Annual Report 2019

April 2020

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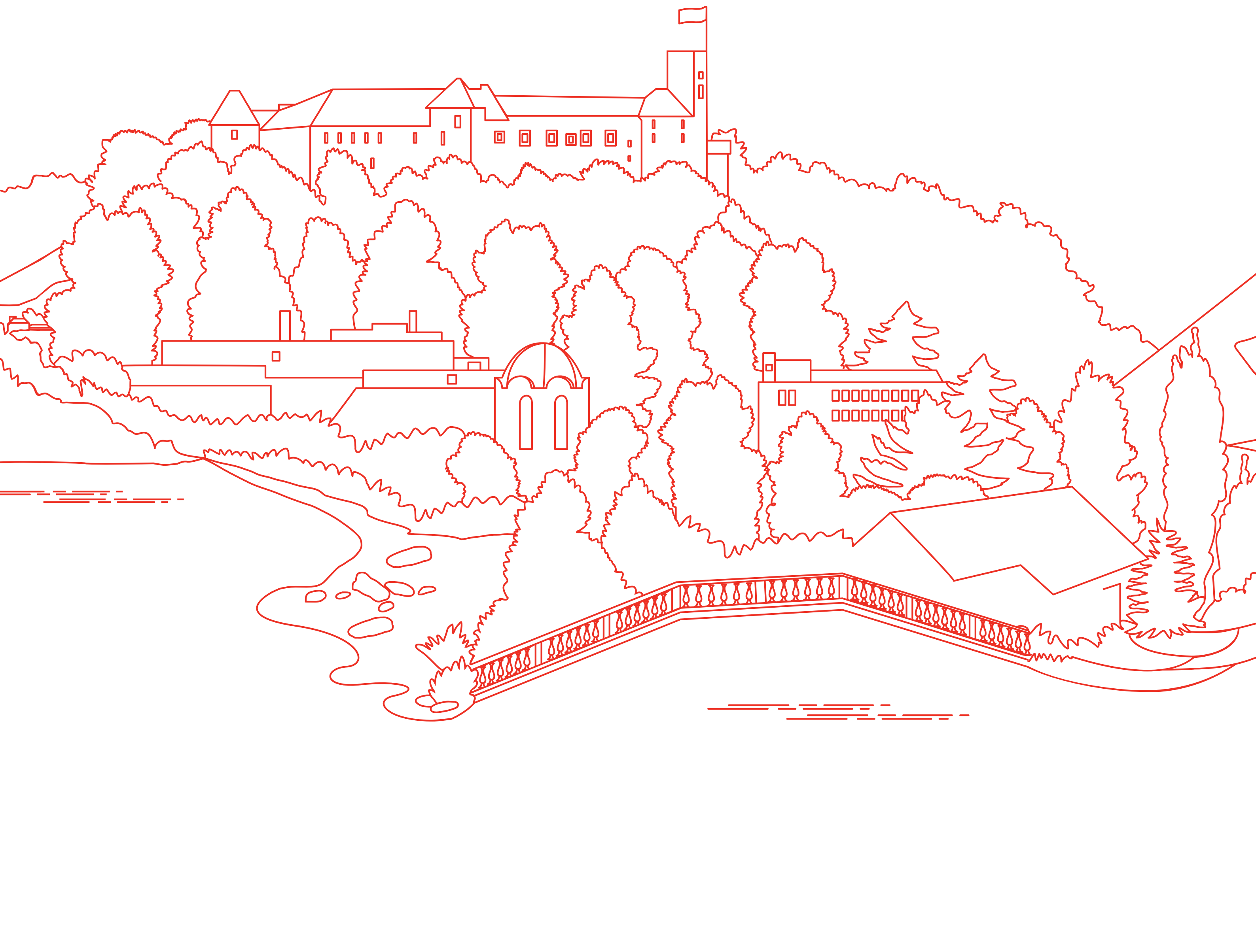
Business Report 2019

for the financial year
concluded on 31 December 2019



1. Principles of Business Operations

The vision and mission of A1 Slovenija derive from the fundamental principle of our operations – connecting people, places and things to enrich their working, living and entertainment experiences.

By creating unique experiences in the digital world we provide our users with the best user experience to support their digital lifestyle. We are bound to responsible, deliberate and diligent business operations, and are a reliable, thoughtful and active companion for our users. We build our operations on foundations of ethics and responsibility towards ourselves and others. We are aware that the organizational culture has a strong impact on delivering our strategy, so we are always strengthening it to promote its development.

We build our operations on foundations of ethics and responsibility towards ourselves and others.

As the leading privately-owned provider of comprehensive communication services in Slovenia, A1 Slovenija is committed to creating solutions that enrich our users' lives in this era of digitalization. We are dedicated to innovation, and constantly develop sensible communication solutions that fit the current and emerging needs of our users so that they can connect with their favorite content and share it in a simple way. Through advanced technology we bring an experience that is tailored to our users, making it possible for our company to maintain its position of a pioneer in mobile communications and strengthening our position on the market of comprehensive communication services.

With a firm dedication to our principles, A1 Slovenija became recognized as a Family Friendly Enterprise, and one of the most reputable employers in Slovenia. Growth of business operations, satisfied users, numerous awards, the ISO 14001 environmental certificate, entry into the EMAS registry, and the ISO 27001 certificate in information security management prove that A1 Slovenija is a mature and responsible company. By supporting numerous environmental project we encourage our employees and other stakeholders towards taking a responsible relationship with the environment. We encourage our users to bring their disused and broken phones back to us, and by giving them a bonus motivate them to pay for services with an e-invoice.

We put the users and our colleagues into the center of our attention, making it possible for them to create the experience they want to live. We encourage them to express their opinion, creativity and innovation, both in the workplace, and beyond. We constantly create working conditions that encourage innovative thinking and creativity to design new products and services, as we profoundly believe that responsibility and the chance to make decisions give momentum to the growth of the company.

Ethical and transparent operations are an important element of our culture, and as an extension, also of our values. Accordingly, we are working to establish an organizational culture that reinforces a business culture of integrity, lowers risks, and improves our reputation. We believe that responsibility accelerates company growth, while our decisions are guided by our Code of Conduct.

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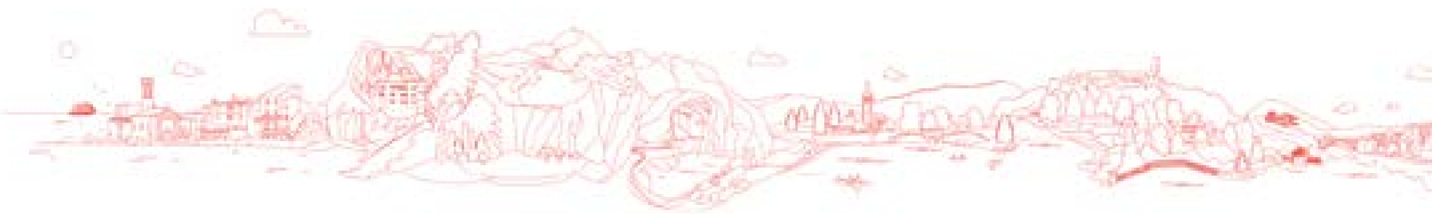


2. About the Company

2.1. Company information

Name	A1 Slovenija, telekomunikacijske storitve, d. d.
Headquarters	Šmartinska 134b, 1000 Ljubljana
Telephone	040 40 40 40
E-mail for residential users	info@A1.si
E-mail for business users	info.poslovni@A1.si
Website	www.A1.si
Main activity	61.200 – Wireless telecommunications activities
Activity code	J61.200
Founded in	1998
VAT ID number	SI 60595256
Company registration number:	1196332000 SRG 1/29430/00 Ljubljana
Share capital:	EUR 38,781,000.

2.2. Ownership

A1 Slovenija, d. d., is fully owned by Mobilkom Beteiligungsgesellschaft mbH. Mobilkom Beteiligungsgesellschaft mbH is part of the American Movil Group. America Movil, S.A.B. de C.V., Mehika, is the ultimate parent company (more information at www.americamovil.com).

2.3. Management

Dejan Turk	Chairman of the Management Board

2.4. Directors

Lovro Peterlin	Managing Director, Senior Sales and Customer Service Director
Larisa Grizilo	Senior HR and Corporate Communications Director
Nenad Zeljković	Senior Technology Director
Đorđe Vuksanović	Senior Transformation Director
Natali Delić	Senior Technology Director
Milan Zaletel	Senior Finance Director

2.5. Supervisory board

Alejandro Douglass Plater	Chairman of the Supervisory Board
Siegfried Mayrhofer	Deputy Chairman of the Supervisory Board
Bernd Schmutterer	Supervisory Board Member
Thomas Arnolder	Supervisory Board Member

2.6. Changes in the Management in 2019

Changes in the Management Board
There were no changes in the Management Board in 2019.

Changes in the Supervisory Board
In 2019 Mr. Thomas Arnolder was appointed Supervisory Board Member.

3. Employees

As at 31 December 2019 the share of women among A1 Slovenija's employees was 42.96%, with the average age of our colleagues at 37.4 years. Nearly a half of our employees have level V education, and 55,55% of all staff have a higher education or university degree.

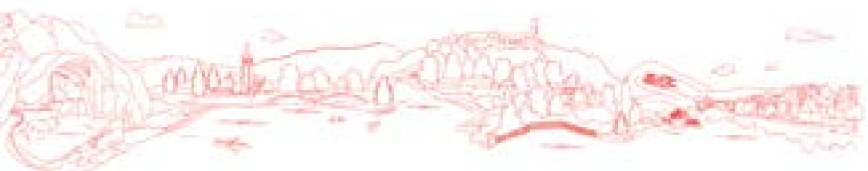
The company does not have a diversity policy.

4. Social responsibility

At A1 Slovenija we place a special focus on our responsibility to the natural environment. We have seven bee hives with seven bee families living on the roof of our headquarters in Ljubljana. The hives have been adorned with 30 beehive panels with children’s illustrations that were created in the Cici Artwork competition inspired by bedtime fairy tales from our Lahkonočnice (Bedtime Storytellers) collection.

By connecting the elderly and children through the Bedtime Storytellers project A1 Slovenija is building special bonds and advancing cross-generational relations.

By connecting the elderly and children through the Bedtime Storytellers project A1 Slovenija is building special bonds and advancing cross-generational relations. The Bedtime Storytellers now already includes 119 fairy tales and 2 cartoons, both of which are also available in English, and just recently fairy tales passed the magical milestone of 500,000 plays, while cartoons had more than 500,000 views. Bedtime Storytellers is a unique project that connects all generations through fairy tales, and this year we also made two new picture books, Modri zajček (The Blue Rabbit) and Tri čarovnije na noč (Three Magic Spells of the Night).



As a socially responsible company A1 Slovenija gave this year's Christmas donation in the amount of EUR 10,000 to participating libraries working to establish a mobile library in the Posavje region, and to purchase textbooks and literature for children and young people for the library.

To commemorate World Book Day A1 Slovenija published 3,000 notebooks titled Between the Lines, which hide Slovenian literary works in every line. The initiative Between the Lines also includes the publication of nearly 20,000 unique notebooks which are available as gift at all of A1 Slovenija’s points of sale.

Together with AMZS's Safe Driving Centre and the Ljubljana Police Directorate A1 Slovenija organized an event aimed at raising the awareness of safe driving with e-scooters, setting up a course to test safe driving.

As part of our mission to stimulate growth and development, we sponsored numerous events and projects.

A1 Slovenija's volunteers worked together with Slovene Philanthropy to organized Volunteer Day at A1 Slovenija. We took a bus to the Višnja Gora Educational Institution to assist in landscaping of the surroundings to make life a bit nicer for the young people who call it their home. We also invited the young people and their educators to join us for a traditional Slovenian breakfast at our headquarters where we introduced them to various positions in our company.

We created a new website introducing safe internet use titled Varni na spletu (Safe on the Internet) https://www.a1.si/varninaspletu, which includes the online version of the Family Guidebook on Safe Internet Use, and tips for parents, along with a several campaigns on raising the importance of safe internet use.

We renewed and extended our Family Friendly Enterprise certificate, as we offer numerous benefits to our employees, while our points of sale are pet friendly.

As part of our mission to stimulate growth and development, we sponsored numerous events and projects, such as Innovation Day, Business Breakfast of the Information and Telecommunications Association, and the AmCham Business Breakfast hosted by the American Chamber of Commerce.

5. Selected Performance Indicators

5.1. Analysis of the Profit and Loss Statement

1%
TOTAL OPERATING REVENUE

In 2019, our total operating revenue grew by 1% compared to 2018. The trend of declining revenue from the sale of mobile telecommunications services due to strong price pressure from competition, as well as the decline in revenue from international roaming because of pricing regulation (decrease) continues. We recorded a growth in revenue from fixed telecommunications services, as well as from national roaming services.

Earnings before interest, taxes, depreciation and amortization (EBITDA) increased by 48% because of the introduction of the new IFRS 16 standard, and stood at EUR 59 million at the end of the year. A1 Slovenija finished 2019 with positive earnings before interest and taxes (EBIT) of EUR 14.07 million. This is a 44% increase compared to 2018. Earnings before tax stood at EUR 12.9 million in 2019

At the end of 2019, A1 Slovenija had 705,323 users, which is a 0.9% decrease compared to the year before. We recorded slight growth in subscribers (+1%), who represent 88,8% of all users.

The average revenue per user (ARPU) decreased in 2019 compared to 2018 because of price pressures from the competition and the regulation of international roaming.

5.2. Analysis of the Balance Sheet

As at 31 December 2019 total assets amounted to EUR 366.53 million. Compared to the year before, it was up by 21,5%, i.e. EUR 64.88 million. This increase is the result of adopting the IFRS 16. As at 1 January 2019 the company recognized EUR 82,470,711 as the right to use financial assets, EUR 76,905,353 in lease availability, and derecognized advance payments in the amount of EUR 5,565,358. The effects of the new standard are disclosed in chapter 6.2. of the Financial Report.

Long-term assets stood at EUR 261.98 million, and increased by 33%, i.e. by EUR 65 million. This increase is the result of adopting IFRS 16. The effects of the new standard are disclosed in chapter 6.2. of the Financial Report.

Equity and reserves stood at EUR 227.58 million, and decreased by 1,67%, i.e. by EUR 3.2 million. Shareholder equity ratio stood at 62.1%.

Non-current liabilities increased by 408%, i.e. by EUR 56,56 million. This increase is the result of adopting IFRS 16, and consequently the recognition of long-term lease liabilities.

Short-term liabilities in the amount of EUR 52.22 million represented 14.25% of total assets. Compared to 2018, they increased by 23.2%, i.e. EUR 9,83 million. Short-term liabilities increased because of adopting IFRS 16, and the recognition of short-term lease liabilities in the amount of EUR 13.3 million.

Below is a general summary of our financial performance for the years 2019 and 2018 (in accordance with International Financial Reporting Standards):

SUMMARY OF FINANCIAL DEVELOPMENT IN YEAR 2018 AND 2019		2019	2018
Profit and loss statement			
Operating revenue	in million EUR	211.74	209.46
Earnings before interest, taxes, depreciation, and amortization (EBITDA)	in million EUR	59	39.9
Earnings before interest and taxes (EBIT)	in million EUR	14.07	9.75
Profit/loss	in million EUR	-1.21	0.12
Earnings before tax (EBT)	in million EUR	12.85	9.87
Balance sheet			
Assets	in million EUR	366.53	301.65
Property, plant, and equipment	in million EUR	86.14	83.55
Short-term assets	in million EUR	104.55	104.71
Financial and operating liabilities	in million EUR	121.27	55.89
Equity	in million EUR	227.58	230.75
Selected indicators			
EBITDA margin	%	27.86%	19.05%
Investments in property, plant and equipment	in million EUR	19.03	22.22
Average no. of employees		561	590
Number of employees (year-end)		540	584
Number of users (year-end)		705,323	697,099
Of which subscribers represent		626,316	611,729

6. Transactions with Related Parties

In accordance with Article 546 of the Companies Act the company hereby discloses its transactions with related parties.

The company conducts business with related parties in areas of international roaming, network interconnection, technical systems hosting, backbone network, management and expert consultancy, procurement of mobile phones and other equipment, software use, and other areas.

The financial overview of transactions with related parties is presented in the financial part of this Annual Report.

In the 2019 financial year A1 Slovenija, d. d., did not perform or omit any actions at the initiative of a related party that would deprive the company.

7. Risk Exposure

7.1. Regulatory Risks:

7.1.1. Regulation of wholesale fixed markets

The regulatory decisions that the Agency for Communications and Services (AKOS) issued after completing analyses of wholesale fixed access markets (i.e. markets 3a and 3b), in which it designated Telekom Slovenije as an operator with significant market power, are not fully implemented. AKOS regulated the wholesale prices of some products of access to Telekom Slovenije's network, through which A1 Slovenija offers most of its fixed telecommunications services, however they are regulated in relation to the current retail price of Telekom Slovenije's leading products. This means that Telekom Slovenije is free to set its wholesale prices, and AKOS then verifies whether this price was calculated correctly with some lag, bringing a level of uncertainty to the market. In its retroactive supervisions, which were removed from the established breach by more than one year, AKOS generally established that the prices were not set correctly, imposing on Telekom Slovenije to pay back the overcharges for regulated services (but not also for the loss of profit during the period that Telekom Slovenije was more competitive). AKOS also began supervising other, so-called non-price obligations imposed on Telekom Slovenije that directly affect A1 Slovenija's ability to compete on equal terms.

The European directive that ensured access to passive infrastructure to operators that want to construct their networks, thereby ensuring lower construction costs, is not exercised consistently into the Slovenian legal order, as the procedures for access to the passive infrastructure take too long (the procedure that A1 Slovenija launched at AKOS against T-2 in 2018 is still not yet completed, while the construction is already finished at full cost, where possible).

Recently the procedure of regulating relevant market 4 (B2B market) was completed after a long delay. This market was last regulated in 2008, and Telekom Slovenije’s products were completely useless to other operators because they were outdated and their wholesale prices too high. Telekom Slovenije has now offered wholesale access to high-quality products (so-called RALO): active connections over copper or fiber optics that include (i) leased lines with traditional technology (PDH, SDH), (ii) leased lines with modern technology that use carrier grade Ethernet technologies for transport, (iii) high-quality bistream on broadband connections for the mass market (ADSL/VDSL, fiber optics). The use of these products has yet to become more popular, but may affect the market for business customers, as Telekom is for the first time providing a range of SLA agreements. The core building blocks of B2B products – dark fibers – have yet to be included in the market.

