Annual Report 2017

Simply better

April 2018

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Magamenet Report

1.1. Corporate Principles

We put the customer in the center of our operations. We strive to be a reliable, thoughtful and lively companion, and that is why we strive to provide the best user experience in the Slovenian market fit for the modern digital lifestyle. We are committed to creating useful communication services. We use technology to create the space and opportunities for genuine closeness. We operate with care, responsibly and prudently, always thinking of our customers' satisfaction.

Our guiding principle is to connect people, places and things. We create solutions that enrich how our users experience work, life and fun. We provide advanced, simple and worry-free solutions. They are tailored to our customers' wishes and needs. We want the endless possibilities offered by modern technology to work to their advantage. We want to help our customers overcome the challenges they are facing, and make their day-to-day life and quality of living in this digital world better. We are creating a unique experience in the digital world. We want our innovations to support progress, and we want to develop new services and products that will bring added value to our users.

A1 Slovenija promotes diversity and sees it as strength. We respect different opinions and help each other out not only at work, but also outside the office. We want to make it possible for our colleagues as well as customers to create the experience they want to have.

We build our business of the foundations of ethic and responsibility – towards ourselves and everyone else. That is why we are especially focused on establishing an organizational culture that promotes integrity, mitigates risks, and improves our reputation. We are aware that the organizational culture has a huge impact on the implementation of our strategy, so we continue strengthening it and promoting its development. Every day we create work conditions that encourage innovative thinking and creativity in the development of new products and services. We believe that responsibility boosts the company's growth. We want to have a positive impact on the society and the environment we operate in by acting socially responsibly. We strengthen our loyal customers' trust by operating transparently, and with hard and diligent work. We respect our customers and treat them the way we want others to treat us.

1.2.2. About the Company

1.2.1. COMPANY INFO

Name	A1 Slovenija, telekomunikacijske storitve, d. d.
Registered office	Šmartinska 134b, SI-1000 Ljubljana
Phone	+386 (0)40 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
ID for VAT	SI 60595256
Company registration number	1196332000 SRG 1/29430/00 Ljubljana
Share capital	EUR 38,781,000.

1.2.2. 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., Mexico, is the ultimate final company (more information at www.americamovil.com).

1.2.3. MANAGEMENT

Dejan Turk	CEO

1.2.4. DIRECTORS

Andrej Špik	Senior General Affairs Director
Lovro Peterlin	Senior Sales and Customer Services Director
Larisa Grizilo	Senior HR and Corporate Communications Director
Ivo Radaković	Senior Marketing Director
Natali Delić	Senior Technical Director
Milan Zaletel	Senior Finance Director

1.2.5. SUPERVISORY BOARD

Alejandro Douglass Plater	Chairman
Siegfried Mayrhofer	Member
Bernd Schmutterer	Member

1.2.6. CHANGES IN THE MANAGEMENT IN 2017

CHANGES IN THE MANAGEMENT

There were no changes to the management team in 2017.

CHANGES IN THE SUPERVISORY BOARD

There were no changes to the Supervisory Board in 2017.

1.3. Employees

The share of women among A1 Slovenija's employees on 31 December 2017 was 43.96%, and the average age of our employees was 36.62 years. The vast majority of our employees have at least secondary school education, and 47% have a higher education degree.
The company does not have a diversity policy.

1.4. Social Responsibility

Social responsibility is written in our DNA. It is the basis of our mission and vision. It is a value of the A1 brand. We are committed to ethical and responsible operations. We place special focus on our responsibility to people – our colleagues, our customers, and the broader community. We care for the environment. We protect our ancestors' heritage. We want to pass the next generations a world that we can be proud of, a world where responsibility is a value and where everyone can feel at least some holiday joy at the end of the year.
We continued with the holiday tradition launched in 2015 and donated the money earmarked for business gifts at the end of the year to charity. We selected 100 most advanced and best-preserved phones collected in the trade-in campaign, added prepaid SIM cards, and donated them to the Slovenian Association of Friends of Youth, which distributed them among economically disadvantaged children aged 12 to 14. This was our way of helping these children access information and connect and communicate with their friends. But we above all wanted their hearts to fill with joy for a moment. In 2017 we also helped the Slovenian Association of Friends of Youth by donating them 12 perfectly functioning used phones, we gave 5 computers with displays to the Janez Levec Training Center, and set up a Wi-Fi hotspot with free data transfer at the Pod strehco humanitarian organization.
We also put smiles on children's faces with our Lahkonočnice (Bedtime Storytellers) inter-generational project that brings seniors and children together through audio stories and modern technology. In collaboration with the NGO Nordic Art Initiative, we created a beautiful mural called Four Seasons at the Ljubljana Children's Hospital. The first mural with augmented reality feature in Slovenia comes to life using the LARA app, and children can also experience bedtime stories in a unique way using 10 donated tablets. The stories were written by established Slovenian authors, and are read by residents from four Slovenian retirement homes.
Part of our socially responsible efforts are also focused on our customers traveling abroad. We want to be their reliable partner and provide them with the best customer experience possible also when they are abroad, so A1 sends them a free text message about the consular assistance available in the country they are visiting, and the necessary contact and other information, when they first connect to a network in a new country.
Environmental responsibility has been part of our operations for several years now. We consider the environmental aspects in all our processes, which helped us minimize our environmental impact. Our environmental excellence is also reflected in the ISO 14001:2004 certificate and our inclusion in the EMAS registry.
We put a beehive on the roof of the A1 Slovenija headquarters and make honey, connecting people, spaces and things also through urban beekeeping. We enrich our customers' experience of work, life, and fun. We enhance their lives today to encourage them for the future.

1.5. Selected Performance Indicators

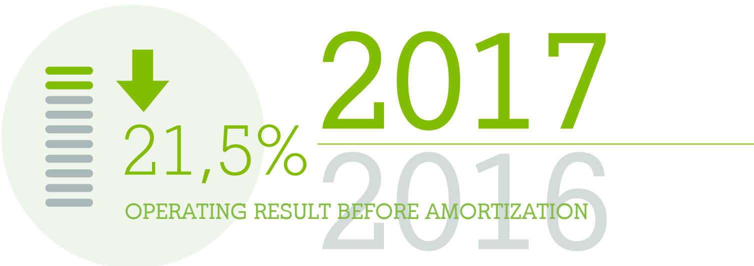
1.5.1. ANALYSIS OF THE PROFIT AND LOSS STATEMENT

In 2017, our total operating revenue increased by 4.48% compared to 2016. 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 slight growth in revenue from fixed telecommunication services. Total revenue was higher owing to the sale of more expensive terminal equipment.

Earnings before interest, taxes, depreciation and amortization (EBITDA) decreased by 21.5% because of the impact of competition's price pressure, international roaming price regulation, and higher cost of copyright for TV content, and stood at EUR 41.82 million at the end of the year. A1 Slovenija finished 2017 with positive earnings before interest and taxes (EBIT) of EUR 11.56 million. This is a 48,8% drop compared to 2016. Total earnings before tax stood at EUR 12.6 million in 2017.

At the end of 2017, A1 Slovenija had 703,318 users, which is a 1.5% drop compared to the year before. We recorded growth among subscribers (+2.4%), who represent 86.1% of all users.

The average revenue per user (ARPU) decreased in 2017 compared to 2016 because of price pressure from competition and the regulation of international roaming.



1.5.2. ANALYSIS OF THE BALANCE SHEET

Total assets amounted to EUR 306.2 million on 31 December 2017. This is 3.8% or €11.3 million more than the year before. The biggest increase was recorded in intangible assets, which grew by EUR 9.39 million.
Long-term assets stood at EUR 210.49 million, and increased by 5.5%, i.e. by EUR 10.99 million. The increase in long-term assets was the result of new procurements ... Short-term assets amounted to €95.71 million, which is 0.31% or €0.30 million more than the year before.
Equity and reserves stood at EUR 231.61 million, and have increased by 1,35%, i.e. by EUR 3.08 million. Shareholder equity ratio stood at 75.64%.
Long-term financial liabilities in the amount of EUR 7.80 million represented 2.5% of total assets. Compared to 2016 they decreased by 41%, i.e. EUR 5.4 million because of the repayment of the loan.
Short-term liabilities in the amount of EUR 46.93 million represented 15.3% of total assets. This is 1.2% or EUR 0.56 million more than in 2016.
Below is a general summary of our financial performance for the years 2017 and 2016 (in accordance with International Financial Reporting Standards):

GENERAL SUMMARY OF FINANCIAL PERFORMANCE FOR THE YEARS 2017 AND 2016 (IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS)

		2017	2016
Profit and loss statement			
Operating revenue	in million EUR	213.86	204.69
Earnings before interest, taxes, depreciation, and amortization (EBITDA)	in million EUR	41.82	53.31
Earnings before interest and taxes (EBIT)	in million EUR	11.56	22.6
Profit/loss	in million EUR	1.05	1.16
Earnings before tax (EBT)	in million EUR	12.61	23.76
Balance sheet			
Assets	in million EUR	306.2	294.91
Property, plant and equipment	in million EUR	80.87	78.46
Short-term assets	in million EUR	95.71	95.41
Financial and operating liabilities	in million EUR	48.72	54.67
Equity	in million EUR	231.61	228.53
Selected indicators			
EBITDA margin		19.55%	26.04%
Investments in property, plant and equipment	in million EUR	20.93	23.05
Average no. of employees		584	500
Number of employees (year-end)		596	558
Number of users (year-end)		703,318	714,324
Of which subscribers represent		605,805	591.819

1.6.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 the fields 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 2017 financial year A1 Slovenija, d. d, did not perform or omit any actions at the initiative of a related party, which would deprive the company.

1.7.Risk Exposure

1.7.1. REGULATORY RISKS:

1.7.1.1. REGULATION OF WHOLESALE FIXED MARKETS

AKOS concluded its analyses of wholesale fixed access markets (e.g. markets 3a, 3b and 4) and determined Telekom Slovenije was an operator with significant market power in markets 3a and 3b. This regulation brigs significant changes to the conditions of wholesale access to Telekom Slovenije's network, which A1 Slovenija uses in great part for providing fixed telecommunication services. The main changes are: (i) the introduction of a new wholesale product – virtual local loop unbundling; (ii) conditions under which Telekom Slovenije can upgrade its copper network with vectoring technology; (iii) a new approach towards wholesale pricing, where the price of access will depend on the prices of Telekom Slovenije's key retail plans, with no regulation of bistream access prices in some areas; (iv) increased price for copper pair leasing (to EUR 8.09). These changes could have a significant impact on A1 Slovenija's cost structure and competitive position compared to Telekom Slovenije, as well as other competitors in the retail market. The regulation of relevant markets is complemented by recent amendments to the Electronic Communications Act (from August 2017), which introduce symmetric regulation and give all investors access to passive infrastructure (of telecommunications operators and other public utility infrastructure holders) with the purpose of promoting the construction of networks, and subsequently boosting the competition and giving end users more options. This should lower the network construction cost. The procedure of determining the

operator with significant market power in the relevant market 4 (B2B) is still underway and should be concluded in 2018.
Rules on Transfer Speeds for Functional Internet Access and on the Quality of the Universal Service
AKOS published proposals for general acts, which among other things could introduce the obligation of paying into a universal service fund.

