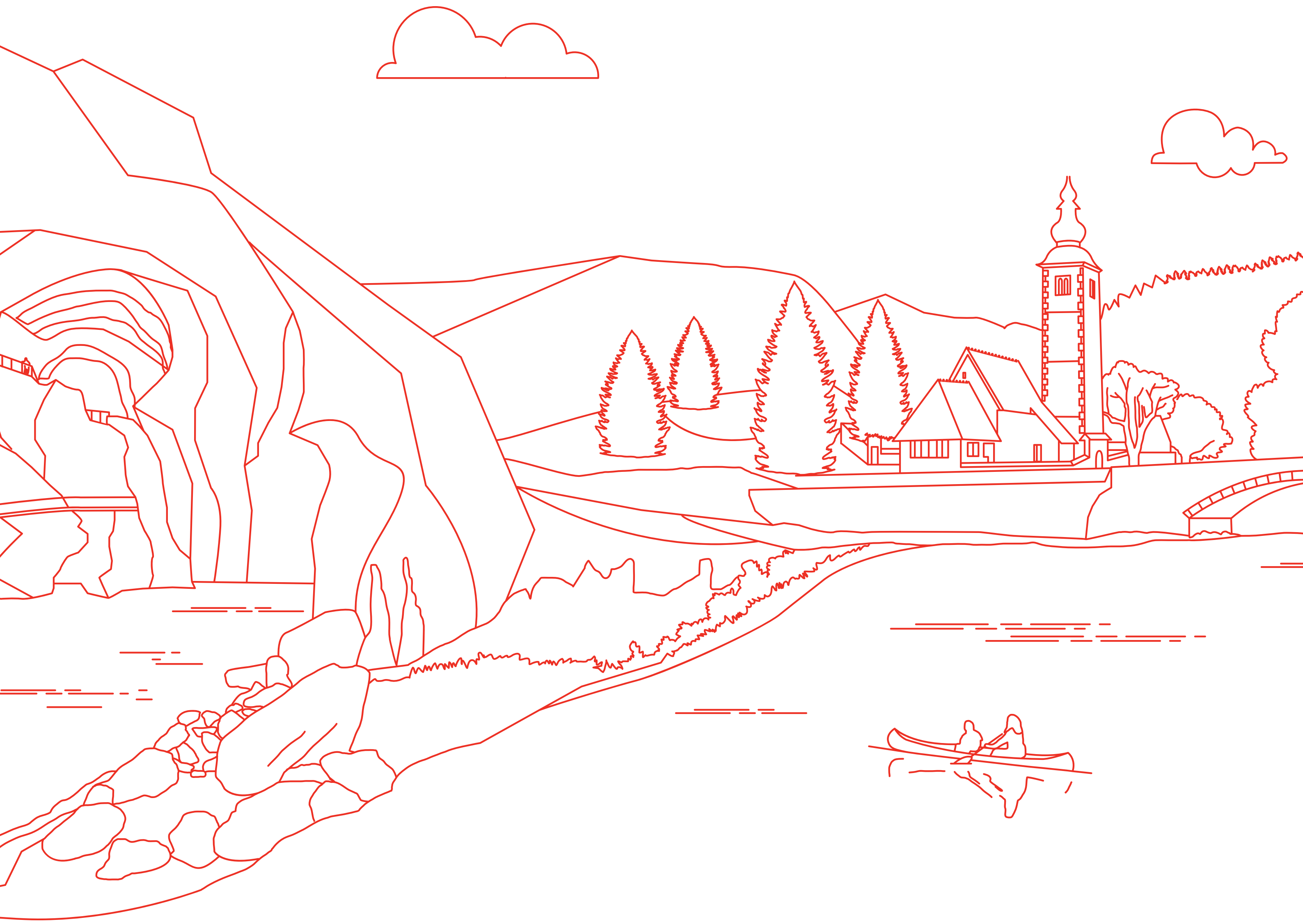
Annual Report 2018



April 2019

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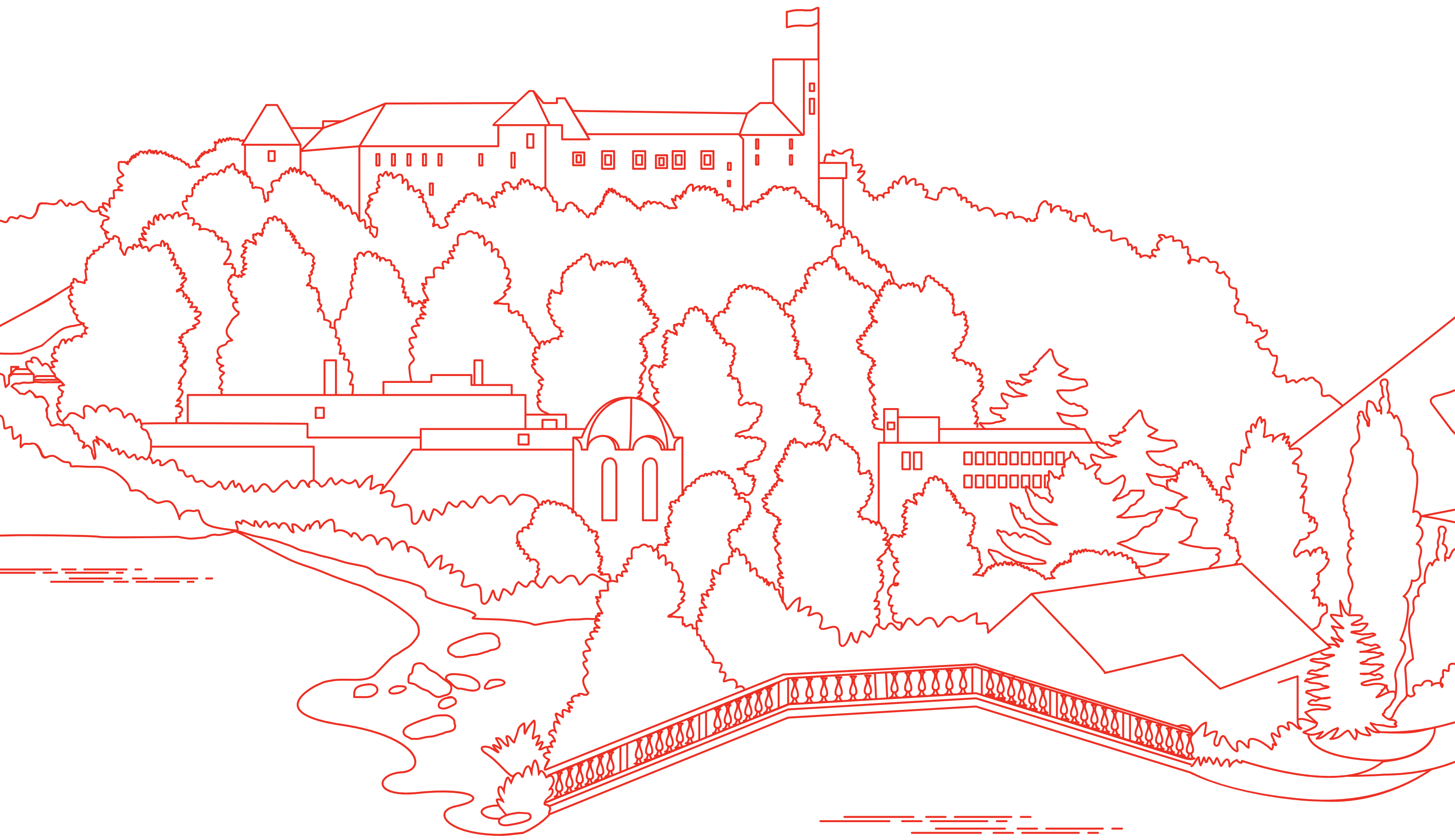
for the financial year
concluded on 31 December 2018



1. Principles of Business Operations

We always place the user into the heart of our operations. We strive to be a reliable, dedicated and dynamic partner, and aim to provide the best user experience in the Slovenian market to support the modern digital lifestyle. We are dedicated to creating useful communication services. We use technology to construct the right space and opportunities for sincere closeness. We operate diligently, responsibly, and deliberately with a focus on a satisfied customer.

The core principle of our operations is connecting people, places and things. We create solutions that enrich our users' experience of work, life, and entertainment. Our solutions and services are advanced, simple, and worry-free. They are tailored to our customers' desires and needs. Modern technology brings endless possibilities and we want to use them to our users' advantage. We want to make their daily lives better, improve their quality of living in the digital age, and help them with the challenges they face. We create unique experiences in the digital world. We strive to facilitate progress through innovation, while also creating new services and products bringing added value to our users.

The core principle of our operations is connecting people, places and things. We create solutions that enrich our users' experience of work, life, and entertainment.