7.1.2. Open internet and quality of service

With an alleged intent to increase transparency regarding open internet access AKOS issued the General act on internet access services and related rights of end users in September 2019, even though internet service providers severely opposed it for being unclear and unnecessary. Without any convincing reasons this Act makes the operators' obligations stricter (and as it has been shown in practice during the supervisions of AKOS's inspectors, also enforced retroactively) than they were under the TSM Regulation and is in direct opposition to its purpose. The Act demands significant changes to the procedures for concluding a subscriber agreements, and even limits the possibility to provide some of the services in an efficient way over the copper network. Further AKOS's inspection practice will show whether the intent of this Act was to actually provide transparency or whether AKOS aims to force operators into voiding all subscriber agreements that do not meet the advertised data transfer speeds from the period before the General act came into force.

7.1.3. The regulation of roaming in European mobile networks

In the scope of the so-called roam like at home EU regulation, the wholesale roaming prices additionally decreased on 1 January 2019, with the fair use service limits going up, and the prices for permitted surcharges going down. This will continue on 1 January 2020 with a further 22% decrease of wholesale prices and a proportionate increase to the limit. From a regulatory perspective it will remain a challenge to stop the abuses of the right to roam at home network rates in ways that are consistent with EU legislation.

7.1.4. The European Electronic Communications Code and call regulation in the EU

The European Electronic Communications Code must be transposed into Slovenian legislation by the end of 2020. EECC thoroughly revamps the current regulatory framework in electronic communications, from construction, to access to existing networks, and among other things it also includes regulating OTT providers for the first time, while another major change will be in the regulation of operators with significant market power, which will also require the adoption of a new Electronic Communications Act. The chapter on end users will be especially challenging, as consumer rights organizations are hoping for further significant limitations to the operators' contractual freedom, as well as the short time frame for its implementation.

7.1.5. Considerations regarding the effects of 5G technology on the health and the environment

In light of the upcoming introduction of 5G technology there have been some public considerations regarding the impacts of the technology on the health and the environment, and it will be a challenge to encourage the state to ensure appropriate awareness among its citizens regarding the upcoming technology. There is also a severe risk that the regulatory environment in electromagnetic radiation and base station locations will not be appropriately predictable and detailed before the 5G frequencies become available through the public auction.

7.1.6. Frequency strategy and auction

In 2019 the Strategy for managing the radio frequency spectrum proposed by AKOS was not adopted by the Government. The Government stated as its reason that the operators do not agree with the proposed framework and that it does not address some of the issues that are important for spectrum management. Consequently the planned public tender for awarding the frequencies for public mobile technology in the 700 MHz, 3500 MHz and some other frequency bands planned for the development of 5G networks was not held. In 2020 there is a risk that AKOS offers all the frequencies in a bundle with a complex auction format that will demand high investments at uncertain business models before the regulatory environment ensures predictable investments.

7.1.7. GDPR, E-Privacy and ZVOP-2

After the implementation of the General Data Protection Regulation (GDPR) it remains uncertain when some other legislative acts will be adopted (Personal Data Protection Act – ZVOP-2, and the E-Privacy regulation which was not adopted by member states in the first round), as they have been in preparation and may have an impact on the implementation of this Regulation. A1 Slovenija and other major operators have been striving to inform the legislators of the operators' needs in order to prepare an appropriate business environment that would ensure the highest level of adherence to the requirements for privacy protection within the existing system of managing appropriate approvals.

7.2. Credit Risk

Company's revenue comes from different sources, and most revenue comes from voice calls and monthly subscription fees. Since the majority of contractual customers at the end of 2019 were natural persons, credit risk is broadly dispersed and not significant. Other revenue sources come from resellers (phone sales) and other local and foreign mobile telephone operators (network interconnection and international roaming). Past experience shows that there are no significant risks associated with these activities. As of the balance sheet date there were no significant dependencies on any of the above debtors.

7.3. Interest Rate Risk

Interest rate risk is the risk of making a loss caused by changes in the interest rate. The company has a deposit and no loans, so exposure to interest rate risk is estimated as low.

7.4. Currency Risk

The company's operational currency in 2019 was the euro. Only a small share of transactions is conducted in US dollars and other currencies, and consequently currency risk is not significant for the company. The company does not use any special financial instruments for hedging the currency risk.

7.5. Liquidity Risk

The company acquires liquid assets through inflows from operations, and from financing from the owner's loans, which are provided when needed. Development has shown that the company continues to improve its operations and thereby cash assets from operations. New technologies that demand high up front investments could require additional cash assets for implementation.

8. Plans for the Future

At A1 Slovenija the 2019 business year was marked by several key projects through which we constructed new foundations for the meaning of connectedness, thereby enriching the constantly developing world of opportunities and experiences.

With the constant development of new technologies the needs for highly specific and increasingly diverse video content are arising, so we opted to allow our users with the freedom of choice both for video content as well as for the internet, while also allowing them to test the most popular video services for free. We prepared the option of selecting the most popular video content with HBO GO and VOYO. New and current A1 users were able to select the programming bundles that allow them to tailor their channel selection in the A1 Kombo S, M or L plans.

We began including devices beyond the scope of mobile phones and tablets into our product range with the option of paying in installments at great prices, providing our users with customizable payment options.

A1 Slovenija became the sole owner of telecommunication service providers P&ROM, d.o.o., and Dostop, d.o.o. In accordance with our strategy of strengthening fixed telecommunications services we will continue to monitor all opportunities for growth.

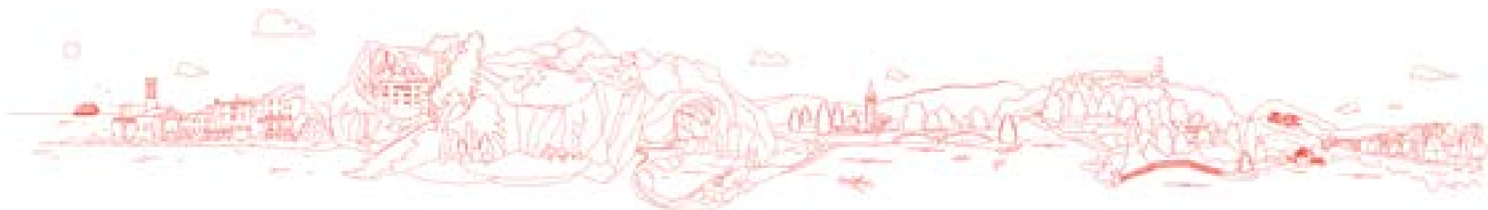
At the end of the year we launched our first base station utilizing 5G technology. The base station is located on the roof of our headquarters in BTC. This project aims to test the current capabilities of the 5G network, and evaluate the potential impact of 5G technology on the environment. Together with BTC, our partner in the development of future business models, we aim to encourage the development of 5G-based business models.

We will continue to put most of our emphasis on development and ensuring a varied range of products and services that meet the needs of our users, and the constant development of modern technologies.

With continued development of information and communication technologies (ICT) we strive to move the borders of digitalization and provide access to modern communication solutions and services to all the inhabitants and businesses of Slovenia, anytime and anywhere. We will also focus on security solutions, especially cyber security, and explore the opportunities that the Internet of Things (IoT) brings, improving the connections and communication between smart devices that make day-to-day life easier.

We will continue to focus our attention on the 4G/LTE network that is already bringing a state-of-the-art experience to our users through our reliable high-speed network, as well as continue to develop our network and introduce improvements. We already provide the fastest 4G/LTE network to more than 98% of the population of Slovenia, setting new foundations for connectedness and the use of modern technology.

At A1 Slovenija we include all generations of users. We are constantly looking for new, innovative solutions that improve their work, life and entertainment experiences. Innovation is our driving force, and with the introduction of advanced technology we are constantly striving to provide our users with unforgettable experiences tailored to their needs. In the coming years we will aspire to ensure the best user experience, while maintaining our position as the pioneer of mobile and fixed communications, and strengthening our position on the market of comprehensive communication services.



9. Corporate Governance Statement

In accordance with the provisions of paragraph 5 of Article 70 of the Companies Act (ZGD-1) A1 Slovenija, d. d., hereby issues a Corporate Governance Statement.

9.1. Governance Code

Between 1 January 2019 and 31 December 2019 A1 Slovenija, d. d., as part of the A1 Telekom Austria Group, operated according to the principles of the Corporate Governance Code of A1 Telekom Austria Group, which is based on the Austrian Code on Corporate Governance. The Code details responsible management and governance of companies, focused on sustainable and long-term value creation of company. The objective of the Code is to ensure a high level of transparency for all stakeholders and set the guidelines for investors. The Code is based on the provisions of the Austrian Stock Corporation Act, EU recommendations and the principles of corporate governance of the OECD. A1 Telekom Austria Group voluntarily undertook to abide to the Austrian Code on Corporate Governance already in 2003.

9.2. Work of the General Meeting

The work of the General Meeting is governed by the Articles of Association of A1 Slovenija, d. d., and the applicable legislation. General Meeting's key responsibilities comprise: adopting audited annual reports, deciding on the use of the distributable profit, appointing and recalling Supervisory Board members, voting on discharge for the management and supervisory boards members, voting on amendments to the Articles of Association, deciding on capital increases and decreases, deciding on the dissolution of the company or the change of its legal form, appointing the auditor, as well as deciding on other matters prescribed by the law, if Articles of Association so determine in accordance with the law. When deciding on the use of distributable profit, the General Meeting also decides on granting discharge to the Management Board and Supervisory Board. By granting the discharge, the General Meeting verifies and approves the work of the management and supervisory boards for that financial year.

9.3. Management and Supervisory Boards

A1 Slovenija, d. d., has a one-member Management Board, represented by Dejan Turk. The Management Board represents the company and is responsible for all affairs and decisions that are not expressly mandated to the Supervisory Board or General Meeting in the company's Articles of Association or the Companies Act. The work of the Management Board is supervised by the four-member Supervisory Board, consisting of: Alejandro Douglass Plater as the chairman, Siegrfried Mayrhofer as the deputy of the chairman member, Bernd Schmutterer as a member, and Thomas Arnolder, as a member. The Supervisory Board exercises its rights and fulfills its obligations in accordance with the Companies Act, adopts or rejects resolutions, adopts resolutions instructing the Management Board on matters and transactions prescribed by the law, Articles of Association, instructions for the Management Board and Supervisory Board resolutions. The Supervisory Board is also in charge of supervising the compilation of financial statements.

9.4. Description of the Main Characteristics of the Company's Systems for Internal Control and Risk Management Relevant for the Financial Reporting Procedure

The company has an Internal Control System (ICS) for financial reporting, in accordance with A1 Telekom Austria Group's instructions. The purpose of internal controls is to make sure that external financial reporting is reliable, complete and accurate, and in accordance with IFRS and company rules. The company implemented an internal control system based on COSO standards, the COBIT framework and the Sarbanes-Oxley Act (SOX). Regular internal reporting to the management and checks of the internal control system allow us to identify and eliminate any weaknesses in a timely manner. The company receives essential internal control content and principles from A1 Telekom Austria Group.

Ljubljana, 13 March 2020
Dejan Turk, CEO

Financial Report 2019

for the financial year
concluded on 31 December 2019

1. GENERAL DISCLOSURES

1.1. ABOUT A1 SLOVENIJA

1.1.1. Company's registered seat, legal form, and country of registration

A1 Slovenija, telekomunikacijske storitve, d. d., Šmartinska 134b, Ljubljana, Slovenia, is entered into the Court Register of Legal Entities under entry No. 1/29430/00 at the Ljubljana District Court, with the Decision No. SRG 97/07454 of 6 February 1998.

The Company was established on 23 December 1997. Its ownership structure as of 31 December 2019 is as follows:

Shareholder	Number of shares	Structure
Mobilkom Beteiligungsgesellschaft mbH	9,300,000	100.00%
Total	9,300,000	100.00%

Mobilkom Beteiligungsgesellschaft mbH has been a member of American Movil Group since 2014. American Movil is listed by the United States Securities and Exchange Commission, an agency of the United States federal government.

Company name:	A1 Slovenija, telekomunikacijske storitve, d. d.
Share capital of the Company:	EUR 38,781,000
Company registration number:	1196332
ID for VAT:	SI60595256
Activity code:	61.200
Size:	major joint stock company according to the Companies Act
Fiscal year:	calendar year

1.1.2. Nature of operations and core activities

The Company's core registered activity is telecommunications, and besides its core activity, the Company also registered other activities.

1.1.3. Information about the controlling company

A1 Slovenija, d.d., is a subsidiary of Mobilkom Beteiligungsgesellschaft mbH, Lassallestrasse 9, Vienna, Austria, and is included in its consolidated financial statements (more information: www.a1.group). Mobilkom's consolidated financial statements are included in consolidated financial statements of Telekom Austria AG, Lassallestrasse 9, Vienna, Austria, and these are, in turn, included in consolidated financial statements of America Movil, S.A.B. de C.V., Mexico, A1 Slovenija's ultimate parent company (more information on www.americamovil.com). In this Financial Report the companies in the group America Movil, S.A.B. de C.V., Mexico, are treated as group companies.

1.1.4. Data on Employees

- number of employees at the end of the 2019 business year was 540 (at the end of 2018: 584);
- average number of employees in the 2019 business year was 560.83 (590 in the 2018 business year);
- structure of employees by educational level:

Educational level	2019	2018
Vocational school or less	32	32
Grammar school	208	220
Higher education	50	56
Higher education – 1st level	111	120
Higher education – 2nd level	118	134
Post-graduate education	20	21
Doctorate	1	1
Total	**540**	**584**

1.2. STATEMENT OF MANAGEMENT RESPONSIBILITY

The Management Board is responsible for preparing the Annual Report so that it represents a true and fair view of the Company's financial position and the results of its operation for the year 2019.

The Management Board confirms the consistent use of appropriate accounting policies, and that accounting estimates were made following the principle of prudence and good management. The Management Board also confirms that the financial statements and the accompanying notes were prepared on the basis of an assumption of business continuity, and in accordance with the applicable legislation and International Financial Reporting Standards (IFRS), as adopted by the European Union, and with interpretations adopted by the International Financial Reporting Interpretations Committee (IFRIC), and approved by the European Union.

The Management Board is also responsible for appropriately amanged accounting, for the adoption of appropriate measures for protecting the assets, and for the prevention and detection of fraud and other irregularities or illegal activities. Tax authorities may at any time within 5 years after the year end of the year in which a tax was determined verify the Company's operations, which may consequently result in additional taxes, late interests, and fines associated with corporate income tax ot other taxes and levies. The management is not aware of any circumstances that could cause any significant obligation arising from this.

Dejan Turk
Chairman of the Management Board

Ljubljana, 13 March 2020

2. INDEPENDENT AUDITOR'S REPORT

This is a translation of the original report in Slovene language

INDEPENDENT AUDITOR'S REPORT

To the Shareholder of A1 SLOVENIJA, d.d.

Opinion

We have audited the financial statements of A1 SLOVENIJA, d.d. (the Company), which comprise the statement of financial position as at December 31, 2019, the income statement, the statement of other comprehensive income, the statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the A1 SLOVENIJA, d.d. as at December 31, 2019 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISA). Our responsibilities under those rules 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 International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Slovenia, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

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

Other information

Other information comprises the information included in the Annual Report other than the financial statements and auditor's report thereon. Management is responsible for the other information.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. In addition, we assess whether the other information has been prepared, in all material respects, in accordance with applicable law or regulation, in particular, whether the other information complies with law or regulation in terms of formal requirements and procedure for preparing the other information in the context of materiality, i.e. whether any non-compliance with these requirements could influence judgments made on the basis of the other information.

Based on the procedures performed, to the extent we are able to assess it, we report that:

- The other information describing the facts that are also presented in the financial statements is, in all material respects, consistent with the financial statements; and
- The other information is prepared in compliance with applicable law or regulation.

In addition, our responsibility is to report, based on the knowledge and understanding of the Company obtained in the audit, on whether the other information contains any material misstatement. Based on the procedures we have performed on the other information obtained, we have not identified any material misstatement.

Responsibilities of management and the supervisory board for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of 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.

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The supervisory board is responsible for overseeing the Company's financial reporting process and to confirm the audited annual report.

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 ISA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with audit rules, we exercise professional judgment and maintain professional skepticism 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 the supervisory board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Ljubljana, 13 March 2020

Sanja Košir Nikašinović
Director, Certified auditor
Ernst & Young d.o.o.
Dunajska 111, Ljubljana

Lidija Šinkovec
Certified auditor

ERNST & YOUNG
Revizija, poslovno
svetovanje d.o.o., Ljubljana 1

3. FINANCIAL STATEMENTS OF A1 SLOVENIJA, d. d.

3.1. BALANCE SHEET

ASSETS	Note	31 December 2019	31 December 2018
NON-CURRENT ASSETS		**261,977,660**	**196,943,052**
Intangible assets	5.1.1.	84,795,334	90,491,591
Property, plant and equipment	5.1.2.	86,136,985	83,546,191
Right of use assets	5.1.3.	70,524,323	0
Non-current financial assets	5.1.4.	2,778,955	218,888
Non-current operating receivables	5.1.5.	10,133,943	9,509,173
Non-current contract assets	5.1.6.	2,003,233	2,052,883
Deferred tax assets	5.1.7.	4,346,698	4,035,031
Non-current deferred costs	5.1.8.	1,258,190	7,089,295
CURRENT ASSETS		**104,549,690**	**104,710,027**
Inventories	5.1.9.	6,824,784	9,284,150
Current trade receivables	5.1.10.	66,230,909	62,933,660
Current trade receivables from group companies	5.1.11.	1,213,853	1,099,971
Tax assets from the income tax	5.1.12.	0	1,097,853
Other operating receivables	5.1.13.	1,089,963	1,164,201
Current contract assets	5.1.6.	5,671,993	3,899,669
Cash and cash equivalents	5.1.14.	23,170,705	24,865,731
Other current assets	5.1.15.	347,483	364,792
TOTAL ASSETS		**366,527,350**	**301,653,079**

EQUITY AND LIABILITIES	Note	31 December 2019	31 December 2018
EQUITY	**5.1.16.**	**227,584,544**	**230,745,396**
Called-up capital		38,781,000	38,781,000
Capital reserves		108,941,657	108,941,657
Profit reserves		3,878,100	3,878,100
Reserves, resulting from valuation at fair value		-357,740	-63,476
Retained earnings		64,208,114	70,428,397
Net profit or loss		12,133,413	8,779,718
PROVISIONS AND NON-CURRENT LIABILITIES		**76,812,138**	**20,388,848**
Post-employment employee benefits	5.1.17.	1,081,364	750,614
Other non-current provisions	5.1.17.	7,306,111	5,776,350
Non-current operating liabilities	5.1.18.	13,500,000	13,500,000
Non-current lease financial liabilities	5.1.19.	53,551,433	0
Non-current contract liabilities	5.1.20.	1,373,230	361,884
CURRENT LIABILITIES		**62,130,668**	**50,518,835**
Current operating liabilities to suppliers	5.1.21.	30,477,339	36,572,283
Current operating liabilities towards group companies	5.1.22.	3,260,601	2,038,783
Income tax liabilites	5.1.23.	1,032,549	0
Other operating liabilities	5.1.24.	4,159,210	3,781,646
Current lease financial liabilities	5.1.19.	13,293,965	0
Current contract liabilities	5.1.20.	3,800,446	2,715,793
Current provisions and accrued costs	5.1.25.	6,106,558	5,410,330
TOTAL LIABILITIES		**138,942,806**	**70,907,683**
TOTAL EQUITY AND LIABILITIES		**366,527,350**	**301,653,079**

The accompanying notes are an integral part of financial statements and should be read accordingly.

