,680	46,154
Other revenue	3,606	3,749
REVENUE TOTAL	301,803	286,830

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24. EXTERNAL PURCHASES

in thousands of EUR	2021	2020
Telecommunication services	42,660	41,847
Merchandise sold	45,005	38,249
Dealer commissions	17,946	16,679
Marketing costs	10,141	8,896
Outsourcing of services within the Group and from external suppliers	11,455	10,796
Lease	2,756	526
Energy consumption	5,957	5,172
Repairs of property, plant and equipment	3,381	3,159
Legal and consulting services	569	1,097
Other	3,162	4,475
Total external purchases	143,032	130,896

Expenses related to audit of financial statements in the year ended 31 December 2021 amounted to EUR 35 thousand (2020: EUR 36 thousand).

On 24 March 2021, KPMG Slovensko, spol. s r.o. was appointed as an independent auditor for the period ended 31 December 2021.

In the year ended 31 December 2021, expenses related to tax advisory provided by the independent auditor were in the amount of EUR 12 thousand (2020: EUR 10 thousand). The independent auditor did not provide any other services.

These expenses are included among Legal and consultancy services.

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25. PERSONNEL COSTS

in thousands of EUR	2021	2020
Wages and salaries	20,156	19,717
Social security	6,573	6,541
Total personnel costs	26,729	26,258

26. OTHER EXPENSES

in thousands of EUR	2021	2020
Fees paid to the Group	195	221
Fees to Telecommunication Office for frequencies	4,665	4,487
Other	797	489
Total other expenses	5,657	5,198

27. FINANCE INCOME AND FINANCE COSTS

in thousands of EUR	2021	2020
Interest expense	3,690	4,072
Exchange rate losses	313	318
Other financial expenses	334	2,520
Total financial expenses	4,337	6,910

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in thousands of EUR	2021	2020
Interest income	26	33
Gain on sale of receivables at fair value	246	285
Exchange rate gains	93	0
Total financial income	365	318

The Company manages the underlying receivables during the validity of the investment certificates, therefore it is reported a service obligation in accordance with IFRS 9. The balance of the service liability at the end of the accounting period was in the amount of EUR 61 thousand (2020: EUR 758 thousand).

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28. TAX EXPENSES AND RECONCILIATION OF THE EFFECTIVE TAX RATE

in thousands of EUR	2021	2020
Deferred tax	41	2,609
Special levy on business in regulated industries	2,996	3,290
Current tax	12,968	12,443
Total tax expenses	16,005	18,342

In accordance with Act No. 235/2012 Coll. on Special Levy on Business in Regulated Industries and on Amendments and Supplements to certain laws in the wording of Act No. 440/2012 Coll., the Company considers itself a regulated legal person. Consequently, the Company is obliged to pay a special levy provided that its profit for the accounting period exceeds EUR 3,000 thousand.

The levy is determined on the basis of the latest known profit before tax adjusted according to Decree of the Finance Ministry of the Slovak Republic No. MF/011053/2006-72 from 15 February 2006, as amended on 19 December 2006 by Decree of the Ministry of Finance of the Slovak Republic No. MF/026217/2006 and multiplied by the coefficient determined as the proportion of revenues generated from activities in the regulated area (electronic communications under a general authorization or an individual right-to-use numbers or frequencies) to the total revenue of the Company. The rate of levy is 0.00363 (Act No. 235/2012 Coll. – article 6) paid on a monthly basis.

in thousands of EUR	2021	2020
Profit before tax	66,899	71,318
Theoretical tax of 21%	14,050	14,977
Special levy on business in regulated industries	2,996	3,290
Permanent differences	(975)	75
2020 tax surcharge	(66)	–
Total tax expenses	16,005	18,342

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29. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

The Company is exposed to various financial risks due to its activities. The Company's overall risk management focuses on unpredictability of financial markets and economic environment and pursues to minimize potential adverse impacts on the Company's financial results.

Financial instruments include cash, a capital instrument of another accounting entity, any arrangement entitling to gain or binding to provide cash or another financial asset or any arrangement entitling or binding to exchange financial assets and liabilities.

The main risks arising from financial instruments used by the Company are market risk, credit risk and liquidity risk. The financial department is responsible for financial risk management based on rules approved by the parent company.