1.7.1.2. REGULATION OF ROAMING IN EUROPEAN MOBILE NETWORKS

On 15 June 2017, the manner in which international roaming is billed to retail users changed (i.e. roaming prices must be equal to home prices). On 1 January 2018, wholesale roaming prices further decreased, while the fair use caps increased and permitted surcharges decreased. The biggest challenge from the regulatory aspect will be preventing the abuse of the right to roam at the same prices as at home in a manner compliant with the EU legislation.

1.7.1.3. CHANGED REGULATIONS ON ELECTROMAGNETIC FIELDS IN LIFE ENVIRONMENT

MMinistry of the Environment and Spatial Planning started reviewing the regulations governing electromagnetic fields in life environment (how radiation sources are positioned, monitoring, control). Considering the unclear motivation for the planned changes, these will also have a negative impact on the existing mobile networks, and especially their future construction – they might require a different network planning concept, with significantly lower service quality without significant investments. In any case, the planning and construction of future mobile networks (LTE+, 5G) will require major investments to ensure service operation and compliance with regulations.

1.7.1.4. FREQUENCY AUCTION

We expect a public tender for the awarding of frequencies in the 700 MHz for public mobile technology to be carried out in 2018, however this remains uncertain due to uncoordinated situation in the areas on the borders with Croatia and Italy, as does the actual benefit of acquiring such rights.

1.7.1.5. GDPR, E-PRIVACY AND ZVOP-2

The deadline for bringing the processes of personal data collection, use and retention in line with the General Data Protection Regulation (GDPR) is 25 May 2018, and it is yet unclear when other regulations (Personal Data Protection Act and E-Privacy Regulation), which are being draw up any may affect the implementation of GDPR, will be adopted.

1.7.2. CREDIT RISK

Company's revenue comes from different sources, with the majority of revenue coming from voice calls and monthly subscription fees. As the majority of contractual customers at the end of 2017 were natural persons, credit risk is broadly dispersed and not significant. Other revenue sources are related to resellers (for phone sales) and other local and foreign mobile telephone operators (for network interconnection and international roaming). Past experience shows that no significant risks stem from these activities. As at balance sheet date there was no significant dependence on any of the above creditors.

1.7.3. INTEREST RATE RISK

In 2014, the company received a long-term loan from Mobilkom Beteiligungsellschaft MbH.
The company is part of the cash pooling system, where its

assets are in the form of overnight deposits.
The interest rates for both the loan and deposit are low, tied to EURIBOR, so there is no significant exposure to the interest rate risk. The company does not use any special financial instruments for interest rate hedging.

1.7.4. CURRENCY RISK

The company's functional currency in 2017 was euro.
Only a small share of transactions is done in US dollars or other currencies, so the company is not exposed to any significant currency risks. The company does not use any special financial instruments for currency hedging.

1.7.5. LIQUIDITY RISK

The company's liquid assets come from operating revenue and loans from the owner, if required. Past experience shows, that the company is constantly improving its operations, and subsequently growing its operating revenue. Additional financial resources might be needed for implementing new technologies that require a large initial investment.

1.8. Plans for the Future

A1 is dedicated to creating solutions that address consumers' existing and emerging needs. We are aware of the importance and prevalence of technology in our lives, and strive towards constructing new foundations for connectedness itself, shaping the constantly developing world of opportunities and experiences.

In 2017 we were among the first operators in Europe to achieve data rates above 850 Mbps in a commercial LTE network. With this important milestone we proved that we are the leading provider of digital services in the market, and clearly showed that our network is ready for future challenges and market trends.

We will continue putting our focus on developing and providing solutions, services, and products that meet the needs and desires of users, market demands, and the constant and rapid development of modern technologies. We will continue to focus on providing the best user experience and maintain our position as a technological pioneer in the Slovenian market.

Connectivity-based services that are changing business processes and social interactions will be at the forefront in 2018. As networks will play an even greater role in transferring all the data, A1 will keep on investing in the development of the fastest network in Slovenia, and high-quality services in this network.

Digitalization is the frontier of everything we have seen and known so far. It is our desire to provide access to modern communication solutions and services to the whole population of Slovenia – at any place and any time. Modern technologies open the door to a world of connectedness and experience And we are part of that world.

1.9. Governance Statement

In accordance with paragraph 5 of Article 70 of ZGD-1, A1 Slovenija, d. d, hereby gives the following corporate governance statement.

1.9.1. GOVERNANCE CODE

Between 1 January and 31 December 2017, A1 Slovenija, d. d, which is part of the A1 Telekom Austria Group, followed the group's Governance Code, based on the Austrian Corporate Governance Code. The Code prescribes responsible company governance and oversight, aimed at sustainably creating long-term added value for the company. The purpose of the code is to guarantee a high degree of transparency for all stakeholders, and provide guidelines for investors. The code is based on the Austrian corporation law, securities law and capital markets law, as well as on the EU recommendations and OECD governance principles. A1 Telekom Austria Group voluntarily pledged to comply with the Austrian Corporate Governance Code already in 2003.

1.9.2. WORK OF THE GENERAL MEETING

The work of the General Meeting is governed by the Articles of Association of f 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 Board 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 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.

1.9.3. MANAGEMENT AND SUPERVISORY BOARD

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 Supervisory Board, which comprises three members, namely: Alejandro Douglass Plater as the chairman, Siegfried Mayrhofer as the deputy chairman, and Bernd Schmutterer 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.

1.9.4. DESCRIPTION OF THE MAIN CHARACTERISTICS OF THE COMPANY'S INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS RELEVANT FOR THE FINANCIAL REPORTING PROCEDURE

The company has an Internal Control System in 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.

Dejan Turk, CEO

Ljubljana, 2 February 2018

Financial Report

2.1. General Disclosures

2.1.1. ABOUT A1 SLOVENIA

2.1.1.1. 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 2017 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 the 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

2.1.1.2. 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.

2.1.1.3. 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, Si.mobil'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.

2.1.1.4. DATA ON EMPLOYEES

- number of employees at the end of the 2017 business year was 596 (at the end of 2016: 558);
- Average number of employees in the 2017 business year was 584 (501in the 2016 business year);

STRUCTURE OF EMPLOYEES BY EDUCATION LEVEL

education level	2017	2016
vocational school or less	28	26
grammar school	227	225
higher education, 2-year school	55	56
higher education, 4-year school	129	97
university education	126	129
post-graduate education	30	24
doctorate	1	1
total	596	558

2.1.2. 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 2017.

The Management Board confirms the consistent use of appropriate accounting policies, and that accounting estimates were made following the principles 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 managed 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 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 or other taxes and levies. The management is not aware of any circumstances that could cause any significant obligation arising from this.

Ljubljana, 2 February 2018

Dejan Turk, Chairman of the Management Board

Building a better
working world

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 2017, 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 31 December 2017 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.

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

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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, February 2, 2018

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

ERNST & YOUNG
Revizija, poslovno
svetovanje d.o.o., Ljubljana 3

Lidija Šinkovec
Certified auditor

2.3. Financial Statements of A1 Slovenija, d. d.

2.3.1. BALANCE SHEET

ASSETS	Note	31. december 2017	31. december 2016
LONG-TERM ASSETS		210,486,345	199,501,144
Intangible assets	5.2.1.	96,202,471	86,814,970
Property, plant, and equipment	5.2.2.	80,865,554	78,463,581
Long-term financial assets	5.2.3.	125,312	125,312
Long-term operating receivables	5.2.4.	8,994,701	8,153,238
Deferred tax assets	5.2.5.	3,710,114	3,640,805
Long-term deferred costs	5.2.6.	20,588,193	22,303,238
SHORT-TERM ASSETS		95,708,478	95,413,253
Inventories	5.2.7.	6,266,746	7,325,448
Short-term trade receivables	5.2.8.	47,770,073	45,943,410
Short-term trade receivables from group companies	5.2.9.	1,454,475	1,749,870
Tax assets from the income tax	5.2.10.	470,912	3,870,841
Other operating receivables	5.2.11.	1,194,076	1,072,000
Cash and cash equivalents	5.2.12.	29,168,134	24,277,879
Other short-term assets	5.2.13.	9,384,062	11,173,805
TOTAL ASSETS		306,194,823	294,914,397

EQUITY AND LIABILITIES	Note	31. december 2017	31. december 2016
CAPITAL	5.2.14.	231,611,164	228,528,851
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		25,415	25,844
Retained earnings		68,502,250	55,357,473
Net profit or loss		11,482,742	21,544,777
PROVISIONS AND LONG-TERM LIABILITIES		27,653,872	18,899,278
Post-employment employee benefits	5.2.15.	624,823	580,752
Other long-term provisions	5.2.15.	5,536,993	4,944,234
Long-term deferred revenue	5.2.16.	189,247	165,643
Long-term financial liabilities	5.2.17.	7,802,809	13,208,649
Long-term operating liabilities	5.2.18.	13,500,000	0
SHORT-TERM LIABILITIES		46,929,787	47,486,268
Short-term financial liabilities	5.2.19.	3,671,777	3,707,951
Short-term operating liabilities to suppliers	5.2.20.	31,760,003	30,868,953
Short-term operating liabilities towards group companies	5.2.21.	1,677,110	2,640,177
Other operating liabilities	5.2.22.	3,809,306	4,247,959
Short-term deferred income	5.2.23.	2,647,311	3,946,709
Short-term provisions and accrued costs	5.2.23.	3,364,280	2,074,519
TOTAL LIABILITIES		74,583,659	66,385,546
TOTAL ASSETS		306,194,823	294,914,397

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

2.3.2. PROFIT AND LOSS STATEMENT

in EUR	Note	2017	2016
Net sales	5.3.1.	208,538,863	198,682,403
Other operating revenue	5.3.2.	5,323,891	6,006,798
Cost of goods and materials	5.3.3.	-45,606,211	-39,360,201
Cost of services	5.3.3.	-98,799,280	-86,991,162
Labor cost	5.3.4.	-20,709,118	-18,468,286
Amortization and depreciation	5.3.5.	-30,256,293	-30,717,653
Other operating expenses	5.3.6.	-6,930,442	-6,554,896
Operating profit or loss		**11,561,410**	**22,597,003**
Financial revenue	5.3.7.	2,315,898	2,342,470
Financial expenses	5.3.7.	-1,308,307	-1,171,794
Revenue from derecognizing financial assets		0	-10,000
Dividend received related parties		42,221	
Profit/loss		**1,049,812**	**1,160,676**
Profit/loss before tax		**12,611,222**	**23,757,679**
Accrued tax	5.3.8.	-1,197,688	-1,627,884
Deferred tax	5.3.8.	69,208	-585,018
Income tax		**-1,128,480**	**-2,212,902**
Net loss/loss for the year		**11,482,742**	**21,544,777**
Basic earnings per share		1.23	2.32
Diluted earnings per share		1.23	2.32

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

2.3.3. OTHER COMPREHENSIVE INCOME

in EUR	2017	2016
NET PROFIT OR LOSS	1,.482,742	21,544,777
Unrealized actuarial gains or losses	-489	95.801
Impact of deferred taxes	0	0
Other comprehensive income in the financial year that will not be recognized in the profit or loss statement henceforth	-489	95,801
Total other comprehensive income after taxes	-489	95,801
Total comprehensive income for the financial year	11,482,254	21,640,578