A1 Slovenija respects the diversity of opinion and we support one another at the workplace and outside of it. We encourage diversity and perceive it as our strength. We strive to enable our colleagues and our users to define the experience they want to live.

We are working to establish an organizational culture that reinforces a business culture of integrity, lowers risks, and improves our reputation. We build our operations on foundations of ethics and responsibility towards ourselves and others. We are aware that the organizational culture has a strong impact on delivering our strategy, so we are always strengthening it to promote its development. We constantly create working conditions that encourage innovative thinking and creativity in designing new products and services. We believe that responsibility accelerates company growth. Social responsibility is the basis of our mission and vision. We bolster the trust of our loyal users with ethical and transparent operations and exemplary and honest work. We want to have a positive impact on the society and the environment we operate in by acting socially responsibly. We respect our users and treat them how we want others to treat us.

2. About the Company

2.1. Company information

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

2.2. Ownership

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

2.3. Management

Dejan Turk	Chairman of the Management Board

2.4. Directors

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

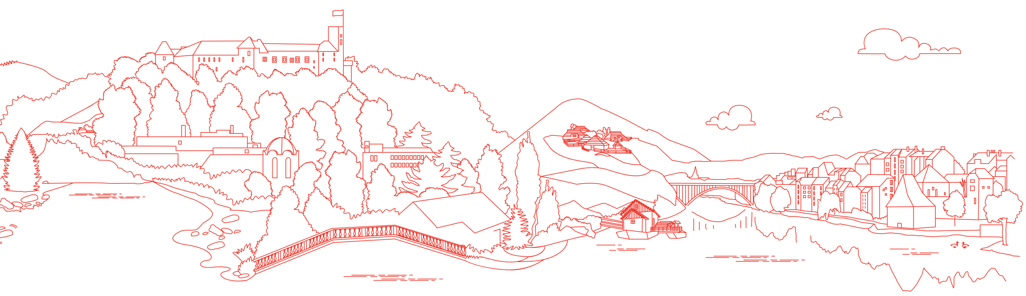
2.5. Supervisory board

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

2.6. Changes in the Management in 2018

Changes in the Management Board
There were no changes in the Management Board in 2018.

