2022 Annual Report

orange™

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Chapter 1
Orange Slovensko, a.s.

Orange Slovensko, a.s. - Member of the Global Orange Group

Registered Office

Metodova 8, 821 08 Bratislava, Slovak Republic

Company Identification Number (IČO)

35697270

Date of Entry in the Commercial Register of the Slovak Republic

3 September 1996

Legal Form

Joint-stock Company

Identification of the Entry in the Commercial Register

Registered in the Bratislava III City Court Commercial Register, Section: Sa, Insert No.: 1142/B

Description of the Company

Orange Slovensko, a.s. is a leader in providing comprehensive telecommunications services, and the largest mobile network operator in Slovakia.

It has been operating on the Slovak market since 1997. As at 31 December 2022, Orange Slovensko, a.s. had 2,478 million active mobile network customers, 321 thousand fixed Internet customers, and 194 thousand digital TV customers. As at 31 December 2022, the revenues of Orange Slovensko, a.s. reported according to IFRS standards amounted to EUR 570 million.

Orange Slovensko, a.s. is a member of the international Orange Group, which is one of the world's leading telecommunications operators. As at 31 December 2022, revenues of the Orange Group amounted to EUR 43.5 billion, with 287 million customers using its services in 26 countries worldwide.

The company provides mobile services through the 2G network covering 99,8% of the population, the 3G network available to 95% of the Slovak population, the 4G network available to 99.1% of the Slovak population and even through the 5G network with maximal theoretical speed up to 1 600 Mbit/s. Fixed Internet from Orange, whether via fiber-optic network, DSL or fixed LTE, is the most accessible Internet in Slovakia, with access for almost 1.8 million households, what represents up to 97.3% of households in Slovakia, while the fiber-optic network from Orange is available to 576 457 households in 70 towns and fiber-optic services provided by Orange through partner networks are available to 543 834 households in 607 towns and municipalities of Slovakia.

The quality of services provided by Orange Slovensko, a.s. is compliant with the ISO 9001:2000 certificate criteria; in addition, Orange Slovensko, a.s. holds an environmental management certificate pursuant to the ISO 14001:2004 standard. Long term, the company is active in CSR and corporate philanthropy. This area is covered by Nadácia Orange (Orange Foundation), which is recognized as the most trusted corporate foundation in Slovakia.

The 100% shareholder of Orange Slovensko, a.s. is the Orange Group, via Atlas Services Belgium.

Company Bodies

Board of Directors

Chairman:

Mariusz Gatza

Members:

Katarína Boledovičová
Eve Bourdeau
Pawel Galej
Eric Maintenay

Supervisory Board

Chairman:

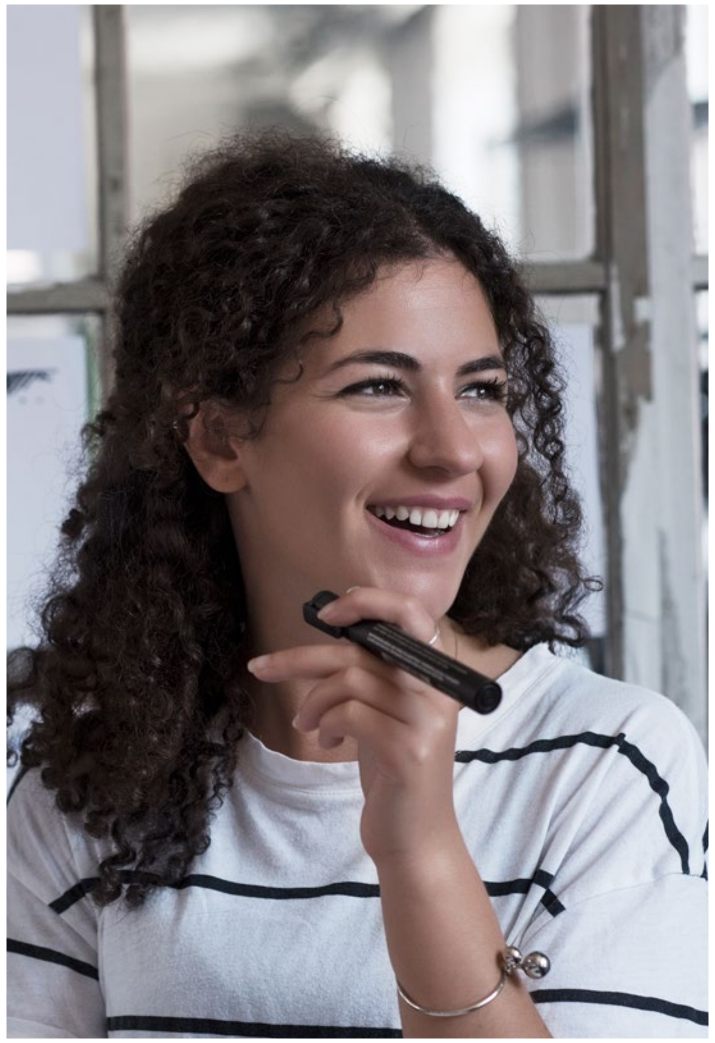
Bruno Duthoit

Vice-Chairman:

Christian Urs Luginbühl

Members:

Igor Berta
Jean-Marie Culpin
Gilles Deloison
Ľuboš Dúbravec
Marc Ricau
Marcela Rédlerová
Milena Harito Shteto
Peter Škodný



Company Management

Chief Executive Officer

Mariusz Gatza

Chief Customer Experience & B2B Officer

Katarína Boledovičová

Chief Financial Officer

Eve Bourdeau

Chief People & Culture Officer

Ivana Braunsteinerová

Chief Commercial Officer B2C

Pawel Galej

Chief Technical & IT Officer

Eric Maintenay

Chief Strategy Officer

Martin Mosný

Chief Corporate & Brand Reputation Officer

Tomáš Palovský

TEAM

Mariusz Gatza
Chief Executive Officer and Chairman of the Board of Directors

Born in 1973. He has a master's degree in civil engineering from the Polytechnic University of Bydgoszcz, also studied management at the University of Warsaw and received an MBA from the University of Illinois. Mariusz Gatza has more than 20 years of experience in Orange Poland where he has held various senior positions, including Deputy General Manager responsible for business and residential segments. After successfully serving as CEO in Orange Moldova in the years 2020-2022, in 2022 he became CEO and Chairman of the Board of Directors of Orange Slovensko, a.s.

Katarína Boledovičová
Chief Customer Experience & B2B Officer

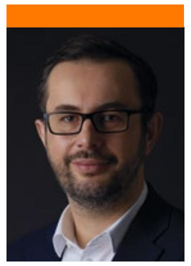
Born in 1981. She graduated from the Faculty of Mathematics, Physics and Informatics at the Comenius University in Bratislava. For more than 17 years, she worked in several positions in the banking sector, most recently leading the retail strategy and digital transformation of the Raiffeisen Group, within which she was primarily responsible for strategic projects, ESG, customer experience, digital transformation and innovation, and the overall business results of 13 countries. She was a member of the supervisory boards of Raiffeisen Bank International - in Serbia, Bulgaria and Austria. In Slovakia, she led the area of private banking, retail segments and sales at Tatra banka. She joined Orange Slovakia in January 2023 as Chief Customer Experience & B2B Officer.

Eve Bourdeau
Chief Financial Officer

Born in 1982. She graduated from INSEAD, she has an engineering master's degree from INSA LYON University and a business master's degree in Strategy and Management of International Business at ESSEC Business School in Paris. Eve Bourdeau worked on various positions within the Orange Group a.s., for instance, between 2006-2010, she was active in the position of Mergers and Acquisitions Manager, between 2010-2013, in the position of Sales Director in Orange France, from 2014 in the position of Chief Financial Officer for the Asia Pacific region in Orange Business. She has been in the position of Chief Financial Officer in Orange Slovensko, a.s. since September 2020. In 2023, she was appointed Chairwoman at the Board of Directors of Nadácia Orange (Orange Foundation).

Ivana Braunsteinerová
Chief People and Culture Officer

Born in 1974. She received her master's degree at the Faculty of Arts of the Comenius University in Bratislava in the fields of German Studies and Social Pedagogy, while she also completed part of her studies at the University of Koblenz in Germany. She has been working in the field of human resources management since 2002, she was active in several companies in the automotive industry and retail business. From 2011 to 2017, she worked in the position of HR Country Manager in the company Lidl Slovenská republika, v.o.s. She joined Orange Slovensko, a.s. in 2018 as Human Resources Director, in the years 2020 - 2022 she was a member of the Board of Directors of Nadácia Orange (Orange Foundation).



Pawel Galej
Chief Commercial B2C Officer

Born in 1978. He received his master's degree at the University of Wrocław and started his professional career at Cyfrowy Polsat, which was the leader in the field of pay TV on the Polish market. In the years 2006 - 2017, he held various positions in the field of marketing at Orange Poland, among others, he worked as TV and Broadband Director. In the years 2018 - 2022, he worked as Sales & B2C Operations Director in Orange Poland, where he managed the transformation of the largest telecommunications distribution network in the region of Central Europe. He joined Orange Slovensko, a.s. in 2022 as Chief Commercial B2C Officer.

Eric Maintenay
Chief Technical & IT Officer

Born in 1961. He graduated in electrical engineering at the Aix-Marseille University. He has been working in Orange Slovensko, a.s. from 1997 when he started his career as Operation Manager in Banská Bystrica. Between 2002 - 2008, he was responsible for quality and operations activities within the technical division, later he was in the positions of Network Engineering Manager and Deputy Chief Technical and IT Officer. In July 2020, he became Chief Technical and IT Officer in Orange Slovensko, a.s.

Martin Mosný
Chief Strategy Officer

Born in 1973. He studied telecommunications at the Faculty of Electrical Engineering and Information Technology of STU in Bratislava, where he received his engineer's degree. He expanded his education in economics and management at the University of Economics in Bratislava and IFL Stockholm. He applied his knowledge in companies such as Telenor Netherlands, Vizada Networks or Siemens in Slovakia and also in Austria. Martin Mosný came to Orange Slovensko, a.s. from SWAN, from his latest position of Director of Business Development. He joined SWAN in 2008 as Director of Strategy and Development. From July 2015, he led the company as Executive Director, and later as General Director. He joined Orange Slovensko in 2020, since July 2022 he has been active in the position of Chief Strategy Officer.

Tomáš Palovský
Chief Corporate & Brand Reputation Officer

Born in 1983. He graduated from the Faculty of Humanities at the University of Žilina. During and after his studies, he worked in several media specialised in economics, business and technology. As Senior Editor, he focused on information management, digital projects and innovations. After moving to the field of corporate communication and public relations, he strategically addressed these topics in the telecommunications and financial sectors. He joined Orange Slovensko, a.s. in 2017 as Corporate Relations Manager, since 2022 he holds the position of Chief Corporate & Brand Reputation Officer.

Federico Colom Artola
Chief Executive Officer and Chairman of the Board of Directors
(until March 2022)

Radoslav Barka
Sales Department Director for Residential Customers
(until September 2022)

Martin Hromkovič
Marketing Director for Residential Customers and Brand
(until December 2022)

Vladislav Kupka
Director of Customer Service Department
(until November 2022)

Zuzana Nemečková
Director of Sales and Marketing for Business Customers
(until December 2022)

Luis de Torres Iglesias
Director of Strategy, Legal and Wholesale Department
(until June 2022)

We will always find each other

Chapter 2
Letter from the CEO

Letter from the CEO

Dear Ladies and Gentlemen,

the year 2022 was already the 25th year in which Orange focused on being able to offer its customers the most advantageous way of using mobile and fixed network services, in terms of price, number of benefits and overall value. All the activities we carried out in the past year were performed under the banner of strategic direction of Orange, mainly focused on improving the customer experience across all channels, intensifying digital transformation and continuing to develop new areas, including ICT and the Internet of Things. I am absolutely delighted that for the first time in the position of CEO of the largest mobile operator on the Slovak market, I had the honour of being able to guide you through the activities we implemented, the challenges we faced and the results we achieved in 2022. It was an extraordinary year, also rich in dramatic events and many facts that moved us forward and thanks to which we were able to get closer to fulfilling our primary mission, which is to connect customers with what matters most to them.

In 2022, the entire telecommunications market had to face a difficult reality – after the complicated period of the pandemic, another shock came in connection with the war situation in Ukraine.