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

2.3.4. CASH FLOW STATEMENT

in EUR	Note	2017	2016
CASH FLOW FROM OPERATING ACTIVITIES			
Net profit or loss		11,482,742	21,544,777
Adjustments for:			
Depreciation of tangible fixed assets and investment property	5.3.5.	18,289,210	18,424,754
Amortization of intangible assets	5.3.5.	11,967,083	12,292,899
(Gain)/loss from the sale of intangible assets, tangible fixed assets and investment property	5.3.6.	299,676	308,761
Net (decrease)/allowances for receivables		1,997,320	1,928,077
Net (decrease)/allowances for inventory		368,374	36,418
Net financial (revenue)/expenses	5.3.7.	327,860	38,217
Changes in investments	5.3.7.	0	10,000
Changes in deferred tax assets	5.2.5., 5.3.8.	0	605,409
Income tax		1,589,332	-1,627,884
Operating cash flow before changes in working capital		**46,321,597**	**53,561,428**
Changes in operating receivables		-4,492,125	-4,390,496
Changes in deferred costs and other assets		3,504,787	-5,643,008
Changes in inventories	5.2.7.	690,327	-1,669,952
Changes in operating debt		-510,671	4,670,891
Changes in short-term deferred revenue, accrued costs and provisions		650,797	-8,098,233
Changes in net working capital		**-156,885**	**-15,130,798**

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

Cash flow from operating activities		**46,164,712**	**38,430,630**
Expenses for income tax		1,741,228	1,627,884
Net cash flow from operating activities		**47,905,940**	**40,058,514**
CASH FLOW FROM INVESTING ACTIVITIES			
Expenditure for the acquisition of intangible assets	5.2.1.	-7,919,718	-4,720,558
Expenditure for the acquisition of tangible fixed assets	5.2.2.	-20,925,725	-21,877,290
Expenditure for the acquisition of a subsidiary		0	-24,450,000
Net cash from investing activities		**-28,845,443**	**-51,047,848**
CASH FLOW FROM FINANCING ACTIVITIES			
Paid-in capital	5.2.14.	0	25,000,000
Expenditures for interests from financing	5.3.8.	-327,860	-38,217
Expenditures for the repayment of financial liabilities	5.2.17, 5.2.18.	-5,442,442	-35,438,942
Dividends paid		-8,400,000	0
Net cash flow from financing activities		**-14,170,302**	**-10,477,159**
Net increase/(decrease) in cash and cash equivalents		**4,890,195**	**-21,466,493**
Cash and cash equivalents at the beginning of the year	5.2.12.	24,277,879	43,661,508
Cash acquired through merger by acquisition	5.1.	0	2,082,864
Final balance in cash and cash equivalents		**29,168,134**	**24,277,879**

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

2.3.5. STATEMENT OF CHANGES IN EQUITY

A) STATEMENT OF CHANGES IN EQUITY FROM 1 JANUARY TO 31 DECEMBER 2017

in EUR	Share capital	Capital reserves	Legal reserves	Fair value reserves	Retained earnings	Net profit for the year	Total capital
Balance on 1 January 2017	**38,781,000**	**108,941,657**	**3,878,100**	**25,844**	**55,357,473**	**21,544,777**	**228,528,851**
Capital paid in by the owner	0	0	0	0	0	0	0
Transfer of earnings from preceding years to retained earnings	0	0	0	0	21,544,777	-21,544,777	0
Distribution of profits	0	0	0	0	-8,400,000	0	-8,400,000
Transactions with owners	**0**	**0**	**0**	**0**	**13,144,777**	**-21,544,777**	**-8,400,000**
Net profit or loss for the year	0	0	0	0	0	11,482,742	11,482,742
Other comprehensive income (after taxes)	0	0	0	-429	0	0	-429
Total comprehensive income	**0**	**0**	**0**	**-429**	**0**	**11,482,742**	**11,482,313**
Balance on 31 December 2017	**38,781,000**	**108,941,657**	**3,878,100**	**25,415**	**68,502,250**	**11,482,742**	**231,611,164**

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

B) STATEMENT OF CHANGES IN EQUITY FROM 1 JANUARY TO 31 DECEMBER 2016

in EUR	Share capital	Capital reserves	Legal reserves	Fair value reserves	Retained earnings	Net profit for the year	Total capital
Balance on 1 January 2016	**38,781,000**	**83,941,657**	**3,878,100**	**-69,957**	**6,746,636**	**48,067,275**	**181,344,711**
Capital paid in by the owner	0	25,000,000	0	0	0	0	25,000,000
Transfer of earnings from preceding years to retained earnings	0	0	0	0	48,067,275	-48,067,275	0
Merger by acquisition of Amis and TA Mreža	**0**	**0**	**0**	**0**	**543,562**	**0**	**543,562**
Transactions with owners	0	25,000,000	0	0	48,610,837	-48,067,275	25,543,562
Net profit or loss for the year	0	0	0	0	0	21,544,777	21,544,777
Other comprehensive income (after taxes)	0	0	0	95,801	0	0	95,801
Total comprehensive income	**0**	**0**	**0**	**95,801**	**0**	**21,544,777**	**21,640,578**
Balance on 31 December 2016	**38,781,000**	**108,941,657**	**3,878,100**	**25,844**	**55,357,473**	**21,544,777**	**228,528,851**

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

2.4. Notes to the audited Financial statements

2.4.1. FRAMEWORK FOR PREPARING THE STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

2.4.1.1. DECLARATION OF COMPLIANCE

The company's management approved the financial statements on 26 January 2018.

Financial statements of A1 Slovenija, d. d. were prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union, with interpretations adopted by the International Financial Reporting Interpretations Committee (IFRIC), and approved by the European Union, and the provisions of the Companies Act. The first use of International Reporting Standards (IFRS) was in 2016 with opening balance on 01.01.2015

2.4.1.2. 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.

2.4.1.3. THE GROUNDS FOR MEASUREMENT

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 4.1.10.

2.4.1.4. 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 according to the valid ECB exchange rate on the date of the balance. Cash and long- and short-term 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 2017were used for converting foreign currencies:

Country	Currency	Currency label	Currency code	Exchange rate
USA	US DOLLAR	USD	840	1,1993
UK	BRITISH POUND	GBP	826	0,88723
Switzerland	SWISS FRANC	CHF	756	1,1702
Croatia	CROATIAN KUNA	HRK	191	7,4400

2.4.1.5. SIGNIFICANCE

Significant items in the balance sheet are those which exceed 1% of total assets on the balance date, which as at 31 December 2017 is EUR 3.061.948 (and as at 31 December 2016 was EUR 2.949.144). Significant items of the profit and loss statement are those which exceed 2% of the value of revenue in the financial year, which for 2017 amounts to EUR 4.277.255, and for 2016 amounts to EUR 4.093.784.

2.4.1.6. SEGMENT REPORTING

The company is not obligated to apply IFRS 8, and consequently does not disclose the data on operation by segments.

2.4.1.7. 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 2017:

- **IAS 12: Recognition of Deferred Tax Assets for Unrealized Losses (Amendments)**

The objective of the Amendments is to clarify the requirements of deferred tax assets for unrealized losses in order to address diversity in practice in the application of IAS 12 Income Taxes. The specific issues where diversity in practice existed relate to the existence of a deductible temporary difference upon a decrease in fair value, to recovering an asset for more than its carrying amount, to probable future taxable profit and to combined versus separate assessment . These amendments do not have any impact on the financial statements.

▪ **IAS 7: Disclosure Initiative (Amendments)**

The objective of the Amendments is to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The Amendments specify that one way to fulfil the disclosure requirement is by providing a tabular reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities, including changes from financing cash flows, changes arising from obtaining or losing control of subsidiaries or other businesses, the effect of changes in foreign exchange rates, changes in fair values and other changes. These amendments do not have any impact on the financial statements.

▪ **The IASB has issued the Annual Improvements to IFRSs 2014 – 2016 Cycle, which is a collection of amendments to IFRSs. The following annual improvement has not yet been endorsed by the EU. This improvement did not have an effect on the Company's financial statements.**

IFRS 12 Disclosure of Interests in Other Entities: The amendments clarify that the disclosure requirements in IFRS 12, other than those of summarized financial information for subsidiaries, joint ventures and associates, apply to an entity's interest in a subsidiary, a joint venture or an associate that is classified as held for sale, as held for distribution, or as discontinued operations in accordance with IFRS 5.

B) STANDARDS ISSUED BUT NOT YET EFFECTIVE AND NOT EARLY

▪ **IFRS 9 Financial Instruments: Classification and Measurement**

The standard is effective for annual periods beginning on or after 1 January 2018, with early application permitted. The final version of IFRS 9 Financial Instruments reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. The company is examining the impact the amendments to the standard will have on its financial statements.

▪ **IFRS 15 Revenue from Contracts with Customers**

The standard is effective for annual periods beginning on or after 1 January 2018. IFRS 15 establishes a five-step model that will apply to revenue earned from a contract with a customer (with limited exceptions), regardless of the type of revenue transaction or the industry. The standard's requirements will also apply to the recognition and measurement of gains and losses on the sale of some non-financial assets that are not an output of the entity's ordinary activities (e.g., sales of property, plant and equipment or intangibles). Extensive disclosures will be required, including disaggregation of total revenue; information about performance obligations; changes in contract asset and liability account balances between periods and key judgments and estimates.

The application of the IFRS 15 significantly affects how the company recognizes revenue compared to previous years.

We have identified the following effects:

- Identifying performance obligations and subsequently determining the transaction price will affect the time of recognizing revenue, and how the revenue is divided between services and goods.

- The incremental costs of obtaining a contract will be recognized as an asset in accordance with IFRS 15.

- Financing components are currently negligible.

- Revenue from the sale of equipment to resellers will be recognized only when the equipment is sold to end users.

The company is examining the impact the new standard will have on the financial statements.

- **IFRS 15: Revenue from Contracts with Customers (Clarifications)**

The Clarifications apply for annual periods beginning on or after 1 January 2018 with earlier application permitted. The objective of the Clarifications is to clarify the IASB's intentions when developing the requirements in IFRS 15 Revenue from Contracts with Customers, particularly the accounting of identifying performance obligations amending the wording of the "separately identifiable" principle, of principal versus agent considerations including the assessment of whether an entity is a principal or an agent as well as applications of control principle and of licensing providing additional guidance for accounting of intellectual property and royalties. The Clarifications also provide additional practical expedients for entities that either apply IFRS 15 fully retrospectively or that elect to apply the modified retrospective approach.

- **IFRS 16: Leases**

The standard is effective for annual periods beginning on or after 1 January 2019. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor'). The new standard requires lessees to recognize most leases on their financial statements. Lessees will have a single accounting model for all leases, with certain exemptions. Lessor accounting is substantially unchanged. In 2018, the Company will assess the potential effect of IFRS 16 on its financial statements.

- **Amendment in IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture**

The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28, in dealing with the sale or contribution 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 Company estimates that the amendment will not have a significant/any impact on the financial statements.

- **IFRS 2: Classification and Measurement of Share based Payment Transactions (Amendments)**

The Amendments are effective for annual periods beginning on or after 1 January 2018 with earlier application permitted. The Amendments provide requirements on the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments, for share-based payment transactions with a net settlement feature for withholding tax obligations and for modifications to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled. These Amendments have not yet been endorsed by the EU. The Company estimates that the amendment will not have a significant/any impact on the financial statements

- **IAS 40: Transfers to Investment Property (Amendments)**

The Amendments are effective for annual periods beginning on or after 1 January 2018 with earlier application permitted. The Amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The Amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. These Amendments have not yet been endorsed by the EU. The Company estimates that the amendment will not have a significant/any impact on the financial statements.