Changes in the Supervisory Board
There were no changes in the Supervisory Board in 2018.



3. Employees

As at 31 December 2018 the share of women among A1 Slovenija's employees was 44.18%, with the average age of our colleagues at 36.97 years. Nearly a half of our employees have level V education, and 56.68% of all staff have a higher education or university degree.

The company does not have a diversity policy.

4. Social Responsibility

Social responsibility is a value of the A1 brand and is written deep into the core of our operations. It is the basis of our mission and vision. We are committed to ethical and responsible operations. We put a special focus on responsibility toward people, our colleagues, our users, as well as the broader public. We pay attention to nature and the environment. We protect the heritage of our ancestors. We wish to pass to the future generations a world we can be proud of.

We wish to pass to the future generations a world we can be proud of.

At A1 we pay attention to all generations of users. We are constantly looking for new, innovative solutions that improve their experience of work, life and entertainment. In our commitment to help preserve the Slovenian language and reading culture we focused on popularizing the written word among people of all generations and walks of life. This year's end-of-year donation focused on reading, and we donated €9,500 to the Union of the Blind and the Partially Sighted of Slovenia (ZDSSS). As the Minka Skaberne Library for the Blind and the Partially Sighted celebrated its 100th anniversary, we wanted to do something special for its 2,100 members, and improve their access to various books in a medium adapted for the blind and partially sighted. With our donation the library will be able to add some 40 titles to its audio book collection, which is about one fifth of the new audio books planned for this year. We also used the end-of-the-year traditions to encourage our business partners to read, by gifting them original planners that feature short stories by various Slovenian authors.

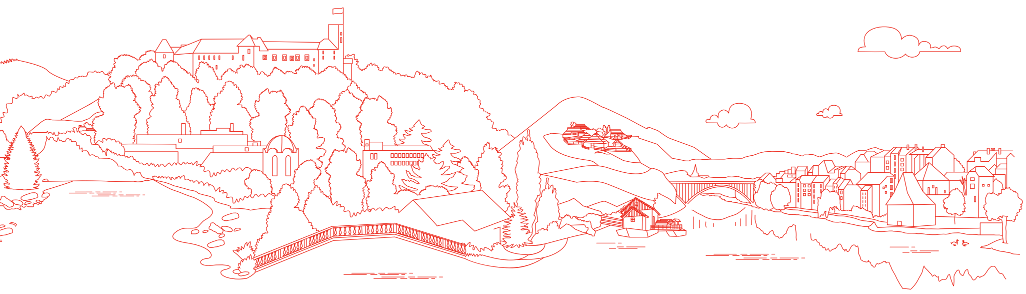
In 2018 we continued with our project Lahkonočnice (Bedtime Storytellers), the collection of Slovenian audio fairy tales, that has been promoting reading culture among children through the elderly and parents. We have recorded more than 100 audio fairy tales, which are available for free listening on the lahkonocnice.si website, visited by about 200,000 users every year. Before the Christmas holidays, we upgraded Lahkonočnice with our first cartoon.

We are enriching the life today for an encouraging future tomorrow.

We are aware that young children find the online world to be a magical space, but they know only little about online privacy, phishing, digital footprint and other dangers that lurk online. Teaching children of the dangers of the internet is of key importance, so at the end of 2018 we launched our A1 Guard app that will allow parents to protect their children from the dangers that lurk on the internet. In cooperation with the Safe.si information safety awareness centre the company informed and taught parents and children of the dangers of the internet. We focused a part of our socially-responsible activities into showcasing the value of our users' time. Our project called "We give value to your time" is our commitment to shortening the call waiting time at our call centre, and rewarding our users for the time they spend waiting. As part of this we donated EUR 5,788 to three different charity organizations that our users selected in an online poll.

Environmental responsibility has been integrated into our operations for many years now. We take account of environmental aspects in all our processes in order to minimize our negative environmental impact. The ISO 14001:2015 certificate and our entry into the EMAS registry are indicators of our environmental excellence.

We also connect people, places and things through urban beekeeping, and we prepared a selection of activities for the World Bee Day. We gave away over 3,500 melliferous plants to the citizens of Ljubljana. We put up facts on how bees live in the cities on Citylight billboards in Ljubljana streets. At our stores across Slovenia we gave away 10,000 seeds for melliferous plants, calling on people living in towns and cities to help bees in the cities late in the pasture season. In partnership with the Ljubljana municipality, BTC shopping mall and other members of the Bee Path we planted 1,900 sunflowers with the help of elementary school children. The roof of the A1 Slovenija headquarters houses beehives, where we make our own honey. We have grown the number of beehives from 4 to 6, and we received a Gold Medal at the AGRA international fair for our 114 kg of honey. We are enriching the life today for an encouraging future tomorrow.