The economic situation and inflationary trends have represented a big and new challenge. Even in times of high inflation and sharp increases in energy prices, we wanted to maintain the high standard of quality of our services, including availability, reliability, security and speed of the mobile and fixed networks that our customers are used to.

In this context, last year we intensively focused on cost discipline and setting up useful innovations to at least partially mitigate these impacts. One example could be accelerating the construction of solar power for our mobile base stations – we are the market leader in this green approach. At the same time, we were forced to adjust our portfolio of services that we consider to be a significant step of the previous year. The new generation of services brought new and more attractive secure mobile flat rates with a larger volume of data, faster secure fixed internet programs and a richer TV offer regarding the programs. With a renewed and enriched offer, we responded to the changing needs of customers, namely in the area of security, data consumption, connection speed, but also entertainment.

We introduced the Go Safe flat rates with an automatic option to activate the new unique Online Protection service, which protects the customer and their devices from cyber threats of the Internet, such as viruses, spam, phishing, malware, and the like. What makes this service unique is that customers of this service do not have to install any special application on their mobile phone, tablet, laptop or other device. The service protects the customer at the network level, which means that it can block malicious content before it could reach the device, a later addition to the service was a new application for Android and iOS to protect devices even outside our mobile network (e.g. in roaming). At the end of the year, about 60,000 customers have been using the Online Protection service. I also consider the fact that our customers use services in the highest-quality mobile network, which is also the most affordable, and what's more - thanks to the Online Protection service, they can feel really safe in it.

We consider the repeated, third award in a row to be the best quality mobile network in Slovakia for a significant recognition of our efforts to provide customers with the highest quality.

In addition to our focus on quality, we naturally also focus on making our network increasingly accessible. By the end of the year, we reached 25% coverage of the population with a high-speed 5G network, while our investment plan includes further acceleration of coverage in the following period, as long as market conditions in terms of investments are going to be favourable. This year, we would like to minimally double the 5G network coverage, our primary focus will be oriented on towns.

Although in a difficult competitive environment, we still maintain the first position at the mobile market, our priorities and activities are long-term focused on connecting services in mobile and fixed networks. We know that customers expect more than just one service from their operator, they expect quality solutions that meet the specific needs of their household or company. Therefore, in long term, we have been strategically focusing on convergence, i.e. mobile and fixed services in one package. We consider this to be key for the long-term success of any company on the telecommunication market. Thanks to the connection of services into one package, we offer our customers higher value and various benefits, which we are constantly making more attractive. Connecting services and the Love service package, with which customers get everything they need for entertainment and communication, has been and is our long-term strategic priority.

The year 2022 was also exceptional for Orange in the business customer services segment. Among the notable milestones belonged, for example, the more significant expansion of the 5G network and the practical application of this technology, new services in the field of cyber security, or achievements and further development in the field of the Internet of Things.

During the year 2022, we also started several academic projects in the field of 5G or presented the real application of this technology in practice. The partnership with the Slovak Technical University brings support to Orange in the field of research related to coverage of mobile networks for their use by autonomous drones in various situations - for example, with the aim of speeding up the logistics of biological samples from collection points to the laboratory.

Another important milestone of the company was signing of a memorandum with the University of Žilina in Žilina, through which Orange and the university jointly opened a discussion on cooperation in the field of digital 5G solutions for the Slovak industry.

We consider the field of Internet of Things (IoT) for the future that carries enormous possibilities. It has great potential to make regular tasks more efficient and simplify them, which can take off the load of employees and thus make the use of human resources more efficient. For the intelligent measurement system that the company developed for the stores network of COOP Jednota, Orange won the prestigious award for metrology for the year 2021. An important milestone of 2022 for IoT in Orange was also the launch of LTE-M and NB-IoT networks for the Internet of Things. This means even better availability of services and new possibilities for using smart solutions.

Similar to the previous period, also in the past year our attention continued to be targeted at the field of cyber security and safe use of the Internet. Security risks are becoming progressively sophisticated, so protection against them is still increasingly important - both for individuals and companies. In particular, small and medium-sized companies usually do not deal with their cyber security systematically, either because of their limited budget or lack of specialists in the company. That is also why we have added a new company cyber audit service to the product portfolio for business customers. Additionally, we also devoted ourselves to our primary topic, the safety of children and young people on the Internet. We launched the website www.beznastrah.online in February, later we introduced the publication “Without Pitfalls Online” (Bez nástrah online) which is dedicated to parents, teachers and anyone who cares about keeping children and young people safe while discovering the benefits of the Internet.

Another area we pay extra attention to is customer care and providing quality service for our customers. We were forced to react flexibly to the change of customer behaviour related to the Covid pandemic, or post-pandemic customer habits, but also to the gradual shift towards digital tools. Digital channels, which we focus our attention on and constantly improve them, are becoming increasingly popular and more effective points of contact for our customers. We are very happy to see growing trends in the use of digital communication tools such as Facebook, Chat, WhatsApp. Their use has increased by 24% compared to the previous year, and of the total number of contacts, the digital channel makes up 17% of all contacts, which represents a 5% increase compared to the previous year. We also enable customers to obtain information via a chatbot which is available nonstop and can provide advice in a wide variety of areas. We also register a significant increase in active users of the My Orange application. Their number increased by 20% year-on-year and significantly exceeds 400,000 users per year. We are also successful in expanding the range of customers who use the ecological way of invoice delivery. Up to 83% of our customers use electronic invoices and it enables us to save almost 4,000 trees a year. This is also one of numerous activities to support our priority where also environmental protection and impacts of climate changes remain to be.

In line with the Paris Agreement, we set out to achieve clean zero carbon emissions by the year 2040. By 2025, we aim to reduce our CO_2 emissions by 30% compared to 2015, increasing the share of renewable energy that by 2025 will make up more than 50% of the group's energy mix and collect 25% of old mobile devices compared to the total sales of mobile devices per year. One of the significant activities is the Collection of old mobile phones campaign, with which we try to educate the public in the area of sustainability and recycling of e-waste. It has been going on since 2013 and so far, it has been successful in separating and recycling more than 398,000 old mobile phones. Last year, also thanks to cooperation with ASEKOL SK, together with children and our customers, whether at schools or stores, we managed to collect over 28,000 mobile devices.

I am very proud that we introduced our unique and original activity to the public towards the end of the year, thanks to which we convert solar energy into signal for our customers. As the first and only operator in Slovakia, we already have 210 transmitters with solar power in operation, thanks to which we reduce our carbon footprint by hundreds of kilograms of carbon dioxide per year. At the same, in this way we can save tens of percent of electricity, which is extremely important not only in the era of energy crisis.

After two pandemic years, we entered 2022 full of expectations of positive events. However, 24 February, when Russia started its aggressive invasion of Ukraine, showed us that peace, tranquillity and democracy, which we often take for granted, are very special and fragile values. That is why we immediately initiated several forms of aid to people fleeing from Ukraine that made their communication easier. Free calls between Ukraine and Slovakia were available, and our colleagues, without hesitation, travelled directly to the Ukrainian border the day after the conflict broke out, where they distributed SIM cards with prepaid data and credit to the refugees. Over 10,000 of them were distributed in a few days. I owe those colleagues my expression of big thanks for this act.

In addition to the unfavourable development of global events, we continued to focus on our primary topic, the safety of children and young people on the Internet. In February, we launched the website www.beznastrah.online, later we introduced the publication “Without Pitfalls Online” which is dedicated to parents, teachers and everyone who cares about children and young people staying safe while discovering the benefits of the Internet.

Our Nadácia Orange (Orange Foundation) swiftly responded to the overall social situation. Together with long-term partners, Nadácia Orange (Orange Foundation) provided adequate assistance to refugees not only on our territory, but also to people who remained on the territory of Ukraine. In addition, it promoted and supported activities in its long-term strategic areas, such as digital skills, the safety of children on the Internet and the support of an active community in the regions of Slovakia. In total, it redistributed a sum exceeding EUR 640,000 and supported 121 projects and initiatives.

The year 2022 was demanding and intense at the same time, we were going through changes on the market and on the internal level of our company. I know that it was not easy and I appreciate the work of each and every of our 1 119 employees and their commitment in new and often more demanding conditions. Thanks to our cost discipline and bold steps on the commercial levels, also thanks to the continuous effort to maintain the highest standard of our services, our conviction that what we do, we do correctly, and at the same time the help building a sustainable society, we managed to fulfil our strategic goals and we achieved the expected economic results. I honestly believe that many of our decisions taken in 2022 will also positively contribute to the mitigation of expected and unexpected obstacles in the years to come.

Dear Partners, Customers, and Employees, the market in which we operate is increasingly competitive, and this competitive dynamic is accelerating in a macroeconomic environment which is more challenging than ever. The goals of our company for the coming years are clear, we want to be the fastest growing challenger on the fixed market and an indisputable leader in the mobile segment. We want to be a convergent player that customers choose and appreciate. We want to be innovative, digital, quick in decision-making and action. We want to be a modern employer where people can develop their passions and professional experience. We need to be ready to quickly and flexibly adapt to given situations and think ahead. Therefore, the gradual transformation of our company, which is based on three strategic goals - improvement of customer experience across all channels, consolidation of market share in the market value and efficient use of our resources, is a natural step in our further activities in order to hold our position as a modern telco company with excellent telecommunication services and satisfied customers.

Ladies and Gentlemen, allow me to use this space to thank the shareholder for the trust, without which we would not be able to bring new inspiring and relevant products and services to our customers. Furthermore, to the employees, who are our most valuable capital, for their daily work effort, commitment and contribution to our joint successes, and last but not least, to the customers for putting their trust in us. I am also looking forward to the next challenges in the year 2023. I believe that they will bring along as much inspiration as possible, thanks to which we will exceed and be able to connect people daily with everything that matters to them.

Mariusz Gatza
Chief Executive Officer
and Chairman of the Board of
Directors Orange Slovensko, a.s.

Every challenge moves us forward

Chapter 3
Key Milestones in 2022

We aim for success

Revenues
EUR **573** mil.

EBITDAaL
EUR **206** mil.

Investments into networks
EUR **102** mil.

SYSTEMICS PAB
Network Quality Experts
V testoch v rokoch 2020 – 2022

The best mobile network

Awarded third times in a row

2,441 thousand
Customers of **mobile** services

181 thousand
Customers of **convergent** services

321 thousand
Customers of **fixed internet**

EUR 13
ARPU

194 thousand
TV services activated

81%
of our energy consumption came **from renewable sources**, representing 8,440 tonnes of CO_2 that we did not emit (61.6 GWh from renewable sources), and in addition, we produced 172 MWh of electricity from our own production of renewable sources, thus saving 23 tonnes of CO_2

210
Transmitters in operation with **solar power**

more than 28,000
Collected old mobile phones

83%
Invoiced customer base using **eInvoice**

25%
Coverage of high speed **5G network**

99.1%
Coverage of **4G network**

95.81 mil. GB
transferred in mobile data network

576,457
Households with available optical network from Orange

30 thousand
Customers using eSIM

1,119
Employees

1,607,158
Benefiting individuals we have reached in 2022 through the activities of Nadácia Orange (Orange Foundation)

121
Supported projects and initiatives by Nadácia Orange (Orange Foundation)

EUR 190,120
Obtained from the allocation was redistributed by Nadácia Orange (Orange Foundation) in 2022 **to support grant programs**

EUR 640,000
Redistributed in total by Nadácia Orange (Orange Foundation)

Publications related to the environmental, social and employment fields, including the EU taxonomy, are included in the consolidated annual report of the company ORANGE SA, and are not mentioned in this annual report.

Financial Statement

Chapter 4
The right direction leads to better results

Orange Slovensko, a.s.

**INDEPENDENT AUDITOR'S REPORT
AND SEPARATE FINANCIAL STATEMENTS**

(prepared in accordance with
International Financial Reporting
Standards as adopted by the EU)

Year ended 31 December 2022

Company identification number:
35 69 72 70

Tax identification number:
SK2020310578

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Independent Auditors' Report

Deloitte.

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Registered in the Business
Register of the District Court Bratislava I
Section Sro, File 4444/B
Company ID: 31 343 414
VAT ID: SK2020325516

Orange Slovensko, a.s.

INDEPENDENT AUDITOR'S REPORT

To the Shareholders, Supervisory Board and Board of Directors of Orange Slovensko, a.s.:

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

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

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

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the provisions of Act No. 423/2015 Coll. on Statutory Audit and on Amendment to and Supplementation of Act No. 431/2002 Coll. on Accounting, as amended (hereinafter the "Act on Statutory Audit") related to ethical requirements, including the Code of Ethics for Auditors that are relevant to our audit of the 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 Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS as adopted in the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Report on Information Disclosed in the Annual Report

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

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

As at the issuance date of the auditor's report on the audit of financial statements, the annual report was not available to us.