Market risk management

The market risk represents risk of fluctuations in fair value of future cash flows of a financial instrument due to changes in market prices. The market risk includes currency, interest rate and other price risks.

Currency risk

The currency risk represents the risk of fluctuations in fair value of future cash flows of a financial instrument due to changes in foreign exchange rates.

The Company is exposed to movements in the American Dollar, Czech Crown and reserve currency created by the International Monetary Fund XDR (Special Drawing Rights) which represents a minimum risk in connection with the position of these currencies on the total amount of liabilities/assets and therefore no sensitivity analysis was performed.

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Overview of financial receivables in foreign currencies translated at the exchange rate as at 31 December 2021 to EUR is as follows:

in thousands of EUR	XDR	Total
Not past due	163	163
Overdue less than 180 days	56	56
Overdue less than 365 days	–	–
Overdue more than 365 days	20	20
TOTAL CURRENT RECEIVABLES	239	239

Overview of financial liabilities in foreign currencies translated at the foreign exchange rate as at 31 December 2021 to EUR is as follows:

in thousands of EUR	CZK	USD	XDR	Total
Not past due	74	233	1,134	1,441
Overdue less than 180 days	–	–	121	121
Overdue less than 365 days	–	–	22	22
Overdue more than 180 days	–	–	53	53
TOTAL CURRENT LIABILITIES	74	233	1,330	1,638

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Interest rate risk

Revenues, expenses and operating cash flows of the Company are not significantly affected by changes in market interest rates.

In June 2016, the Company entered into an agreement on revolving with parent company O2 Czech Republic, a.s. As of 31 December 2021, the balance of drawn loan was in the amount of EUR 116,000 thousand (2020: EUR 100,000 thousand). The Company was granted a credit line up to the of EUR 200,000 thousand.

The Company's management considers the risk of significant fluctuations in the interest rate of this loan as insignificant and therefore, no sensitivity analysis with respect to interest rate changes was performed.

The Company's management does not use hedging instruments to manage the risk of variable interest rate.

Other price risks

Other price risks arise in the case of financial instruments, for example, due to changes in prices of commodities or shares. The Company is not exposed to any significant price risk.

Credit risk

Credit risk represents the risk that one party to a financial instrument causes financial loss to another party by failing to fulfil an obligation.

The Company is exposed to credit risk resulting from its operating activities. The Company's rules for credit risk management define maturity and limits for individual partners. The Company decreases the credit risk of partners by using bank guarantees or blank promissory notes.

Concentration of credit risk in connection with trade receivables is limited due to the Company's large client base. Additionally, if the client fails to pay the outstanding amount for provided services even after follow-up notices, the Company limits outgoing calls to the client and subsequently the provision of services is interrupted.

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The Company uses bad debt provision matrix to estimate expected credit losses from receivables that consist of small balances from large number of customers.

Allowances rates are calculated using the „roll rate“ method based on the probability that the receivable falls through the stages of the delinquency until its write-off.

Percentage losses are based on actual credit losses over the previous six years. They are adjusted for the expected revenue from the sale of receivables. The Company usually sells receivables that are more than 1 year but less than 2 years overdue.

Credit risk and impairment of receivables for significant receivables is assessed individually.

The summary of the ageing structure of short-term receivables is disclosed in Note 16. Receivables which were overdue as at the reporting date without impairment are kept from creditworthy partners with good payment discipline. On the basis of past experience with payment discipline of these contractual partners the Company's management is convinced that no impairment of these receivables is necessary.

The Company is also exposed to the risk of insolvency in connection with trade receivables, which are measured at fair value through profit or loss. The maximum exposure to insolvency risk in this case is the current carrying amount of these receivables.

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LIQUIDITY RISK

The liquidity risk represents risk that the Company will have difficulties in fulfilling obligations relating to financial liabilities which are settled using cash or other financial assets.

The Company's liquidity risk mitigation policy defines the level of cash, cash equivalents and credit resources available to the Company to enable meeting its obligations in a timely manner.