5. Selected Performance Indicators

5.1. Analysis of the Profit and Loss Statement

2%
TOTAL OPERATING REVENUE

In 2018, our total operating revenue decreased by 2% compared to 2017. The trend of declining revenue from the sale of mobile telecommunications services due to strong price pressure from competition, as well as the decline in revenue from international roaming because of pricing regulation (decrease) continues. We recorded a slight growth in revenue from fixed telecommunications services.

Earnings before interest, taxes, depreciation and amortization (EBITDA) decreased by 4.6% because of price pressures from the competition and the regulation of international roaming prices, and stood at EUR 39.9 million at the end of the year. A1 Slovenija finished 2018 with earnings before interest and taxes (EBIT) of EUR 9.7 million. This is a 15.7% decline compared to 2017. Earnings before tax stood at EUR 9.9 million in 2018.

At the end of 2018, A1 Slovenija had 697,099 users, which is a 0.9% decrease compared to the year before. We recorded slight growth in subscribers (+1%), who represent 87,8% of all users.

The average revenue per user (ARPU) decreased in 2018 compared to 2017 because of price pressure from competition and the regulation of international roaming.

5.2. Analysis of the Balance Sheet

Total assets amounted to EUR 301.7 million on 31 December 2018. Compared to the year before, it was down by 1.5%, i.e. EUR 4.5 million.

Non-current assets were EUR 196.9 million, and decreased by 6.4%, i.e. by EUR 13.5 million. This decrease is the result of adopting IFRS 15. On 1 January 2018 the company lowered its non-current deferred cost in the amount of EUR 14.3 million.

Because of the switch to the new IFRS standard there was an adjustment of capital on 1 January 2019 in the amount of EUR 5.9 million. The effects of the new standard are disclosed in chapter 5.3. of the Financial Report.

Equity and reserves stood at EUR 230.7 million, and decreased by 0.4%, i.e. by EUR 0.9 million. Shareholder equity ratio stood at 76.5%.

Compared to the year before, the non-current liabilities were down by 26.3%, i.e. EUR 7.3 million. This decrease was the result of paying off non-current financial obligations in the amount of EUR 7.8 million.

Current liabilities in the amount of EUR 50.5 million represented 16.7% of total assets. Compared to 2017, they increased by 7.6%, i.e. EUR 3.6 million.

Below is a general summary of our financial performance for the years 2018 and 2017 (in accordance with International Financial Reporting Standards):

SUMMARY OF FINANCIAL DEVELOPMENT IN YEAR 2017 AND 2018

		2018	2017
Profit and loss statement			
Operating revenue	in million EUR	209.46	213.86
Earnings before interest, taxes, depreciation, and amortization (EBITDA)	in million EUR	39.9	41.82
Earnings before interest and taxes (EBIT)	in million EUR	9.75	11.56
Profit/loss	in million EUR	0.12	1.05
Earnings before tax (EBT)	in million EUR	9.87	12.61
Balance sheet			
Assets	in million EUR	301.65	306.19
Property, plant and equipment	in million EUR	83.55	80.87
Current assets	in million EUR	104.71	95.71
Financial and operating liabilities	in million EUR	55.89	48.72
Equity	in million EUR	230.75	231.61
Selected indicators			
EBITDA margin	%	19.05%	19.55%
Investments in property, plant and equipment	in million EUR	22.22	20.93
Average no. of employees		590	584
Number of employees (year-end)		584	596
Number of users (year-end)		697,099	703,318
Of which subscribers represent		611,729	605,805

6. Transactions with Related Parties

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

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

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

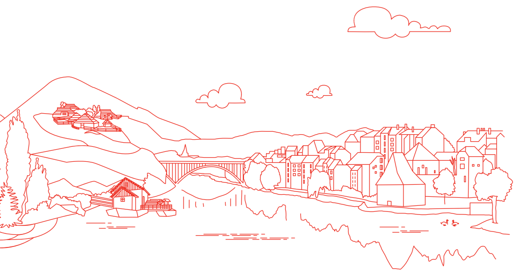
In the 2018 financial year A1 Slovenija, d. d., did not perform or omit any actions at the initiative of a related party, which would deprive the company.