When we obtain the annual report, we will assess whether the Company's annual report includes information whose disclosure is required under the Act on Accounting, and based on procedures performed during the audit of the financial statements, we will express an opinion on whether:

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

Furthermore, we will disclose whether material misstatements were identified in the annual report based on our understanding of the Company and its position, obtained in the audit of the financial statements.

Bratislava, 15 May 2023

Jakub Holý

Mgr. Jakub Holý
Responsible Auditor
Licence UDVA No. 1244

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

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

Separate Statement of Financial Position as at 31 December 2022

In thousands of EUR	Note	31 December 2022	31 December 2021
ASSETS			
Non-current assets			
Property, plant and equipment	4	425,524	429,895
Intangible assets	5	140,954	136,229
Right-of-use assets	6	100,787	109,477
Investments in unconsolidated subsidiaries	7	306	306
Non-current receivables	10	18,711	14,745
Contract assets	11	7,047	7,505
Cost to obtain contract	11	2,002	1,992
Other non-current assets	10	22,308	21,173
		717,639	**721,322**
Current assets			
Inventories	9	19,446	14,330
Trade and other receivables	10	92,570	70,415
Contract assets	11	35,772	37,937
Cost to obtain contract	11	7,976	7,457
Other assets		3,190	3,047
Current income tax receivable		-	268
Current financial assets	12	24,984	58,797
Cash and cash equivalents	13	4,047	6,512
		187,985	**198,763**
Total assets		**905,624**	**920,085**

In thousands of EUR	Note	31 December 2022	31 December 2021
EQUITY AND LIABILITIES			
Equity	14		
Share capital		39,222	39,222
Reserves		15,260	15,260
Retained earnings		258,755	288,013
Profit for the year		71,852	70,695
		385,089	**413,190**
Non-current liabilities			
Provisions	16	28,370	41,862
Long-term debt/loan	15	210,000	210,000
Lease liabilities	6	86,401	94,881
Deferred tax liabilities	8	12,604	13,055
Non-current payables	16	18,429	8,383
		355,804	**368,181**
Current liabilities			
Trade payables and other liabilities	17	106,338	87,453
Lease liabilities	6	11,623	11,605
Current income tax payable		2,876	-
Contract liabilities	11	25,992	21,095
Deferred income	10	17,902	18,561
		164,731	**138,714**
Total equity and liabilities		**905,624**	**920,085**

Separate Statement of Comprehensive Income for the Year Ended 31 December 2022

In thousands of EUR	Note	2022	2021
Revenues	18	**572,571**	**543,096**
External purchases	19	(285,972)	(275,504)
Other operating expenses	20	(18,115)	(17,548)
Other operating income	20	6,838	7,789
Wages and contributions	21	(56,279)	(50,041)
Impairment loss on trade receivables and contract assets	10	(5,260)	(1,686)
Depreciation and amortization of right-of-use assets	6	(12,531)	(11,998)
Amortization and depreciation expenses	4, 5	(100,565)	(98,083)
Operating profit		**100,687**	**96,025**
Interest income		235	1
Interest expenses		(3,815)	(1,558)
Interests on lease liabilities		(1,011)	(382)
Other finance expenses		(35)	(33)
Other finance income		7	14
Profit before tax		**96,068**	**94,067**
Income tax	22	(24 216)	(23,372)
Profit for the year		71,852	**70,695**
Other comprehensive income		-	–
Total comprehensive income for the year		**71,852**	**70,695**
Total comprehensive income attributable to:			
Owners of the Company		71,852	70,695

Separate Statement of Changes in Equity for the Year Ended 31 December 2022

In thousands of EUR	Note	Share capital	Reserves	Retained earnings	Total
Balance as at 1 January 2021		**39,222**	**15,260**	**347,504**	**401,986**
Profit for the year		-	-	70,695	70,695
Share based plan		-	-	509	509
Transactions with shareholders					
Dividends paid		-	-	(60,000)	(60,000)
Balance as at 31 December 2021		**39,222**	**15,260**	**358,708**	**413,190**
Balance as at 1 January 2022		**39,222**	**15,260**	**358,708**	**413,190**
Profit for the year		-	-	71,852	71,852
Share based plan		-	-	47	47
Transactions with shareholders					
Dividends paid		-	-	(100,000)	(100,000)
Balance as at 31 December 2022		**39,222**	**15,260**	**330,607**	**385,089**

Separate Statement of Cash Flow for the Year Ended 31 December 2022

In thousands of EUR	Note	2022	2021
Profit for the year		**71,852**	**70,695**
Taxes	22	24,216	23,372
Dividend income		-	-
Interest expenses		3,815	1,558
Interest income		(235)	(1)
Depreciation and amortization of tangible and intangible assets	4,5	100,883	98,083
Depreciation and amortization of right-of-use - leased assets	6	12,213	11,998
Increase / (Decrease) in provisions	16	(15,344)	(1,944)
Increase / (Decrease) in value adjustment to receivables	10	301	(1,803)
Increase / (Decrease) in value adjustment to inventories	9	(672)	(264)
Result on disposal of property, plant and equipment	20	(525)	950
Other		342	-
Share based compensation		(25)	407
Profit from operating activities before changes in working capital		**196,821**	**203,051**
Decrease/(Increase) in trade and other receivables, contract assets, costs to obtain the contract and other assets		(24,956)	(17,827)
Decrease/(Increase) in inventory		(4,445)	15,772
(Decrease)/Increase in trade liabilities, contract liabilities (including accruals/deferrals of liabilities)	16,17	32,408	(5,256)
Cash generated from operations		**199,828**	**195,739**
Interest received		235	1
Interest paid		(1,906)	(1,142)
Dividends received		-	-
Taxes paid		(21,523)	(19,863)
Cash flows from operating activities		**176,634**	**174,734**

In thousands of EUR	Note	2022	2021
INVESTING ACTIVITY			
Purchase of property, plant and equipment and intangible assets	4, 5	(101,345)	(94,861)
Proceeds from sale of non-current assets		736	340
Increase / (Decrease) in financial assets		33,813	(2,192)
Net cash outflow from investing activities		**(66,796)**	**(96,712)**
FINANCING ACTIVITY			
Repayment of lease liabilities interests		(1,011)	(382)
Repayment of lease liabilities		(11,291)	(16,149)
Dividends paid	14	(100,000)	(60,000)
Net cash outflow from financing activities		**(112,302)**	**(76,530)**
Net increase /(decrease) in cash and cash equivalents		(2,464)	1,492
Cash and cash equivalents at the beginning of the year	12	6,512	5,020
Cash and cash equivalents at the end of the year	**12**	**4,047**	**6,512**

1) Basis of Preparation

a) Reporting entity's general information

Orange Slovensko, a.s. (hereinafter also referred to as the "Company") is a joint stock company established on 29 July 1996 and incorporated on 3 September 1996 with its registered office at Metodova 8, 821 08 Bratislava, Slovak Republic. In August 2008, Atlas Services Belgium, S.A. acquired all the shares held by Wirefree Services Nederland B.V., which had been the major shareholder since November 2005, when it acquired all the shares held by minority shareholders and became the 100% shareholder of Orange Slovensko, a.s. The Company's principal activity is the establishment and operation of public mobile telecommunication networks at assigned frequencies as well as the operation of fibre-optic cable networks. The Company is not an unlimited guarantor in any other entity. From 2013, the Company is a Payment Institution licensed by the National Bank of Slovakia (NBS). The Company provides different payment services under this license (i.e. parking, public traffic tickets, donations, etc.).

Approval of the 2021 Financial Statements

On 24 June 2022, the General Meeting approved the Company's 2021 financial statements.

Members of the Company's Bodies

Body	Function	Name
Board of Directors	Chairman and Chief Executive Officer (until 31 March 2022)	Federico Colom Artola
	Chairman and Chief Executive Officer (since 1 April 2022)	Mariusz Gatza
	Member	Eve Bourdeau
	Member	Eric Maintenay
	Member (since 17 October 2022)	Pawel Galej
	Member (since 1 January 2023)	Katarína Boledovičová
	Member (until 31 December 2022)	Zuzana Nemečková
	Member (until 29 September 2022)	Vladislav Kupka
	Member (until 31 August 2022)	Radovan Barka
Supervisory Board	Chairman (until 17 October 2022)	Pavol Lančarič
	Chairman (since 17 October 2022)	Bruno Duthoit
	Member	Christian Urs Luginbühl
	Member	Marc Ricau
	Member (since 17 October 2022)	Gilles Deloison
	Member	Jean-Marie Culpin
	Member	Ľuboš Dúbravec
	Member	Igor Berta
	Member	Marcela Rédlerová
	Member (since 17 October 2022)	Milena Harito Shteto
	Member (since 17 October 2022)	Peter Škodný
	Member (until 17 October 2022)	Christophe Naulleau

Employees

	31 december 2022	31 december 2021
Number of employees as at	**1,119**	**1,161**
Of which: managers	117	119
Average number of employees	**1,138**	**1,163**

b) Basis of accounting

The financial statements were prepared for the reporting period from 1 January 2022 to 31 December 2022 in accordance with IFRS as adopted by the EU.

These financial statements are the Company's separate financial statements prepared under Act on Accounting No. 431/2002 Coll. on Accounting, as amended. Accordinf to § 17a of the Act on Accounting, the Company prepares financial statements in accordance with IFRS as adopted by the EU. The Company elected to use the exemption from consolidation in accordance with the 7th Directive of the EU as well as with IAS 27.10 and not to present consolidated financial statements (with its 100% owned subsidiaries Orange Corpsec s.r.o. and Orange Finančné Služby s.r.o.), which is also incorporated into the Act on Accounting No. 431/2002 Coll. on Accounting, as amended. These financial statements are intended for general use and information; they are not intended for the purpose of any specific user or for the consideration of any specific transaction. Accordingly, users should not rely exclusively on these financial statements when making decisions.

Orange SA (France), the Company's ultimate parent company and the ultimate controlling party, prepares consolidated financial statements in accordance with IFRS as adopted by the EU for a group of companies, which also includes Orange Slovensko, a.s. and its subsidiary Orange CorpSec s.r.o.

The consolidated financial statements of Orange SA are available at its registered office at 111, quai du Président Roosevelt, 92130 Issy-les-Moulineaux, France.

c) Functional and presentations currency

The financial statements are presented in EUR, which is the Company's functional curtrency. All amounts have been rounded to the nearest thousand.

2) Adoption of New and Revised Standards

In the current year, International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB have not issued any new or revised standards or interpretations that could be relevant to the Company's operations for accounting periods beginning on 1 January 2022.

a) Standards and interpretations adopted by EU effective in 2022 but not relevant to the Company's operation

The following standards, amendments, and interpretations adopted by the EU are mandatory for accounting periods beginning on or after 1 January 2022 but did not have any significant impact on the Company's financial statements:

- Amendments to IFRS 3 "Business Combinations" - Reference to the Conceptual Framework (Effective for annual periods beginning on or after 1 January 2022)
- Amendments to IAS 16 "Property, plant and equipment" —Proceeds before Intended Use (effective for annual periods beginning on or after 1 January 2022)
- 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)
- Annual Improvements to IFRS Standards 2018-2020 Cycle - Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IFRS 16 leases, and IAS 41 Agriculture (effective for annual periods beginning on or after 1 January 2022)

b) Standards, interpretations, and amendments to the existing standards and interpretations not yet effective

- IFRS 17 "Insurance contracts" (effective for annual periods beginning on or after 1 January 2023)
- Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures" - Reference to the Conceptual Framework Available for optional adoption/ effective date deferred indefinitely)
- 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)
- Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements—Disclosure of Accounting Policies (effective for annual periods beginning on or after 1 January 2023)
- Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors—Definition of Accounting Estimates (effective for annual periods beginning on or after 1 January 2023)
- Amendments to IAS 12 Income Taxes—Deferred Tax related to Assets and Liabilities arising from a Single Transaction (effective for annual periods beginning on or after 1 January 2023)

The Company anticipates that adopting most of these standards and amendments to the existing standards and interpretations will have no material impact on the Company's financial statements in the period of initial application.