The table below shows financial liabilities of the Company, based on undiscounted cash flows taking into account the earliest possible dates when the Company may be required to pay off these liabilities.

in thousands of EUR	31 December 2021	31 December 2020
Without maturity	–	–
Maturity up to 180 days	212,394	175,946
Maturity up to 365 days	7,669	5,667
Maturity more than 365 days	53,661	64,034
Total liabilities	273,724	245,647

In the category Maturity within 180 days, the financial liabilities of the Company include received loan from the parent company in the amount of EUR 116,000 thousand. The distinction between available assets and liabilities is covered by the possibility of extending the parent company's loan. The provided credit line can be drawn up to the amount of EUR 200,000 thousand.

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The table below shows information about the Company's expected maturity of non-derivative financial assets. The table was prepared based on undiscounted contractual maturity of financial assets including interest income from these assets.

in thousands of EUR	31 December 2021	31 December 2020
Without maturity	8,933	26,616
Maturity up to 180 days	63,056	46,510
Maturity up to 365 days	16,595	11,110
Maturity more than 365 days	16,338	10,623
TOTAL RECEIVABLES AND CASH AND CASH EQUIVALENTS	104,922	94,859

Financial assets and liabilities offsetting

The following financial assets were subject to offsetting, netting agreements and similar agreements enabling offsetting:

in thousands of EUR	31 December 2021	31 December 2020
Trade and other receivables prior to offsetting	91,104	50,546
Gross offset amount	(1,346)	(2,490)
TRADE AND OTHER RECEIVABLES AFTER OFFSETTING	89,758	48,056

The following financial liabilities were subject to offsetting, netting agreements and similar agreements enabling offsetting:

in thousands of EUR	31 December 2021	31 December 2020
Trade and other payables prior to offsetting	104,134	83,741
Gross offset amount	(1,346)	(2,490)
TRADE AND OTHER PAYABLES AFTER OFFSETTING	102,788	81,251

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The Company records no financial assets and financial liabilities which would be subject to offsetting agreements and which were not offset in the balance sheet.

Capital risk management

The Company is not subject to external capital requirements.

The primary objective of the Company's capital management is to ensure support of its business activities and maximize the shareholder value, taking into account guidelines of the parent company. In 2021, there were no changes carried out in objectives, principles and procedures.

The capital structure of the Company consists of the shareholder's equity which includes share capital, reserve fund and retained earnings from previous periods. The Company's management manages the capital measured with equity in the amount of EUR 164,417 thousand as at 31 December 2021 (as at 31 December 2020: EUR 166,498 thousand).

The Company may adjust the profit share paid to the shareholder or refund part of the capital to the shareholder in order to maintain or adjust the capital structure. The Company ensures capital management in co-operation with the parent company.

Fair value estimation

The carrying amount of each class of the Company's financial instruments approximates their fair value. The carrying amount of trade receivables, less provisions for bad and doubtful receivables, the carrying amount of other trade financial payables, loans and borrowings as well as the carrying amount of liabilities approximates their fair value. In case of short-term receivables and payables the impact on their present value is insignificant.

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30. RELATED PARTY TRANSACTIONS

Identity of related parties

Related parties of the Company are related companies within the group as well as their statutory bodies, directors, executive directors. The parent company is O2 Czech Republic a.s. In 2021, the majority shareholder of the parent company were companies within PPF Group controlled by Mrs. Renáta Kellnerova (detail in Note 1, part Information about the ultimate parent).

All related party transactions were conducted on arms-length basis. The balances of receivables and payables are not interest bearing, not secured and payments are expected in cash or in form of offsetting.

Balances of financial assets are reviewed for impairment as at the reporting date. No value adjustment was recorded due to impairment.

Receivables, payables, expenses and revenues with related parties are disclosed in the following tables:

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1. TRANSACTIONS WITH THE PARENT COMPANY

Assets and liabilities from transactions with the parent company are stated in the following overview:

in thousands of EUR	31 December 2021	31 December 2020
Trade and other receivables	3,346	3,298
Provided short-term loans	116,000	100,000
Trade payables	4,025	3,838

The Company realized the following transactions with the parent company:

in thousands of EUR	2021	2020
Sales of merchandise and services	944	745
Purchase of services	9,234	9,495
Financial expenses	2,473	2,746

As at 31 December 2021 the Company paid dividends to the parent company for 2020 in the amount of EUR 52,975 thousand.