7. Risk Exposure

7.1. Regulatory Risks:

7.1.1. Regulation of Wholesale Fixed Markets

The Agency for Communications and Services (AKOS) completed analyses of wholesale fixed access markets (i.e. markets 3a and 3b), and designated Telekom Slovenije as an operator with significant market power, issuing 2 regulatory decisions at the beginning of 2018. The new regulatory decisions bring significant changes to the regulation of wholesale terms and conditions for accessing to Telekom Slovenije's network, through which A1 Slovenija provides most of its fixed telecommunications services. The main changes are: (i) the introduction of the new wholesale product of virtually unbundled local access, (ii) defining the terms and conditions under which Telekom Slovenije may upgrade its copper network with vectoring technology, (iii) new approach to forming wholesale prices, so that the access price is dependent on key retail service plans of Telekom Slovenije, and in certain areas the bitstream access price is no longer regulated, (iv) price increase for the copper pair lease (to EUR 8.09). Such changes can have a highly significant impact on A1 Slovenija's cost structure and its competitiveness in comparison to Telekom Slovenije as well as other retail competitors for the coming 3-year period. During all of 2018, AKOS supervised whether Telekom Slovenije was correctly implementing the regulatory decisions, especially whether it correctly set wholesale access prices – any potential supervisory decisions will affect past price formation. AKOS will continue with active supervisions over Telekom Slovenije's compliance with the objective of ensuring appropriate competition, and a broad choice for end users, and will take appropriate measures, if any violations are found. Regulation of relevant markets in the part where it details the access to the physical network is compounded by recent changes to the Electronic Communications Act (August 2017) with the objective of encouraging network construction, and resulting increase in competition and choice for end users, and brings the so-called symmetric regulation and makes it possible for all the operators who want to build their own networks to access to passive infrastructure (of telecommunications operators and other owners of public service infrastructure – e.g. power utilities, municipalities, public lighting, etc.). This should have a positive impact on lowering the costs of network construction, as most of the cost (an estimated 70%) is earthwork, and this could be skipped by using the existing infrastructure. At the end of the year the procedure of determining the operator with significant market power in the relevant market 4 (B2B market) concluded. This is also a fairly new development, as the market was last regulated in 2008, and Telekom Slovenije's products were completely useless to other operators because they were outdated and overpriced. Telekom Slovenije is now apparently obligated to provide wholesale access to high-quality products that are defined as active connections over copper or fiber optics that include (i) leased lines with traditional technology (PDH, SDH), (ii) leased lines with modern technology that use Carrier Grade Ethernet technologies for transport, (iii) high-quality bistream on broadband connections for the mass market (ADSL/VDSL, fiber optics). It will be clear how Telekom Slovenije plans to realize the imposed obligations in the first quarter of 2019 when it publishes the appropriate wholesale reference offer.



7.1.2. Open Internet and Quality of Service

With the objective of harmonization with Article 4 of Regulation (EU) 2015/2120 of the European parliament and the council of 25 November 2015 on defining the measures related to access to the open internet, and amendments to the Directive 2002/22/EC on the universal service and the users' rights related to electronic communications networks and services, and the Regulation (EU) No 531/2012 on roaming in public mobile communications networks in the EU (in the part pertaining to the provisions on measures for ensuring transparency of open internet access), operators started updating the Self-Regulation Code on refunds for outages or poor operation of public communication service of operators of public communication networks in the Republic of Slovenia. This update, which would take into account best practices of most operators in Slovenia, was not concluded, as AKOS submitted in September 2018 its draft General act on internet access services and related rights of end users, which internet service providers opposed vigorously. This proposal would, in opposition to the operators' endeavours of the past few years and without any convincing arguments, introduce stricter obligations for operators than what has been agreed at the European Union level (with the above-mentioned regulation), and would demand significant changes to the procedures of concluding a subscriber agreement, and even limit the possibility to provide some of the services in an efficient way. The conclusion of the procedure of adopting this measure is planned for early 2019.

7.1.3. The Regulation of Roaming in European Mobile Networks

In the scope of the so-called roam like at home EU regulation, the wholesale roaming prices additionally decreased as at 1 January 2018, with the fair use service limits going up, and the prices for permitted surcharges going down. This will continue on 1 January 2019 with a further 25% decrease of wholesale prices and a proportionate increase to the limit. From a regulatory perspective it will remain a challenge to stop the abuses of the right to roam at home network rates in ways that are consistent with EU legislation.

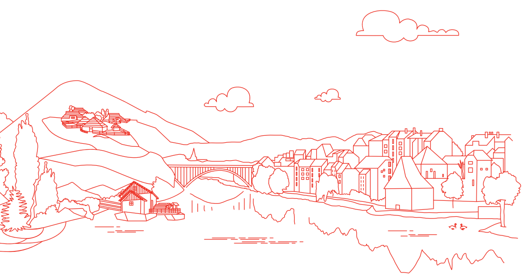
7.1.4. European Electronic Communications Code and Call Regulation in the EU

At the end of the year the adoption of the European Electronic Communications Code (EECC) included regulating the retail price of calls from Slovenia to other EU/EEA member countries which will come into effect on 15 May 2019. The challenge will be to correctly implement it and to deal with the decline in revenue, however, the costs will also go down.

EECC thoroughly revamps the current regulatory framework in electronic communications, from construction to access to existing networks, and among other things it also regulates OTT providers for the first time. Member states have two years to transpose this directive into the national legal order, so already in 2019 the procedure of adopting the new Electronic Communications Act (i.e. ZEKom-2) to implement these new rules will be initiated.

7.1.5. Changes to the Rules on the Presence of an Electromagnetic Field in a Living Environment

The Ministry of the Environment and Spatial Planning started an overhaul of the rules detailing the presence of an electromagnetic field in a living environment (the methods of placing sources of radiation into the environment, monitoring, supervision). Considering their unclear objective the planned changes would have a negative effect also on existing mobile networks, and especially on future mobile network construction. They could change the concept of network planning, and without significant investments a lower quality of service can be expected. In any case the planning and construction of future mobile networks (LTE+, 5G) will certainly require significant investments to ensure service operation and regulatory compliance. Operators' endeavours are focused on connecting all the stakeholders with the objective of finding the most stable non-current solution that both meets the country's strategic goals and provides a sufficient level of protection for the environment and the people's health.



7.1.6. Frequency Auction

The public tender for awarding the frequencies for public mobile technology in the 700 MHz frequency band planned for 2018 did not take place, and the execution of this tender in the planned format of a simple auction is still fairly uncertain. It is expected that the tender will take place in 2019, but it has not been ruled out that the frequencies in this band could be awarded together with other frequencies (especially the 3500 MHz band, and some others that are planned for the development of 5G networks).