3.2. PROFIT AND LOSS STATEMENT

in EUR	Note	2019	2018
Revenue from contracts with customers	5.2.1.	209,062,756	206,837,412
Other operating revenue	5.2.2.	2,677,493	2,620,883
Cost of goods and materials	5.2.3.	-55,820,735	-57,910,778
Cost of services	5.2.3.	-72,252,852	-88,256,980
Labor cost	5.2.4.	-21,280,382	-20,634,054
Amortization and depreciation	5.2.5.	-44,935,946	-30,155,896
Other operating expenses	5.2.6.	-1,744,403	-1,358,134
Impairment losses/ impairment gains for financial assets	5.2.7.	-1,638,177	-1,393,702
Operating profit or loss		**14,067,754**	**9,748,751**
Financial revenue	5.2.8.	469,911	534,973
Financial expense	5.2.8.	-1,683,066	-410,346
Revenue from derecognizing financial assets	5.2.8.	0	-500
Profit/loss		-1,213,155	124,127
Profit/loss before tax		**12,854,599**	**9,872,878**
Accrued tax	5.2.9.	-1,032,609	0
Deferred tax	5.2.9.	311,667	-1,093,160
Withholding tax	5.2.9.	-244	0
Income tax		-721,186	-1,093,160
Net Profit/loss for the year		**12,133,413**	**8,779,718**
Basic earnings per share		1.30	0.94

The accompanying notes are an integral part of financial statements and should be read accordingly.

3.3. OTHER COMPREHENSIVE INCOME

in EUR	Note	2019	2018
NET PROFIT OR LOSS		12,133,413	8,779,718
Impairment losses of financial investments		0	-500
Unrealized actuarial gains or losses		-294,265	-88,891
Other comprehensive income in the financial year that will not be recognized in the profit or loss statement henceforth		-294,265	-89,391
Total other comprehensive income after taxes		-294,265	-89,391
Total comprehensive income for the financial year		11,839,148	8,690,327

3.4. CASH FLOW STATEMENT

in EUR	Note	2019	2018
CASH FLOW FROM OPERATING ACTIVITIES			
Net profit or loss		12,133,413	8,779,718
Adjustments for:			
Depreciation of tangible fixed assets and investment property	5.2.5.	34,892,584	19,026,717
Amortization of intangible assets	5.2.5.	10,043,362	11,129,179
(Gain)/loss from the sale of intangible assets, tangible fixed assets and investment property	5.2.6.	267,792	513,467
Net (decrease)/allowances for receivables		1,620,496	1,390,023
Net (decrease)/allowances for inventory		234,823	-372,578
Net financial (revenue)/expenses	5.2.7.	1,331,318	68,530
Changes in investment	5.1.4.	-2,560,067	-93,575
Income tax	5.1.7., 5.2.9.	2,195,646	-626,941

The accompanying notes are an integral part of financial statements and should be read accordingly

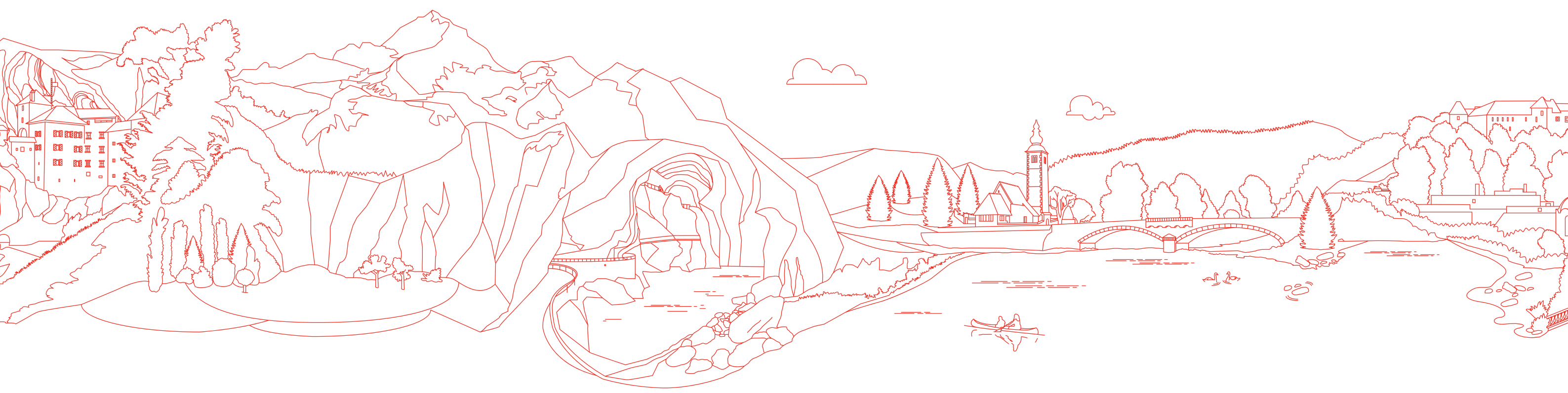
Operating cash flow before changes in working capital		**60,159,367**	**39,814,539**
Changes in operating receivables	5.1.5., 5.1.7, 5.1.10., 5.1.11., 5.1.12., 5.1.13	-5,893,824	-6,538,489
Changes in deferred costs and other assets	5.1.6., 5.1.8., 5.1.15.	-1,439,619	-1,298,601
Changes in inventories	5.1.9.	2,224,542	-1,119,937
Changes in operating debt	5.1.18.-5.1.20.	-1,367,013	6,610,386
Changes in current deferred revenue, accrued costs and provisions	5.1.17.,5.1.25.	2,556,739	1,100,825
Paid income tax		-1,097,793	0
Changes in net working capital		**-5,016,968**	**-1,245,815**
Cash flow from operating activities		**55,142,398**	**38,568,723**
Expenses for income tax		0	0
Net cash flow from operating activities		**55,142,398**	**38,568,723**
CASH FLOW FROM INVESTING ACTIVITIES			
Expenditure for the acquisition of intangible assets	5.1.1.	-4,347,106	-5,418,299
Expenditure for the acquisition of tangible fixed assets	5.1.2.	-21,652,687	-22,220,820
Net cash flow from investing activities		**-25,999,793**	**-27,639,119**
CASH FLOW FROM FINANCIAL ACTIVITIES			
Expenditures for interests from financing activities	5.2.8.	-1,331,318	-68,530
Expenditures for the repayment of financial liabilities		0	-11,474,586
Expenditures for the principal payments from leases	5.1.19.	-14,212,048	0
Dividends paid	5.1.15.	-15,000,000	-3,600,000
Other OCI (after income tax)	5.1.16.	-294,265	-88,891
Net cash flow from financing activities		**-30,837,631**	**-15,232,007**
Net increase /(decrease) in cash and cash equivalents		**-1,695,026**	**-4,302,403**
Cash and cash equivalents at the beginning of the year	5.1.14.	24,865,731	29,168,134
Final balance in cash and cash equivalents		**23,170,705**	**24,865,731**

The accompanying notes are an integral part of financial statements and should be read accordingly

3.5. STATEMENT OF CHANGES IN EQUITY

a) Statement of changes in equity from 1 January to 31 December 2019

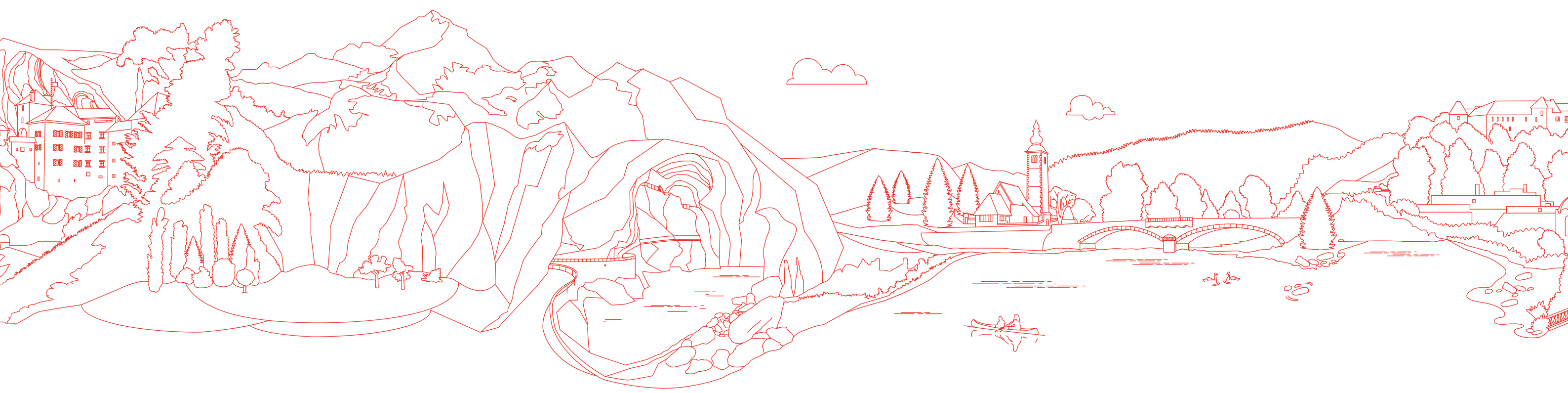
in EUR	Share capital	Capital reserves	Legal reserves	Fair value reserves	Retained earnings	Net profit for the year	Total equity
Balance on 1 January 2019	38,781,000	108,941,657	3,878,100	-63,476	70,428,397	8,779,718	230,745,396
Transfer of earnings from preceding years to retained earnings	0	0	0	0	8,779,718	-8,779,718	0
Distribution of profits	0	0	0	0	-15,000,000	0	-15,000,000
Transactions with owners	0	0	0	0	-6,220,282	-8,779,718	-15,000,000
Net profit or loss for the year	0	0	0	0	0	12,133,413	12,133,413
Other comprehensive income (after taxes)	0	0	0	-294,265	0	0	-294,265
Total comprehensive income	0	0	0	-294,265	0	12,133,413	11,839,148
Balance on 31 December 2019	38,781,000	108,941,657	3,878,100	-357,740	64,208,115	12,133,413	227,584,544



The accompanying notes are an integral part of financial statements and should be read accordingly.

b) Statement of changes in equity from 1 January 2018 to 31 December 2018

in EUR	Share capital	Capital reserves	Legal reserves	Fair value reserves	Retained earnings	Net profit for the year	Total equity
Balance on 1 January 2018	38,781,000	108,941,657	3,878,100	25,415	68,502,250	11,482,742	231,611,164
Effect of adoption of new accounting standard	0	0	0	0	-5,956,595	0	-5,956,595
Balance on 1 January 2018 (restated)	38,781,000	108,941,657	3,878,100	25,415	62,545,655	11,482,742	225,654,569
Transfer od earnings from preceding years to retained earnings	0	0	0	0	11,482,742	-11,482,742	0
Distribution of profits	0	0	0	0	-3,600,000	0	-3,600,000
Transactions with owners	0	0	0	0	7,882,742	-11,482,742	-3,600,000
Net profit or loss for the year	0	0	0	0	0	8,779,718	8,779,718
Other comprehensive income(after taxes)	0	0	0	-88,891	0	0	-88,891
Total comprehensive income	0	0	0	-88,891	0	8,779,718	8,690,827
Balance on 31 December 2018	38,781,000	108,941,657	3,878,100	-63,476	70,428,397	8,779,718	230,745,396



The accompanying notes are an integral part of financial statements and should be read accordingly.

4. NOTES TO THE AUDITED FINANCIAL STATEMENTS

4.1. FRAMEWORK FOR PREPARING THE STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

4.1.1. Declaration of compliance

The Company's management approved the financial statements on 13 March 2020.

Financial statements of A1 Slovenija, d. d. were prepared in accordance with International Finacail Reporting Standards (IFRS), as adopted by the European Union, with interpretations adopted by the International Financcial Reporting Interpretations Committee (IFRIC), and approved by the European Union, and the provisons of the Companies Act. The first use of International Reporting Standards (IFRS) was in 2016 with opening balance on 1 January 2015.

4.1.2. Functional and Presentation Currency and Rounding Off

The financial statements are in euros, which is the Company's functional currency. They are rounded off to a full unit. Rounding off may result in differences between the financial statements and the notes.

4.1.3. The Grounds for Measurment

The financial statements have been prepared on the historical cost basis, except for the assets for sale, which are measured at fair value. The methods used to measure fair value are described in notes, article 4.1.8.

4.1.4. Foreign currencies

Business events conducted in a foreign currency are converted into EUR according to the valid exchange rate of the European Central Bank (ECB) on the date of the business event. Exchange rate differences between the date of the business event and the date of payment are recognized in the profit/loss statement as financial expenditure or revenue.

Operating receivables and liabilities in a foreign currency are converted into EUR according to the valid ECB exchange rate on the date of the balance. Financial liabilities in a foreign currency are converted into EUR accoriding to the valid ECB exchange rate on the date of the balance. Cash and long- and current financial assets in a foreign currency are converted into EUR according to the valid ECB exchange rate on the date of the balance. Exchange rate differences arising from this are recognized in the profit/loss statement as financial expenditure or revenue.

The following exchange rates as at 31 December 2019 were used for converting foreign currencies:

Country	Currency	Currency label	Currency code	Exchange rate
USA	US DOLLAR	USD	840	1.1234
UK	BRITISH POUND	GBP	826	0.8508
Switzerland	SWISS FRANC	CHF	756	1.0854
Croatia	CROATIAN KUNA	HRK	191	7.4395

4.1.5. Significance

Significant items in the balance sheet are those which exceed 1% of total assets on the balance date, which as at 31 December 2019 is EUR 3,665,273 (and as at 31 December 2018 was EUR 3,017,072). Significant items of the profit and loss statement are those which exceed 2% of the value of revenue in the financial year, which for 2019 amounts to EUR 4,234,805 and for 2018 amounts to EUR 4,258,210.

4.1.6. Segment reporting

The Company is not obligated to apply IFRS 8 and consequently does not disclosure the data on operation by segments.

4.1.7. Changes to accounting policies, estimates and error corrections

A) CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

The accounting policies adopted are consistent with those of the previous financial year except for the following amended IFRSs which have been adopted by the Company as of 1 January 2019:

- IFRS 16: Leases

The standard is effective for annual periods beginning on and after 1 January 2019. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contrafct, i.e. the customer ("lessee") and the supplier ("lessor"). The new standard requires lessees to recognize most leases on their financial statements. Lessees has a single accounting model for all leases, with certain exemptions. Lessor accounting is substaintially unchanged. Assets from the rights and obligations arising from operating leases are recognized on the balance sheet. More about the adoption of the new standard is disclosed under 6.2.

- IFRS 9: Prepayment Features with Negative Compensation (Amendment)

The Amendment allows financial assets with prepayment features that permit or require a contracting party to a contract either to pay or receive reasonable compensation for the early termination of the contract (so that, from the perspective of the holder of the asset there may be "negative compensation") to be measured at amortized cost or at fair value through other comprehensive income. The Company's management estimated that the Amendment had no any significant effect on the Company's financial statements.

▪ **IAS 28: Non-current Interests in Associates and joint Ventures (Amendments)**
The Amendments relate to whether the measurement, in particular impairment requirements, of long term interests in associates and joint ventures that, in substance, form part of the "net investment" in the associate or joint venture should be governed by IFRS 9, IAS 28 or a combination of both. The Amendments clarify that an entity applies IFRS 9 Finacial Instruments, before it applies IAS 28, to such non-current interests or which the equity method is not applied. In applying IFRS 9, the entity does not take account of any adjustments to the carrying of long-term interests that arise from applying IAS 28. The management estimated that the standard had no any significant effect on the Company's financial statements.

▪ **IFRIC INTERPRETATION 23: Uncertainty over IncomeTax Treatments**
The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12. The Interpretation provides guidance on considering uncertain tax treatments separately or together, examination by tax authorities, the appropriate method to reflect uncertainty and accounting for changes in facts and circumstances. The management estimated that the standard had no any significant effect on the Company's financial statements.

▪ **IAS 19: Plan Amendment, Curtailment or Settlement (Amendments)**
The Amendments require entities to use updated actuarial assumptions to determine current service cost and net interest fo the remainder of the annual reporting period after a plan amendment, curtailment or settlement has occurred. The Amendments also clarify how the accounting for a plan amendment, curtailment or settlement affects applying ate assert ceiling requirements. The management estimated that this had no any significant effect on the Comnpany's financial statements.

The International Accounting Standards Board (IASB) has issued **the Annual improvements to IFRSs 2015-2017 Cycle**, which is a collection of amendments to IFRSs. The management estimated that this had no any significant effect on the Company's financial statements.

° **IFRS 3 Business Combinations and IFRS 11 Joint Arrangements:** The Amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The Amendments to IFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.
° **IAS 12 Income Taxes:** The Amendments clarify that the income tax consequences of payments on financial instruments classified as equity should be recognized according to where the past transactions or events that generated distributable profits has been recognized.
° **IAS 23 Borrowing Costs:** The Amendments clarify paragraph 14 of the standard that, when a qualifying asset is ready for its intended use or sale, and some of the specific borrowing related to that qualifying asset remains outstanding at that point, that borrowing is to be included in the funds that an entity borrows generally.

B) STANDARDS ISSUED BUT NOT YET EFFECTIVE AND NOT EARLY ACCEPTED

▪ **Amendment in IFRS 10 Consolidated Financial Statements and IAS 28 Ivnestments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture**
The Amendments addresses an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28, in dealing with the sale or contributions of assets between an investor and its associate or joint venture. The main consequence of the Amendments is that a full gain or loss is

recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. In December 2015 the IASB postponed the effective date of this Amendment indefinitely pending the outcome of its research project on the equity method of accounting. The Amendments have not yet been endorsed by the EU. The management estimated that the standard would not have any significant effect on the Company's financial statements.