- **IFRS 9 Amendment: Prepayment features with negative compensation**

The Amendment is effective for annual reporting periods beginning on or after 1 January 2019 with earlier application permitted. The Amendment allows financial assets with prepayment features that permit or require a 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. These Amendments have not yet been endorsed by the EU. The Company estimates that the amendments will not have a significant/any impact on the financial statements.

- **IAS 28 Amendments: Long-term Interests in Associates and Joint Ventures**

The Amendments are effective for annual reporting periods beginning on or after 1 January 2019 with earlier application permitted. 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 Financial Instruments, before it applies IAS 28, to such long-term interests for which the equity method is not applied. In applying IFRS 9, the entity does not take account of any adjustments to the carrying amount of long-term interests that arise from applying IAS 28. These Amendments have not yet been endorsed by the EU. The Company estimates that the amendments will not have a significant/any impact on the financial statements.

- **IFRIC INTERPETATION 22: Foreign Currency Transactions and Advance Consideration**

The Interpretation is effective for annual periods beginning on or after 1 January 2018 with earlier application permitted. The Interpretation clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency. The Interpretation covers foreign currency transactions when an entity recognizes a non-monetary asset or a non-monetary liability arising from the payment or receipt of advance consideration before the entity recognizes the related asset, expense or income. The Interpretation states that the date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary prepayment asset or deferred income liability. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. This Interpretation has not yet been endorsed by the EU. The Company estimates that the amendments will not have a significant/any impact on the financial statements.

- **The IASB has issued the Annual Improvements to IFRSs 2014 – 2016 Cycle,**

which is a collection of amendments to IFRSs. The amendments are effective for annual periods beginning on or after 1 January 2018 for IFRS 1 First-time Adoption of International Financial Reporting Standards and for IAS 28 Investments in Associates and Joint Ventures. Earlier application is permitted for IAS 28 Investments in Associates and Joint Ventures. These annual improvements have not yet been endorsed by the EU. The Company estimates that the amendments will not have a significant/any impact on the financial statements.

- IFRS 1 First-time Adoption of International Financial Reporting Standards: This improvement deletes the short-term exemptions regarding disclosures about financial instruments, employee benefits and investment entities, applicable for first time adopters.

- IAS 28 Investments in Associates and Joint Ventures: The amendments clarify that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is venture capital organization, or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition.

- **IFRIC INTERPETATION 23: Uncertainty over Income Tax Treatments**

The Interpretation is effective for annual periods beginning on or after 1 January 2019 with earlier application permitted. 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. This Interpretation has not yet been endorsed by the EU. The Company estimates that the amendments will not have a significant/any impact on the financial statements.

2.4.1.8. SIGNIFICANT ACCOUNTING POLICIES

The basis for measuring economic categories in financial statements original historical cost 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 for mergers by acquisition of subsidiaries while taking into account professional instructions and the economic subject of business mergers. The merger by acquisition of TA Mreža, d.o.o. in 2016, which was acquired several years ago, was accounted for at carrying amount and by recognizing the difference between the investment and the carrying amount of net assets in equity. To account for the merger by acquisition of Amis, d.o.o., the management applied the method as defined in IFRS 3 mutatis mutandis, because the company was acquired by the Telekom Austria Group just a few months before it was purchased and eventually merged by acquisition by the company. All the acquired and merged identifiable assets were recognized at fair value, while the difference between the purchase price and the fair value of identifiable net assets was recognized as goodwill.

B) INTANGIBLE ASSETS

Intangible assets include investments in property 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 long-term property rights, namely various interconnection rights (amortization rate of 25% which is in accordance with the planned duration of interconnection services), utilization of fiber optic connections which the company amortizes over 5 years –the planned period of utilizing such rights. The company's long-term 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) 2017
Radio frequencies	15 or in accordance with the Decision
Software & Licenses	1-8
Property rights – interconnection rights	5
Property rights from customer acquisition	3
Amis brand	3
List of customers	10

Amortization and depreciation rates remained unchanged in 2017.

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 any 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 determinining the appropriate discount rate (disclosed in 5.2.1.).

C) LONG-TERM DEFERRED COSTS

Deferred costs pertain to long-term deferred costs of subscriber acquisition, long-term deferred costs of connection fees for data lines, and long-term accrued costs from leases for base station sites. The costs of subscriber acquisition arise from subsidies for devices, and are deferred for the duration of the customer agreement (usually 2 years). These costs are transferred into decreased revenue from monthly subscription fees for the duration of the subscriber agreement.

The cost of device subsidies is decreased by the effect of expected early terminations of subscriber agreements.

Connection fees for data lines are deferred over the period of the duration of radio frequencies and the duration of lease agreements.

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 materials, labor, and a proportionate share of general operating costs. The original cost comprises all the costs of employee compensations 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 a 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 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 fixed 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) 2017
Base stations and exchanges	5–15
Computer equipment	3–4
Investments in third party tangible fixed assets	10
Other equipment	5–7
Small tools and spare parts	2–3

Amortization and depreciation rates remained unchanged in 2017.

Leases

Leases, with which significant risks and benefits relating to the ownership are transferred to the company, are treated as financial lease, others as operating lease. Property, plant and equipment obtained through financial lease are recognized at the lower of fair or present value of the lowest sum of leases at the beginning of the lease, minus depreciation and impairment loss.

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 estimated.

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 derecognized. 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 INSTRUMENTS

Financial instruments are divided into:

- Non-derivative financial assets (which include cash and cash equivalents, financial assets, loans and receivables)

- Non-derivative financial liabilities

- Derivative financial instruments (The company currently has none)

The company initially recognizes loans, receivables and deposits on the day they occur. Financial assets are initially recognized on the date of transaction or when the company becomes a party in the instrument's contractual provisions.

The company derecognizes a financial asset when the contractual rights to cash flows from the asset expire or when the company transfers the rights to stipulated cash flows from the financial asset with a transaction, in which all risks and benefits attached to the ownership of the financial asset are transferred.

After the initial recognition non-derivative financial assets are classified into one of the following groups:

- financial asset, measured at fair value through the profit and loss statement (the company currently has none)

- financial asset in possession until maturity (the company currently has none)

- loans and receivables, and

- available-for-sale financial assets.

The classification depends on the purpose for which this financial instrument was obtained

G) CASH AND CASH EQUIVALENTS

Cash and cash equivalents consisting of:

- cash in hand

- cash at bank

- call deposits, and

- cash in the process of collection

are recognized at nominal value.

H) AVAILABLE-FOR-SALE FINANCIAL ASSETS

Available-for-sale financial assets are those non-derivative financial assets that are marked as available for sale or are not classified in profit and loss statement as loans and receivables or financial assets at fair value. They are valued at fair value if their fair value can be established and the profits or losses in valuation are recognized directly in comprehensive income, and recorded in the reserve for fair value, except for impairment losses and gains or losses from foreign exchange differences, until the financial asset is derecognized. When derecognizing available-for-sale financial assets, the accumulated gains and losses are transferred from other comprehensive income for the period to the profit or loss statement.

If the fair values cannot be measured reliably because the range of fair value estimates is wide, and the probability of individual estimates difficult to assess, the company shall measure the financial asset at its original cost.

The company records capital investments in subsidiaries not listed on the stock exchange among long-term financial investments, and they are measured at original cost.

Impairment

As at balance sheet date it is verified whether there are any objective reasons for impairing financial investments. Objective reasons for impairment are major financial problems of the debtor (e.g. liquidity problems), which could arguably lead to the conclusion on a future bankruptcy. In this event an allowance of the initially recognized value should be booked against the revaluatory financial expenses.

I) LOANS AND RECEIVABLES

Loans and receivables are non-derivative financial assets with unchangeable or identifiable payments, which are not listed on the operating market. They are classified by maturity and recorded under short-term financial assets (with maturity up to 12 months after the balance sheet date) or long-term financial assets (with maturity of more than 12 months after the balance sheet date). Loans and receivables are initially recognized at fair value, increased by direct costs of the transaction.

After the initial recognition loans and receivables are measured according to the amortized cost using the method of the effective interest rate, minus the losses from impairment.

Impairment

Receivables of all types are recorded in nominal amounts, which are obtained from appropriate documents, minus the value correction for doubtful receivables, which is based on past experience and future expectations.

Any later write-offs of receivables must be based on appropriate documents: court decision, conclusion of compulsory settlement, conclusion of bankruptcy, or other appropriate documents.

Receivables, for which the company assumes will not be settled by due date (the date agreed in a contract or another appropriate document) or which are not settled by due date, are listed as doubtful, and allowances are made. Allowances for receivables are formed based on experience from previous years, as follows:

Receivables not yet due and unbilled	1%
receivables overdue by 1– 30 days	5%
receivables overdue by 31–90 days	40%
receivables overdue by 91– 180 days	60%
receivables overdue by 181– 360 days	90%
receivables overdue more by over 361 days	100%

The company has establish new accounting estimation for impairment of receivables not yet due and unbilled revenus of 1%.

The allowances for doubtful receivables are calculated and booked in revaluatory operating expenses.

J) NON-DERIVATIVE FINANCIAL LIABILITIES

Non-derivative financial liabilities of the company comprise borrowings and operating liabilities. Financial liabilities are first recognized on the date of trade or when the company becomes a contractual party in relation to the instrument. The company derecognizes financial liabilities if the obligations as defined in the contract are fulfilled, annulled or expired. Non-derivative financial liabilities are first recognized at fair value plus costs which are attributed directly to the transaction. After the initial recognition financial liabilities are measured according to the amortized cost using the method of the effective interest rate.

They are classified by maturity and recorded under short-term financial liabilities (with maturity up to 12 months after the balance sheet date) or long-term financial liabilities (with maturity of more than 12 months after the balance sheet date).

Operating liabilities comprise suppliers' credits for good or services purchased, liabilities to employees for work provided, obligations to financiers related to interest and similar items, obligations to the state related to taxes, including the value added tax payable, and obligations related to the distribution of the profit or loss.

K) 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.

L) PROVISIONS

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 Long-Term Employee Earnings

Long-term provisions include employee long-term 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

Long-term 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.

M) LONG-TERM DEFERRED REVENUE AND ACCRUED COSTS

Deferred revenue includes primarily deferred revenue for fixed assets obtained at no cost, which decrease, as these assets are depreciated and the state subsidy is transferred to revenue in accordance with the contract.

N) CAPITAL

Total capital 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.

O) 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

P) REVENUE

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.

Most contracts in the mobile segment are multi-element contracts (e.g. a combination of a subscription fee to mobile services with the purchase of a mobile device). For such contracts, the company recognizes the revenue from the sale of goods and services based on the fair value of the elements in the contract.

Since September 2015 the company has been recognizing revenue from connection fees over the whole period of the subscriber agreement i.e. 24 months.

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

Subscription fees and voice calls are charged to subscribers in monthly billing cycles, and are recorded as revenue in an individual month. Uncharged revenue from services which were provided in the time from the billing date to the end of an individual month are included. Revenue from the sale of top-up cards is deferred until users use up the services.

Revenue from international roaming of subscribers of other foreign mobile operators in A1 Slovenija's network are invoiced to international roaming partners on a monthly basis.

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. UPORABA RAČUNOVODSKIH OCEN IN PRESOJ

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 5.2.14.

- 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 5.2.1. and 5.2.2.