3) Significant Accounting Policies

a) Statement of compliance

The separate financial statements have been prepared in accordance with IFRS as adopted by the EU and on the going concern assumption. IFRS as adopted by the EU do not currently differ from IFRS as issued by the IASB, except for certain standards and interpretations that have not been effective as at the balance sheet date.

b) Foreign currency

Foreign currency transactions

Transactions denominated in foreign currencies are translated into EUR using the exchange rate of the day prior to the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate valid on the balance sheet date. The exchange rate differences upon translation are charged to the result for the period. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated into EUR at the foreign exchange rates valid on the dates on which the fair value is determined.

c) Property, plant, and equipment

Owned assets

Items of property, plant and equipment are stated at cost, less accumulated depreciation and impairment losses, if applicable. Cost consists of the price at which the asset was acquired plus the costs related to the acquisition (installation and commissioning, transport, assembling cost, etc). The cost of self-constructed assets includes the cost of materials, direct labour, the initial estimate (where relevant) of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads. SIM cards, set top boxes are capitalized as an item of property, plant and equipment.

Items of property, plant, and equipment are accounted for on a component-by-component basis at a level that allows for the depreciation of each component over its expected useful life and allows the proper accounting of asset disposal and withdrawal.

Subsequent expenditure

The Company recognises in the carrying amount of an item of property, plant, and equipment the additional costs or cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied with the item will flow to the Company and the cost of the item can be measured reliably. All other costs are recognised as an expense when incurred.

Depreciation

Depreciation is charged to the income statement on a straight-line basis over the estimated useful life of each category of an item of property, plant, and equipment. Land is not depreciated. Depreciation starts when the assets are ready for their intended use. The estimated useful lives for the current and comparative periods are as follows:

	2022	2021
Mobile RAN equipment	5 to 9 years	5 to 9 years
RAN CW & shelters, power connection	10 years	10 years
RAN CW & tower, pylons, constructions	20 to 28 years	20 to 28 years
Transmission equipment	5 to 10 years	5 to 10 years
Transmission optical fibres	15 years	15 years
Transmission CW & poles, terrestrian cables	20 to 30 years	20 to 30 years
Switching	5 to 8 years	5 to 8 years
Data Network	4 to 5 years	4 to 5 years
Dedicated Platforms	5 years	5 years
Other Network	8 to 10 years	5 to 10 years
IT Non-Network Hardware & Infrastructure	3 to 5 years	3 to 5 years
Buildings	10 to 30 years	10 to 30 years
Other Non-Network Equipment	3 to 10 years	3 to 10 years
Optical fibre control equipment	10 years	10 years
Optical fibre cables	15 years	15 years
CW & poles	28 to 30 years	28 to 30 years
SIM cards	5 to 6 years	5 to 6 years
Set top boxes	2 years	2 years

CW – Civil Works, RAN – Radio Access Network

At the Company level, the revision of an individual asset's useful life is performed when indicators of an earlier or later end of life exist. There were no significant changes in the accounting estimates during the period.

d) Intangible assets

Intangible assets acquired separately by the Company are stated at cost less accumulated amortisation and impairment losses if applicable. Intangible assets mainly comprise software and licences for operating the telecommunication network.

Telecommunication licences

Upon the granting of the telecommunication licenses (GSM, UMTS, LTE) Orange Slovensko, a.s. is obliged to pay to the Telecommunication Office an one off license fee and two types of recurrent fees:

- Administrative variable fees
- Spectrum fixed fees

The license fees and the spectrum fees are capitalized as intangible assets and amortized over the license period. The administrative fees are expensed as incurred.

Capitalisation of spectrum fees

Spectrum fees are the unavoidable payments computed on the principle of allocated bandwidth and fix tariff for the whole period to which a license is granted. Payment is done on a quarterly basis during the whole license period.

The Company discounts the value of future spectrum fees to their present value and recognizes them as other intangible assets. Related future spectrum fees payables are presented as both current and non-current liability.

Subsequent expenditures

Subsequent expenditures on capitalised intangible assets are capitalised only when they increase the future economic benefits embodied in the specific assets to which they relate. All other expenditures are expensed as incurred.

Amortization

Intangible assets are amortized from the date they become available for use, using the straight-line method over the following estimated useful lives:

	2022	2021
Software	3 to 10 years	3 to 10 years
Licences	3 to 15 years	3 to 15 years

At the Company level, the revision of an individual asset's useful life is performed when indicators of an earlier or later end of life exist. There were not significant changes in the accounting estimates during the period and their impact was immaterial.

e) Lease agreements

At inception of a contract, the Company assesses whether a contract is, or contains, 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 in case that all the following conditions are met:

- the contract involves the use of an identified asset, this may be specified explicitly or implicitly, and
- the Company has the right to obtain substantially all of the economic benefits from use of the asset., and
- the Company has the right to direct the use of the asset.

This policy is applied to contracts entered into on or after 1 January 2019.

On transition to IFRS 16, the Company elected to apply the practical expedient to grandfather the assessment of which transactions are leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after 1 January 2019.

The Company applies a practical expedient not to deduct the non-lease component from the contract lease payments.

Leases (Company as a Lessee)

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred less any lease incentives received. Any obligation regarding the costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located after the end of lease period is recognized as Asset retirement obligation ("ARO") provision according to the IAS 37. The costs for ARO obligation are recognized in the plant and equipment.

The Company systematically determines the lease term as the period during which leases cannot be canceled, plus periods covered by any extension options that the lessee is reasonably certain to exercise and by any termination options that the lessee is reasonably certain not to exercise. This period is also defined taking into account any laws and practices specific to each jurisdiction and business sector regarding the firm lease commitment term granted by lessors. The Company nonetheless assesses the enforceable period, based on the circumstances of each lease, taking into account certain indicators such as the existence of more than insignificant penalties in the event of termination by the lessee. To determine the length of this enforceable period, the Company considers the economic importance of the leased asset and the assumptions made in its strategic plan.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term. If the lease contains transfer of ownership or call option, the right-of-use asset is depreciated using the straight-line method during the useful life of the asset. Depreciation begins on the date of commencement of the lease. The impairment assessment of the right-of-use asset is carried out in a similar way as impairment assessment of property, plant and equipment described in accounting policy f).

The lease liability is initially measured on the date when the leased asset is made available to the lessee (the lease commencement date). The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the Company's incremental borrowing rate.

The Company´s incremental borrowing rate was determined based on available financial information relating to the Company. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero (so that the final right-of-use asset will amount to zero). During the accounting period the Company did not recognise the remeasurement of the lease liability due to the above changes.

The Company has elected not to recognise right-of-use assets and lease liabilities for short-term leases for all types of leases that have a lease term of 12 months or less. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

The Company has also elected not to recognise right-of-use assets and lease liabilities with low values. The estimated value of asset is based on the assumption that the asset is new. If the value of the asset cannot be reliably measured, the optional exception is not applied.

The Company recognises right-of-use asset as a part of property, plant and equipment and lease liabilities as a part of short-term and long-term loans and borrowings in the Statement of financial position. The Company recognises lease transactions in the Statement of cash flows as follows:

- principal lease payments as a part of financing activities,
- interest payments on lease liabilities as a part of operating activities (application of requirements for interest paid in accordance with IAS 7),
- payments relating to short-term leases, leases of low-value assets and variable lease payments that are not included in the measurement of lease liabilities within cash flow from operating activities.

After the lease commencement date, the amount of the lease liability may be reassessed to reflect changes introduced in the following main cases;

- a change in term resulting from a contract amendment or a change in assessment of the reasonable certainty that a renewal option will be exercised or a termination option will not be exercised;
- a change in the amount of lease payments, for example following application of a new index or rate in the case of variable payments;
- a change in assessment of whether a purchase option will be exercised;
- any other contractual change, for example a change to the scope of the lease or the underlying asset.

f) Impairment

Financial assets

The Company measures loss allowances for trade receivables, non current receivables and contract assets at an amount equal to lifetime expected credit losses (hereinafter referred to as "ECL") .

To determine the credit risk of financial assets when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment including forward-looking information.

The Company assumes that the credit risk on a financial asset from domestic customers has increased significantly if it is more than 35 days past due, when the Company initiates the termination of the future service deliveries.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

Measurement of ECL's

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive).

ECLs are not discounted as the financing component is not considered significant.

All impairment losses are recognized in profit or loss.

Non-financial assets

The carrying amounts of the Company's assets, other than property, plant and equipment, intangible assets, inventories and deferred tax assets 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. 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 first to reduce the carrying amount of any goodwill allocated to cash-generating units (group of units) and then, to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

The recoverable amount of other assets is the greater of their 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.

In respect of other assets, 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. Impairment loss is never reversed in case of goodwill.

Impairment of property, plant and equipment and intangible assets excluding goodwill

At each reporting date, the Company reviews the carrying amounts of its property, plant and equipment and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with an indefinite useful life are tested for impairment at least annually and whenever there is an indication at the end of a reporting period that the asset may be impaired.

g) Investments in Subsidiaries

Investments in subsidiaries represent investments in 3 wholly-owned subsidiaries: Orange CorpSec, spol. s r.o., Nadácia Orange (Orange Foundation), and Orange Finančné služby, s.r.o. – all three having the seat on Metodova 8, 821 08 Bratislava. The Company's investments have been accounted for at acquisition costs, less impairment if any.

h) Inventories

Inventories are stated at the lower of cost and the net realisable value. The net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs necessary for completing the sale and selling expenses.

The cost is based on the weighted average principle and includes expenditures incurred in acquiring the inventories and bringing them to their existing location and condition.

i) Trade Receivables

The trade receivables are mainly short-term with no stated interest rate and are measured at transaction price, subsequent to initial recognition they are stated at their amortized costs using the effective interest rate method, less provisions for any impairment of the receivables.

Those receivables which include deferred payment terms over 12 up to 24 months for the benefit of customers who purchased devices are initially recognised at fair value and discounted and classified according to their remaining maturities. For impairment provision to receivables refer to Note 10.

j) Contract assets and contract liabilities

The timing of revenue recognition may differ from the customer invoicing.

Trade receivables presented in the statement. of financial position represent an unconditional right to receive consideration (primarily cash), i.e. the services and goods promised to the customer have been transferred.

Conversely, contract assets mainly concern amounts allocated pursuant to IFRS 15 to consideration for goods and services transferred to a customer, where the unconditional right to collect is subordinated to the transfer of other goods or services under the same contract. This is the case in a bundled offering combining the sale of an equipment and mobile communication services for a fixed period, where the mobile phone is invoiced at a subsidised price leading to the reallocation of a portion of amounts invoiced for telephone communication services to the supply of the mobile phone. The excess of the amount allocated to the mobile phone over the price invoiced is recognized as a contract asset and transferred to the trade receivables as the service is invoiced.

Contract assets, like trade receivables, are subject to the impairment for credit risk. Upon recognition of contract assets, the related impairment loss is recognized at the credit default rate.

Contract liabilities represent amounts paid by customers to the Company before receiving the goods and/or services promised in the contract. This is typically the case for advances from customers or amounts invoiced and paid for goods or services not yet transferred, such as contract payable in advance or prepaid packages (previously recorded in deferred income).

Cost of obtaining a contract

Where a telecommunications services contract is signed via a third-party distributor, this distributor is entitled to receive the remuneration, generally paid in the form of a commission for each contract or invoiced-indexed commission. Where the commission is incremental and would not have been paid in absence of the contract, the commission cost is capitalised in the balance sheet. The Company has adopted the simplification measure authorized by IFRS 15 to recognize the costs of obtaining contracts as an expense when they are incurred if the amortization period of the asset would otherwise be twelve months or less. The costs of obtaining fixed-period mobile service contracts are capitalized and released to profit and loss on a straight-line basis over the enforceable contract term.

k) Cash and Cash Equivalents

Cash and cash equivalents consist of balances with banks, and highly-liquid investments with insignificant risk of changes in value.

l) Financial Assets

Financial assets are classified as measured at: amortised cost; fair value through other comprehensive income “FVOCI” or fair value through profit or loss “FVTPL”. The Company has only financial assets classified at amortised costs.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The classification depends on the nature and purpose of the financial assets and is determined at the time of the initial recognition.

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

As at 31 December 2022, the Company holds trade receivables, bank accounts and current cash-pool account held by the parent company Orange SA categorised as ‘measured at amotised costs’.

m) Financial Liabilities

Financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised costs using the effective interest rate method, with interest recognised on an effective yield basis. The Company’s financial liabilities relate to overdraft on the current account held by the parent company Orange SA and long term loan received from the parent company.