- **Conceptual Framework in IFRS standards**

The IASB issued the revised Conceptual Framework for Financial Reporting on 29 March 2018. The Conceptual Framework sets out a comprehensive set of concepts for financial reporting, standard setting, guidance for preparers in developing consistent accounting policies and assistance to others in their efforts to understand and interpret the standards. IASB also issued a separate accompanying document, Amendments to references to the Ceonceptual Frameworks in IFRS Standards, which sets out the amendments to affected standards in order to update references to the revised Conceptual Frameworks. Its objective is to support transition to the revised Conceptual Framework for companies that develop accounting policies using the Conceptual Framework when no IFRS Standard applies to a particular transaction. For preparers who develop accounting policies based on the Conceptual Framework, it is effective or annual periods beginning on or after 1 January 2020. The management estimated that this would not have any significant effect on the Company's financial statements.

- **IFRS 3: Business Combinations (Amendments)**

The IASB issued Amendments in Definition of a Business (Amendments to IFRS 3) aimed at resolving the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The Amendments are effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020 and to asset acquitions that occur on or after the beginning of that period, with earlier application permitted. These Amendments have not yet been endorsed by the EU. The management estimated that this would not have any significant effect on the Company's financial statements.

- **IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Chanes in Accounting Estimates and Errors: Definition of term "Significant" (Amendments)**

The Amendments are effective for annual periods beginning on or after 1 January 2020. Earlier application of Amendments is permitted. The Amendments clarify the definition of the term significant and how it should be used. Under the new definition, "information is relevant if it can reasonably be expected that omission, misstatement, or concealment will affect the general decisions of the primary users of the financial statements, who make those decisions on the basis of financial statements that provide the financial information of the particular entity". The IASB also clarified the explanatory notes accompanying the definition, while ensuring that the definition of "significant" is in accordance with all IFRSs. The management estimated the impact of the Amendments and believe that this would not have any significant effect on the Company's financial statements.

- **Interest Rate Benchmark Reform – IFRS 9, IAS 39 and IFRS 7 (Amendments)**

The Amendments are effective for annual periods beginning on or after 1 January 2020 and must be applied retroactively by entities. Early use of supplements is permitted. In Septemeber 2019, as part of the final phase of responding to the effects of Interbank Interest Rate Reform (IBOR) on corporate financial reporting, the IASB published Amendments to IFRS 9, IAS 39 and IFRS 7. In the second phase of the project, the IASB will focuses on matters that could affect financial reporting when an entity replaces an existing benchmark interest rate with risk-free interest rate. The Amendments address matters affecting financial reporting in the period before the replacement of an existing reference rate with a replacement interest rate and the consequences thereof on specific requirements in relation to hedge accounting in IFRS 9 Financial Instruments and IAS 39 Financial Instruments:

Recognition and Measurement, with entity's consideration the results of the analysis of the projected future business. Undertakings may continue to recognize hedge accounting for the recognition of all hedges that are directly impacted by the interest rate benchmark reform and use temporary relief in the uncertainty period before replacing the existing reference interest rate with an alternative risk-free interest rate. Amendments to IFRS 7 Financial Instruments: Disclosures Related to Additional Uncertainty Disclosures arising from Interest Rate Benchmark Reform. The management estimated that the Amendments would not have any significant effect on the Company's financial statements.

- **IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-Current (Amendments)**

The Amendments are effective for annual periods beginning on or after 1 Januar 2022. Early use od supplements is permitted. The purpose fo the Amendments is to assist companies in deciding whether to classify debt or other liabilities with uncertain settlement dates as current or non-current liabilities in the financial statement, thereby ensuring greater consistency in compliance with requirements. The Amendments affect the presentation of liabilities in the financial statement, but do not change the exisiting requirements in relation to the measurement or assets recognition period, liabilities, income or expenses or information disclosed by the entity on these items. The Amendments also clarify the requirements in relation to the classification of debts that a company can settle by issuing its own equity instruments. The Amendments have not yet been approved by the European Union. The management estimated the impact of the Amendments and believes that there would be no significant effect on the Company's financial statements.

4.1.8. Significant Accounting Policies

The basis for measuring economic categories in financial statements original historical costs and final fair values, as evident from accounting records. Significant accounting policies are summarized below.

A. BUSINESS MERGERS OF COMPANIES UNDER COMMON MANAGEMENT

As IFRS do not define accounting policies for accounting for business mergers under common management, the management has in accordance with IAS 8 defined the method for accounting or mergers by acquisition of subsidiaries while taking into account professional instructions and the economic subject of business mergers.

B. INTANGIBLE ASSETS

Intangible assets include investments in propery rights. The Company uses the cost model, and thereby recognizes intangible assets at their historical cost, minus amortization amount, calculated using the straight-line method and accumulated loss from impairments.

Company's intangible assets include non-current property rights, namely various interconnection rights, utilization of fiber optic connectors which the Company amortizes in accordance with the useful life set out in the contract. The Company's non- current property rights also comprise rights from the acquisition of customers from the operator, which are amortized over a period of 3 years, which is also the estimated time for which the customers remain with the Company as users. If customers leave the operator before this period expires, the remaining cost of acquiring that customer is immediately carried into the costs for that year. Subsequent cost associated with intangible assets increases their purchase value, if they increase its future economic benefits in comparison with the initial estimates. Repairs or maintenance of intangible fixed assets are aimed at restoring and preserving future economic benefits, expected based on the originally estimated rate of efficiency of the asset. When they occur, they are recognized as expenses.

The Company amortizes intangible assets using the straight-line method.

The amortization of an asset begins, when the asset becomes available for use. Only intangible assets with a finite period useful life are recognized under intangible assets. The amortization of intangible assets is recognized under amortization and depreciation in the profit and loss statement.

Amortization rates are based on the estimated useful life of the asset and amount to:

Intangible assets	Useful life (in years) 2019
Radio frequencies	15 or in accordance with the Decision
Software and Licences	1-8
Property rights – interconnection rights	In accordance with the contract
Property rights from customer acqusition	3
List of customers	10

Amortization and depreciation rates remained unchanged in 2019.

Goodwill arising from the merger pertains to the difference between the purchase value of the investment and the value of identifiable assets and liabilities of the acquired company. Goodwill is measured at cost minus and accumulated impairment loss.

Impairment of goodwill is done based on cash-generating unit. Impairment of goodwill requires an estimation of the cash-generating unit's value in use. Determining the present value of future cash flows requires an assessment of expected cash flows from the cash-generating unit, and determining the appropriate discounte rate (disclosed in 5.1.1.)

C. NON-CURRENT DEFERRED COSTS

Deferred costs pertain to non-current deferred costs of connection fees for data lines. Connection fees for data lines are deferred over the period of the duration of radio frequencies.

D. TANGIBLE FIXED ASSETS

The Company uses the cost model, and records tangible fixed assets at their original cost, minus accumulated depreciation using the straight-line method and accumulated impairment loss.

A tangible fixed asset is initially recorded at original cost, which comprises their purchase price, import duties and non-refundable taxes, and any costs associated with putting the asset to use, especially delivery and installation costs. Borrowing costs which can be directly attributed to the purchase, construction or production of a qualifying asset are part of the original cost of the said asset. Other borrowing costs are recognized as expenses in the period in which they were incurred. Borrowing costs include interest and other costs arising from borrowing financial funds.

Assets which were produced in-house, are recognized and measured based on the cost of material, labour, and a proportionate share of general operating costs. The original cost comprises all the costs of employee conpensations arising directly from the purchase or the construction of an asset. The original cost of certain fixed assets (base stations) also includes the decommissioning costs, the obligation for which the Company incurs contractually. The decommissioning costs are estimated based on the prices of contractors providing the service for each type of base station, inflated to the moment of their occurrence and discounted to the current value.

Any fixed assets obtained free of charge are recorded at their fair value.

The Company separately records parts of tangible fixed assets of higher value, if they have different useful lives.

Subsequent costs associated with tangible fixed assets increase their original cost, if they increase their future economic benefits in comparison with the initial estimates. Repairs or maintenance of fixed assets are aimed at restoring or preserving their future economic benefits, expected based on the originally estimated rate of efficiency of the asset. When they occur, they are recognized as expenses.

After fixed asset is disposed of or destroyed, the difference between their sales value and the non-amortized carrying amount are recognized as other operating revenue or other operating expenses.

The Company depreciates tangible fixed assets using the straight-line method. Small tools are depreciated collectively. Land is not depreciated.

Depreciation of tangible fixed assets begins on the first day of the month following the month when they are available for use. In accordance with IAS 16 a tangible asset begins depreciating when it becomes available for use i.e. on the day of its activation, but the Company estimates that such difference regarding the date of depreciation does not have a significant impact on financial statements. The depreciation of tangible fixed assets in the profit and loss statement is recorded under Amortization and Depreciation.

Depreciation rates are based on the estimated useful life of the asset, which are as follows:

Tangible Fixed Assets	Useful life (in years) 2019
Base stations and exchanges	5-15
Computer equipment	3-4
Investments in third party tangible fixed assets	7-10
Other equipment	5-7
Small tools and spare parts	2-3

Amortization and depreciation rates remained unchanged in 2019.

If significant risks or benefits pertain to the Company as the lessor, then the asset is recorded in the Company's books. The leased-out assets are then measured in accordance with IAS 16 – Property, Plant and Equipment. The revenue from leases is recognized in the period of the lease in the profit and loss statement. If the Company as the lessor transfers significant risks and benefits relating to the ownership to the lessee, the lease agreement is treated as financial leasing, and the receivables from the lease are recognized in the value equal to the net investment in the lease.

E. IMPAIRMENT OF NON-FINANCIAL ASSETS

The Company reviews at each reporting date the carrying amount of its non-financial assets, to determine whether there is any indication of impairment. If such indication exists, the asset's recoverable amount is eliminated.

Impairment of an asset or cash-generating unit is recognized when its carrying amount exceeds its recoverable amount. Impairment is recognized in the profit and loss statement. Impairment losses recognized in respect of a cash-generating unit are allocated first to reduce the carrying amount of any goodwill allocated to the unit, and then to reduce the carrying amounts of other assets in the unit (group of units) on a pro rata basis.

The recoverable amount of an asset or cash-generating unit is the higher of its value in use and its fair value minus costs to sell. The asset's value in use is estimated by discounting the estimated future cash flows to their current 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 the purpose of the impairment test the assets are combined into the smallest cash-generating units which are the smallest groups of assets that generate financial inflows that are to a large degree independent from financial inflows from other assets or groups of assets. For the purpose of the impairment test the goodwill obtained from a business merger is divided between cash-generating units that are expected to benefit from the merger.

The loss due to goodwill impairment is not recognized. With regard to other assets the group assesses the loss from past impairment on the reporting date and determines whether the loss has decreased or even ceased to exist. The impairment loss is derecognized if there was a change in estimates, based on which the group determines the recoverable value of the asset. The impairment loss is derecognized up to the amount where the increased carrying amount of the asset exceeds the carrying amount minus depreciation, determined as if no impairment loss was recognized on the asset in the past years.

F. FINANCIAL ASSETS

Initial recognition and measurement
Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managining them. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not recognized at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price determined under IFRS 15.

Subsequent measurment
For purposes of subsequent measurement, financial assets are calssified in four categories:

- Financial assets at amortized cost (debt instruments),

- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments),

- Financial assets at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments),

- Financial assets at fair value through profit or loss.

Financial asstes designated at fair value through OCI (equity instruments)
Upon initial recognition, the Company can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Company elected to classify irrevocably its non-listed equity investments under this category.

Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets that must be measured at fair value. Financial assets are calssified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivates, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the balance sheet at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes derivative instruments and listed equity investments which the Company had not irrevocably elected to classify at fair value through OCI. Dividends on listed equity investments are also recognised as other income in the statement of profit or loss when the right of payment has been established.

Derecognition
A financial asset (or, where applicable, a part of a financial asset or part of a company of similar financial assets) is derecognized (i.e. removed from the Company's consolidated balance sheet) when:

▪ The rights to receive cash flows from the asset have expired
or
▪ The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a »passthrough« arrangement and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Impairment of financial assets
Further disclosures relating to impairment of financial assets are also provided in the following notes:

Disclosures for significant assumptions:
▪ Debt instruments at fair value through OCI,
▪ Trade receivables and contract assets.

The Company recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

G. FINANCIAL LIABILITIES

Initial recognition and measurement
Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value. Loans, borrowings and payables are also recognized at fair value net of directly attributable transaction costs.

The Company's financial liabilities include trade and other payables, loans and borrowings, including bank overdrafts, and derivative financial instruments.

Subsequent measurement
The measurement of financial liabilities depends on their classification.

Loans and borrowings
This is the category of financial instruments most relevant to the Company. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

This category generally applies to interest-bearing loans and borrowings.

Derecognition
A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability.

The difference in the respective carrying amounts is recognised in the statement of profit or loss.

Offseting of financial instruments
Financial assets and financial liabilities are offset and the net amount is reported in the consolidated balance sheet if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

H. LEASES

The Company upon signing the contract assesses whether it is a lease contract or whether the contract contains a lease. A contract contains lease if it conveys the right to control the use of identified asset for a specific period of time in exchange for consideration. For all such contracts, at the conclusion of the lease, the Company recognizes the right of use asset and the associated lease liability.

The Company defines the lease term as the period during which the lease can not be terminated, together with:
a) The period for which the possibility of renewing the lease if it is reasonably certain that the tenant will exercise that option, and
b) The period in which the subject has possibility of the lease termination, but it is reasonably certain that the tenat will not exercise that option.

The exception is short-term lease contracts and contracts where the leased asset is of low value. Short-term leases are those where the lease term is less than 12 months and low-value leases are those where the value of the leased asset, if new, is less than EUR 5,000. For these leases, the Company recognizes rent payments as the cost of services (rental costs) on a straight-line basis over the lease term.

Non-lease components in lease contracts (eg. electricity) are excluded from the right of use asset calculation.

The Company recognizes tangible asset, which represents the right of use on the date that the lease commences (i.e. on the date when leased asset is available for use). The right of use asset is measured at purchase cost, decreased for value allowance and impairment loss, by adjusting purchase cost at each remeasurment of the lease liability. The right of use value includes the amount of the initial measurement of the lease liability, the initial direct costs and the lease payments that were settled before the lease commencement date, decreased for the received rental incentives.

The Company measures the right of use asset upon the initial recognition at the value of the related lease liability and the value of the lease payments that were settled before the lease commencement date.

The Company depreciates the asset representing the right of use from the lease start to the end of its useful life. The Company recognizes the right of use based on the purpose of use the leased asset.

The right of use asset is deprecited on a straight-line basis over the lease term or over the estimated useful life of the asset over a period shorter than described below:
• Office premises and warehouses from 1 to 7 years,
• Cars, motor vehicles and other equipment form 1 to 4 years,
• Business premises for retail stores from 8 months to 7 years,
• Land and buildings for the installation of telecommunication equipment from 2 months to 30 years,
• Lines from 3 to 14 years,
• Last Mile from 1 to 4 years.

Upon initial recognition the lease liability is measured at the present value of unpaid rents, discounted at the interest rate, taken into account for leases. The Company uses the incremental borrowing rate. The rents that the Company include in measuring of lease liabilities are:
• Unchangeable rents,
• Changeable rents, which depend on the index or rate applicable at the lease commencement date.

Lease liabilities are discosed in the current and non-current liabilities among financial liabilities. In the recognition of initial measurement, the Company measured the lease liability at its carrying amount, which reflects interest on the lease liability (taking into account the incremental borrowing rate). The lease liability is reduced by the payments actually settled to the lessor.
The Company remeasures the lease liability (and subsequently adjusts the right of use asset) if:
• The lease term changes, in such case, it remeasures the lease liability, taking into account the changed rental amounts discounted by applying the current incremental borrowing rate,
• Changes in the index or rate, in such case it remeasures the lease liability, taking into account the incremental borrowing rate used at the initial measurement,
• The lease is amended and this change is not accounted for as a separate lease, in such case the lease liability is remeasured by taking into account the incremental borrowing rate on the effective date of change.

I. INVENTORIES

Inventories are valued at cost which consists of the purchase price with all the discounts detailed on the invoice, the import and other non-refundable purchase taxes, and direct costs of acquisition. The method of moving average prices is used for lowering the inventory amounts during the year. The price of a quantity unit of inventory consists of the purchase price, import and other non-refundable duties and direct costs of acquisition, which include: transport costs, freight forwarding and customs processing costs, and the costs of import duties.

Inventory allowance depends on the inventory turnover ratio and the average sales price of the goods.

Net realizable value of the inventory is the estimated retail price, minus sale-related costs.

J. PROVISOINS

Provisions are recognized when a present legal or constructive obligation has arisen as a result of a past event, and it is probable that settling the obligation will require an outflow of resources embodying economic benefits. If the impact is significant, the amount of the provision is set by discounting the estimated future cash flows using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Provisions for Post-Employment Benefits and Other Non-current Employee Earnings
Non-current provisions include employee non-current accrued costs, except for pension plan costs, which are measured at the amount of future benefits that employees earned in exchange for their services in the current and past periods. Provisions are formed based on an actuarial calculation and are discounted to the present value. The current service cost is recorded under labor costs, the costs of interest under financial expenses, unrealized actuarial gain/loss is recognized through other comprehensive return on capital as revaluation surplus.

Provisions for Lawsuits
Provisions are recognized when a present legal or constructive obligation which can be reliably estimated, has arisen as a result of a past event, and it is probable that settling the obligation will require an outflow of resources embodying economic benefits. Potential obligations are not recognized in financial statements, as their existence is yet to be confirmed by future events which cannot be predicted.

Provisions for Decommissioning
Non-current provisions also include accrued liabilities for the costs of decommissioning base stations, which the company is obligated to do by a contract. The costs of decommissioning are estimated based on the prices of contractors providing such service for each type of base station, inflated to the moment of their occurrence and then discounted to the current value. Provisions grow as the decommissioning gets closer.

K. EQUITY

Total equity comprises share capital, capital reserves from additional capital paid-in by the majority shareholder, legal reserves, reserves from valuation by fair value, reserves from actuarial gains and losses from forming provisions for severance pay, retained net profit from previous years, and the undistributed net profit from the financial year.

The total equity of the company is the sum of its liabilities to owners that fall due if the company discontinues operations. It is determined by the amounts invested by the owners, and with amounts generated during operations that belong to the owners.

L. TAXES

Taxes in the profit and loss statement comprise income tax and deferred taxes.

The income tax payable is the tax expected to be paid on the taxable income for the financial year, using tax rates applicable at the balance sheet date, and any adjustment to tax payable related to previous periods.

Deferred taxes arise from temporary differences according to the balance sheet liability method, where temporary differences between the asset's carrying amount, and liabilities for the requirements of financial reporting and the amounts or the requirements of tax reporting are considered.