- 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 5.2.1. and 5.2.2.

- 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 5.2.5.

- 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 5.2.14.

- 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 5.5.2.

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 sowftware 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 short-term receivables and short-term loans is not calculated, as the carrying amount is a reasonable approximate of their fair value. Fair value of long-term 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 long-term 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 short-term financial liabilities is not calculated, as their carrying amount is a reasonable approximate of their fair value.

U) 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 2017 and 31 December 2016, data from the profit and loss statement for 2017, and from additional data which are required for adjusting inflows and outflows and appropriately detailing significant items.

The part of the cash flow statement pertaining to investing activities was prepared using the direct method, and it includes payments relating to the acquisition and disposal of intangible assets and tangible fixed assets.

Cash flows from financing were presented using the direct method and include changes in the amount or structure of equity, financial debt increase or decrease and dividend payments.

V) NET EARNINGS PER SHARE

The company only has regular shares and reports basic earnings per share, calculated by dividing the profit that belongs to regular shareholders with a weighted average number of regular shares in the financial year. The diluted earnings per share are equal to net earnings, since all the shares belong to the same class of regular shares.

2.5. Explanations and Notes on Financial Statements

2.5.1. COMMERCIAL MERGERS

In 2016 the company merged the subsidiary TAreža, d.o.o. and subsidiary Amis d.o.o..

Merger by Acquisition of the Subsidiary TA Mreža, d.o.o.

On 1 April 2016 the Company completed merger by acquisition of its subsidiary TA Mreža, d.o.o., by acquiring all of its assets and liabilities. The merged assets and liabilities were entered in books at their carrying values at the day of acquisition. The difference between the investment into the merged subsidiary and the carrying value of net assets of the merged company in the amount of EUR 260,424 was recognized in the capital as an increase of the retained net profit.

Merger by Acquisition of the Subsidiary Amis, d.o.o.

The acquired and merged assets and liabilities of Amis, d.o.o., were recognized at their fair value on the date of the merger by acquisition, with the difference between the purchase price and the fair value of acquired net assets recognized as goodwill.

	Value at merger on 1 April 2016 in EUR
Amis brand	1,565,025
List of customers	1,942,658
Computer software	173,778
Liabilities for deferred tax from temporary differences between carrying and tax value of assets	-625,848
Deferred tax assets from retained loss	565,673
Total	3,621,286

Alongside the goodwill in the amount of EUR 11,531,839 the following assets and liabilities that were previously not recognized in the financial reports of Amis, d.o.o., were also identified and recognized at fair value at the merger by acquisition.

The profit of Amis, d.o.o., generated from the date of the purchase to the date of merger by acquisition and amounting to EUR 280,718, was recognized in the equity as an increase of retained net earnings.

2.5.2. BALANCE SHEET

2.5.2.1. INTANGIBLE ASSETS

	Goodwill and customer base	Radio frequencies	Licenses	Software	Leased lines	Total
Historical cost						
Balance on 1 January 2016	0	92,113,004	11,524,137	44,003,572	0	147,640,713
Procurement, activation	0	0	1,457,165	2,230,816	928,620	4,616,601
Disposals, write-offs	0	0	0	-124,179	0	-124,179
Merger by acquisition	15,491,840	0	2,604	3,278,232	5,987,145	24,759,821
Transfer	0	0	0	0	0	0
Balance on 31 December 2016	15,491,840	92,113,004	12,983,906	49,388,441	6,915,765	176,892,956
Procurement, activation	0	0	993,566	2,912,608	17,513,544	21,419,718
Disposals, write-offs	0	0	-19,450	-55,755	0	-75,205
Transfer	0	0	0	0	0	0
Balance on 31 December 2017	15,491,840	92,113,004	13,958,022	52,245,294	24,429,309	198,237,469
Accumulated amortization and impairments						
Balance on 1 January 2016	0	26,768,685	11,022,833	32,536,756	0	70,328,274
Amortization	1,378,290	4,752,448	1,378,160	4,234,720	549,281	12,292,899
Disposals, write-offs	0	0	0	-124,179	0	-124,179
Merger by acquisition	452,317	0	2,604	2,583,492	4,542,579	7,580,992
Transfer	0	0	0	0	0	0
Balance on 31 December 2016	1,830,607	31,521,133	12,403,597	39,230,789	5,091,860	90,077,986
Amortization	547,760	4,795,512	567,757	4,227,769	1,828,285	11,967,083
Disposals, write-offs	0	0	-3,566	-6,505	0	-10,071
Transfer	0	0	0	0	0	0
Balance on 31 December 2017	2,378,367	36,316,645	12,967,788	43,452,053	6,920,145	102,034,998
Carrying amount						
31. december 2016	13,661,233	60,591,871	580,309	10,157,652	1,823,905	86,814,970
31. december 2017	13,113,473	55,796,359	990,234	8,793,241	17,509,164	96,202,471

37% of all intangible assets that were utilized as at 31 December 2017 were fully amortized (on 31 December 2016 there were 37% 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 (disclosed in 5.1.).

Radio Frequencies

Costs of obtained licenses for the use of the radio frequency spectrum are capitalized at original cost and amortized using the straight line method for the duration of the license agreement of 15 years.

On 26 May 2014 the Agency for Communication Networks and Services (AKOS) issued a decision for the utilization of the radio frequency spectrum in the 800 MHz, 900 MHz, 1800 MHz, 2100 MHz and 2600 MHz radio frequency bands, which the company won in the frequency auction in 2014 in the total value of EUR 65.3 million. The liabilities for radio frequencies were fully settled in 2014.

The carrying amount of the licenses as at 31 December 2017 was EUR 55.8 million.

A1 was by mid-2017 offering broadband mobile internet in more than 225 settlements or groups of settlements in rural areas, thereby fulfilling all the goals related to coverage that it was bound to with the above AKOS decision, and has even significantly surpassed said goals. This is related to the coverage of white spots, areas which under AKOS's criteria currently have no access or poor access to broadband internet. A1 can now provide the use of its fastest 4G/LTE network with more than 1,000 base stations to nearly the whole population of Slovenia.

Financial Liabilities

As at 31 December 2017 the Company has no financial liabilities for obtaining intangible assets (2016: EUR 0).

Impairment Test of Long-term Assets and Goodwill

In 2017 we completed an impairment test of long-term assets, on the basis of discounted future cash flows for the cash-generating unit which is the company as a whole. The impairment test took into consideration the plan for the period 2018– 2022, with the after tax discount rate of 6.9%, and a long-term growth rate of 1.2%. No need for impairment was established.

Leased lines

In 2017, the company leased lines for the amount of EUR 17,513,544 (2016: EUR 928,620).

2.5.2.2. 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 2016	7,323,311	129,756,861	14,112,932	39,226,097	8,742,843	199,162,044
Procurement, activation	117,525	12,638,807	786,044	4,303,883	5,206,311	23,052,570
Disposals, write-offs	0	-2,262,109	-388,102	-99,626	0	-2,749,837
Merger by acquisition	94,548	29,821,917	798,643	1,017,857	0	31,732,965
Transfer	0	0	0	0	0	0
Balance on 31 December 2016	7,535,384	169,955,476	15,309,517	44,448,211	13,949,154	251,197,742
Procurement, activation	0	12,640,959	723,302	3,095,039	4,466,425	20,925,725
Disposals, write-offs	0	-1,623,164	-96,337	-26,213	0	-1,745,714
Transfer	-590	0	0	590	0	0
Balance on 31 December 2017	7,534,794	180,973,271	15,936,482	47,517,627	18,415,579	270,377,753
Accumulated depreciation and impairments						
Balance on 1 January 2016	4,152,531	86,366,308	12,743,943	25,610,493	0	128,873,275
Depreciation	475,629	11,986,627	794,784	3,691,204	0	16,948,244
Disposals, write-offs	0	-2,011,976	-383,653	-7,910	0	-2,403,539
Merger by acquisition	27,067	22,793,621	609,782	813,032	0	24,243,502
Transfer	0	0	0	0	0	0
Balance on 31 December 2016	4,655,227	119,134,580	13,764,856	34,225,994	953,504	172,734,161
Depreciation	433,695	12,766,595	863,548	4,152,325	73,047	18,289,210
Disposals, write-offs	0	-1,397,149	-95,599	-18,424	0	-1,511,172
Transfer	0	0	0	0	0	0
Balance on 31 December 2017	5,088,922	130,504,026	14,532,805	38,359,895	1,026,551	189,512,199
Carrying amount						
31. december 2016	2,880,157	50,820,896	1,544,661	10,222,217	12,995,650	78,463,581
31. december 2017	2,445,872	50,469,245	1,403,677	9,157,732	17,389,028	80,865,554

Base Stations and Exchanges

In 2017, investments in base stations were EUR 12.640.959 (2016: EUR 12.638.807,). The estimated useful life of base stations is 5 years for the equipment and 15 years for the infrastructure, and the straight line depreciation method is used.

The carrying amount of decommissioning costs which are included in the value of the investments in base stations was EUR 2.303.543 as at 31 December 2017 (2016: EUR 1.876.503).

When calculating the provisions for decommissioning costs as at 31 December 2017, the company applied the following conditions:

- discount rate of 2% (2016: 1,5%)

- Inflation rate 2% (2016: 1%).

Based on the changes to the decommissioning costs and the rate of inflation and interest rate, the company recognized an increase of assets in the amount of EUR 155.987,69 (2016: increase of assets by EUR 350.894).

Mortgages

Fixed assets as at 31 December 2017 are not used as collateral (2016 they were not used).

Financial Liabilities

The amount of financial liabilities for obtaining tangible fixed assets as at 31 December 2017 was EUR 7.080.332,46 (2016: EUR 2.481.393).

Finance Leases

The Company has no fixed assets under financial lease.

2.5.2.3. LONG-TERM FINANCIAL ASSETS

The Company's long-term financial assets include an investment in Zavod Tehnološka mreža ICT, Dunajska cesta 159, Ljubljana, in the amount of EUR 750 (2016: EUR 750), and an investment into the shares of the cable system Pekre Radvanje Limbuš in the amount of 11.5%, i.e. EUR 124,062 (2016: EUR 124,062). Investments into shares of group companies include Amis telekomunikacije Beograd, Masarykova 5, 10000 Beograd, with a share capital of EUR 500.00 (2016: EUR 500.00).

The company did not prepare consolidated statements, because the existing financial assets do not surpass the threshold of significance for a fair and honest portrayal of A1 Slovenija, d. d..

Changes in long-term financial assets:

	Available-for-sale financial assets
Balance on 1 January 2017	125,312
Additions	0
Disposals	0
Adjustment to fair value	0
Balance on 31 December 2017	125,312
Balance on 1 January 2016	1,764,039
Additions	24,574,062
Acquisitions	-26,202,789
Disposals	-10,000
Adjustment to fair value	
Balance on 31 December 2016	125,312

2.5.2.4. LONG-TERM OPERATING RECEIVABLES

	31. december 2017	31. december 2016
Long-term operating receivables due from customers	8,986,537	8,080,549
Accumulated allowances	-179,717	-151,709
Effect of discounting	-223,790	-179,904
Long-term net trade receivables	8,583,030	7,748,936
Long-term trade receivables due from others	411,671	404,302
Accumulated allowances	0	0
Long-term net trade receivables due from others	411,671	404,302
Long-term operating receivables	8,994,701	8,153,238

Long-term operating receivables include long term security deposits given to the company Euromarkt, d.o.o., in the amount of EUR 44,686 (2016: EUR 44,686, to the company Globus trgovina, d.o.o., in the amount of EUR 12,750 (2016: EUR 12,750), to the company GF nepremičnine in the amount of EUR 4,641 (2016: EUR 3,523,), to the company BTC, d.d., in the amount of EUR 3,000 (2016: EUR 3,000), to the company Mercator, d.d., in the amount of EUR 12,594 (2016: EUR 5,137), to the company Vahta, d.o.o., in the amount of EUR 334,000 (2016: EUR 327,750. Long-term operating receivables include the receivables from the sale of phones in 24 installments in the amount of EUR 8,583,030 (2016: EUR 7,748,936).