7.1.7. GDPR, E-Privacy and ZVOP-2

25 May 2018 was the deadline for bringing the procedures of collecting, using and storing personal data in line with the General Data Protection Regulation (GDPR), and even after the implementation it remains uncertain when some other legislative acts will be adopted (Personal Data Protection Act – ZVOP-2, and the E-Privacy regulation), which have been in preparation and may have an impact on the implementation of this Regulation. A1 and other major operators have been striving to inform the legislators what is required for ensuring a suitable business environment that meets strictest privacy protection requirements.

7.2. Credit Risk

Company's revenue comes from different sources, and most revenue comes from voice calls and monthly subscription fees. Since the majority of contractual customers at the end of 2018 were natural persons, credit risk is broadly dispersed and not significant. Other revenue sources come from resellers (phone sales) and other local and foreign mobile telephone operators (network interconnection and international roaming). Past experience shows that there are no significant risks associated with these activities. As of the balance sheet date there were no significant dependencies on any of the above debtors.

7.3. Interest Rate Risk

Interest rate risk is the risk of making a loss caused by changes in the interest rate. In 2018 the company paid off a received loan, so exposure to interest rate risk is estimated as low.

7.4. Currency Risk

The company's operational currency in 2018 was the euro. Only a small share of transactions is conducted in US dollars and other currencies, and consequently currency risk is not significant for the company. The company does not use any special financial instruments for hedging the currency risk.

7.5. Liquidity Risk

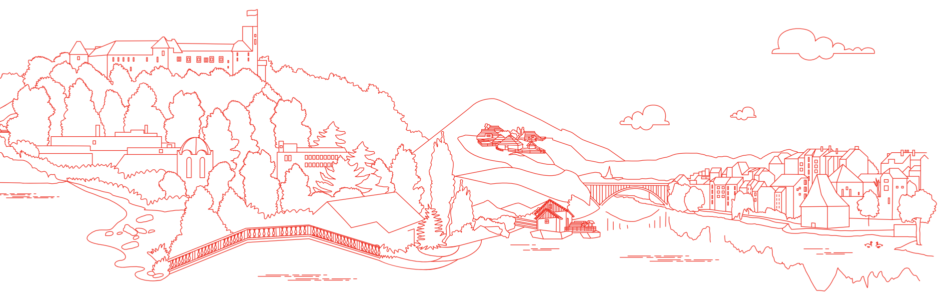
The company acquires liquid assets through inflows from operations, and from financing from the owner's loans, which are provided when needed. Development has shown that the company continues to improve its operations and thereby cash assets from operations. New technologies that demand high up-front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

8. Plans for the Future

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

We always place our users into the centre of our operations, and are prepared to even change the rules for them. In 2018 our new A1 GO! mobile plans, A1 Play options and the A1 Connect program simplified the subscription plans, lowered the prices and brought additional savings to our users with e-invoices. The A1 Play service with unlimited data transfer for favourite content brings an ease of mind, while A1 Connect makes life more connected and simpler. With this step we proved we are still the leading provider of digital services in the market, and clearly showed that our network is ready for the challenges and demands of the upcoming market trends.

Danger lurks on every corner, and that is why we want to make it possible for our users to preventively also secure their mobile phones. That is why we developed A1 Protekt, a brandnew cloud-based security solution in our market that operates on the provider's network (the A1 mobile network), meaning it blocks dangerous sites or apps even before they reach the device. In 2019 we will continue raising awareness about online security, making it possible for both our youngest users and those with more experience using mobile technology to not only enjoy entertainment and state-of-the-art technology, but also to use our services securely.