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2. TRANSACTIONS WITH SUBSIDIARY

Assets and liabilities from transactions with subsidiary are stated in the following overview:

in thousands of EUR	31 December 2021	31 December 2020
Shares in companies	4,528	6,927
Acquisition of merchandise and property, plant and equipment	–	17
Trade and other receivables	1,741	1,839
Provided short-term loans	2	14
Trade payables	945	710

The Company realized the following transactions with subsidiary:

in thousands of EUR	2021	2020
Sales of merchandise and services	3,981	2,595
Purchase of services	4,461	3,419
Finance income	26	33

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3. TRANSACTIONS WITH OTHER RELATED PARTIES

Assets and liabilities from transactions with other related parties within the PPF Group and Tesco Mobile Slovakia, s.r.o. are stated in the following overview:

in thousands of EUR	31 December 2021	31 December 2020
Shares in companies	3	3
Trade and other receivables	1,147	920
Trade payables	3,134	4,274

Selected assets and liabilities from transactions with other related parties within the PPF Group and Tesco Mobile Slovakia, s.r.o. are stated in the following overview:

in thousands of EUR	2021	2020
Sales of merchandise and services	2,860	3,313
Purchase of merchandise and services	12,985	12,268

The list of companies from the PPF Group which the Company realized transactions in 2021 with, includes the following companies:

Česká telekomunikační infrastruktura a.s., PPF Telecom Group, Air Bank and CME.

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31. INFORMATION ON INCOME AND REMUNERATION OF KEY MANAGEMENT MEMBERS

Among key management members in 2021, 10 in total (2020: 9) are members of the executive management of the Company.

in thousands of EUR	2021	2020
Short-term employee benefits	1,382	1,441
Total	1,382	1,441

32. CONTINGENT LIABILITIES

Litigations and claims

The Company is not a participant in any litigations or claims except for ordinary business litigations. No significant adverse impact of litigations on the Company's financial position, results of operating activities or cash flows is expected.

Uncertainties in tax legislation

As many areas of the Slovak tax law have not been sufficiently tested in practice, there is some uncertainty as to how the tax authorities would apply them. The extent of this uncertainty cannot be quantified. The probability of imposing an additional tax will be reduced only when there are precedents or official interpretations by the tax authority. The management of the Company is not aware of any circumstances that would incur significant costs for the Company.

Other financial liabilities

As at 31 December 2021 the Company has contingent financial liabilities in the amount of EUR 85 thousand (31 December 2020: EUR 186 thousand) which they committed to provide to its customers after all conditions are met.

Separate financial statements for the year ended 31 December 2021

O2 Slovakia, s.r.o. | 2021 Annual Report

NOTES TO SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

33. INVESTMENT AND OTHER COMMITMENTS

in thousands of EUR	31 December 2021	31 December 2020
Investment and other commitments contracted but not included in the financial statements yet	16,666	2,997
Total investment and other commitments	16,666	2,997

These commitments mainly relate to building of a telecommunication network, optical transfer network and exchange of equipment in sales points.

34. SUBSEQUENT EVENTS

By decision of the sole shareholder on 12 December 2021 and with effect from 1 January 2022 was appointed to the position of Supervisory board member JUDr. Michal Krejčík.

By decision of the sole shareholder on 25 April 2022 was determined that the Company will be split-up into two separate companies, O2 Slovakia, s. r. o. a O2 Networks, s. r. o.. The main business activity of O2 Slovakia, s. r. o. will be the provision of electronic communication services, the main business activity of O2 Networks, s.r.o. will be the provision network services. The decisive date was set for January 1, 2022. Both companies will have the same owner on the date of incorporation. Details on the method of split-up can be seen in the published split-up project in the Gazette.

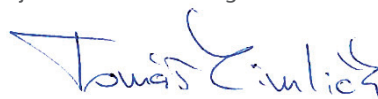
On 13 April 2022 there was a change of sole shareholder of the Company. The new sole shareholder is PPF Comco N.V.. The previous sole shareholder was the company O2 Czech republic a.s.. The change of sole shareholder does not constitute the change of the ultimate benefit owner.

No other events with a material impact on the true and fair presentation of facts subject to the accounting occurred after 31 December 2021.

16 May 2022



Mgr. Igor Tóth, PhD.
Chief Executive Officer



Ing. Tomáš Kimlička
Chief Financial Officer