2.5.2.5. DEFERRED TAX ASSETS

Deferred tax assets are processed based on the future 19% tax rate (2016: 17%).

Changes in 2017	1. januar 2017	Increase	Merger by acquisition	Derecognition	Calculated new rate	Expenditure	31. december 2017
From temporary differences arising from the revaluation of receivables	2,931,201	840,532	0	-443,782	0	-97,299	3,230,652
From temporary differences arising from provisions	220,002	131,762	0	-192	0	-7,148	344,424
From temporary differences arising from tax losses	670,615	0	0	0	0	-670,615	0
From temporary differences arising from applying different amortization/ depreciation periods for bookkeeping and tax purposes	-181,013	362,528	0	-754	0	-45,723	135,038
Total	3,640,805	1,334,822	0	0	0	-820,785	3,710,114

Changes in 2016	1. januar 2016	Increase	Merger by acquisition	Derecognition	Calculated new rate	Expenditure	31. december 2016
From temporary differences arising from the revaluation of receivables	1,834,551	711,536	518,850	0	308,547	-442,283	2,931,201
From temporary differences arising from provisions	191,325	8,706	46,823	0	23,158	-50,010	220,002
From temporary differences arising from tax losses	0	0	2,228,735	0	70,590	-1,628,710	670,615
From temporary differences arising from applying different amortization/ depreciation periods for bookkeeping and tax purposes	51,777	518,653	-625,848	0	-19,054	-106,541	-181,013
Total	2,077,653	1,238,895	2,168,560	0	383,241	-2,227,544	3,640,805

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

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

2.5.2.6. LONG-TERM DEFERRED COSTS

	31. december 2017	31. december 2016
Deferred cost of connection fees for data lines	1,004,594	3,814,261
Deferred cost of leasing base station sites	4,914,811	4,724,199
Deferred maintenance costs	311,210	371,042
Deferred cost of customer acquisition	14,357,578	13,393,736
Long-term deferred costs	20,588,193	22,303,238

The cost of acquiring costumers by subsidizing handsets is deferred through the duration of a subscription (typically 2 years). The costs are transferred to a decrease in revenue from monthly subscription fees for the duration of the subscriber agreement.

Long-term deferred costs inter alia include deferred costs of connection fees for ADSL, FTTH, and OBN for the years 2015, 2016, and 2017. These costs are deferred over 3 years, which is the average time during which customers remain with the company as users of its services.

Costs which are transferred into the profit or loss within 12 months of the balance sheet date are processed among short-term assets.

2.5.2.7. 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 2017	31. december 2016
Goods for resale	6,266,746	7,325,448
Inventories	6,266,746	7,325,448

Inventories as at 31 December 2017 are not used as collateral. As at 31 December 2017 the Company reviewed the value of its inventories, and established that the net realizable value of the inventory is higher than the original cost of the goods, and therefore did not impair supplies in 2017.

2.5.2.8. SHORT-TERM OPERATING RECEIVABLES DUE FROM CUSTOMERS

	31. december 2017	31. december 2016
Short-term trade receivables due from customers – subscribers	65,485,767	62,688,182
Allowances for short-term trade receivables due from customers – subscribers	-27,859,844	-26,573,672
Net trade receivables due from customers – subscribers	37,625,923	36,114,510
Short-term trade receivables due from customers – others	7,792,607	7,336,744
Allowances for short-term trade receivables due from customers – others	-1,380,296	-1,262,585
Net trade receivables due from customers – others	6,412,311	6,074,159
Short-term trade receivables – foreign	3,771,797	3,798,652
Allowances for short-term trade receivables due from customers – foreign	-39,958	-43,911
Net trade receivables – foreign	3,731,839	3,754,741
Total short-term operating receivables	47,770,073	45,943,410

Receivables by maturity and the changes in the allowances are presented under Credit Risks (5.5.2.)

2.5.2.9. SHORT-TERM TRADE RECEIVABLES FROM GROUP COMPANIES

	31. december 2017	31. december 2016
Short-term trade receivables from group companies	1,454,475	1,749,870
Allowances for short-term trade receivables from group companies	0	0
Total trade receivables from group companies	1,454,475	1,749,870

Receivables by maturity and the changes in the allowances are presented under Credit Risks (5.5.2.).

2.5.2.10. TAX ASSETS FROM THE INCOME TAX

	31. december 2017	31. december 2016
Assets from income tax	470,912	3,870,841
Total income tax liabilities	470,912	3,870,841

2.5.2.11. OTHER OPERATING RECEIVABLES

	31. december 2017	31. december 2016
Advances and security deposits given	175,504	92,424
Allowances for advances and security deposits given	-22,107	-22,107
Net advances and security deposits given	153,397	70,317
Other short-term receivables	1,040,679	1,001,683
Allowances for other short-term receivables		
Net other short-term receivables	1,040,679	1,001,683
Total other operating receivables	1,194,076	1,072,000

Other operating receivables by maturity and changes in the allowances are presented under Credit Risks (5.5.2.).

2.5.2.12. CASH AND CASH EQUIVALENTS

The cash and cash equivalents that the company keeps comprise cash in hand, cash at bank and cash in cash pooling.

	31. december 2017	31. december 2016
Cash at bank	1,954,053	1,484,923
Cash in hand	80,052	63,209
Call deposits	27,134,029	22,729,747
-at Telekom Austria	26,941,829	22,365,947
- at financial institutions	192,200	363,800
Total cash and cash equivalents	29,168,134	24,277,879

2.5.2.13. OTHER SHORT-TERM ASSETS

	31. december 2017	31. december 2016
Short-term deferred costs	1,414,791	1,034,626
Temporary accrued revenue	7,969,271	10,139,179
Total other short-term assets	9,384,062	11,173,805

Short-term deferred costs include deferred costs of leases of base station sites and other deferred costs (electricity, car insurance, professional literature, etc.).

Temporary accrued revenue includes voice call services provided in December 2017 and billed in January 2018 in amount of EUR 6,573,826 (2016: EUR 8,992,511), accrued revenue from international roaming and network interconnection from December 2017 billed in January 2018, and other temporary accrued revenue.

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2.5.2.14. EQUITY

Company equity on 31 December 2017 is EUR 231,611,163. 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 did not change in 2017.

Capital reserves are EUR 108,941,657 (31 December 2016: 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 and gains from the actuarial calculation of severance pay upon retirement.

Net profit from operations for the 2017 financial year is EUR 11,482,742. Net earnings per share are EUR 1,23 (2016: EUR 2,32) which is calculated by dividing EUR 11,482,742 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	2017	2016
a)	Net profit/loss for the year	11,482,472	21,544,777
b.	+ retained net profit	68,502,250	55,357,473
c)	+ decrease in profit reserves	0	0
č)	- increase in profit reserves by the decision of the management (legal reserves, reserves for own shares and reserves formed in accordance with the statute)	0	0
d)	- increased profit reserves by the decision of the management and the Supervisory Board (other profit reserves)	0	0
e)	= distributable profit (a+b+c-č-d) which the General Meeting distributes	79,984,722	76,902,250
	- to shareholders	0	0
	- to other reserves	0	0
	- to retained profit	0	0
	- for other purposes	0	0
	or		
	= distributable loss	0	0

2.5.2.15. PROVISIONS FOR POST-EMPLOYMENT BENEFITS AND OTHER LONG-TERM PROVISIONS

Provisions include provisions for post-employment benefits of employees (for jubilee rewards, retirement severances), accrued costs from long-term incentives for key employees' program and provisions for decommissioning cost.

	1 January 2017	Merger by acquisition	Increase	Derecognition	Debited under equity	Expenditure	31 December 2017
Jubilee awards	229,451	0	16,800	0	0	-23,920	222,331
Severance pay upon retirement	351,301	0	50,662	0	529	0	402,492
Post-employment employee benefits	**580,752**	**0**	**67,462**	**0**	**529**	**-23,920**	**624,823**
Decommissioning cost	**4,944,236**	**0**	**618,970**	**0**	**0**	**-26,213**	**5,536,993**
Total provisions	**5,524,988**	**0**	**686,432**	**0**	**529**	**-50,133**	**6,161,816**

	1 January 2016	Merger by acquisition	Increase	Derecognition	Debited under equity	Expenditure	31 December 2016
Jubilee awards	174,324	82,646	43,003	-59,022	0	-11,500	229,451
Severance pay upon retirement	348,031	96,762	223,411	-162,454	-116,192	-38,257	351,301
Post-employment employee benefits	**522,355**	**179,408**	**266,414**	**-221,476**	**-116,192**	**-49,757**	**580,752**
Decommissioning cost	**4,224,167**	**0**	**769,413**	**0**	**0**	**-49,344**	**4,944,236**
Total provisions	**4,746,522**	**179,408**	**1,035,827**	**-221,476**	**-116,192**	**-99,101**	**5,524,988**

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 2.00 discount rate (2016: 1.75%)
The actuarial calculation of jubilee awards is made applying a 1% discount rate (2016: 1%),
- 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 2% and a rate of inflation in the amount of 2%.

Sensitivity analysis for post-employment benefits

	Discount rate		Salary growth		Fluctuation	
Unit	percentage point		percentage point		percentage point	
by	0.5	-0.5	0.5	-0.5	0.5	-0.5
Jubilee awards	4.36%	4.70%	0.00%	0.00%	-4.50%	2.64%
Severance pay upon retirement	-8.67%	9.96%	20.08%	-16.42%	-9.17%	9.80%
Effect on provisions for post-employment benefits						

Sensitivity analysis for decommissioning costs

	Discount rate	
Unit	percentage point	
by	0.5	-0.5
Effect on provisions for decommissioning costs	-7.02%	7.69

2.5.2.16. LONG-TERM DEFERRED REVENUE

Changes in 2017	1 January 2017	Increase	Derecognition	Debited under equity	Expenditure	31 December 2017
Property, plant and equipment acquired for free	0	0	0	0	0	0
LTI	88,450	108,374	-84,770	0	0	112,054
State subsidies	77,193	0	0	0	0	77,193
Total long-term accrued costs and deferred revenue	165,643	108,374	-84,770	0	0	189,247

Changes in 2016	1 January 2016	Increase	Derecognition	Debited under equity	Expenditure	31 December 2016
Property, plant and equipment acquired for free	0	0	0	0	0	0
LTI	44,937	78,360	-34,847	0	0	88,450
State subsidies	115,314	11,074	-49,195	0	0	77,193
Total long-term accrued costs and deferred revenue	160,251	89,434	-84,042	0	0	165,643

The item comprises provisions for the program of long-term incentives for key employees (LTI) and for state subsidies.