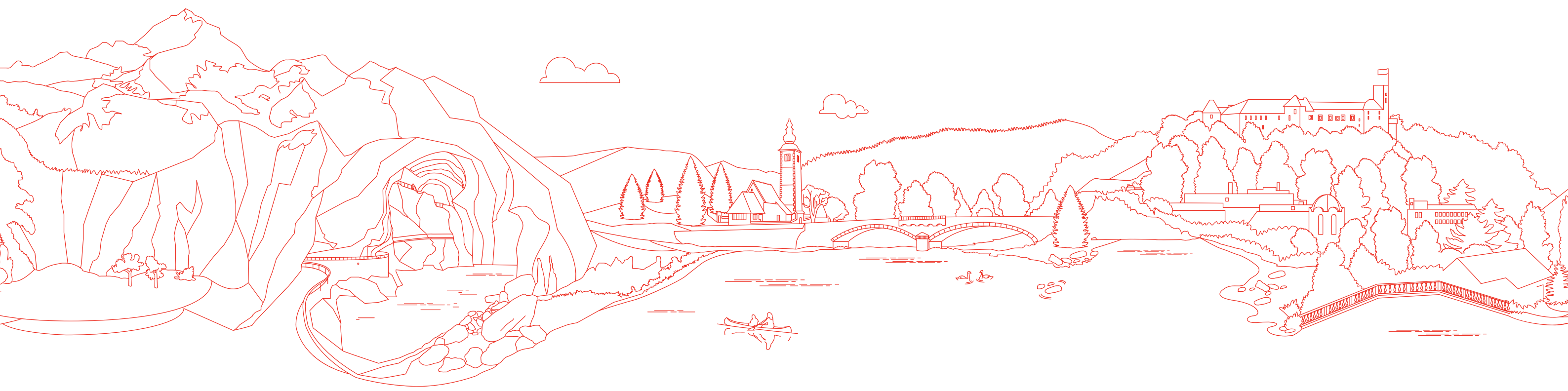


By following the latest technological trends our users can additionally simplify their day-to-day lives. We prepared the Smart Home solution for all those looking to save both time and money, while living comfortably and hassle-free. The smart platform adapts to the daily routine of the household by using artificial intelligence to connect smart devices and solutions into an efficient unified ecosystem. This new, smart service makes it possible for our users to be informed about what is happening in their home anywhere and anytime. Modern technology allows us to fully tailor our home as well as our whole living environment to the needs and wants of an individual or a community.

Our attention will remain on developing and providing solutions, services, and products that meet the needs and desires of users, market demands, and the constant development of modern technologies. In the upcoming year we will continue to focus on providing the best user experience and maintaining our position as a technological pioneer in the Slovenian market.

We will continue to look for solutions for our mobile and fixed services. We will bring digital television and ultra-high-speed internet with cutting-edge mobile-fixed technology to places where it has not yet been possible.

Our future is in the development of information-communication technologies (ICT), which includes innovative software and hardware solutions, apps and the Internet of Things. Digitalization is the frontier of everything we have seen and known so far. It is our ambition to provide access to modern communication solutions and services to the whole population of Slovenia – anywhere and anytime. Networks will become even more important for data transfer, so A1 will continue to invest into the development of the fastest network in Slovenia, and high-quality services based on it. We will continue to provide the most advanced services, and giving our customers the best user experience. Modern technologies open the door to a world of connectedness and experience. And we will forge our place in that world.



9. Corporate Governance Statement

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

9.1. Governance Code

Between 1 January 2018 and 31 December 2018 A1 Slovenija, d. d., as part of the A1 Telekom Austria Group, operated according to the principles of the Corporate Governance Code of A1 Telekom Austria Group, which is based on the Austrian Code on Corporate Governance. The Code details responsible management and governance of companies, focused on sustainable and non-current value creation of company. The objective of the Code is to ensure a high level of transparency for all stakeholders and set the guidelines for investors. The Code is based on the provisions of the Austrian Stock Corporation Act, EU recommendations and the principles of corporate governance of the OECD. A1 Telekom Austria Group voluntarily undertook to abide to the Austrian Code on Corporate Governance already in 2003.

9.2. Work of the General Meeting

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

9.3. Management and Supervisory Boards

A1 Slovenija, d. d., has a one-member Management Board, represented by Dejan Turk. The Management Board represents the company and is responsible for all affairs and decisions that are not expressly mandated to the Supervisory Board or General Meeting in the company's Articles of Association or the Companies Act.

The work of the Management Board is supervised by the Supervisory Board, which comprises three members, namely: Alejandro Douglass Plater as the chairman, Siegrfried Mayrhofer as member, and Bernd Schmutterer as a member. The Supervisory Board exercises its rights and fulfil its obligations in accordance with the Companies Act, adopts or rejects resolutions, adopts resolutions instructing the Management Board on matters and transactions prescribed by the law, Articles of Association, instructions for the Management Board and Supervisory Board resolutions. The Supervisory Board is also in charge of supervising the compilation of financial statements.

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

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

Ljubljana, 22 February 2019

Dejan Turk, CEO

Financial Report 2018

for the financial year
concluded on 31 December 2018

1. GENERAL DISCLOSURES

1.1. ABOUT A1 SLOVENIA

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 2018 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

1.1.2. Nature of operations and core activities

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

1.1.3. Information about the controlling company

A1 Slovenija, d. d., is a subsidiary of Mobilkom Beteiligungsgesellschaft mbH, Lassallestrasse 9, Vienna, Austria, and is included in its consolidated financial statements (more information: www.a1.group). Mobilkom's consolidated financial statements are included in consolidated financial statements of Telekom Austria AG, Lassallestrasse 9, Vienna, Austria, and these are, in turn, included in consolidated financial statements of America Movil S.A.B. de C.V., Mexico, 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.

1.1.4. Data on Employees

- number of employees at the end of the 2018 business year was 584 (at the end of 2017: 596);
- Average number of employees in the 2018 business year was 590 (584 in the 2017 business year);
- Structure of employees by education level:

education level	2018	2017
vocational school or less	32	28
grammar school	220	227
higher education, 2-year school	56	55
higher education, 4-year school	120	129
university education	134	126
post-graduate education	21	30
doctorate	1	1
total	**584**	**596**

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 2018.

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.

Dejan Turk
Chairman of the Management Board

Ljubljana, 22 February 2019

2. INDEPENDENT AUDITORS' REPORT

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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, 2018, the income statement, the statement of other comprehensive income, the statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the A1 SLOVENIJA, D.D. as at December 31, 2018 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.