(n) Borrowing Cost

All borrowing costs are recognised in profit or loss in the period in which they are incurred.

o) Provisions

A provision is recognised when the Company has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, 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 records a provision for asset retirement, a provision for retirement benefit cost and a provision for litigations (see Note 16).

p) Trade and Other Payables

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

q) Revenues

Revenue falls within the application scope of IFRS 15 "Revenue from contracts with customers". Our products and services are offered to customers under service contracts only and contracts combining the equipment used to access services and/or other service offerings. Revenue is recognized net of VAT.

Standalone service offerings (mobile service only, fixed service only, convergence service)

The Company proposes to Mass market and Corporate markets customers a range of fixed-line and mobile telephone services, fixed-line and mobile Internet access services and content offerings (TV, video, media, added-value audio service, etc.). Certain contracts are for a fixed term (generally 12 or 24 months), while others may be terminated at short notice (i.e. monthly arrangements or portions of services).

The service fees are usually billed upfront in 12 different bill days over the month. The Company grants predominantly 14 days payment terms to its customers. Service revenues are recognized over time when the service is rendered, the billed service fees are proportionally split to correct period either based on use (e.g. minutes of traffic) or the period (e.g. monthly service costs).

In minor cases some customers use the prepaid cards, which are recorded as service revenues at the time of actual use (i.e. minutes of traffic). Under certain content offerings, The Company may act solely as an agent enabling the supply by a third-party of goods or services to the customer and not as a principal in the supply of the content. In such cases, revenue is recognized net of amounts transferred to the third-party. The Company does not obtain control over the content prior to selling it to its customers.

Contracts with customers generally do not include a material right, as the price invoiced for contracts and the services purchased and consumed by the customer beyond the specified scope (e.g. additional consumption, options, etc.) generally reflect their standalone selling prices. Service obligations transferred to the customer at the same time are treated as a single obligation.

The initial service connection in the context of a service contract is not considered to be a distinct service and it is recognized as revenue over the average term of the expected contractual relationship.

Convergent services are considered to be the revenues, where the customers do have mobile services and purchase additional services with a convergent discount, i.e. fixed-line internet services. In case the customer purchase both services with a convergent discount, the whole revenue is classified as a convergent sale, i.e. the convergent discount is accounted within revenues from convergent sales together with all services in the convergent offer.

Equipment sales

The Company proposes to Mass market and Corporate markets customers several ways to buy their equipment (primarily mobile phones): equipment sales may be separate from or bundled with a service offering. When separate from a service offering, the amount invoiced is recognized in revenue on delivery and receivable immediately or in instalments usually over a period of up to 24 months. Where payment is received in instalments, the offering comprises a financial component and interest is calculated and deducted from the amount invoiced and recognized over the payment period in net finance costs. When the equipment sale is combined with a service offering, the amount allocated to the equipment (bundled sale – see below) is recognized in revenue on delivery and collected over the service contract. In this case, the Company does not calculate interest based on the contractual analysis of offers and the current level of interest rates, as it was considered not material. This judgement could subsequently be amended in the event of a change in commercial offers or interest rates.

Where the Company purchases and sells equipment to indirect channels, the Company generally retains control until sale to the end-customer (the distributor acts as an agent). Sales proceeds are therefore recognized when the end-customer takes possession of the equipment (on activation). The consideration for the equipment sale is collected either immediately on the transfer of control over the equipment or the consideration is collected via instalments in the period up to 24 months. The instalments are billed to the customers together with monthly service fees.

Bundled equipment and service offerings

The Company proposes numerous offerings to its Mass market and Corporate markets customers comprising equipment (e.g. a mobile terminal) and services (e.g. a communications contract). The bundled contracts have a contractual period with a significant termination penalty.

Both Equipment sale and service revenue are considered as a separate performance obligation from the customer contract, as both equipment sale and service revenues are distinct. The total consideration from the customer contract is allocated to each individual performance obligation based on proportion of stand alone selling prices. To determine the stand alone selling prices the Company uses an observable price, where the individual selling price of the equipment is considered equal to its purchase cost and logistics expenses plus a commercial margin based on market inputs.

The supply of a set-top box (Internet proprietary box) is neither a separate performance obligation of the Internet access service nor a finance lease, as the Company retains the control of the box during the whole customer contract.

Service offerings to carriers (wholesale)

Two types of commercial agreement are entered into with Operator customers for domestic wholesale activities and International carrier offerings:

- Pay-as-you-go model (PAYG): generally applied where contract services are not covered by a firm volume commitment. Revenue is recognized as revenues from wholesale at point in time when the services are rendered (which corresponds to transfer of control). The billed price for roaming contracts is decreased by an estimated discount that represents a variable consideration to be given to the customers. The amount of variable consideration is estimated based on the historical experience and expected results of negotiations within a larger group of telecom operators;
- Mixed model: hybrid contract combining the “Pay-as-you-go “ and “Send-or-pay” models, comprising a fixed entry fee providing access to preferential pricing conditions for a given volume (“Send or pay” component) and invoicing of traffic consumption (“Pay-as-you-go” component). Revenue is recognized as revenues from wholesale if it is expected the traffic would not exceed the committed volumes, the revenue is recorded over the contract period.

r) Taxation

Income tax expenses for the year comprise current and deferred tax and special levy.

Current Income Tax

Current tax is the expected tax payable on the taxable profit for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years. Taxable profit differs from profit as reported in the separate income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

Special levy

Special contribution made by a regulated entity from activities in regulated industries. The base for the levy is the economic result reported for the current accounting period. The monthly levy rate was 0.363% for 2022 (2021: 0.363%) from the operating profit, which is broadly similar to profit in the financial statements. The annual special levy was 4.356 % of operating profit (2021: 4.356 %)

Deferred Tax

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using the tax rates enacted or substantially enacted at the balance sheet date including the special levy. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefits will be realised.

s) Employee Benefits

Long-Term Service Benefits

The Company’s net obligation in respect of long-term service benefits is the amount of future benefits that employees have earned in return for their service in prior periods. The obligation is calculated using actuarial methods and discounted to its present value using a risk free interest rate. The Company’s employee benefits contain only statutory retirement benefit.

4) Property, Plant, and Equipment

In thousands of EUR	Land and buildings	Plant and equipment	Motor vehicles	Fixtures and fittings	Under construction	Total
Cost						
As at 1 January 2021	**4,912**	**934,388**	**5,496**	**30,374**	**35,220**	**1,010,390**
Additions	-		-	-	78,350	78,350
Disposals	(2)	(92,396)	(610)	(1,590)	-	(94,598)
Transfer	266	83,415	-	1,271	(84,952)	-
As at 31 December 2021	**5,176**	**925,407**	**4,886**	**30,055**	**28,618**	**994,142**
As at 1 January 2022	**5,176**	**925,407**	**4,886**	**30,055**	**28,618**	**994,142**
Additions	-	75	-	-	66,122	66,197
Disposals	-	(28,369)	(968)	(1,427)	-	(30,764)
Transfer	312	55,851	-	1,000	(57,163)	-
As at 31 December 2022	**5,488**	**952,964**	**3,918**	**29,628**	**37,577**	**1,029,575**
Accumulated depreciation						
As at 1 January 2021	**2,499**	**556,551**	**3,345**	**24,899**	**–**	**587,294**
Charge for the year	307	67,381	677	2,256	–	70,621
Disposals	-	(91,487)	(607)	(1,574)	–	(93,668)
As at 31 December 2021	**2,806**	**532,445**	**3,415**	**25,581**	**-**	**564,247**
As at 1 January 2022	**2,806**	**532,445**	**3,415**	**25,581**	**-**	**564,247**
Charge for the year	303	67,473	629	1,741	-	70,146
Disposals	-	(28,113)	(806)	(1,423)	-	(30,342)
As at 31 December 2022	**3,109**	**571,805**	**3,238**	**25,899**	**–**	**604,051**
Carrying amount						
As at 1 January 2021	2,413	377,837	2,151	5,475	35,220	423,096
As at 31 December 2021	**2,370**	**392,962**	**1,471**	**4,474**	**28,618**	**429,895**
As at 1 January 2022	2,370	392,962	1,471	4,474	28,618	429,895
As at 31 December 2022	**2,379**	**381,159**	**680**	**3,729**	**37,577**	**425,524**

As at 31 December 2022, none of the properties were pledged to secure bank loans.
In 2022, transfers from assets under construction to property, plant, and equipment mainly comprised investments to upgrade of the existing network, particularly Mobile RAN (Radio Access Network) and Mobile RAN Infrastructure and increase in customer equipment and terminals.
During 2022, the Company had a disposal in gross value of EUR 30,764 thousand (book value of EUR 422 thousand) relating mainly to old fully depreciated equipment.
Property and equipment, excluding motor vehicles, is insured to a limit of EUR 782,056 thousand. (2021: EUR 776,069 thousand).
Each motor vehicle is insured to a limit of EUR 5,000 thousand (2021: EUR 5,000 thousand) for damage on health and expenses related to death and EUR 2,000 thousand (2021: EUR 2,000 thousand) for damage caused by destroyed, seized or lost items.

5) Intangible Assets

In thousands of EUR	Software	Telecom licences	Other intangible assets	Under construction	Total
Cost					
As at 1 January 2021	**156,768**	**187,809**	**18,824**	**44,509**	**407,910**
Additions	-	-	-	16,510	16,510
Disposals	(2,767)	-	(19)	-	(2,786)
Transfer	21,025	-	744	(21,769)	-
As at 31 December 2021	**175,026**	**187,809**	**19,549**	**39,250**	**421,634**
As at 1 January 2022	**175,026**	**187,809**	**19,549**	**39,250**	**421,634**
Additions	-	-	-	35,027	35,027
Disposals	(45,264)	-	(4)	-	(45,268)
Transfer	(810)	49,889	462	(49,541)	-
As at 31 December 2022	**128,952**	**237,698**	**20,007**	**24,736**	**411,393**
Accumulated amortisation					
As at 1 January 2021	**129,934**	**117,603**	**12,849**	**-**	**260 386**
Charge for the year	14,700	11,162	1,491	-	27,353
Disposals	(2,334)	-	-	-	(2,334)
As at 31 December 2021	**142,300**	**128,765**	**14,340**	**-**	**285,405**
As at 1 January 2022	**142,300**	**128,765**	**14,340**	**-**	**285,405**
Charge for the year	17,636	11,162	1,500	-	30,298
Disposals	(45,264)	-	-	-	(45,264)
As at 31 December 2022	**114,672**	**139,927**	**15,840**	**-**	**270,439**
Carrying amount					
As at 1 January 2021	26,834	70,206	5,975	44,509	147,524
As at 31 December 2021	**32,726**	**59,044**	**5,209**	**39,250**	**136,229**
As at 1 January 2022	32,726	59,044	5,209	39,250	136,229
As at 31 December 2022	**14,280**	**97,771**	**4,167**	**24,736**	**140,954**

In 2021, "Under construction" mainly comprise the purchase of 5G licence in 700 MHz spectrum in amount of EUR 37 million. The 5G licence was put to use in January 2022.

6) Lease Agreements

Right-of-use assets

In thousands of EUR	Buildings	Lands for sites	Other	Total
Cost				
As at 1 January 2021	**22,515**	**100,972**	**24**	**123,511**
Net change	2,073	12,846	4,814	19,733
As at 31 December 2021	**24,588**	**113,818**	**4,838**	**143,244**
As at 1 January 2022	**24,588**	**113,818**	**4,838**	**143,244**
Net change	(1,333)	3,612	1,562	3,841
As at 31 December 2022	**23,255**	**117,430**	**6,400**	**147,085**
Accumulated amortisation				
As at 1 January 2021	**5,585**	**16,371**	**8**	**21,964**
Charge for the year	3,200	8,572	31	11,803
As at 31 December 2021	**8,785**	**24,943**	**39**	**33,767**
As at 1 January 2022	**8,785**	**24,943**	**39**	**33,767**
Charge for the year	3,230	8,826	475	12,531
As at 31 December 2022	**12,015**	**33,769**	**514**	**46,298**
Carrying amount				
As at 1 January 2021	**16,930**	**84,601**	**16**	**101,547**
As at 31 December 2021	**15,803**	**88,875**	**4,799**	**109,477**
As at 1 January 2022	**15,803**	**88,875**	**4,799**	**109,477**
As at 31 December 2022	**11,240**	**83,661**	**5,886**	**100,787**

Lease liabilities

As at of 31 December 2022, lease liabilities total EUR 98,024 thousands, including non-current lease liabilities of EUR 86,401 thousands and current lease liabilities of EUR 11,623 thousands.