2.5.2.17. LONG-TERM FINANCIAL LIABILITIES

	31. december 2017	31. december 2016
Long-term borrowings	7,800,000	13,200,000
Long-term operating leases	2,809	8,649
Total long-term financial liabilities	7,802,809	13,208,649

As at 31 December 2017 the Company's long-term financial liabilities comprise a loan from Mobilkom Beteiligungsellschaft MbH in the amount of EUR 7,800,000. The interest rate as at 31 December 2017 is at 2.4%. The loan is not insured with insurance instruments.

2.5.2.18. LONG-TERM OPERATING LIABILITIES

	31. december 2017	31. december 2016
Long-term operating liabilities	13,500,000	0
Long-term operating liabilities	13,500,000	0

The disclosure of the maturity of the obligation is in point 5.5.1..

2.5.2.19. SHORT-TERM FINANCIAL LIABILITIES

	31. december 2017	31. december 2016
Liabilities from loans	71,777	107,951
Liabilities from interest	3,600,000	3,600,000
Total short-term financial liabilities	3,671,777	3,707,951

Short-term financial liabilities to group companies from interest in the amount of EUR 71,777 pertain to the interest for the loan from Mobilkom Beteiligungsellschaft MbH.

2.5.2.20. SHORT-TERM OPERATING LIABILITIES TO SUPPLIERS

	31. december 2017	31. december 2016
Liabilities towards suppliers	31,760,003	30,868,953
Total short-term operating liabilities to suppliers	31,760,003	30,868,953

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

2.5.2.21. SHORT-TERM OPERATING LIABILITIES TOWARDS GROUP COMPANIES

	31. december 2017	31. december 2016
Liabilities towards group companies	1,677,110	2,640,177
Total short-term operating liabilities towards group companies	1,677,110	2,640,177

2.5.2.22. OTHER OPERATING LIABILITIES

	31. december 2017	31. december 2016
Liabilities arising from advances	757,925	689,913
Liabilities towards employees	1,433,737	1,284,373
Liabilities towards the state and state institutions	1,260,009	1,980,793
Other liabilities	357,635	292,880
Total other operating liabilities	3,809,306	4,247,959

2.5.2.23. SHORT-TERM DEFERRED REVENUE AND SHORT-TERM PROVISIONS AND ACCRUED COSTS

	31. december 2017	31. december 2016
Short-term deferred income	2,647,311	3,946,709
Total short-term deferred income	2,647,311	3,946,709

Short-term deferred revenue comprises revenue from sold and not yet used top-up cards for services in the SIMPL and BOB systems, connection fees billed up front, approvals of payment in installments and subscription fees billed to customers up front.

	31. december 2017	31. december 2016
Short-term provisions and accrued costs	3,364,280	2,074,519
Total short-term provisions and accrued costs	3,364,280	2,074,519

Short-term accrued costs include accrued cost of bonuses for employees, directors and managers for 2017, costs of unused vacation days for 2017, and other accrued costs.

2.5.2.24. CONTINGENT LIABILITES

The Company is the defendant in court cases with the amount of claims totaling at EUR 2,251,603 (2016: EUR 2,074,519). Regarding the 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.

2.5.2.25. CONTINGENT LIABILITIES FROM ISSUED GUARANTEES

As at 31 December 2017 the Company's maximum contingent liabilities from issued guarantees stand at EUR 461,866 (2016: EUR 347,904).

2.5.3. 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:

	2017	2016
Net sales revenue, capitalized own products and services	208,538,863	198,682,403
Production costs of goods sold (including depreciation) or original cost of sold goods	53,626,638	47,653,967
Selling cost (including depreciation)	135,201,567	120,340,654
Administrative expenses (including depreciation)	8,149,247	8,090,779
Operating profit or loss	11,561,411	22,597,003

2.5.3.1. NET SALES REVENUE

	2017	2016
Net revenue from sold services	157,131,705	153,237,892
Net revenue from sold goods	51,407,158	45,444,511
Net sales	208,538,863	198,682,403

Due to discounting revenue from goods paid for in installments, revenue from sold goods decreased by EUR 1,581,311 in 2017 (2016: EUR 1,430,038) and will be appropriately recognized as financial revenue in future periods.

Revenue from sales at home and abroad

	2017	2016
Revenue from sales at home	201,204,169	194,040,993
- sale of services at home	149,797,011	148,596,482
- sale of goods at home	51,407,158	45,444,511
Revenue from sales abroad	7,334,694	4,641,410
- sale of services abroad	7,334,694	4,641,410
Total	208,538,863	198,682,403

Revenue from sold services by types of service

	2017	2016
Revenue from the sale of subscription and prepaid telephone services	133,293,832	133,045,649
Revenue from interconnection and international roaming	18,926,943	15,328,152
Other revenue from the sale of services	4,910,930	4,864,091
Total	157,131,705	153,237,892

2.5.3.2. OTHER OPERATING REVENUE

in EUR	2017	2016
Gains from sold fixed assets	31,857	32,405
revenue from derecognizing long-term provisions for base stations decommissioning	26,212	50,143
revenue from derecognizing provisions	0	14,384
revenue fromderecognizing allowances for receivables	3,017,731	2,885,820
revenue from reimbursed court costs	1,186,916	1,078,897
revenue from paid written-off receivables	17,585	26,217
revenue related to deployed employees	1,040,044	1,888,578
other revenue	3,546	30,354
	5,323,891	6,006,798

2.5.3.3. COSTS OF GOODS, MATERIALS AND SERVICES

	2017	2016
Costs of goods sold	41,098,701	34,994,017
Cost of materials	4,507,510	4,366,183
Total	45,606,211	39,360,200

Cost of materials

	2017	2016
Energy cost	3,757,319	3,523,800
Cost of spare parts and maintenance materials	9,336	11,618
Write-off of small tools	36,589	23,955
Reconciliation of the cost of small tools and materials due to identified discrepancies in records	0	140,175
Other cost of material	335,422	357,528
Costs of office supplies and professional literature	368,844	309,107
Total	4,507,510	4,366,183

Costs of services

	2017	2016
Cost of products and services in making	32,628,439	26,787,296
Cost of transportation services	248,286	240,315
Cost of maintenance services	7,606,651	7,060,343
Rent costs	10,203,615	10,548,141
Cost of payment transactions and bank services	468,185	541,066
Cost of reimbursements to employees	212,826	264,401
Cost of intellectual and personal services	2,462,066	2,556,007
Insurance premiums	201,178	199,384
Cost of interconnection and international roaming	22,916,653	18,687,629
Marketing costs	17,606,697	16,553,043
Cost of other services	4,244,684	3,553,538
Total	98,799,280	86,991,162

Cost of other services includes cost of postal services, cost of phone services and other. Auditing services for 2017 cost EUR 60,000 (2016: EUR 54,800) and include the cost of the annual audit.

2.5.3.4. LABOR COST

	2017	2016
Salaries and wage compensations	15,218,583	13,722,342
Pension insurance	1,884,024	1,690,751
Other social security contributions	1,131,775	1,006,166
Other labor costs:		
- transport allowances	705,088	594,834
- food allowance	720,893	612,401
- vacation allowance	638,458	598,125
- cost of severance pays and jubilee awards	265,903	0
- cost of unused paid leave	52,899	137,586
- other labor costs	91,495	106,081
Total	20,709,118	18,468,286

2.5.3.5. AMORTIZATION AND DEPRECIATION

	2017	2016
Depreciation of tangible fixed assets	18,289,210	18,424,754
Amortization of intangible assets	11,967,083	12,292,899
Total	30,256,293	30,717,653

2.5.3.6. OTHER OPERATING EXPENSES

	2017	2016
Accumulated allowances for receivables	5,015,051	4,813,897
Duties not depending on business results	1,257,271	1,282,139
Other expenses	387,285	173,504
Loss from the disposal of intangible assets and tangible fixed assets	270,835	285,356
Total	6,930,442	6,554,896

Duties not depending on business results comprise liabilities to the Agency for Communication Networks and Services in the amount of EUR 933,468 (2016: EUR 882,500) and administrative and court tax stamps.

2.5.3.7. FINANCIAL REVENUE AND EXPENSES

	2017	2016
Revenue from interest	2,273,352	2,337,207
Positive foreign exchange differences	34,937	2,023
Other financial revenue	7,609	3,240
Total financial revenue	2,315,898	2,342,470
Expenses for the interest on loans	327,860	732,306
Default interest towards suppliers	286,235	38,217
Negative foreign exchange differences	67,670	61,440
Other interest	626,542	339,831
Total financial expenses	1,308,307	1,171,794
Expenses from derecognizing financial assets	0	10,000
Total expenses from derecognizing financial assets	0	10,000
Dividend received related parties	42,221	0
Profit/loss	1,049,812	1,160,676

2.5.3.8. INCOME TAX

	2017	2016
Accrued tax	1,197,688	1,627,884
Deferred tax	-69,208	585,018
Income tax	1,128,480	2,212,902
Profit before taxes	12,611,222	23,757,679
Tax calculated at a 19% rate	2,396,132	4,038,805
Tax effects of untaxed revenue	-2,740,455	-3,905,986
Tax effects of non-tax-deductible expenses	1,542,011	2,080,083
Taxes	1,197,688	2,212,902
Effective tax rate	9.50%	9.31%

Corporate income tax for 2017 amounts to EUR 1,197,688 (2016: EUR 1,627,884). The effective income tax rate for 2017 was 19% (2016:17%).

2.5.3.9. RELATED PARTY TRANSCATIONS

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 Si.mobil. The owner of Telekom Austria AG is America Movil, S.A.B. de C.V., Mexico.

Regardless of that, in addition to the said company A1 Slovenija, d. d. makes transactions with some of other indirectly connected companies, namely:

- companies Vipnet and Vipnet Usluge, registered in Croatia,
- company Mobiltel from Bulgaria,
- companies mobilkom liechtenstein and Telecom Liechtenstein AG from Liechtenstein,
- company Vip mobile from Serbia,
- company one.Vip from The Republic of Macedonia,
- company Unitary Enterprise Velcom from Belarus,
- companies A1 Telekom Austria AG, Telekom Finanzmanagement (TFG) and TAG M2M from Austria,
- companies AMX Argentina, S.A., Claro S.A. (antes BCP, S.A.), Claro Chile, S.A., Compania Dominicana de Teléfonos, S.A., Telecomunicaciones de Guatemala, S.A., Servicos 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 systems hosting, backbone network, services by managers and leading experts, purchasing mobile phones and other equipment, software use, and other fields.