A deferred tax asset is recognized to the extent that it is probable that taxable profits will be available against which it can be utilized in the future. Deferred tax assets are reduced to the extent, where it is no longer probable that it will be possible to utilize the benefit of that deferred tax asset.

Deferred tax is recognized directly against equity, if the tax relates to the items recognized directly against equity. The company has not recognized any deferred taxes directly against the equity.

M. REVEUE FROM CONTRACTS WITH CUSTOMERS

Revenue includes the sale value of the goods and services sold in the reporting period.

Revenue from the sale of services is recognized when services are provided and there is no uncertainty regarding the settlement. Revenue from the sale of goods and materials is recognized at the sale. Revenue is recognized in the net value, without the value added tax, other taxes and with any discounts related to the sale.

Revenue from the mobile segment includes revenue from subscription fees, voice calls, messaging, other telecommunication services (including data transfer services) and connection fees, and revenue from the sale of mobile phones and accessories.

Revenue from the fixed segment includes revenue from connection fees, subscription fees, voice calls and revenue from the sale of retail goods.

Bundling of equipment and services

Most contracts in the mobile and fixed segments are concluded for bundles i.e. multi-element contracts (e.g. a combination of a subscription fee to mobile and fixed services with the purchase of a mobile device).

The Company applied the following judgements that significantly affect the determination of the amount and timing of recognizing revenue from contracts with customers (IFRS 15:123).

▪ Identifying performance obligations in a bundled sale of equipment and services (IFRS 15:22).
The Company provides customers with services that are either sold separately or bundled together with the sale of equipment. The services comprise a promise to transfer services in the future and are part of the negotiated exchange between the Company and the customer.

The Company determined that it can separate the provision of services from the sale of equipment. The fact that the Company regularly sells both equipment and services on a stand-alone basis indicates that the customer can benefit from each separately. The Company also determined that the promises to transfer the equipment and to provide services are distinct within the context of the contract. The equipment and services are not a combined item in the contract. The Company is not providing a significant integration service because the combination of the equipment and services in this contract does not result in any additional or combined functionality and neither the equipment nor the services modify or customise the other. In addition, the equipment and services are not highly interdependent or highly interrelated, because the Company would be able to transfer the equipment even if the customer declined services. Consequently, the Company allocated a portion of the transaction price to the equipment and portion to services based on relative stand-alone selling prices. IFRS 15:27 IFRS 15:29.

▪ Principal or agent: IFRS 15:B34
The Company has contracts with agents, who conclude contracts with customers on the sale of goods and services on its behalf and for its account. Upon adopting IFRS 15, the Company concluded that based on the existence of credit risk and the nature of the consideration in the contract, it has an exposure to the significant risks and rewards associated with the sale of equipment to end customers, and accounted for the contracts as if it is a principal, so the revenue is recognized only when the goods are sold to the end customer and not when sold to the agent, as was the case before.

▪ Financing component
The financing component was determined to be insignificant in the judgement. The Company determined that the financing component is insignificant when its relative value to the total transaction price does not exceed 5%.

Contract balances
▪ Contract assets
A contract asset is the right to consideration in exchange for goods or services transferred to the customer.

▪ Trade receivables
A receivable represents the Company's right to an amount of consideration that is unconditional, i.e. only the passage of time is required before payment of the consideration is due.

▪ Contract liabilities
A contract liability is the obligation to transfer to a customer goods or services for which the Company has received consideration (or an amount of consideration is due) from the customer. Contract liabilities are recognised as revenue when the Company performs under the contract.

▪ Cost to obtain a contract
The Company pays sales commission to its employees for each contract that they obtain for bundled sales of goods and services. The cost of commission is amortized over the duration of the subscriber contract, usually 24 months, and is recognized as the cost of products and services.

R. FINANCIAL REVENUE AND EXPENSES

Financial revenue includes revenue from interests, revenue from the disposal of available-for-sale financial assets, changes in the fair value of financial assets in the profit or loss statement, and positive exchange rate differences. Interest revenue is recognized as it accrues using the effective interest method.

Financial expenses include the cost of borrowing (unless they are capitalized), negative exchange rate differences, changes in the fair value of financial assets in the profit or loss statement, losses from impairment of financial assets. Borrowing costs are recognized in the profit or statement using the effective interest rate method.

S. USE OF ACCOUNTING ESTIMATES AND JUDGEMENTS

When preparing the financial statements, the management must make estimates and judgments which affect stated values of assets, liabilities, potential liabilities at the end of the reporting period, and the revenue and expenses for the same reporting period. Actual results may differ from the estimates. Estimates, judgments, and assumptions are regularly reviewed. Changes to accounting estimates, judgments and assumptions are recognized in the period in which the estimates were changed, if the change only affects this period, or in the period when the change occurred and future periods, if the change affects future periods.

On the reporting date the company management formed the following judgments that relate to the future, and identified other key sources of uncertainty that could result in changes to the estimates of the carrying amounts in the future.

- Employees' post-employment benefits: measuring post-employment benefits is based on methods that take into account different assumptions, such as expected discount rate, the fluctuation rate, estimate of salary and bonuses growth. Changes to these assumptions may result in higher or lower costs of provisions, formed for this purpose. Assumptions used for calculating provisions for jubilee awards and severance payments. and the carrying amount is presented in more detail in disclosure 5.1.17.

- Significant estimates related to contracts with customers are disclosed under m. Revenue from contracts with customers.

- Impairment of intangible and tangible fixed assets: The test of impairment of intangible and tangible assets is based on discounted estimated future cash flows from continued use of these assets and the final disposal of these assets. Changes to discount rates and growth rates, which are taken into account in the revenue and cost growth, may result in the need for an impairment of the asset or a derecognition of the impairment. Carrying amount of intangible asset and tangible fixed assets are presented in more detail in the disclosures 5.1.1. and 5.1.2.

- Estimated useful lives of intangible and tangible fixed assets: The estimated useful life of an asset, which is subject to depreciation, is the estimated period during which the asset shall be used. When estimating the useful life of an asset, the company takes into account the expected physical wear, technical aging, economic aging, and expected legal and other limitations of use. The company regularly checks the useful life of significant assets, to respond to changed circumstances that would require changes to the useful life and thereby the revaluation of the costs of depreciation. Changed amortization and depreciation rates resulting from changes to the estimated useful life are presented in more detail in the disclosures 5.1.1. and 5.1.2.

▪ Deferred tax assets: When estimating the impairment of deferred tax assets, the management verifies whether the conditions for recognition are still met. A deferred tax asset is recognized in the event of a probable future net profit, against which the deferred liability can be utilized in the future. Deferred tax assets are reduced to the extent, where it is no longer probable that it will be possible to utilize the tax benefit of that deferred tax asset. For carrying amounts see disclosure 5.1.7.

▪ Provisions for decommissioning costs: provisions are calculated using the prices of base station dismantling providers, and the discount rate to account for the nearing moment of decommissioning, as well as the rate of inflation. Changes to these assumptions may result in higher or lower costs related to provisions, formed for decommissioning costs. For more on used assumptions and carrying amounts see disclosure 5.1.17.

▪ Allowances for receivables: estimated allowances for receivables are based on the credit risk towards the buyers. Differences between actual and expected payments could result in higher or lower costs from forming the allowances for receivables. Estimates of the recoverability of receivables and carrying amounts are presented in more detail in disclosure 5.4.2.

▪ Leases: lease term is the period during which the lease contract can not be canceled, togehter with the period for which the lease renewal applies, if it is reasonably ceratin that the tenant will excercise this option, and with the period in which lease contract can be terminated, if it is reasonably certain that the tenant will not exercise that option. The Company measres the lease liability upon the initial recognition at the present value based on unpaid rents, discounted at the interest rate, taken into account for leases. The Company uses incremental borrowing rate 5.1.3, 5.1.19.

T. FAIR VALUE

According to the Company's accounting policies, the fair value of non-financial as well as financial assets and liabilities must be determined, either to measure individual assets or to meet the requirements for the disclosure of fair values. Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. When determining the fair value, the company follows the following hierarchy of levels of setting the fair value according to IFRS 13:

▪ The first level presents quoted market prices in an active market for assets or liabilities of the same class;

▪ The second level includes the values which are not equal to quoted market prices in the sense of the first level, but can still be obtained directly from the market (the price for equal or similar assets or liabilities in less active or inactive markets) or indirectly (e.g. values that are derived from quoted prices in an active market, based on interest rates and yield curves, implicit instabilities and credit ranges);

▪ The third level presents inputs on assets and liabilities that are not based on observable market data, whereby the unobserved data must express the assumptions which participants on a market would use for setting the price of an asset or a liability, including the assumptions on risks.

The company uses quoted market prices as the basis for determining the fair value of financial assets.

If a financial instrument is not listed, or the market is deemed inactive, the company determines the fair value of the financial instrument by using inputs from levels two and three. Where additional explanations relating to the assumptions for determining fair values are required, they are provided in explanations to individual items of the company's assets or liabilities.

The methods of setting fair value of individual asset groups for measurement or reporting requirements are described below.

Intangible Assets
Fair value of intangible assets obtained from business mergers is determined based on the value of the brand name and list of customers, using the method of discounted cash flows expected from the use and potential sale of the assets. Fair value of computer software is determined based on the estimation of cost incurred in developing the computer software. Functional limitations of the software were taken into account when determining its fair value, a new version of the software is expected in the near future.

Receivables and Loans Given
In accordance with IFRS 7 fair value of current receivables and current loans is not calculated, as the carrying amount is a reasonable approximate of their fair value. Fair value of non-current receivables is calculated as the current value of future cash flows, discounted at the interest rate at the end of the reporting period. The estimate takes into account the credit risk associated with these financial assets.

Non-derivative Financial Liabilities
For reporting requirements, the fair value of non-current financial liabilities is calculated as the current value of future payments of the principle and interest, discounted at the interest rate at the end of the reporting period. In accordance with IFRS 7, the fair value of current financial liabilities is not calculated, as their carrying amount is a reasonable approximate of their fair value.

Q. CASH FLOW STATEMENT

Cash flow statements consists of cash flows from operating, investing and financing activities.

The part of the cash flow statement pertaining to operations was prepared using the indirect method and based on data from the balance sheet as at 31 December 2019 and 31 December 2018, data from the profit and loss statement for 2019, and from additional data which are required for adjusting inflows and outflows and appropriately detailing significant items.

5. EXPLANATIONS AND NOTES ON FINANCIAL STATEMENTS

5.1. BALANCE SHEET

5.1.1. Intangible assets

	Goodwill and customer base	Radio frequencies	Licences	Software	Leased lines	Total
Historical cost						
Balance on 1 January 2018	15,491,840	92,113,004	13,958,022	52,245,294	24,429,309	198,237,469
Procurement, activation	0	0	427,637	3,250,829	1,739,833	5,418,299
Disposals, write-offs	0	0	0	0	0	0
Transfer	0	0	0	0	0	0
Balance on 31 December 2018	15,491,840	92,113,004	14,385,659	55,496,123	26,169,142	203,655,768
Procurement, activation	0	0	104,511	2,148,424	2,094,171	4,347,106
Disposals, write-offs	0	0	0	-2,688,088	0	-2,688,088
Transfer	0	0	0	0	0	0
Balance on 31 December 2019	**15,491,840**	**92,113,004**	**14,490,170**	**54,956,459**	**28,263,313**	**205,314,786**
Accumulated amortization and impairments						
Balance on 1 January 2018	2,378,367	36,316,645	12,967,788	43,452,053	6,920,145	102,034,998
Amortization	206,300	4,795,577	507,404	4,100,197	1,519,701	11,129,179
Disposals, write-offs	0	0	0	0	0	0
Transfer	0	0	0	0	0	0
Balance on 31 December 2018	2,584,667	41,112,222	13,475,192	47,552,250	8,439,846	113,164,177
Amortization	206,300	4,795,643	269,295	3,478,165	1,293,959	10,043,362
Disposals, write-offs	0	0	0	-2,688,087	0	-2,688,087
Transfer	0	0	0	0	0	0
Balance on 31 December 2019	2,790,967	45,907,865	13,744,487	48,342,328	9,733,805	120,519,452
Carrying amount						
31 December 2018	12,907,173	51,000,782	910,467	7,943,873	17,729,296	90,491,591
31 December 2019	12,700,873	46,205,139	745,683	6,614,131	18,529,508	84,795,334

62% of all intangible assets that were utilized as at 31 December 2019 were fully amortized (on 31 December 2018 there were 49% of all such intangible assets).

Goodwill, Brand and Customer Database

In 2016 the merger by acquisition of Amis d.o.o., resulted in goodwill of EUR 11,531,840. Based on the merger of Amis d.o.o., the Company recognized the brand name, self-developed software and the customer base.

Radio Frequencies

Cost for obtained licenses for the use of the raio frequency spectrum are capitalized at purchase price and using the method of straight-line amortization for the duration of the license agreement of 15 years. On 26 may 2014 the Agency for Communication Networks and Services (AKOS) issued the Company with a decision for the utilization of the radio frequency spectrum in the 800 MHz, 900 MHz, 1800 MHz, 2100 MHz and 2600 MHzradio frequency bands, as it has won in the frequency auction in 2014 in the total vaue of EUR 65.3 million. The obligation for radio frequencies was fully settled in 2014.
The book value of licences on 31 December 2019 was EUR 46.2 million (2018: EUR 51 million).

Financial liabilities

As at 31 December 2019 the Company has no financial liabilities for obtaining intangible assets (2018: EUR 0).

Impairment Test of Non-current Assets and Goodwill

In 2019 we completed an impairment test of non-current assets, on the basisof dscounted future cash flows for the cash-generating unit which is the Company as a whole. The impairment tst took into consideration the plan for the period 2020 - 2024, with the after-tax discount rate of 5.7% and a non-current growth rate of 1.1%. No need for impairment was established.

Leased lines

In 2019, the Company leased lines for the amount of EUR 2,094,171 (2018: 1,739,833 EUR).

5.1.2. Property, Plant and Equipment

	Land, buildings and investment in third party plant, property and equipment	Base stations and exchanges	Computer equipment	Other equipment and small tools	Fixed assets under construction	Total
Historical cost						
Balance on 1 January 2018	**7,534,794**	**180,973,271**	**15,936,482**	**47,517,627**	**18,415,579**	**270,377,753**
Procurement, activation	218,945	11,503,792	2,100,264	8,397,819	0	22,220,820
Disposals, write-offs	0	-2,327,365	-108,440	-214,985	-31,305	-2,682,095
Transfer	0	0	0	0	0	0
Balance on 31 December 2018	**7,753,739**	**190,149,698**	**17,928,306**	**55,700,461**	**18,384,274**	**289,916,478**
Procurement, activation	52,601	10,299,734	1,299,125	3,397,569	6,603,658	21,652,687
Disposals, write-offs	0	-7,090,715	-428,109	-3,523,437	0	-11,042,261
Transfer	0	0	-304,240	304,240	0	0
Balance on 31 December 2019	**7,806,340**	**193,358,717**	**18,495,082**	**55,878,833**	**24,987,932**	**300,526,904**
Accumulated depreciation and impairments						
Balance on 1 January 2018	**5,088,922**	**130,504,026**	**14,532,805**	**38,359,895**	**1,026,551**	**189,512,199**
Depreciation	456,059	12,656,108	1,056,719	4,177,776	680,054	19,026,716
Disposals, write-offs	0	-1,849,445	-105,131	-214,052	0	-2,168,628
Transfer	0	0	0	0	0	0
Balance on 31 December 2018	**5,544,981**	**141,310,689**	**15,484,393**	**42,323,619**	**1,706,605**	**206,370,287**
Depreciation	549,221	12,563,713	1,146,926	4,934,832	-401,570	18,793,122
Disposals, write-offs	0	-6,827,435	-423,890	-3,522,165	0	-10,773,490
Transfer	0	0	-76,060	76,060	0	0
Balance on 31 December 2019	**6,094,202**	**147,046,967**	**16,131,369**	**43,812,346**	**1,305,035**	**214,389,919**
Carrying amount						
31 December 2018	**2,208,758**	**48,839,009**	**2,443,913**	**13,376,842**	**16,677,669**	**83,546,191**
31 December 2019	**1,712,138**	**46,311,750**	**2,363,713**	**12,066,487**	**23,682,897**	**86,136,985**

Base Stations and Exchanges

In 2019, investments in base stations were EUR 10,299,734 (2018: EUR 11,503,792). The estimated useful life of base stations is 5 years for the equipment and 15 years for the infrastructure, and the straight-line depreciation is used.

The carrying amount of decommissioning costs which are included in the value of the investments in base stations was EUR 3,606,886 as of 31 December 2019 (2018: EUR 2,310,076).

When calculating the provisions of decommissioning costs as at 31 December 2019, the Company applied the following conditions:
• Discount rate of 0.5% (2018: 2%)
• Inflation rate 2% (2018: 2%).

Mortgages

Fixed assets as at 31 December 2019 are not used as collateral (2018 they were not used).

Financial Liabilities

The amount of financial liabilities obtaining tangible fixed assets as at 31 December 2019 was EUR 2,856,789 (2018: EUR 1,987,396).

Financial Leases

The Company has no fixed assets under financial lease.

5.1.3. Right of Use Assets

In EUR	1 January 2019				31 December 2019
Type of leased asset	Right of Use	New Acquisitions	Eliminations	Depreciation	Right of Use
Business premises and warehouses	12,222,355	501,422	-1,339,842	-1,611,743	9,772,193
Cars	300,187	424,787	-7,786	-217,490	499,699
Business premises for retail shops	1,928,150	304,866	-91,452	-363,050	1,778,513
Land and buildings for telecommunication equipment	45,053,187	5,560,367	-6,425,567	-5,799,489	38,388,499
Lines	351,242	0	0	-98,864	252,378
Last Mile	23,017,205	5,089,471	-264,809	-8,008,825	19,833,041
Total	**82,872,327**	**11,880,913**	**-8,129,455**	**-16,099,462**	**70,524,323**

The average rental period is 9 years.

About 4% of land and building leases expired in 2019. Expired contracts were mostly replaces by new leases of the same assets. The result is an increase in the right of use assets in amount EUR 12,282,529. The amounts recognized in profit and loss statement are disclosed in note 6.2.

5.1.4. Non-Current Financial Assets

The Company's non-current financial assets include an investment in Zavod Tehnološka mreža ICT, Dunajska cesta 159, Ljubljana, in the amount of EUR 750 (2018: EUR 750), and an investment into the shares of the cable system Telekomunikacijski sistem Radvanje Pekre Limbuš d.d., in the amount of 75.19%, i.e. EUR 328,205 (2018: EUR 218.138), investment in cable operator P&ROM d.o.o., in the amount of 100%, i.e. EUR 1,200,000 (2018: EUR 0) and investment in another cable operator Dostop komunikacije d.o.o., in amount of 100%, i.e. EUR 1,250,000 (2018: EUR 0).