Maturity analysis of lease liabilities is shown in the following table:

In thousands of EUR	31 December 2022	31 December 2021
Less than one year	11,623	11,605
One to five years	46,932	48,270
More than five years	39,469	46,611
	98,024	**106,486**

Statement of Comprehensive Income

Overview of lease transactions recognised in Statement of comprehensive income is shown in the following table:

In thousands of EUR	31 December 2022	31 December 2021
Interest of lease liabilities	(1,011)	(382)
Expenses relating to short-term leases	(45)	(13)
	(1 056)	**(395)**

Statement of Cash Flow

Overview of lease transactions recognised in Statement of cash flows is shown in the following table:

In thousands of EUR	31 December 2022	31 December 2021
Total cash outflow for leases	(12,302)	(16,531)
	(12,302)	**(16,531)**

The cash outflows from lease liabilities represent lease payments and are presented in the cash flow from financing activities.

Fair values

The liabilities were initially discounted to the fair value at discount rate that ranges from 0,4% to 1.95% p.a. (2021: negative 0.5% to 0.57% p.a.). Fair value of the lease liability using the discount rate used for calculation of present value of asset retirement obligation (ARO) of 4.154% (in 2021: 0.239%) would be by EUR 32.2 million (2021: EUR 2.3 million) lower compared to its carrying amount at the balance sheet date.

7) Investments in Subsidiaries

Investment in the Orange CorpSec, spol. s.r.o. subsidiary at a cost of EUR 100 thousand represents an investment in the wholly-owned subsidiary with 100% of voting rights. The subsidiary was registered in the Commercial Register on 1 February 2005.

The table below summarises the Orange CorpSec's financial information:

In thousands of EUR	Assets	Liabilities	Equity	Revenues	Profit/loss for the period
As at 31 December 2022	525	253	272	1,226	15
As at 31 December 2021	464	206	258	1,176	56

In 2010, the Company recognised an investment in Nadácia Orange (Orange Foundation) at a cost of EUR 6 thousand, which is considered immaterial for the purpose of these financial statements.

In September 2017, the Company recognized an investment in Orange Finančné služby, s.r.o. at a cost of EUR 200 thousand (100% ownership / 100% of voting rights). As at 31 December 2022, the subsidiary had a limited number of transactions which is immaterial to publish.

8) Deferred Tax Assets And Liabilities

Movement in the deferred tax account is as follows:

In thousands of EUR	31 December 2022	31 December 2021
At the beginning of period – net deferred tax liability	13,055	11,647
Income statement	(451)	1,408
At the end of period - net deferred tax liability	**12,604**	**13,055**

Deferred tax assets and deferred tax liabilities are attributable to the items detailed for the current as well as preceeding period in the table below:

	31 December 2022			31 December 2021		
In thousands of EUR	Assets	Liabilities	Net	Assets	Liabilities	Net
Property, plant, and equipment	-	30,011	(30,011)	-	32,505	(32,505)
Rights of use of leased assets	-	24,326	(24,326)	-	26,557	(26,557)
Lease liabilities	24,855	-	24,855	27,001	-	27,001
Inventories	120	-	120	290	-	290
Receivables	1,565	-	1,565	1,361	-	1,361
Accruals	5,911	-	5,911	5,286	-	5,286
Provisions	9,282	-	9,282	12,069	-	12,069
Net deferred tax	**41,733**	**54,337**	**(12,604)**	**46,007**	**59,062**	**(13,055)**

Deferred tax assets and liabilities were offset on the grounds that the Company has the legally-enforceable right to offset their current tax assets against current tax liabilities and the deferred taxes relate to the same taxation authority.

The statutory tax rate for 2022 was 21% (2021: 21%) plus the special levy for the regulated industries of 4.356 % of operating profit (2021: 4.356 %). The rate effective from 1 January 2022 is 25.356% and was used in the deferred tax calculation.

9) Inventories

In thousands of EUR	31 December 2022	31 December 2021
Raw materials and consumables	968	548
Merchandise	18,950	14,925
Provision for slow moving merchandise	(472)	(1,143)
	19,446	**14,330**

As at 31 December 2022, no inventories were pledged to secure bank loans. Lower level of merchandise in 2021 is due to global chip shortage which also affected the handset production.

Write-down to NRV for slow moving merchandise is recognized under Note 18 line" Purchased goods and services".

10) Trade and Other Receivables, Net and Non-Current Receivables

Non-current receivables

Non-current receivables mostly represent receivables from sales of handset with payment on instalments that are payable in more than 12 months. The receivables are discounted to the fair value at discount rate 3.44% (2021: 3.44%). The discount rate must be the prevailing market rate for the type of customers: it is at least equal to the company's marginal borrowing rate plus the expected customer credit loss. The discount rate used at inception remains unchanged over the instalment period.

Other non-current assets

Non-current assets and Deferred income in Current liabilities in vast majority includes the new project - fixed network sharing.

The rest of non current assets represent the advance payments related to upgrade of the existing network.

Ageing structure of trade and other receivables is provided in the table below:

In thousands of EUR	31 December 2022	31 December 2021
Not past due	79,640	59,438
Past due	41,559	39,285
Trade and other receivables - gross	121,199	98,723
Provision for impairment	(28,629)	(28,309)
Trade and other receivables - net	92,570	70,414

In 2021, the Company has changed recognition of revenues related to contractual penalties from bundled equipment and services contracts. Until 2020, contractual penalties were considered as a contingent asset and recognized as revenues (and related receivable) only on cash basis which was not in line with IFRS 15 requirements. The contractual penalty receivable related to recovery of the residual contract asset should have been recognized on the balance sheet as of the issue date of penalty invoice as a transformantion of related residual contract asset recognized at the moment of contract inception. Such receivables should have been subject to impairment assessment in the previous periods. In the past, the Company assumed that such receivables were not recoverable and thus 100% bad debt provision should have been recorded. The overall impact of such incorrect accounting treatment on Balance sheet as at 31 December 2021 was therefore nil (unrecognized contractual penalty receivables from previous periods of EUR 14 million less 100% provision for expected credit losses of EUR 14 million) and as such is not material both quantitatively and qualitatively, and could not reasonably be expected to influence decisions of the primary users of general purpose financial statements. Therefore, the Company did not perform any retrospective correction in line with IAS 8 and IAS 1 respectively.

Since 2021, revenues from contractual penalties are presented as revenues, as they incur whereas customer credit risk is displayed separately as impairment loss expenditure.

Expected credit loss assessment for non-current, trade and other receivables as at 1 January and 31 December 2022

The Company allocates each exposure to a credit risk grade based on data that is determined to be predictive of the risk of loss (including but not limited to audited financial statements, management accounts and cash flow projections and available press information about corporate customers) and applying experienced credit judgement. Credit risk grades are defined using qualitative and quantitative factors that are indicative of the risk of default. Expected credit loss "ECL" rate is calculated on delinquency status and actual credit loss experience over the past two years.

The Company uses a provision matrix to calculate expected lifetime credit losses for trade receivable: subscribers, distributors and others. The following table sets total gross book values at default in payment ("Gross") and the ECL in 2022 calculated with provision matrix for trade receivables:

In thousands of EUR	Weighted-average loss rate in 2022	Gross 31 December 2022	ECL 31 December 2022	Weighted-average loss rate in 2021	Gross 31 December 2021	ECL 31 December 2021
Unbilled and not yet due	0.5%	79,640	370	0.6%	59,438	370
Past due 0-30 days	4%	4,809	192	3%	4,164	125
Past due 31-60 days	22%	854	188	22%	590	130
Past due 61-90 days	33%	653	216	33%	438	145
Past due 91-180 days	43%	1,979	851	42%	1,040	437
Past due 181-360 days	52%	3,256	1,693	53%	1,942	1,029
Past due 361 -720 days	59%	3,823	2,257	57%	4,526	2,580
Past due 721 -1080 days	65%	3,619	2,353	64%	2,875	1,839
Past due 1081 and more days	100%	9,260	9,260	100%	9,780	9,780
Contract penalties	85%	13,306	11,249	85%	13,930	11,873
Total		**121,199**	**28,629**		**98,723**	**28,308**

The Company has grouped trade receivables according to loss paterns observed in the past and the provision rates are based on days past due. The provision matrix is based on the Company's historically observed default rates, which are updated on a yearly basis.

Loss rates are calculated using a 'roll rate' method based on the probability of a receivable progressing through successive stages of delinquency to write-off. Roll rates are calculated for all the customers balances, and customers are not further segmented, as the collection policy is the same for all customers, as well as management represents a view that further segmentation will require undue costs and efforts and will not result in more precise information about impairment provision.

Movements in the allowance for doubtful debts

In thousands of EUR	31 December 2022	31 December 2021
Impairment allowance to short term receivables		
At 1 January	**28,308**	**18,238**
Specific provision related to contract penalties	623	11,873
Impairment of trade receivables used during the year	1,818	2,575
Impairment of trade receivables reversed during the year	(2,120)	(4,378)
At 31 December	**28,629**	**28,308**
Impairment allowance to non current receivables		
At 1 January	**68**	**48**
Net creation of provision for impairment of Non-current receivables	20	20
At 31 December	**88**	**68**

During 2022, no receivables, which are still subject to enforcement activity, were written-off.

11) Contract Net Assets and Liabilities

In thousands of EUR	31 December 2022	31 December 2021
Current net contract assets	**42,818**	**45,441**
Customer contract assets	43,469	46,133
Impairment provision	(651)	(692)
Customer net contract assets	**42,818**	**45,441**
Costs of obtaining a contract	9,978	9,449
Costs of obtaining a contract	**9,978**	**9,449**
Contract liabilities	**25,991**	**21,094**
Anticipated spread of subsidy	1,976	1,345
Deffered revenue - Prepaid telephone cards	5,776	6,442
Deffered revenue - Monthly service fees	16,065	11,358
Loyalty programm	744	-
Connection fees	1,430	1,949
Customer contract net liabilities	**25,991**	**21,094**

For detailed description of Contract asset and liabilities, see Note 3 (j).

Impairment of contract assets

Contract assets, like trade receivables, are subject to the impairment for credit risk. Upon recognition of contract assets, the related impairment loss is recognized at the credit default rate.

Movements on the provision for impairment of contract assets are as follows:

In thousands of EUR	2022	2021
At 1 January	**692**	**713**
Net creation of provision for impairment	(41)	(21)
At 31 December	**651**	**692**

Transaction price allocated to the remaining performance obligations

The contract liability represents, in vast majority, the monthly services fees, which will be recorded to revenues in January 2023 and prepaid telephone cards, which will be recorded to revenues broadly during the first half of 2023.

The Company applies the practical expedient and does not disclose information about remaining performance obligations that have original expected durations of one year or less.

The Company applies the practical expedient and does not disclose the amount of the transaction price allocated to the remaining performance obligations and an explanation of when the Company expects to recognise that amount as revenue as at 31 December 2022.

12) Current Financial Assets

The balance of EUR 24,984 thousand (2021: EUR 58,797 thousand) represents the receivable on the cash-pooling account of the Company with Orange SA. On 15 March 2006, the Company signed a Centralised Treasury Management Agreement with France Telecom S.A (the successor company Orange SA) with the aim of centralisation and optimisation of affiliated companies' cash surplus under the best technical and financial conditions and ensuring a fine-tuning of the liquidity at the Group level.

Cash balances are not subject to any foreign exchange risk as they are denominated in the local currency. Maximum borrowing headroom is EUR 66 million. The balances bear an interest rate calculated as EONIA (EONIA: Euro Overnight Index Average). Interest is accounted for on a monthly basis and capitalized on the Company's current account. In the event of an overdraft, the interest is paid on a monthly basis and is calculated as EONIA plus the fixed rate of interest. The interest rate was 1.890% as at 31 December 2022 (negative rate 0.505% as at 31 December 2021).

13) Cash and Cash Equivalents

In thousands of EUR	31 December 2022	31 December 2021
Cash on hand and cash equivalents	81	80
Bank balances and deposits	3,967	6,432
Cash and cash equivalents in the balance sheet	**4,048**	**6,512**

The Company's cash balance includes current bank accounts and overnight balances with banks. The Company transfers free cash to its current account held by Orange SA, except for reasonable level held for operational reasons.