Revenues from sales

in EUR	2017	2016
Amis, družba za telekomunikacije d.o.o.	0	616,222
VIPnet d.o.o.	623,209	508,703
A1Telekom Austria AG	3,738,938	2,494,732
Telekom Austria AG	52,829	159,196
one. Vip DOO Skopje	47,925	27,114
Metronet Telekomunikacije d.d., Croatia	2,475	0
VIP Mobile d.o.o.	1,127,206	1,478,357
Mobiltel AD	36,845	471,294
Telekom Austria Group M2M GmbH	195,171	147,447
Radiomóvil Dipsa, S.A. de C.V. y subsidiarias ("Telcel")	4,231	6,038
Other roaming	1,986	2,670
Total	5,830,815	5,911,773

Other revenues (interests, currency differences)

in EUR	2017	2016
A1 Telekom Austria AG	497	0
total foreign exchange differences	1	3
Total	498	3

Costs of services and other operating expenses

in EUR	2017	2016
Amis, družba za telekomunikacije d.o.o.	0	106,129
VIPnet d.o.o.	3,348,604	1,748,512
VipNet usluge d.o.o.	150,399	98,729
A1 Telekom Austria AG	7,568,072	8,372,929
Telekom Austria AG	867,152	844,858
one. Vip DOO Skopje	6,644	6,444
VIP Mobile d.o.o.	1,511,972	1,812,704
Unitary Enterprise Velcom	302,355	649,386
TA CZ sítě s.r.o., Czech Republic	59,845	0
Mobiltel AD	74,406	72,787
A1 Digital International GmbH	27,828	0
Claro S.A. (antes BCP, S.A.)	983	5,187
Compañía Dominicana de Teléfonos, S.A.	638	1,860
Claro Chile, S.A.	353	1,408
América Móvil Perú, S.A.C	645	1,788
Radiomóvil Dipsa, S.A. de C.V. y subsidiarias ("Telcel")	1,901	4,463
Other roaming	2,542	3,587
Total	13,924,339	13,730,770

Other expenses (interests, currency differences)

in EUR	2017	2016
Telekom Finanzmanagement (TFG)	0	14,530
mobilkom Beteiligungsgesellschaft mbH	327,860	725,474
total foreign exchange differences	0	-28
Total	327,860	725,446

Business result from transcation with related parties

in EUR	2017	2016
	-8,415,020	-8,544,440

Posli s povezanimi osebami se izvajao po načelu »arm's length«, kar se zagotavlja s skrbnim spremljanjem in vodenjem ustrezne dokumentacije.

2.5.4. 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 2017 comprises gross income, which was reported in their tax returns, holiday allowances, benefits and profit sharing. In 2017 this income was:

- management: EUR 0
- Supervisory Board: EUR 0, and
- employees with individual contracts: EUR 679,903.50.

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

2.5.5. 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, liabilities and expected future transactions, as well as price risk.

The Company does not use any 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.

2.5.5.1. 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 2016	Carrying amount of liabilities	Stipulated cash flows				
		Liability	0-6 months	6-12 months	1-5 years	Over 5 years
Long-term financial liabilities	13,208,648	13,944,949	0	0	13,944,949	0
Short-term financial liabilities	3,707,951	3,965,208	1,904,117	2,061,091	0	0
Short-term operating liabilities (excl. liabilities to the state, employees and liabilities arising from advances)	33,509,130	33,509,130	32,872,417	636,713	0	0
Total	50,425,729	51,419,287	34,776,534	2,697,804	13,944,949	0

31. december 2017	Carrying amount of liabilities	Stipulated cash flows				
		Liability	0-6 months	6-12 months	1-5 years	Over 5 years
Long-term financial liabilities	7,802,809	8,669,771	312,933	0	8,356,838	0
Long-term operating liabilities	13,500,000	16,200,000			5,850,000	10,350,000
Short-term financial liabilities	3,671,777	3,893,416	1,989,546	1,903,870	0	0
Short-term operating liabilities (excl. liabilities to the state, employees and liabilities arising from advances)	33,437,113	33,437,113	32,968,611	17,460	476,854	-25,812
Total	58,411,699	62,200,300	35,271,090	1,921,330	14,683,692	10,324,188

Analysis of Cash Flow Sensitivity for Financial Instruments with a Variable Interest Rate

The following table shows the sensitivity of Company's profit before tax to changes in interest rates at the reporting date

increase/decrease basic interest rate		31. december 2017	31. december 2016
The effect on profit before tax in EUR	- 100 bt	138,633	287,011
The effect on profit before tax in EUR	- 200 bt	302,909	609,014
The effect on profit before tax in EUR	+ 100 bt	-137,575	-287,011
The effect on profit before tax in EUR	+ 200 bt	-273,852	-574,022

2.5.5.2. 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 2017 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 significant 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 2017:

	31. december 2017	31. december 2016
Long-term financial assets	125,312	125,312
Long-term operating receivables	8,994,701	8,153,238
Short-term trade receivables from customers, group companies and others (excluding receivables due from the state)	49,893,057	47,693,280
Cash and cash equivalents	29,168,134	24,277,879
Total	88,181,204	80,249,709

Short-term 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 pre-established time plan, and external collections are only conducted by specialized agencies. Because of the established procedures for managing receivables, credit risk is estimated as manageable.

Short-term trade receivables from customers, group companies and others by maturity:

RECEIVABLES BY MATURITY

31. december 2016	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
Short-term trade receivables	24,512,981	1,303,653	5,219,399	3,662,249	11,245,128	45,943,410
Short-term trade receivables from group companies	1,220,951	528,919	0	0	0	1,749,870
Total	25,733,931	1,832,573	5,219,400	3,662,249	11,245,128	47,693,280

31. december 2017	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
Short-term trade receivables	36,548,592	4,415,523	1,797,319	366,359	4,642,280	47,770,073
Short-term trade receivables from group companies	1,403,756	61,174	414	-328	-10,541	1,454,475
Total	37,952,348	4,476,697	1,797,733	366,031	4,631,739	49,224,548

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 other short-term receivables (excluding receivables due from the state)	Allowances for long-term operating receivables	Total
Balance on 1 January 2016	23,830,808	22,107	0	0	0	23,852,915
Formed allowances	7,536,426	0	0	0	0	7,536,426
Write-off	-562,517	0	0	0	0	-562,517
Eliminated allowances	-2,924,549	0	0	0	0	-2,924,549
Balance on 31 December 2016	27,880,168	22,107	0	0	0	27,902,275

	Allowances for receivables due from customers	Allowances for advances and security deposits given	Allowances for receivables due from group companies	Allowances for other short-term receivables (excluding receivables due from the state)	Allowances for long-term operating receivables	Total
Balance on 1 January 2017	27,880,168	22,107	0	0	0	27,902,275
Formed allowances	4,986,939	0	0	0	0	4,986,939
Write-off	-569,279	0	0	0	0	-569,279
Eliminated allowances	-3,017,731	0	0	0	0	-3,017,731
Balance on 31 December 2017	29,280,097	22,107	0	0	0	29,302,204

Insurance of Receivables

Long-term and short-term operating receivables are not insured.

2.5.5.3. INTEREST RATE RISK

Interest rate risk is the risk of making a loss caused by changes in the interest rate. Exposure to interest rate risk would primarily mean an increase of the EURIBOR reference interest rate, as the Company has a loan tied to the said interest rate. Risk exposure is estimated as low, so the Company does not use insurance instruments.

Effect on the profit or loss, if the interest rate changes by 100 base points or 200 base points:

	31. december 2017	31. december 2016
Cash flow variability (net) -100 bp	138,633	287,011
Cash flow variability (net) -200 bp	302,909	609,014
Cash flow variability (net) +100 bp	-137,575	-287,011
Cash flow variability (net) +200 bp	-273,852	-574,022

2.5.5.4. CURRENCY RISK

The majority of financial and operating receivables and liabilities on 31 December 2017 are denominated in euro. Risk exposure is estimated as low or immaterial, and is accordingly not revealed.

Sensitivity Analysis

A 5% change in the EUR/USD, GBP, and HRK exchange rate would increase (decrease) the net exchange rate differences by EUR 1,357 in 20176 and by 7,618 EUR in 2016.

2.5.6. CAPITAL MANAGEMENT

The key 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 shareholder.

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

in EUR	31.12.2017	31.12.2016
Total capital	231,611,164	228,528,851
Net financial liabilities	11,474,586	16,916,599
Net debt/capital	0.05	0.07

2.5.7. CARRYING AMOUNTS AND FAIR VALUES OF FINANCIAL INSTRUMENTS

	31. december 2017		31. december 2016	
	Fair value	Carrying amount	Fair value	Carrying amount
Long-term operating receivables	8,994,701	8,994,701	8,153,238	8,153,238
Short-term operating receivables (excluding receivables due from the state)	49,893,057	49,893,057	48,139,392	48,139,392
Cash and cash equivalents	29,168,134	29,168,134	24,277,879	24,277,879
Long-term financial liabilities	-7,802,809	-7,802,809	-13,208,648	-13,208,648
Short-term financial liabilities	-3,671,777	-3,671,777	-3,707,951	-3,707,951
Short-term operating liabilities (excl. liabilities to the state, employees and liabilities arising from advances)	-33,437,113	-33,437,113	-33,509,130	-33,509,130

FAIR VALUES OF FINANCIAL ASSETS CLASSIFIED BY FAIR VALUE HIERARCHY:

	31. december 2017			31. december 2016		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Long-term operating receivables	0	0	8,994,701	0	0	8,153,238
Short-term operating receivables (excluding receivables due from the state)	0	0	49,893,057	0	0	48,139,392
Cash and cash equivalents	0	0	29,168,134	0	0	24,277,879
Total assets for which the fair value was disclosed	0	0	88,055,891	0	0	80,570,509

FAIR VALUES OF FINANCIAL LIABILITIES CLASSIFIED BY FAIR VALUE HIERARCHY:

	31. december 2017			31. december 2016		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Long-term financial liabilities	0	0	-7,802,809	0	0	-13,208,648
Short-term financial liabilities	0	0	-3,671,777	0	0	-3,707,951
Short-term operating liabilities (excl. liabilities to the state, employees and liabilities arising from advances)	0	0	-33,437,113	0	0	-33,509,130
Total liabilities for which the fair value was disclosed	0	0	-44,911,700	0	0	-50,425,729

2.6. Other disclosures

2.6.1. THE AUDITOR'S FEE

in EUR	2017 Ernst&Young	2016 Ernst&Young
Cost of annual report audit	56,400	54,800
Tax consultancy services	0	0
Other services not related to the audit	3,600	0
Total	60,000	54,800

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

2.6.2. LIABILITIES AND RECEIVABLES FOR OPERATING LEASES

2.6.2.1. COMPANY AS THE LEASEHOLDER

The company has liabilities from leasing tangible fixed assets, primarily leasing of premises and land for the base stations, leasing optical fibers and leasing business premises.

Due in – in EUR	31.12.2017	31.12.2016
up to 1 year	8,260,489	7,221,290
1–5 years	25,888,009	29,432,002
Total	34,148,498	36,653,292

The company leases indefeasible rights of use in dark fibre under long- and short-term finance lease contracts. These contracts were concluded with various business partners.

The rent for business premises, and for premises for constructing base stations is set with regard to the price agreed upon with the owner and with regard to previous rents. If the owner is an operator, the rent is set in accordance with their price list and by comparing the company's own price list for leasing premises. Lease contracts are concluded for indefinite period, for the duration of operations or for 15 years with the option for extension.

In 2017 the company recognized operational leasing costs in the profit and loss statement in the amount of EUR 7,947,556 (2016: EUR 7,221,290).

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2.6.2.2. COMPANY AS THE LESSOR

The company generates receivables from leasing tangible assets. This comprises leasing of shared locations and base stations.

Due in – in EUR	31.12.2017	31.12.2016
up to 1 year	1,350,000	1,512,326
1–5 years	6,532,940	6,049,304
Total	7,882,940	7,561,630

Lease contracts are generally concluded for an indefinite period.

In 2017 the company recognized rent revenues in the amount of EUR 1,350,000 (2016: EUR 1,512,326) in the profit and loss statement under revenue from the sale of services in the domestic market.

2.6.3. BUSINESS EVENTS AFTER THE BALANCE SHEET DATE

There were no events that would significantly affect the financial statements for 2017 or require additional disclosures.