The Company did not prepare consolidated statements, because the exisiting financial assets are included into consolidated statements of Telekom Austria Group.

in EUR

Company	Headquarters	Equity 31 December 2019	Financial income 2019
TS RPL d.d.	Pohorska ulica 9, 2000 Maribor	484.160	-150.711
P&ROM d.o.o.	Verd, Stranska cesta 2, 1360 Vrhnika	403.026	-8.472
DOSTOP KOMUNIKACIJE d.o.o.	Lucija, Obala 114, 6320 Portorož - Portorose	191.108	149.490

NON-CURRENT FINANCIAL ASSETS

Financial assets at fair value through OCI	
Balance on 1 January 2019	218,888
Additions	2,560,067
Impairment losses	0
Disposals	0
Adjustment to fair value	0
Balance on 31 December 2019	2,778,955
Balance on 1 January 2018	125,312
Additions	138,653
Impairment losses	-44,577
Disposals	-500
Adjustment to fair value	0
Balance on 31 December 2018	218,888

5.1.5. Non-Current Operating Receivables

	31 December 2019	31 December 2018
Non-current operating receivables due from customers	10,243,269	9,617,687
Accumulated allowances	-190,047	-189,235
Effect of discounting	0	0
Non-current net trade receivables	**10,053,221**	**9,428,452**
Non-current trade receivables due from others	80,721	80,721
Accumulated allowances	0	0
Non-current net trade receivables due from others	**80,721**	**80,721**
Non-current operating receivables	**10,133,943**	**9,509,173**

Non-current operating receivables include the receivables from the sale of phones in 24 instalments in the amount of EUR 10,053,222 (2018: EUR 9,428,452).

5.1.6. Non-Current and Current Contract Assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. Customers usually pay for the equipment, bundled with a service price plan, an amount that is recognized in assets as monthly subscription fees, which are billed to customers for the duration of the contract.
Contract assets include the agent's commission, which is deferred for the duration of the subscriber contract. The cost is recognized as the cost of products and services.

Revenues from services are recognized at the time when the service is provided, and are usually charged on a monthly basis. Some services, such as connection fee, migration cost, etc. are charged in advance. These revenues are deferred and subsequently recognized in a propotion throughout the customer's binding period.

In accordance with the contracts, the revenues form th sale of equipment are recognized upon receipt or delivery of the equipment. In case of contracts that no longer have elements or are not subject to binding period for instalments, payment is received when the equipment is accepted. For multi-elements contracts, customers pay amount recognized in contractual assets on a monthly basis. In case of instalment sales, customers pay the same amount of instalment over the contract duration.

The Company recognizes revenues from interconnection and roaming services based on the duration of the calls or on the amount of data used in the period when the service is provided. Revenues from other national and foreign partners outside the Company's network and in another mobile networks are recognized in the period, when the call is made or the amount of data is used.

Table below shows contract assets by type and maturity.

	31 December 2019	31 December 2018
Contract assets to consideration for goods transferred or services performed	1,764,835	1,897,815
Dealer provision	238,398	155,067
Total non-current contract assets	**2,003,233**	**2,052,882**
Contract assets to consideration for goods transferred or services performed	5,102,863	3,460,425
Dealer provision	569,130	439,244
Total current contract assets	**5,671,993**	**3,899,669**

5.1.7. Deferred Tax Assets

Deferred tax assets are processed based on the future 19% tax rate (2018: 19%).

Changes in 2019	01 January 2019	Increase	Derecognition	Expenditure	31 December 2019
From temporary differences arising from the revaluation of receivables	3,286,331	723,319	-526,606	-191,494	3,291,550
From temporary differences arising from provisions	390,389	92,653	-3,977	-32,501	446,565
From temporary differences arising from applying different amortization/ depreciation periods for bookkeeping and tax purposes	358,310	268,471	0	-18,199	608,583
Total	**4,035,031**	**1,084,443**	**-530,582**	**-242,194**	**4,346,698**

Changes in 2018	1 January 2018	Increase	Derecognition	Expenditure	31 December 2019
From temporary differences arising from the revaluation of receivables	3,230,652	807,059	-436,564	-314,816	3,286,331
From temporary differences arising from provisions	344,424	58,830	-9,418	-3,446	390,389
From temporary differences arising from applying dif-ferent amortization/ depreciation periods for bookkeeping and tax purposes	135,038	228,520	0	-5,248	358,310
Total	**3,710,114**	**1,094,410**	**-445,982**	**-323,510**	**4,035,031**

The management estimated that in the future the Company will have enough taxable profit to be able to utilize all the deferred tax assets.

The Company doe not have any deferred tax liabilities, as there are no grounds for their recognition.

5.1.8. Non-Current Deferred Costs

	31 December 2019	31 December 2018
Deferred costs of connection fees for data lines	948,865	984,318
Deferred cost of leasing base stations sites	0	5,565,357
Other deferred costs	309,326	539,620
Deferred cost of customer acquisition	0	0
Non-current deferred costs	**1,258,190**	**7,089,295**

A significant change occurred in regard to the deferred cost of base station leases due to the adoption of IFRS 16. More about the adoption of new standard is dislosed in note 6.2.

5.1.9. Inventories

The Company's inventories include goods for resale such as mobile phones, prepaid packages and mobile accessories, and other goods for resale.

	31 December 2019	31 December 2018
Goods for resale	6,824,784	9,284,150
Inventories	**6,824,784**	**9,284,150**

Inventories as at 31 December 2019 are not used as collateral. As at 31 December 2019 the Company reviewd the value of its inventories, and established that the net realizable value of the inventory is highr than the original cost of the goods, and therefore did not impair supplies in 2019.

5.1.10. Current operating Receivables Due from Customers

	31 December 2019	31 December 2018
Current trade receivables due from customers - subscribers	77,491,715	77,092,638
Allowances for current trade receivables due from customers - subscribers	-27,553,706	-27,480,252
Net trade receivables due from customers - subscribers	**49,938,009**	**49,612,386**
Current trade receivables due from customers - others	8,901,959	7,012,957
Allowances for current trade receivables due from customers - others	-1,289,625	-1,460,905
Net trade receivables due from customers - others	**7,612,334**	**5,552,052**
Current trade receivables - foreign	8,680,566	7,769,222
Allowances for current trade receivables due from customers - foreign	0	0
Net trade receivables - foreign	**8,680,566**	**7,769,222**
Total current operating receivables	**66,230,909**	**62,933,660**

Receivables by maturity and the changes in the allowances are presented under Credit Risks (5.4.2.)

5.1.11. Current Trade Receivables from Group Companies

	31 December 2019	31 December 2018
Current trade receivables from group companies	1,213,853	1,099,853
Allowances for current trade receivables from group companies	0	0
Total trade receivables from group companies	**1,213,853**	**1,099,853**

Receivables by maturity and the changes in the allowances are presented under Credit Risks (5.4.2.)

5.1.12. Tax Assets from the Income Tax

	31 December 2019	31 December 2018
Assets from income tax	0	1,097,853
Total income tax liabilities	**0**	**1,097,853**

5.1.13. Other Operating Receivables

	31 December 2019	31 December 2018
Advances and security deposits given	481,206	64,272
Allowances for advances and security deposits given	0	0
Net advances and security deposits given	**481,206**	**64,272**
Other current receivables	608,757	1,099,929
Allowances for other current receivables	0	0
Net other current receivables	**608,757**	**1,099,929**
Total other operating receivables	**1,089,963**	**1,164,201**

5.1.14. Cash and Cash Equivalents

The cash and cash equivalents that he Company keeps comprise cash in hand, cash at bank and cash in cash pooling.

	31 December 2019	31 December 2018
Cash at bank	78,374	501,220
Cash in hand	0	0
Call deposits	23,092,331	24,364,511
- at Telekom Austria	23,092,331	24,144,411
- at financial institutions	0	220,100
Total cash and cash equivalents	**23,170,705**	**24,865,731**

5.1.15. Other Current Assets

	31 December 2019	31 December 2018
Current deferred costs	347,483	364,792
Total other current assets	**347,483**	**364,792**

Current deferred costs include deferred costs of maintenance, electricity, car insurance, professional literature, etc.

5.1.16. Equity

Company equity on 31 Decemver 2019 amounts to EUR 227,584,544. Share capital is comprised of 9,300,000 regular shares with a nominal value of EUR 4.17. All shares have been paid-in. The number of shares id not change in 2019.

Capital reservews are EUR 108,941,657 (31 december 2018: EUR 108,941,657) and represent the pay-in of the majority shareholder.

Legal reserves have been formed in the amount of 10% of the share capital in accordance with the requirements of the Companies Act.
Reserves resulting from valuation at fair value relate to unrealized actuarial profits, loss from the actuarial calculation of severances upon retirement, and the loss from the disposal of financial assets. Retained earnings did ot change as of 1 January 2019.

Net profit from operations for the 2019 financial year is EUR 12,133,413. Net earnings per share are EUR 1.30 (2018: EUR 0.94), which is calculated by dividing EUR 12,133,413 by 9,300,000.

The Company has managed the distributable profit in accordance with the Companies Act. The Company has created legal reserves in the required amount. The management will propose that the profits be distributed to the shareholders, and a part of it to be retained. The General Meeting of the Company decides on the use of the distributable profit at the proposal of the management and the Supervisory Board.

Distributable profit/loss:

	in EUR	2019	2018
a)	Net profit/loss for the year	12,133,413	8,779,718
b)	+ retained net profit	64,208,114	70,428,397
c)	+ decrease in profit reserves	0	0
d)	- increase in profit reserves by the decision of the management (legal reserves, reserves for own shares and reserves formed in accordance with the statue)	0	0
e)	- increased profit reserves by the decision of the management and the Supervisory Board	0	0
f)	= distributable profit (a+b+c-d-e)	76,341,527	79,208,115
	- to shareholders	0	0
	- to other reserves	0	0
	- to retained profit	0	0
	- for other purposes	0	0

5.1.17. Provisions for Post-Employment Benefits and Other Non-Current Provisions

Provisions include provisions for post-employemnt benefitis of employees (for jubilee rewards, retirement severances), accrued costs from non-current incentives for key employees' program and provisions for decommissioning cost.

	1 January 2019	Increase	Decercognition	Debited under equity	Expenditure	31 December 2019
Jubilee awards	227,597	30,257	-17,291	0	-19,527	221,036
Severance pay upon retirement	523,017	365,636	0	294,265	-322,590	860,328
Post-employment employee benefit	**750,614**	**395,893**	**-17,291**	**294,265**	**-342,117**	**1,081,364**
Decommissioning cost	5,776,350	1,566,753	-24,796	0	-12,196	7,306,111
Total provisions	**6,526,965**	**1,962,645**	**-42,087**	**294,265**	**-354,313**	**8,387,475**

	1 January 2018	Increase	Decercognition	Debited under equity	Expenditure	31 December 2018
Jubilee awards	222,331	25,281	-1,388	0	-18,627	227,597
Severance pay upon retirement	402,492	39,368	-10,938	109,742	-17,647	523,017
Post-employment employee benefits	**624,823**	**64,649**	**-12,326**	**109,742**	**-36,274**	**750,614**
Decommissioning cost	5,536,993	245,182	-5,825	0	0	5,776,350
Total provisions	**6,161,816**	**309,831**	**-18,151**	**109,742**	**-36,274**	**6,526,965**

Provisions for jubilee awards and retirement severances are formed based on an actuarial calculation. Liabilities are equal to the current value of future payments. The actuarial calculation is based on the following assumptions:

- The actuarial calculation of severance payments is made applying a 1.25% discount rate (2018: 2%),
- The actuarial calculation of jubilee awards is made applying a 0.75% discount rate (2018: 1.25%),
- The Currently applicable amount of severance payments and jubilee awards, as defined by law,
- Employee fluctuation, which depends especially on their age,
- Mortality based on available mortality tables for local population.

Provisions for decommissioning costs were additionally formed because new contracts were concluded for these sites. Provisions were calculated applying a discount rate in the amount of 1% and a rate of inlation in the amount of 1%.

Sensivity analysis for post-employment benefits

	Discount rate		Salary growth		Fluctuation	
Unit	pecentage point		percentage point		percentage point	
Change by	0,5	-0,5	0,5	-0,5	0,5	-0,5
Jubilee awards	-4,45%	4,80%	0,00%	0,00%	-4,59%	3,13%
Severance pay upon retirement	-6,91%	7,65%	15,66%	-13,05%	5,37%	-5,91%
Effect on provisions for post-employment benefits						

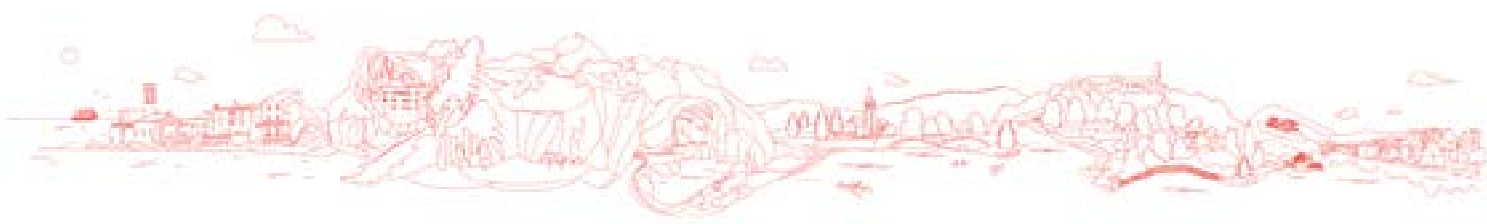
Sensivity analaysis for decommissioning costs

	Discount rate	
Unit	percentage point	
Change by	-1	1
Effect on provisions for decommissioning costs	**-14.45%**	**17.19%**

5.1.18. Non-Current Operating Liabilities

	31 December 2019	31 December 2018
Non-current operating liabilities	13,500,000	13,500,000
Total non-current operating liabilities	**13,500,000**	**13,500,000**

The disclosure of the maturity of the obligation is in point 5.4.1.

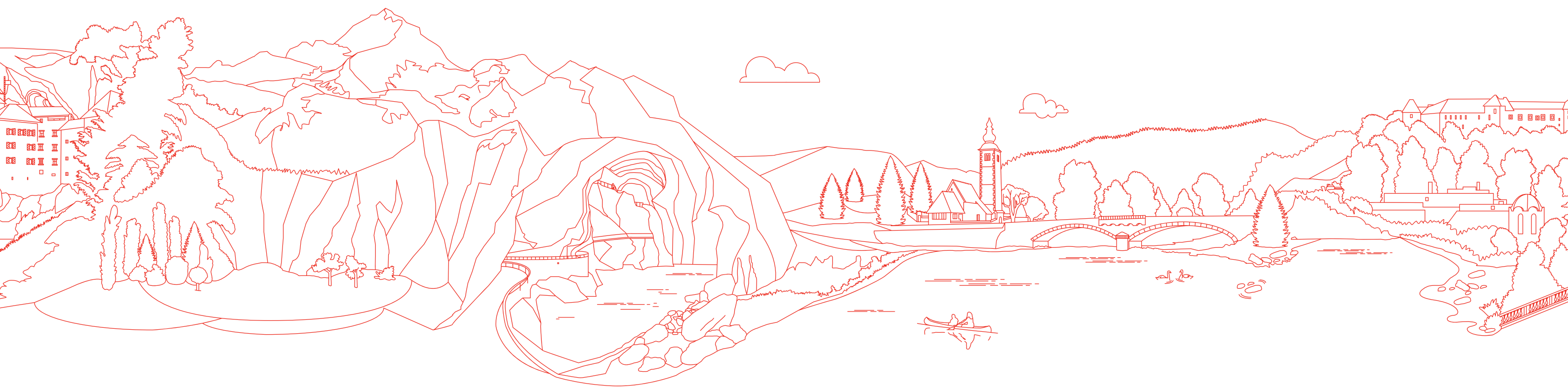


5.1.19. Non-Current and Current Financial Lease Liabilities

in EUR	1 January 2019				31 December 2019
Type of leased asset	Lease liability	Liability for new acquisitions	Eliminations	Repayment	Lease liability
Business premises and warehouses	12,222,355	616,329	-1,349,892	-1,519,566	9,969,226
Cars	300,187	410,018	-7,276	-200,556	502,375
Business premises for retail shops	1,928,150	315,190	-91,632	-351,432	1,800,277
Land and building for telecommunication equipment	39,487,830	5,843,286	-6,416,829	-5,263,531	33,650,756
Lines	351,242	4,476	0	-93,048	262,669
Last Mile*	23,017,205	5,027,021	-264,809	-7,119,322	20,660,095
Total	**77,306,969**	**12,216,320**	-8,130,437	-14,547,455	66,845,398

*long-term lease capacity to the end-user of operator

As at 31 December 2019, the Company has amounted to EUR 13,293,965 of short-term lease liabilities. The company classified short-term financial libilities as payables within one year after the balance sheet and long-term liabilities as payable over a period exceeding one year.



Current Lease Liabilities

in EUR	1 January 2019	31 December 2019
Type of leased asset	Lease liability	Lease liability
Business premises and warehouses	1,508,661	1,342,119
Cars	154,281	206,229
Business premises for retail shops	331,170	343,015
Land and building for telecommunication equipment	4,927,603	5,374,856
Lines	97,031	98,456
Last Mile*	7,383,008	5,929,289
Total	**14,401,753**	13,293,965

* long-term lease capacity to the end-user of operator.

The amount of rentals paid in 2019 amounts to EUR 14,547,455 (in 2018, the Company recognized the costs of operating leases, costs of rentals for access connections and transport network in the amount of EUR 16,355,458).

Maturity of the lease liabilities:

in EUR						
Type of leased asset	up to 1 year	1 - 2 years	2 - 3 years	3 - 4 years	4 - 5 years	over 5 years
Business premises and warehouses	1,544,812	1,523,336	1,523,336	1,523,336	1,523,336	3,211,134
Cars	209,536	140,643	102,048	49,464	1,848	2,618
Business premises for retail shops	441,415	413,866	377,751	361,690	361,690	393,223
Land and building for telecommunication equipment	5,860,563	5,839,542	5,825,915	5,737,012	5,584,353	6,790,984
Lines	117,047	117,047	71,651	15,540	15,540	15,540
Last Mile*	6,651,170	5,855,573	5,855,573	3,903,715	0	0
Total	**14,824,545**	**13,890,007**	13,756,274	11,590,757	7,486,767	10,413,500

* long-term lease capacity to the end-user of operator.