14) Equity

Share capital

As at 31 December 2022, the authorised share capital comprised 1,181,755 ordinary shares (2021: 1,181,755), with a nominal value of EUR 33.19 each, 1 ordinary share (2021: 1) with a nominal value of EUR 13.78, and 1 ordinary share (2021: 1) with a nominal value of EUR 0.66. Holders of these shares are entitled to dividends as declared from time to time and are entitled to one vote per share at the general meetings of the Company.

Reserves

Reserves of EUR 15,260 thousand (2021: EUR 15,260 thousand) relate to the Legal Reserve Fund. The Company is obliged by Slovak law to create a legal reserve totalling a minimum of 5% of net profit (annually) and up to a maximum of 10% of registered share capital. As the fund's balance has already reached the maximum balance, no further distribution from the Company's profits is required by law. The Legal Reserve Fund is not available for distribution and should be used to cover future losses arising from business activities, if any.

Dividends

As at the preparation date of these financial statements, the Board of Directors made no decision regarding the amount of dividends to be paid from the 2022 profit.

In June 2022, the shareholders approved a dividend payment of EUR 100 million related to undistributed profits from previous years at their annual general meeting. An amount of EUR 60 million was paid in July 2022 and an amount of EUR 40 million was paid in December 2022.

15) Loans and Borrowings

On 30 June 2015, the Company has entered into a Credit Facility Agreement with Atlas Services Belgium S.A. The credit facility was drawn down in two tranches: Tranche A in the amount of EUR 110,000 thousand was drawn down as at 30 June 2015 and Tranche B in the amount of EUR 100,000 thousand was drawn down as at 20 June 2016. The credit facility was refinanced in full amount in June 2020.

The final maturity date is 30 June 2024. The Company paid an arrangement fee in June 2020 in the amount of EUR 462 thousand. Interest is paid on quarterly basis and is calculated as EURIBOR plus 0.73% margin. The interest rate was 2.132% as at 31 December 2022 (0.127% as at 31 December 2021).

The loan is unsecured and the Company may use the funds for the general corporate operation purposes.

16) Provisions and Non-Current Payables

Provisions

In thousands of EUR	Provision for Asset Retirement	Other	Total
Balance as at 31 December 2021	**39,529**	**2,333**	**41,862**
Provisions made during the year	-	3,183	3,183
Provisions used during the year	-	(487)	(487)
Provisions reversed during the year	(16,188)	-	(16,188)
Balance as at 31 December 2022	**23,341**	**5,029**	**28,370**

In thousands of EUR	31 December 2022	31 December 2021
Non-current	28,370	41,862
Current	-	-
	28,370	**41,862**

A provision for asset retirement obligation was recorded in the amount of EUR 23,341 thousand (2021: EUR 41,862 thousand), using the following assumptions based on an expert's study: average costs of site demolition of EUR 10.6 thousand, an average site usage of 15 years, discount rate of 4.154%, dismantling cost index of 3.00% and number of sites of 2 487 (2021: EUR 10.6 thousand, 15 years, 0.239%, 3.00%, and of 2,479 sites, respectively). The Company records the carrying amount of EUR 3,177 thousand (2021: EUR 21,233 thousand) in the asset side of the balance sheet (Note 4).

Other provisions represent a provision for retirement benefit costs EUR 827 thousand and provision for litigations EUR 4,202 thousand.

Non-current payables

Non-current payables of EUR 18,428 thousand (2021: EUR 8,383 thousand) from which EUR 12 million represent the sum payable in 2025 and 2026 for the 3.5 MHz frequency and the rest is long-term liability resulted from the capitalized unavoidable future spectrum fees payable to the Telecommunication Office. Short-term liability related to spectrum fees is presented within trade payables and other liabilities in the sum of EUR 2,078 thousand (2021: EUR 2,078 thousand).

The liabilities were initially discounted to the fair value at a discount rate that ranges from 2.69% to 2.8%. The liability is amortised using the effective interest rate method. Fair value of the liability using the discount rate of 4.154% is by EUR 0.3 million lower compared to its carrying amount at the balance sheet date.

17) Trade Payables and Other Liabilities

In thousands of EUR	31 December 2022	31 December 2021
Trade payables	46,415	23,183
Accrued liabilities	37,308	36,574
Tax liabilities (VAT)	8,240	9,948
Liabilities to employees	9,603	8,670
Other current liabilities	4,772	9,077
Total	**106,338**	**87,452**

Accounts payables are classified as current liabilities if the payment is due within one year or less. Trade payables are non-interest bearing and the prevailing credit period on purchases is from one to two months.

Payables within and after maturity

31 December 2022

In thousands of EUR	Within maturity period	Within 360 days overdue	More than 360 days overdue	Total
Trade payables	45,783	632	-	46,415
Accrued liabilities	37,308	-	-	37,308
Tax liabilities (VAT)	8,240	-	-	8,240
Liabilities to employees	9,603	-	–	9,603
Other current liabilities	4,773	-	–	4,773
Total	**105,707**	**632**	**-**	**106,339**

31 December 2021

In thousands of EUR	Within maturity period	Within 360 days overdue	More than 360 days overdue	Total
Trade payables	19,379	3,692	112	23,183
Accrued liabilities	36,574	-	-	36,574
Tax liabilities (VAT)	9,948	-	-	9,948
Liabilities to employees	8,670	-	–	8,670
Other current liabilities	9,076	-	–	9,076
Total	**83,647**	**3,692**	**112**	**87,451**

The amount of EUR 8,816 thousand in Other current liabilities represent the third part of payment for the 5G licence payable in March 2022.

Liabilities to employees include social fund liabilities:

In thousands of EUR	2022	2021
As at 1 January	**55**	**27**
Additions	549	453
Utilisation	514	425
As at 31 December	**90**	**55**

18) Revenues

Revenues are broken down by product line as follows:

In thousands of EUR	2022	2021
Convergence services	84,099	59,095
Mobile services only	269,405	279,436
Fixed services only	31,002	28,251
IT & integration services	13,907	12,895
Wholesale	36,544	33,849
Equipment sales	127,002	119,159
Other revenues	10,612	10,411
Total revenue	**572,571**	**543,096**

- Convergent services: revenue from convergent Mass market services (Internet + Mobile offerings)
- Mobile services only: mobile service revenue is generated by incoming and outgoing calls (voice, SMS and data), excluding convergent services.
- Fixed services only: revenue from fixed services includes fixed broadband
- IT & integration services: revenue from unified communication and collaboration services (LAN and telephony, advising, integration, project management), hosting and infrastructure services (including Cloud Computing), applications services (customer relations management and other applications services), security services, video conferencing offers as well as sales of equipment related to the above products and services
- Wholesale: roaming revenues from customers of other networks (national and international), revenues from Mobile Virtual Network operators and from network sharing
- Equipment sales: all equipment sales (mobile phones, broadband equipment, connected objects and accessories), excluding sales of equipment related to integration and information technology (i.e. set top boxes)

19) External Purchases

External purchases are presented in the table below:

In thousands of EUR	2022	2021
Cost of equipment sold	108,270	100,611
Purchased goods and services	83,344	78,618
Service fees and interoperator costs	70,090	74,905
Costs associated with non-current assets	2,616	3,037
Other	21,652	18,333
Total external purchases	**285,972**	**275,504**

20) Other Operating Expenses/ (Income), Net

Other operating expenses are presented in the table below:

In thousands of EUR	2022	2021
Brand royalty and management fees	13,913	13,031
FX differences net	65	21
Loss on disposal of property, plant and equipment	-	957
Other operating expenses	4,137	3,539
Total other operating expenses	**18,115**	**17,548**

Other operating income is presented in the table below:

In thousands of EUR	2022	2021
Property fees	1,130	1,193
Late payment interest on trade receivables	341	432
Gain on disposal of property, plant and equipment	312	-
Other operating income	5,055	6,164
Total other operating income	**6,838**	**7,789**

21) Wages and Contributions

External purchases are presented in the table below:

In thousands of EUR	2022	2021
Wages and salaries	26,781	26,589
Bonuses and untaken holiday payroll provision	7,148	6,033
Social contribution	14,107	14,303
Restructuring cost	5,705	-
Other	2,538	3,116
Total wages and contributions	**56,279**	**50,041**

22) Income Tax

Reconciliation of the effective tax rate is shown in the table below:

In thousands of EUR	2022	2021
Income tax payable		
- from operating activities	24,667	21,964
Deferred income tax		
- from operating activities	(451)	1,408
Total income tax	**24,216**	**23,372**

The Slovak Corporate Tax is 21%, effective from 1 January 2017.

In thousands of EUR	2022	%	2021	%
Profit before tax	96,068		94,067	
Income tax at the rate of 21% (2019: 21%)	20,174	21.0%	19,754	21.0%
Income tax in respect of prior year	100	0.1%	250	0.3%
Special levy 4.356% (2020: 6.54%) for regulated businesses	2,951	3.1%	2,842	3.0%
Impact of adjusting items:				
- permanent differences and other differences	991	1.0%	526	0.6%
Total income tax	**24,216**	**25.2%**	**23,372**	**24.8%**

23) Financial Instruments

Risk Management Policies

The Company's activities expose it to a variety of financial risks, including mainly credit risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and the economic environment and seeks to minimise potential adverse effects on its financial performance.

Capital Risk Management

The Company manages its capital to ensure that it will be able to continue as a going concern while maximising the return to shareholders and benefits to other stakeholders through the optimisation of the debt and equity balance.

The capital structure of the Company consists of cash and cash equivalents (Note 13), cash pooling (Note 12), long term and short term debt/loan (Note 15) and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in Note 14.

The Company reviews the capital structure regularly. Based on the review and the General Meeting's approval, the Company balances its overall capital structure through the payment of dividends, the issue of new debt, or the redemption of existing debt.

The Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total loans (as shown in the separate balance sheet) less cash and cash equivalents.

The gearing ratios as at 31 December 2022 and 2021 were as follows:

In thousands of EUR	31 December 2022	31 December 2021
Cash and cash equivalents	(4,047)	(6,512)
Loan	210,000	210,000
Financial (assets)/liabilities	(24,984)	(58,797)
Net debt	180,969	144,691
Equity	385,089	413,190
Gearing ratio (Net debt to equity)	47%	35%

Main Categories of Financial Instruments:

In thousands of EUR	Note	31 December 2022	31 December 2021
Financial assets			
Cash and cash equivalents	13	4,047	6,512
Trade and other receivables	10	92,570	70,415
Current financial assets	12	24,984	58,797
Financial liabilities			
Loan	15	210,000	210,000
Trade payables and other liabilities	16	106,338	87,453
Lease liabilities	6	98,024	106,486

Financial Risk Management

The Company's activities expose it to financial risks in foreign currency exchange rates and interest rates. The Company does not use any official statistical methods for measuring market risk exposures; however, management's assessments of the Company's exposure to those risks are described below:

Foreign Exchange Risk

The Company's exposure is to changes in USD, which represents a minor risk in respect of the US dollar's position to the total amount of liabilities/assets, and therefore no sensitivity analysis was performed.

The carrying amounts of the Company's foreign currency denominated assets and liabilities at the reporting date are as follows:

	Liabilities		Assets	
In thousands of EUR	2022	2021	2022	2021
Currency USD	677	395	222	262

Interest rate risk

The Group's Treasury department exercises the policy of cash pooling of the Company's available funds to maximise economic returns and to manage cash optimisation and centralisation under the best financial conditions for most of the affiliated companies (see Note 12). Such instruments are not exposed to the risk of interest rate fluctuation. Owing to the character of the financial liabilities/assets, the Company does not assume any risk relating to interest rate movements.

Management has entered into loan contracts which are exposed to floating interest rates in the normal course of business. Management policy is to enter in variable interest rates borrowings contracts only. Management does not see the need to hedge the interest rates related to these contracts.

An increase or decrease of interest rate (EURIBOR) by 100 basis points, considering all other factors remain unchanged, would cause a decrease or an increase of profitability by EUR 4,736 thousand (2021: EUR 1,704 thousand).

The sensitivities were estimated based on year end balances and the actual results might differ from these estimates.

Management has lease liabilities for which a fixed interest rate was set.

Fair values versus carrying amounts

The fair value of trade and other receivables, cash and cash equivalents, trade and other payable loans and interest bearing borrowings with variable interest rate is approximated by their carrying amounts as at 31 December 2022 as well as at 31 December 2021. The fair values of non current payables are disclosed in the Note 16) and lease liabilities in the Note 6).