5.1.20. Non-Current and Current Contract Liabilities

A contract liability is the obligation to transfer to a customer telecommunication services for which the Company has received consideration from the customer. The connection fee and switching to a new price plan are sold together with telecommunication services or devices. Using the stand-alone selling price method, a portion of the transaction price is allocated to the services that are recognized as contract liabilities.

Current contract assets include current deferred revenue from sold and unused vouchers for services in the SIMPL and BOB systems.

The table below shows contract liabilities by maturity.

	31 December 2019	31 December 2018
Non-current contract liabilities	1,373,230	361,884
Current contract liabilities	3,800,446	2,715,793
Total contract liabilities	**5,173,676**	**3,077,677**

5.1.21. Current Operating Liabilities to Suppliers

	31 December 2019	31 December 2018
Liabilities towards suppliers	30,477,339	36,572,283
Total current operating liabilities to suppliers	**30,477,339**	**36,572,283**

The Company's liabilities are not secured and there are no assets or guarantees put up for insuring the Company's liabilities.

5.1.22. Current Operating Liabilities towards Group Companies

	31 December 2019	31 December 2018
Liabilities towards group companies	3,260,601	2,038,783
Total current operating liabilities towards group companies	**3,260,601**	**2,038,783**

5.1.23. Corporate Income Tax Liabilities

	31 December 2019	31 December 2018
Income tax liabilities	1,032,549	0
Total income tax liabilities	**1,032,549**	**0**

5.1.24. Other Operating Liabilities

	31 December 2019	31 December 2018
Liabilities arising from advances	0	737,677
Liabilities towards employees	1,220,139	1,318,316
Liabilities towards the state and state institutions	2,326,424	1,213,753
Other liabilities	612,646	511,900
Total other operating liabilities	**4,159,210**	**3,781,646**

Liabilities arising from advances in 2019 are recorded among current contract liabilities.

5.1.25. Current Provisions and Accrued Costs

	31 December 2019	31 December 2018
Current provisions and accrued costs	6,106,558	5,410,330
Total current provisions and accrued costs	**6,106,558**	**5,410,330**

Current accrued cost includes accrued costs for the payment of bonuses o employees, costs of unused annual leave for 2019, and other accrued costs.

5.1.26. Contingent Liabilities

The Company is the defendant in court cases with the amount of claims totalling at EUR 2,421,011 (2018: EUR 2,238,257 EUR). Regarding open cases the management estimates that based on the data and information made available until now there is no likelihood of a loss exceeding the recognized amounts earmarked for such purposes, so it did not make any provisions for the lawsuits

5.1.27. Contingent Liabilities from Issued Guarantees

As at 31 December 2019 the Company's maximum contigent liabilities from issued guarantees astand ast EUR 720,155 (2018: EUR 635,072).

5.2. PROFIT AND LOSS STATEMENT

The profit and loss statement is made by natural types of costs.

The profit and loss statement takes into account the costs by functional group according to the following diagram:

	2019	2018
Revenue from contracts with customers	209,062,756	206,837,412
Production costs of goods sold (including depreciation) or original cost of sold goods	67,282,542	68,004,953
Selling cost (including depreciation)	120,504,407	121,798,261
Administrative expenses (including depreciation)	7,208,054	7,285,447
Operating profit or loss	**14,067,754**	**9,748,750**

5.2.1. Revenue from Contracts with Customers

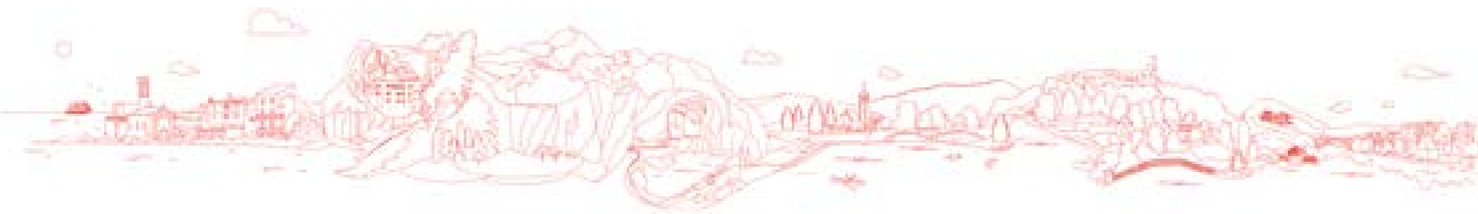
	2019	2018
Net revenue from sold services	156,594,425	156,010,519
Net revenue from sold goods	52,468,332	50,826,893
Revenue from contracts with customers	**209,062,756**	**206,837,412**

Revenue from contracts with customers at home and abroad

	2019	2018
Revenue from sales at home	201,493,889	197,344,453
- sale of services at home	149,025,557	146,517,559
- sale of goods at home	52,468,332	50,826,894
Revenue from sales abroad	7,568,868	9,492,959
- sale of services abroad	7,568,868	9,492,959
- sale of goods abroad	0	0
Total	**209,062,756**	**206,837,412**

Revenue from contracts with customers

	2019	2018
Revenue from the sale of subscription and prepaid telephone services	126,233,140	128,705,358
Revenue from interconnection and international roaming	25,614,602	21,471,798
Other revenue from the sale of services	4,746,683	5,833,363
Total	**156,594,425**	**156,010,519**



5.2.2. Other Revenue

in EUR	2019	2018
Gains from sold fixed assets	0	9,959
Revenue from derecognizing non-current provisions for base stations decommissioning	24,796	5,825
Revenue from derecognizing allowances for receivables	0	0
Revenue from reimbursed court costs	1,810,076	1,496,646
Revenue from paid written-off receivables	10,064	12,679
Revenue from inventory allowance	0	372,578
Revenue related to deployed employees	829,862	709,494
Other revenue	2,695	13,702
Total	**2,677,493**	**2,620,883**

5.2.3. Costs of Goods, Materials and Services

	2019	2018
Cost of goods sold	50,547,935	53,089,405
Cost of material	5,272,800	4,821,373
Total	**55,820,735**	**57,910,778**

Cost of materials

	2019	2018
Energy cost	4,756,057	4,166,265
Write-off of small tools	31,056	27,033
Other cost of material	293,562	341,522
Cost of office supplies and professional literature	192,125	286,553
Total	**5,272,800**	**4,821,373**

Cost of services

	2019	2018
Cost of products and services in making	27,066,088	33,219,013
Cost of transportation services	254,284	208,384
Cost of maintenance services	7,487,750	6,624,632
Rent costs	1,631,759	10,794,647
Cost of payment transactions and bank services	433,720	436,252
Cost of reimbursements to employees	219,189	177,668
Cost of intellectual and personal services	3,068,641	2,675,357
Insurance premiums	214,662	202,050
Cost of interconnection and international roaming	21,897,894	22,243,065
Marketing costs	7,338,101	8,338,264
Cost of other services	2,640,763	3,337,648
Total	**72,252,852**	**88,256,980**

Cost of other services includes costs of postal services, costs of phone services and other. Auditing services for 2019 were EUR 60,000 (2018: EUR 60,000) and include the cost of the annual audit.

5.2.4. Labor cost

	2019	2018
Salaries and wage compensations	15,406,185	15,506,011
Pension insurance	1,931,611	1,910,581
Other socail security contributions	1,186,651	1,156,483
Other labour costs:		
- transport allowances	628,262	717,312
- food allowance	685,263	715,734
- vacation allowance	608,221	649,481
- cost of severance pays and jubilee awards	969,507	106,228
- cost of unused paid leave	-32,520	-21,183
- other labor costs	-102,798	-106,593
Total	**21,280,382**	**20,634,054**

5.2.5. Amortization and depreciation

	2019	2018
Depreciation of tangible fixed assets	18,793,122	19,026,717
Amortization of intangible assets	10,043,362	11,129,179
Depreciation right of use assets	16,099,462	0
Total	**44,935,946**	**30,155,896**

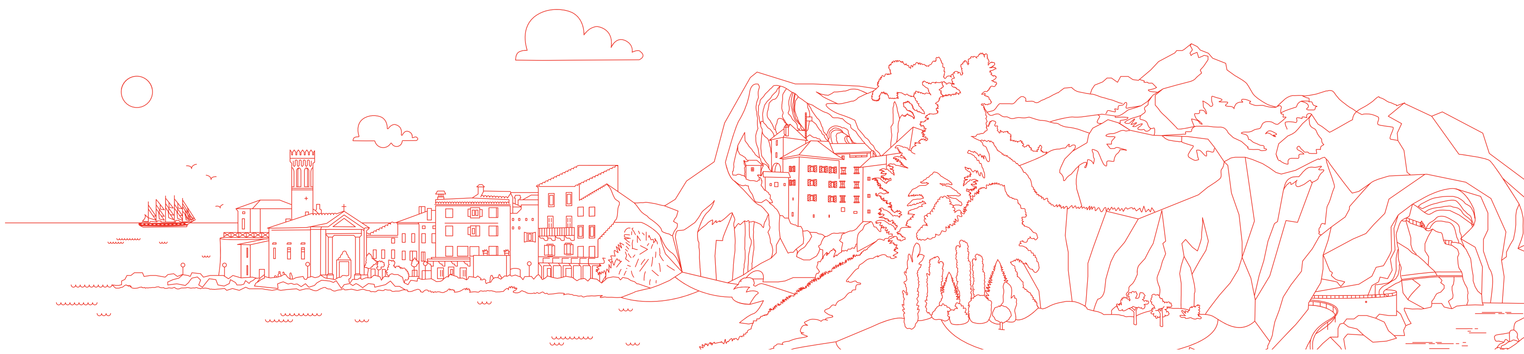
5.2.6. Other Operating expenses

	2019	2018
Accumulated allowances for receivables	0	0
Duties not depending on business result	1,395,097	828,551
Other expenses	216,890	286,921
Loss from disposals of intangible assets and tangible fixed assets	132,416	242,662
Total	**1,744,403**	**1,358,134**

Duties not depending on business results are liabilities to the Agency for Communication Networks and Services in the amount of EUR 994,721 (2018: EUR 759,639), and administrative and court tax stamps.

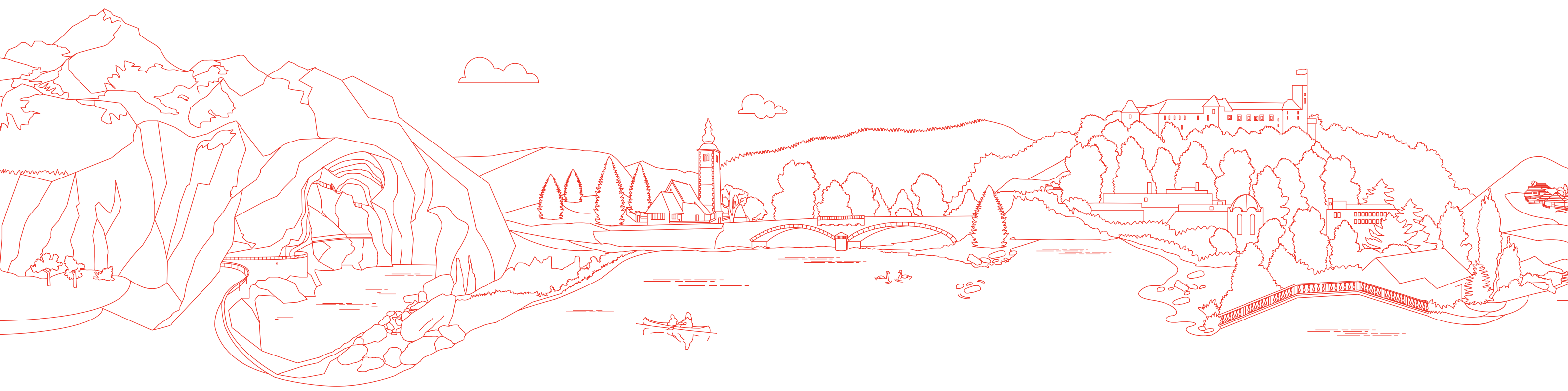
5.2.7. Impairment Losses and Gains from Financial Assets

v EUR	2019	2018
Impairment losses from trade receivables	4,701,475	4,842,234
Impairment gains from trade receivables	-3,079,704	-3,452,211
Impairment losses from contract assets	17,559	3,679
Impairment gains from contract assets	-1,153	0
Total	**1,638,177**	**1,393,702**



5.2.8. Financial Revenue and Expenses

	2019	2018
Revenue from interest	455,871	518,999
Positive foreign exchange differences	9,677	9,538
Other financial revenue	4,363	6,436
Total financial revenue	**469,911**	**534,973**
Expenses for the interest on loans	0	68,530
Default interest towards suppliers	13,800	25,122
Negative foregin exchange differences	50,518	28,757
Interst expenseson lease liabilities	1,331,318	0
Other interest	287,430	287,937
Total financial expenses	**1,683,066**	**410,346**
Expenses from derecognizing financial assets	0	500
Total expenses from derecognizing financial assets	**0**	**500**
Profit/loss	-1,213,155	124,127



5.2.9. Income Tax

	2019	2018
Accrued tax	1,032,609	0
Deferred tax	-311,422	1,093,160
Income tax	**721,186**	**1,093,160**
Profit before taxes	12,854,599	9,872,878
Tax calculated at 19% rate	2,442,374	1,875,847
Tax effects of untaxed revenue	-2,764,930	-3,158,438
Tax effects of non-tax-deductible expenses	1,355,165	1,282,591
Taxes	**1,032,609**	**0**
Effective tax rate	**8.03%**	**0.00%**

Corporate income tax for 2019 amounts to EUR 1,302,549 (2018: EUR 0). The effective income tax rate for 2019 was 19% (2018: 19%).

5.2.10. Related Party Transactions

Mobilkom Beteiligungsgeselschaft mbH is the sole owner of A1 Slovenija, d. d. and is not registered in Slovenia. Telekom Austria AG owns Mobilkom Beteiligungsgeselschaft mbH. Thus Telekom Austria AG is an indirect owner of A1 Slovenija, d. d.

Regardless of that, in addition to the said company A1 Slovenija, d. d. makes transactions with some of other indirectly connected companies, namely:
- Company TS RPL d.d. from Slovenia,
- Companies A1 Hrvatska, Vipnet Usluge and Metronet Telekomunikacije, registered in Croatia,
- Company A1 Bulgaria from Bulgaria,
- Company Telecom Liechtenstein AG from Liechtenstein,
- Company Vip mobile from Serbia,
- Company A1 Makedonija DOOEL Skopje from The Republic of Macedonia,
- Company Unitary Enterprise Velcom from Belarus,
- Companies A1 Telekom Austria, Telekom Finanzmanagement (TFG) and A1 Digital International from Austia,
- Company TA CZ sítě from Czech Republic,
- Companies AMX Argentina, S.A., Claro S.A. (antes BCP, S.A.), Claro Chile, S.A., Companía Dominicana de Teléfonos, S.A., Telecomunicaciones de Guatemala, S.A., Servicios de Comunicaciones de Honduras, S.A. de C.V., Radiomóvil Dipsa, S.A. de C.V., Empresa Nicaragüense de Telecomunicaciones, S.A., Claro Panamá, S.A., América Móvil Perú, S.A.C, Puerto Rico Telephone

Company, Inc., AMX Paraguay, S.A., CTE Telecom Personal, S.A. de C.V., AM Wireless Uruguay, S.A., Comunicación Celular, S.A., Consorcio Ecuatoriano de Telecomunicaciones, S.A. (»Conecel«), registered outside Europe.

The Company operates with connected subjects in the field of international roaming, network interconnection, technical system hosting, backbone network, services by managers and leading experts, purchasing mobile phones and other equipment, software use, and other fields.

Below is a financial overview of related party transactions in 2019:

Revenues from sales

EUR	2019	2018
A1 Hrvatska d.o.o.	472,064	637,522
A1 Telekom Austria AG	3,217,379	3,902,770
Telekom Austria AG	124,558	31,196
A1 Makedonija DOOEL Skopje	106,007	39,705
VIP Mobile d.o.o.	1,022,202	991,217
A1 Bulgaria EAD	44,895	36,733
A1 Digital International GmbH	168,105	230,478
Radiomóvil Dipsa, S.A. de C.V. y subsidiarias ("Telcel")	160	3,926
Claro S.A. (antes BCP, S.A.)	4,236	1,859
Other roaming	-359	2,099
Total	**5,159,247**	**5,877,505**

Costs of services and other operating expenses

in EUR	2019	2018
A1 Hrvatska d.o.o.	2,369,409	2,182,649
A1 Telekom Austria AG	7,528,359	7,772,624
Telekom Austria AG	821,547	828,314
A1 Makedonija DOOEL Skopje	3,397	2,747
VIP Mobile d.o.o.	991,579	1.402,187
Unitary Enterprise A1 (BLRMD)	3,768	7,455
AMX Argentina, S.A. (b).	-1,065	0
A1 Bulgaria EAD	688,115	76,382
A1 Digital International GmbH	-17,583	78,830
Claro S.A. (antes BCP, S.A.)	1,704	825
Companía Dominicana de Teléfonos, S.A.	157	328
Claro Chile, S.A.	322	413
América Móvil Perú, S.A.C	899	563
Radiomóvil Dipsa, S.A. de C.V. y subsidiarias (“Telcel”)	-5,687	1,982
TS RPL d.d. Maribor	48,639	58,796
Other roaming	**735**	**544**
Total	**12,434,295**	**12,414,639**

Other revenues (interests, currency differences)

in EUR	2019	2018
mobilkom Beteiligungsgesellschaft mbH	0	68,530
VIP Mobile d.o.o.	0	1,083
Total	0	69,613

Business result from transactions with related parties

in EUR	2019	2018
	-7,275,048	-6,606,747

Transactions with related parties are conducted at arm's length, which is ensured with close oversight and by keeping appropriate documentation.

5.3. INCOME OF MEMBERS OF MANAGEMENT AND SUPERVISORY BODIES

The total amount of all the income that the management, Supervisory Board, and employees with individual contracts received for performing their tasks and duties in 2019 comprises gross income, which was reported in their tax returns, holiday allowances, benefits and profit sharing. In 2019 this income was:

- Management: EUR 69,119
- Supervisory Board: EUR 0, and
- Employees with individual contracts : EUR 1,320,361.

The Company does not have any receivables and liabilities to the management and Supervisory Board members in its records.

5.4. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company is subject to liquidity risk, credit risk and market risk, which includes interest risk and exchange rate risk related to current assets, libilities and expected future transactions, as well as price risk.

The Company does not use and derivative financial instruments for hedging these risks.

The Company's exposure to any individual type of risk, as well as the goals, risk management policies and risk management procedure are detailed separately for each type of risk.