Basis for determining fair values

The fair value of trade and other receivables, cash and cash equivalents, finance lease receivables, trade and other payables, including long term payable (refer to Note 15) loans and interest bearing borrowings is estimated as the present value of the future cash flows discounted at market rate of interest at the reporting date.

Credit Risk

Financial instruments that could potentially expose the Company to concentration of counterparty risk consist primarily of trade receivables and cash and cash equivalents.

The Company considers that it has limited concentration in credit risk with respect to trade accounts receivables due to its large and diverse customer base (residential, professional and large business customers) operating in numerous industries and located in many regions. In addition, the maximum value of the counterparty risk on these financial assets is equal to their recognized net book value. An analysis of net trade receivables past due is provided in Note 10.

In addition, should a customer fail to pay any due payment for services, the Company will limit the customer's outgoing calls and, thereafter, the provision of services will be disconnected.

The Company held cash and cash equivalents of EUR 4,047 thousand at 31 December 2022 (2021: EUR 6,512 thousand). The cash and cash equivalents are held with bank and financial institution counterparties, which are rated AA- to AA+, based on Standard & Poor's ratings. The Company held also cash at cash-pooling account with Orange SA.

Impairment on cash and cash equivalents and cash-pool account has been measured on a 12-month expected loss basis and reflects the short maturities of the exposures. The Company considers that its cash and cash equivalents and cash-pool account have low credit risk based on the external credit ratings of the counterparties.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. Management monitors risks with rolling 12-month forecasts of the Company's liquidity reserve (comprising loan facility and cash and cash equivalents) on the basis of expected cash flows.

The Group's Treasury department exercises the policy of cash pooling the Company's available funds to maximise economic returns and to manage the cash optimisation and centralisation under the best financial conditions for most of the affiliated companies (see Note 12).

The following tables detail the Company's remaining contractual maturity for its non-derivative financial liabilities without provisions in which the maturity is unknown. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay. The table includes the principal and interest cash flows if applicable.

Management plan to negotiate the extension of the Final maturity of intercompany loan and it is expected the extension will be agreed based on historical experience.

2022

In thousands of EUR	Note	Year end effective interest rate	Less than 1 month	1 - 3 months	3 months to 1 year	1-5 years	5+ years	Total
Non-current payables	16	–	-	-	-	17,643	786	18,429
Non-interest bearing liabilities	17	–	46,713	38,130	1,558	-	-	86,401
Lease liability and interest	6	–	981	1,963	8,679	46,932	39,469	98,024
Loan	15	–	-	-	-	210,000	-	210,000
Interest and commitment fee from Long term loan	15	2.132%	-	1,119	3,358	6,716	-	11,193
Total			**47,694**	**41,212**	**13,595**	**281,291**	**40,255**	**424,047**

2021

In thousands of EUR	Note	Year end effective interest rate	Less than 1 month	1 - 3 months	3 months to 1 year	1-5 years	5+ years	Total
Non-current payables	16	–	-	-	-	6,832	1,551	8,383
Non-interest bearing liabilities	17	–	34,287	59,035	1,558	-	-	94,880
Lease liability and interest	6	–	971	1,940	8,694	48,270	46,611	106,486
Loan	15	–	-	-	-	210,000	-	210,000
Interest and commitment fee from Long term loan	15	0.127%	-	67	200	400	-	667
Total			**35,258**	**61,042**	**10,452**	**265,502**	**48,162**	**420,416**

The following tables detail the Company's expected maturity for its non-derivative financial assets. The tables have been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets. The inclusion of information on non-derivative financial assets is necessary in order to understand the Company's liquidity risk management as the liquidity is managed on a net asset and liability basis.

2022

In thousands of EUR	Note	Year end effective interest rate	Less than 1 month	1 - 3 months	3 months to 1 year	1-5 years	Total
Non-current receivables	10	–	-	-	-	18,711	18,711
Non-interest bearing receivables	10	–	54,200	8,007	30,363		92,570
Cash and cash equivalents	13	0.0%	4,047	-	-	-	4,047
Variable interest rate instruments	12	1.89%	24,984	-	-	-	24,984
Total			**83,231**	**8,007**	**30,363**	**18,711**	**140,312**

2021

In thousands of EUR	Note	Year end effective interest rate	Less than 1 month	1 - 3 months	3 months to 1 year	1-5 years	Total
Non-current receivables	10	–	-	-	-	14,745	14,745
Non-interest bearing receivables	10	–	51,227	3,627	15,561		70,415
Cash and cash equivalents	13	0.0%	6,512	-	-	-	6,512
Variable interest rate instruments	12	-0.505%	58,797	-	-	-	58,797
Total			**116,536**	**3,627**	**15,561**	**14,745**	**150,469**

24) Related Party Transactions

The immediate parent company and the ultimate controlling party of the Company are Atlas Services Belgium, S.A., (from August 2008, up to July: Wirefree Services Nederland B.V.) and Orange SA (incorporated in France), respectively. Transactions with related parties have been conducted under standard business conditions. Receivables, liabilities, purchases and sales with related parties are summarised in the following tables:

In thousands of EUR	31 December 2022	31 December 2021
Liabilities - non current		
Atlas Service Belgium (parent company)	210,000	210,000
Liabilities - current and unbilled supplies		
Orange Brand Services (fellow subsidiary)	4,457	2,218
Orange SA (ultimate controlling party)	1,711	2,819
Orange Polska (fellow subsidiary)	116	868
Orange CorpSec (subsidiary)	148	98
Other	543	356
	6,975	**6,359**
Dividends paid		
Atlas Service Belgium (parent company)	(100,000)	(60,000)
	(100,000)	**(60,000)**

In thousands of EUR	2022	2021
Purchases		
Orange SA (ultimate controlling party)	12,568	11,205
Orange Brand Services (fellow subsidiary)	8,323	7,496
Orange Polska (fellow subsidiary)	599	2,075
Atlas Service Belgium (mother company)	1,825	399
Orange CorpSec (subsidiary)	1,223	1,176
Orange Global International Mobility (fellow subsidiary)	1,116	1,188
Other	117	290
	25,771	**23,829**

In thousands of EUR	31 December 2022	31 December 2021
Trade accounts receivable - current		
Orange SA (ultimate control.party)	441	865
Orange SA - cash pool account	24,984	58,797
Orange Polska (fellow subsidiary)	79	223
Orange Brand Services (fellow subsidiary)	200	250
Atlas Service Belgium (parent company)	173	289
Other	835	854
	26,712	**61,278**

In thousands of EUR	2022	2021
Sales		
Orange Polska (fellow subsidiary)	1,024	2,791
Equant (fellow subsidiary)	2,233	2,429
Orange SA (ultimate controlling party)	3,911	3,972
Orange Espagna (fellow subsidiary)	110	99
Other	58	450
	7,336	**9,741**

The following related party transactions are applicable for the Company:

- Management fees, brand fees – transactions mainly with Orange Brand Services and Orange SA (ultimate parent company);
- Intra-group international telecom services – mobile and other telecom services with other group companies; and
- Shared products – mobile and other telecom services with other group companies.

All outstanding balances with these related parties are priced on an arm's length basis and are to be settled in cash mostly within 6 months of the reporting date, except for cash pool account and long term debt as these have individual maturities. None of the balances is secured. No expense has been recognised in the current year or prior year for bad or doubtful debts in respect of amounts owed by related parties. No guarantees have been given or received.

25) Information on Income and Emoluments of Members of the Statutory Bodies, Supervisory Bodies, and Other Bodies of the Accounting Entity

The income and emoluments of the Company's members of the statutory body, supervisory body and other bodies are summarised in the following table:

In thousands of EUR	2022	2021
Executive Management Board	2,280	1,532
Total	**2,280**	**1,532**

26) Commitments and Contingencies

Litigation

The Company is not involved in any legal proceedings outside of the normal course of business except for litigations for which provision was created (see Notes 16). Management does not believe that the resolution of the Company's legal proceedings will have a material adverse effect on its financial position, the result of the operations, or cash flows.

Commitments

The Company has CAPEX commitments in a total amount of EUR 41,000 thousand (2021: EUR 26,870 thousand). The main consists of investment in 4G network assets in the amount of EUR 14,905 thousand (2021: EUR 4,828 housand), investments in fixed lines network assets in the amount of EUR 8,795 thousand (2021: EUR 6,938 housand) and other less material investments in long-life assets.

The Company also has OPEX commitments in the total amount of EUR 113,140 thousand (2021: EUR 123,752 thousand) mainly related to the purchase of handsets in the amount of EUR 64,798 thousand (2021: EUR 97,858 thousand), energy purchase of EUR 37,727 thousand (2021: EUR 0 thousand), and network maintenance in amount of EUR 5,863 thousand (2021: EUR 3,975 thousand).

Legal Commitments

The Company has not given any guarantees to third parties in 2022 (2021: EUR 0 thousand).

27) Critical Accounting Estimates, Key Judgements, and Key Sources of Estimate Uncertainty

The preparation of the financial statements in conformity with IFRS as adopted by the EU requires management to make judgments, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses. The estimates and the 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 judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Estimated Useful Lives of Property, Plant, and Equipment

Useful lives, which are described in Note 3 (c) and (d), are determined based on the Company's best estimate of the useful lives of long-term assets and are reviewed annually.

A change in estimated useful lives of assets by 10% against the actual depreciation as at 31 December 2022 would have increased / (decreased) the property plant and equipment amounts as shown below:

	31 December 2022		31 December 2021	
In thousands of EUR	Increase	Decrease	Increase	Decrease
Estimated useful life in years +/-10%	6,377	(7,794)	6,422	(7,849)

The sensitivities were estimated based on year end balances and the actual results might differ from these estimates.

Estimated ARO

The Company is obligated to dismantle technical equipment and restore technical sites when terminates its operation. The provision is based on dismantling costs (on a per-site basis) incurred by the Company to meet its environmental commitments over the asset dismantling and site restorations planning. The provision is assessed on the basis of the identified costs for the current financial year, extrapolated for future years by using the best estimate for the commitment settlement. It is discounted at a risk-free rate. This estimate is revised annually and the provision is consequently adjusted against the relevant asset where appropriate.

Sensitivity of ARO reserves

A change in discount rate by 100 bps and change in dismantling costs by 10% against initial assumption as at 31 December 2022 would have increased / (decreased) the Estimated ARO by the amounts shown below:

	31 December 2022		31 December 2021	
In thousands of EUR	Increase	Decrease	Increase	Decrease
Discount rate +/- 100 bps	(3,117)	3,634	(5,469)	6,415
Dismantling costs +/- 10%	3,628	(3,169)	3,952	(3,952)
Length +/- 1 year	(190)	191	1,089	(1,060)

The sensitivities were estimated based on year end balances and the actual results might differ from these estimates.

Estimated enforceable period

IFRS 15 requires judgements and assumptions regarding the enforceable period of contract. Determining the enforceable period, the Company takes into account the economic logic of the transaction, and also over which period the contractual terms have made the rights and obligations enforceable through exit options, early renewal options and other business practices. In developing the judgements, management used information from the historical behaviour of clients as well as their contractual terms to determine the enforceable period.

Sensitivity of enforceable period

A change in enforceable period by 1 month against initial assumption as at 31 December 2022 would have increased / (decreased) the contract asset with direct impact to equity amount as shown below:

	31 December 2022		31 December 2021	
In thousands of EUR	Increase	Decrease	Increase	Decrease
Enforceable period +/- 1month	1,784	(5,615)	1,483	(6,242)

The sensitivities were estimated based on year end balances and the actual results might differ from these estimates.

Sensitivity of lease term and discount rate for lease liability

A change in discount rate by 100 bps and change in lease term by 1 year against initial assumption as at 31 December 2022 would have increased / (decreased) the lease liability by amounts shown below:

	31 December 2022		31 December 2021	
In thousands of EUR	Increase	Decrease	Increase	Decrease
Discount rate +/- 100 bps	(7,860)	8,715	(9,339)	10,377
Length +/- 1year	9,328	(9,651)	12,390	(12,375)

The sensitivities were estimated based on year end balances and the actual results might differ from these estimates.

28) Subsequent Events

No other events with a material impact on the true and fair presentation of facts as presented in these financial statements occurred after 31 December 2022 up to the preparation date of these financial statements.

29) Authorisation Of Financial Statements

The financeal statements were authorised for issue by management on 15 May 2023.

Mariusz Gatza
Chief Executive Officer

Eve Bourdeau
Chief Financial Officer