5.4.1. Liquidity Risk

Liquidity risk means the risk that the Company would not be able to settle its liabilities by their maturity. It is the Company's objective to always have enough liquid assets to be able to settle its liabilities, both under normal operating conditions as well as in unplanned situations.

The Company's liabilities by maturity:

31 December 2019	Carrying amount of liabilities	Stipulated cash flows				
		Liability	0-6 months	6-12 months	1-5 years	over 5 years
Non-current lease liabilities	53.551.433	53.551.433	0	0	45.284.215	10.267.218
Non-current operating liabilities	15.416.250	15.416.250	0	273.750	5.503.750	9.638.750
Non-current contract liabil-ities	7.306.111	7.306.111	0	0	7.306.111	0
Current lease liabilities	13.293.965	13.293.965	6.985.982	6.307.982	0	0
Current oper-ating liabilities (excl. liabilities to the state, employees and liabilities arising from advances)	33.737.940	33.737.940	33.737.940	0	0	0
Current contract liabilities	3.800.446	3.800.446	1.900.000	1.900.446	0	0
Warranties	720.155	720.155	720.155	0	0	0
Total	**127.826.301**	**127.826.301**	**43.344.077**	**8.482.178**	**58.094.076**	**19.905.968**

31 December 2018	Carrying amount of liabilities	Stipulated cash flows				
		Liability	0-6 months	6-12 months	1-5 years	over 5 years
Non-current financial liabil-ities	0	0	0	0	0	0
Non-current operating liabilities	13,500,000	13,500,000	0	0	4,500,000	9,000,000
Non-current contract liabilities	361,884	361,884	0	0	361,884	0
Current financial liabilities	0	0	0	0	0	0
Current operating liabilities (excl. liabilities to the state, employees and liabilities arising from advances)	38,611,066	38,611,066	38,591,793	69,573	10,636	-60,937
Current contract liabilities	2,715,793	2,715,793	2,000,000	715,793	0	0
Warranties	635,072	635,072	635,072	0	0	0
Total	**55,823,815**	**55,823,815**	**41,226,865**	**785,366**	**4,872,520**	**8,939,063**

5.4.2. Credit risk

Company's revenue comes from different sources, and most revenue comes from voice calls and monthly subscription fees. Since the majority of contractual customers at the end of 2019 were natural persons, credit risk is broadly dispersed and not significant. Other revenue sources are related to resellers (phone sales) and other local and foreign mobile telephone operators (network interconnection and international roaming). Experience shows that there are no significant risks associated with these activities. As at balance sheet date there was no gignificant dependence on any of the above debtors.

The biggest exposure to credit risk is the carrying amount of financial assets which amount to as at 31 December 2019:

	31 December 2019	31 December 2018
Non-current financial assets	2,778,955	218,888
Non-current operating receivables	10,133,943	9,509,173
Non-current contract assets	2,003,233	2,052,883
Current trade receivables from customers, group companies and others (excl. receivables due from the state)	68,534,724	64,515,583
Short-term contract assets	5,671,993	3,899,669
Cash and cash equivalents	23,170,705	24,865,731
Other current assets	347,483	364,792
Total	**112,641,035**	**105,426,718**

Current operating receivables are most exposed to credit risk on the reporting date. The Company has instituted procedures for managing receivables which include monitoring the credit rating of business partners, monitoring high subscriber traffic and collections. Collections are conducted according to a pe-established time plan, and external collections are only conducted by specialized agencies. Becasuse of the established procedures for managing receivables, credit risk is estimated as manageable.

Current trade receivables from customers, group companies and others by maturity:

Receivables by maturity

31 December 2019	Not yet due	Overdue by 1-30 days	Overdue by 31-180 days	Overdue by 31-180 days	Overdue by more than 360 days	Total
Current trade receivables	54,679,698	4,568,387	1,775,224	723,435	4,484,164	66,230,908
Current receivables from group companies	884,398	343,600	186	-4,996	-9,335	1,213,853
Total	**55,564,096**	**4,911,987**	**1,775,410**	**718,439**	**4,474,829**	**67,444,761**

31 December 2018	Not yet due	Overdue by 1-30 days	Overdue by 31-180 days	Overdue by 181-360 days	Overdue by more than 360 days	Total
Current trade receivables	56,147,885	4,895,580	1,463,502	151,125	275,568	62,933,660
Current receivables from group companies	971,134	102,087	43,689	-5,069	-11,988	1,099,853
Total	**57,119,019**	**4,997,667**	**1,507,191**	**146,056**	**263,580**	**64,033,513**

Changes in allowances for receivables:

	Allowances for receivables due from customers	Allowances for advances and security deposits given	Allowances for receivables due from group companies	Allowances for othercurrent receivables (excl. receivables due from the state)	Allowances for non-current operating receivables	Total
Balance on 1 Janaury 2018	**29,280,097**	**22,107**	**0**	**0**	**0**	**29,302,204**
Formed allowances	4,842,234	0	0	0	0	4,842,234
Write-off	-1,656,928	0	0	0	0	-1,656,928
Eliminated allowances	-3,523,947	-22,107	0	0	0	-3,546,054
Balance on 31 December 2018	**28,941,456**	**0**	**0**	**0**	**0**	**28,941,456**
Balance on 1 January 2019	**28,941,456**	**0**	**0**	**0**	**0**	**28,941,456**
Formed allowances	4,699,388	0	0	0	0	4,699,388
Write-off	-1,679,307	0	0	0	0	-1,679,307
Eliminated allowances	-3,118,206	0	0	0	0	-3,118,206
Balance on 31 December 2019	**28,843,331**	**0**	**0**	**0**	**0**	**28,843,331**

Insurance of Receivables
Non-current and current operating receivables are not insured.

5.4.3. Interest Rate Risk

Interest rate risk is the risk of making a loss from the changes to the interest rate. In 2018, the Company paid a received loan, and its exposure to the interest rate risk was assessed as low as a result.

5.4.4. Currency risk

The majority of financial and operational receivables and liabilities on 31 December 2019 is denominated in euro. Risk exposure is estimated as low i.e. immaterial, and will therefore not be disclosed.

Sensitivity analysis
Exchange rate changes to the EUR/USD, GBP, and HRK by 5% would increase (decrease) the net exchange rate differences by EUR 13,399 in 2019 and by EUR 7,413 EUR in 2018.

5.5. CAPITAL MANAGEMENT

The hey objective of capital management is ensuring capital adequacy of the company and its financial stability, solvency, as well as to increase the value of the Company from the perspective of the shareholders.

The Company is financially stable, as the net debt-to-capital ratio proves.

in EUR	31 December 2019	31 December 2018
Total equity	227,584,544	230,745,396
Net financial liabilites	68,845,398	0
Net debt/equity	**0.30**	**0.00**

5.6. CARRYING AMOUNTS AND FAIR VALUES OF FINANCIAL INSTRUMENTS

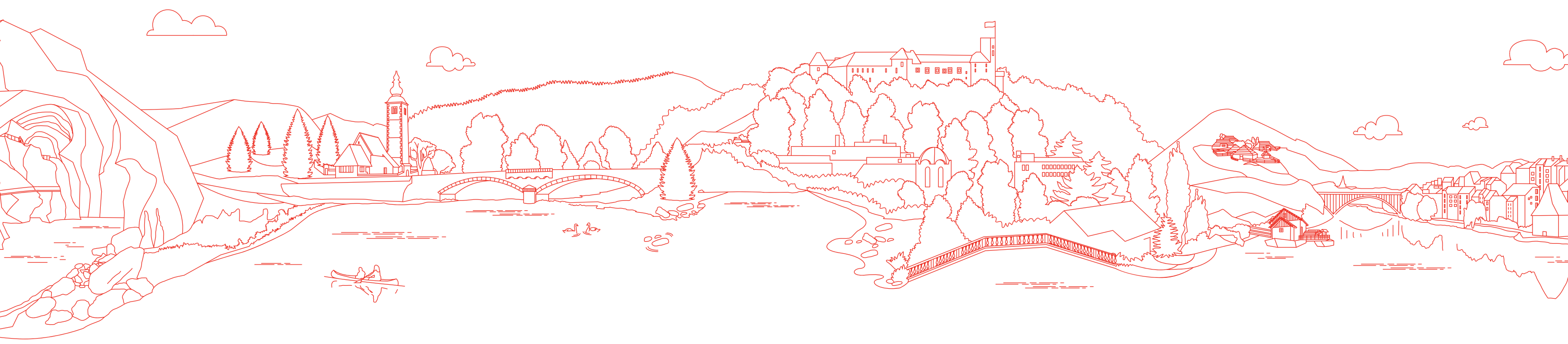
Fair values of financial assets classified by fair value hierarchy:

	Book value	Fair value	31 December 2019		
			Level 1	Level 2	Level 3
Non-current operating receivables	10,133,943	10,133,943	0	0	10,133,943
Non-current contract assets	2,003,233	2,003,233	0	0	2,003,233
Current operating receivables (excl. receivables due from the state)	68,534,724	68,534,724	0	0	68,534,724
Short-term contract assets	5,671,993	5,671,993	0	0	5,671,993
Cash and cash equivalents	23,170,705	23,170,705	0	0	23,170,705
Other current assets	347,483	347,483	0	0	347,483
Total assets for which the fair value was disclosed	**109,862,081**	**109,862,081**	**0**	**0**	**109,862,081**

	Book value	Fair value	31 December 2018		
			Level 1	Level 2	Level 3
Non-current operating receivables	9,509,173	9,509,173	0	0	9,509,173
Non-current contract assets	2,052,883	2,052,883	0	0	2,052,883
Current operating receivables (excl. receivables due from the state)	64,515,583	64,515,583	0	0	64,515,583
Short-term contract assets	3,899,669	3,899,669	0	0	3,899,669
Cash and cah equivalents	24,865,731	24,865,731	0	0	24,865,731
Other current assets	364,792	364,792	0	0	364,792
Total assets for which the fair value was disclosed	**105,207,831**	**105,207,831**	**0**	**0**	**105,207,831**

Fair values of financial liabilities classified by fair value hierarchy:

	31 December 2019			31 December 2018		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Non-current financial liabilities	0	0	-55,551,433	0	0	0
Non-current operating liabilities	0	0	-13,500,000	0	0	-13,500,000
Non-current contract liabilities	0	0	-1,373,230	0	0	-361,884
Current financial liabilities	0	0	-13,293,965	0	0	0
Current operating liabilities (excl. liabilities to the state, employees and liabilities arising from advances)	0	0	-33,737,941	0	0	-38,611,066
Current contract liabilities	0	0	-3,800,446	0	0	-2,715,793
Total liabilities for which the fair value was disclosed	**0**	**0**	**-121,257,014**	**0**	**0**	**-55,188,743**



6. OTHER DISCLOSURES

6.1. THE AUDITOR'S FEE

in EUR	2019 Ernst&Young	2018 Ernst&Young
Cost of annual report audit	56,400	56,400
Tax consultancy services	0	0
Other services not related to the audit	3,600	3,600
Total	**60,000**	**60,000**

The costs of auditing include the costs of the interim and the annual audit.

6.2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

New standards and interpretations
The Company applies IFRS 16 in compiling its financial statements for the first time. The Company has not adopted any standards, interpretations or amendments that are not yet effective.

IFRS 16 Leases
In a view of the changed accounting policies, in 2019 the Compny no longer classifies leases as operational and financial, but treats all leases equally. If the contract contains a lease or is a lease, the Company recognizes the right of use asset and the lease obligation among the liabilities. The standard replaces the old IAS 17 Leases standard.
IFRS 16 standard is effective for annual periods beginning on or after 1 January 2019. IFRS 16 therefore establishes the policies for recognizing, measuring, presenting and disclosing leases from both parties: the lessee and the lessor. The new standard requires the lessee to recognize monst leases in its financial statements based on a single accounting model for all leases, with some exceptions. There asre no significant changes to the landlord's lease accounting.

A) DISCLOSURE OF TRANSITION EFFECTS – CHANGE IN ACCOUNTING POLICY

The amendments to IFRS 16 have been applied by the Compqany for the financial years beginning on or after 1 January 2019. They relate to the change accounting treatment of leases with tenants. The Company (as a lessee) no longer classifies asset leases as operating and financial, but recognizes the right of use for all leased assets and the lease liability among its liabilities. The leased assets were calssified by the Company in an appropriate type, accoriding to the purpose of their use.The right of use asset and liability for leased assets are not recognized by the Company only in the case of short-term or low-value leases. The Company has opted to apply retrospective approach to the transition to the new IFRS 16 standard. Therefore, the Company will not recalculate the comparative data for year 2018, but has made all changes due to the transition to the new standard as an adjustment to the opening balance sheet at the effective date. In 2018, the Company stated no financial leases.

After January 1, 2019, the Company does not classify leases as operating and financial, but recognizes the right of use for all leased assets. Upon initial recognition, such a right of use is measured at the present value of future lease payments. The right of use is amortized and recognized by the cost of depreciation and, because of the time value of money, the cost of interest in financing expenses. In the cash flow statement, it separates the amount that represents the payment of the principal and the amount that represents the payment of interest. They are both ranked among cash flows in financing. The Company lease incentives (for example free rents, i.e. lease periods for which it does not have to pay rent) account for as part of the right of use asset and liability, to reduce costs. It recognizes this as a liner reduction of costs over the lease period.

For short-term leases (less than 12 months lease term) and low-value leases (if asset new, less than EUR 5,000), the Company applies the exemption and does not recognize the right of use asset. Therefore it recognizes expenses in connection with the lease of those asset on a straight-line basis over the lease term. In the income statement, they are recognized as cost of services in the item cost of rent.

The incremental borrowing rate, on which basis the Company recalculated future lease payments at the effective date, that is January 1, 2019, is 2%.

As of 1 January 2019, the Company recognized amounted to EUR 82,470,711 the right of use assets and EUR 76,905,353 lease liabilities, and derecognized advance payments in amount of EUR 5,565,358.

The effect of asopting IFRS 16 as at 1 January is shown below:

	1 January 2019	31 December 2018	
	IFRS 16	IFRS	Increase/decrease
Assets			
Right of use	82,470,711	0	82,470,711
Non-current deferred costs	0	5,565,358	-5,565,358
Total assets	**82,470,711**	**5,565,358**	**76,905,353**
Liabilities			
Non-current financial lease liabilities	62,503,600	0	62,503,600
Current financial lease liabilities	14,401,753	0	14,401,753
Total liabilities	**76,905,353**	**0**	**76,905,353**

Reconciliation of lease liabilities as at 1 January 2019 with operating lease commitments as at 31 December 2018:

Assets	In EUR
Operating lease obligations at 31 December 2018	23,757,655
Weighted average incremental borrowing rate as of 1 January 2019	2.00%
Discounted operational lease obligations as of 1 January 2019	22,870,765
Reduced to:	
Short-term lease obligations	0
Obigations for leasing low value assets	70,560
Increased by:	
Obligations for leases that were recognized as an expense of access and transport networks before IFRS 16 application	30,925,404
Lease liabilities arising from the renewal of lease contracts and are not included in the lease commitments as at 31 December 2018	23,179,744
Lease liabilities at 1 January 2019	76,905,353

B) LEASES AFTER 1 JANUARY 2019

At the contract conclusion, the Company assesses whether it is a lease contract or whether the contract contains a lease. For all such contracts, it recognizes the right of use asset and the associated lease liability. The exception is short-term leases and leases where the leased asset is of low value. Short-term leases are those where the lease term is less than 12 months and low-value leases are those where the value od the leased asset, if new, is less than EUR 5,000. For those leases, the Company recognizes rent payments in the cost of services (rental costs) on a straight-line basis over the lease term. Non-rental components of the contract (e.g. electricity) are excluded from the right of use asset calculation. The lease liability upon initial recognition is measured at the present value of unpaid rents, discounted at the interest rate, taken into account for the lease. It uses the incremental interest borrowing rate.

The Company include in measuring lease liabilities:
- Fixed rents,
- Variable rents, which depend on the index or rate applicable at the commencement lease date.

Lease liabilities are disclosed in the current and non-current liabilities among financial liabilities. At the initial recognition, the Company measured the lease liability in its carrying amount, which reflects interest on the lease liability (taking into account the incremental borrowing rate). The lease liability is reduced by the payments actually made to the lessor.

The Company remeasures the lease liability (and subsequently adjusts the right of use asset) if:
• The lease term changes, in such case, it remeasures the lease obligation, taking into account the modified rents, which are discounted using current interest rate,
• Changes in rent due to changes in index or rate, in such case, it remeasures the lease obligation, taking into account the modified rents, which are discounted using the original, i.e. unchanged interest rate,
• The lease is amended and this change is not accounted for as a separate lease, in such case, the lease liability is remeasured, but takes into accunt the modified residual lease term, in which it discounts the remaining modified rents with the changed interest rate on the effective date of the lease change.

The right of use asset upon initial recognition is measured by the Company at the value of the related lease liability and the value of the lease payments that were made before the lease commencement date.

The Company depreciates the asset representing the right of use from the beginning of the lease to the end of its useful life. The Company recognizes the right of use asset based on the purpose of using the leased asset.

Variable rents that are independent of index or rate are not included into the measurement of lease liability and the right of use assets. Such amounts are recognized amng expenses in expense incurrance period.

The impact of the adoption of IFRS 16 standard on financial statements for the year ended on 31 December 2019 is presented below. The adoption of the standard did not have a significant impact on the Company's other comprehensive income. The first column shows the amount in accordance with IFRS 16 standard and the second column shows the amounts before the adoption of IFRS 16.

	1 January 2019	31 December 2018	
	IFRS 16	IFRS	Increase/decrease
Cost of services (rentals, access and transport network costs)	72,252,852	90,257,742	-18,004,890
Depreciation - right of use assets	16,099,462	0	16,099,462
Operating profit or loss	**-88,352,314**	**-90,257,742**	**1,905,428**
Financial expenses	1,331,318	0	1,331,318
Financial result	**-1,331,318**	**0**	**-1,331,318**
Profit for the business year	-89,683,632	-90,257,742	574,110

	1 January 2019 IFRS 16	31 December 2018 IFRS	Increase/decrease
Assets			
Right of use	82,470,711	0	82,470,711
Non-current deferred costs	0	5,565,358	-5,565,358
Total assets	**82,470,711**	**5,565,358**	**76,905,353**
Liabilities			
Non-current lease liabilities	62,503,600	0	
Current lease liabilities	14,401,753	0	
Total liabilities	**76,905,353**	**0**	**76,905,353**

6.3. BUSINESS EVENTS AFTER THE BALANCE SHEET DATE

There were no events that would significantly affect the financial statements for 2019 or require additional disclosures.