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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

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 22, 2019

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

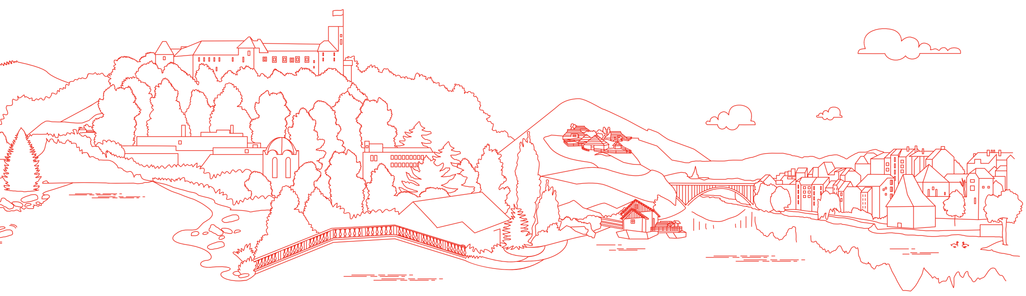
ERNST & YOUNG
Revizija, poslovno
svetovanje d.o.o., Ljubljana 1

Lidija Šinkovec
Certified auditor

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

3.1. BALANCE SHEET

ASSETS	note	31 December 2018	31 December 2017
Non-current ASSETS		196,943,052	210,486,345
Intangible assets	4.3.1.	90,491,591	96,202,471
Property, plant, and equipment	4.3.2.	83,546,191	80,865,554
Non-current financial assets	4.3.3.	218,888	125,312
Non-current operating receivables	4.3.4.	9,509,173	8,994,701
Non-current contract assets	4.3.5.	2,052,883	0
Deferred tax assets	4.3.6.	4,035,031	3,710,114
Non-current deferred costs	4.3.7.	7,089,295	20,588,193
CURRENT ASSETS		104,710,027	95,708,478
Inventories	4.3.8.	9,284,150	6,266,746
Current trade receivables	4.3.9.	62,933,660	47,770,073
Current trade receivables from group companies	4.3.10.	1,099,971	1,454,475
Tax assets from the income tax	4.3.11.	1,097,853	470,912
Other operating receivables	4.3.12.	1,164,201	1,194,076
Current contract assets	4.3.5.	3,899,669	0
Cash and cash equivalents	4.3.13.	24,865,731	29,168,134
Other current assets	4.3.14.	364,792	9,384,062
TOTAL ASSETS		301,653,079	306,194,823



EQUITY AND LIABILITIES	note	31 December 2018	31 December 2017
Equity	**4.3.15.**	**230,745,396**	**231,611,164**
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		-63,476	25,415
Retained earnings		70,428,397	68,502,250
Net profit or loss		8,779,718	11,482,742
PROVISIONS AND NON-CURRENT LIABILITIES		**20,388,848**	**27,653,872**
Post-employment employee benefits	4.3.16.	750,614	624,823
Other non-current provisions	4.3.16.	5,776,350	5,536,993
Non-current deferred revenue		0	189,247
Non-current financial liabilities	4.3.17.	0	7,802,809
Non-current operating liabilities	4.3.18.	13,500,000	13,500,000
Non-current contract liabilities	4.3.19.	361,884	0
CURRENT LIABILITIES		**50,518,834**	**46,929,787**
Current financial liabilities	4.3.20.	0	3,671,777
Current operating liabilities to suppliers	4.3.21.	36,572,283	31,760,003
Current operating liabilities towards group companies	4.3.22.	2,038,783	1,677,110
Other operating liabilities	4.3.23.	3,781,646	3,809,306
Current contract liabilities	4.3.19.	2,715,793	0
Current deferred income	4.3.24.	0	2,647,311
Current provisions and accrued costs	4.3.24.	5,410,330	3,364,280
TOTAL LIABILITIES		**70,907,683**	**74,583,659**
TOTAL EQUITY AND LIABILITIES		**301,653,079**	**306,194,823**

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

3.2. PROFIT AND LOSS STATEMENT

in EUR	Note	2018	2017
Revenue from contracts with customers	4.4.1.	206,837,412	208,538,863
Other operating revenue	4.4.2.	2,620,883	5,323,891
Cost of goods and materials	4.4.3.	-57,910,778	-45,606,211
Cost of services	4.4.3.	-88,256,980	-98,799,280
Labor cost	4.4.4.	-20,634,054	-20,709,118
Amortization and depreciation	4.4.5.	-30,155,896	-30,256,293
Other operating expenses	4.4.6.	-1,358,134	-6,930,442
Impairment losses/impairment gains for financial assets	4.4.7.	-1,393,702	0
Operating profit or loss		**9,748,751**	**11,561,410**
Financial revenue	4.4.8.	534,973	2,315,898
Financial expenses	4.4.8.	-410,346	-1,308,307
Revenue from derecognizing financial assets	4.4.8.	-500	0
Dividend received related parties	4.4.8.	0	42,221
Profit/loss		**124,127**	**1,049,812**
Profit/loss before tax		**9,872,878**	**12,611,222**
Accrued tax	4.4.9.	0	-1,197,688
Deferred tax	4.4.9.	-1,093,160	69,208
Income tax		**-1,093,160**	**-1,128,480**
Net Profit/loss for the year		**8,779,718**	**11,482,742**
Basic earnings per share		0.94	1.23
Diluted earnings per share		0.94	1.23

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

3.3. OTHER COMPREHENSIVE INCOME

v EUR	2018	2017
NET PROFIT OR LOSS	8,779,718	11,482,742
Impairment losses of financial investments	-500	0
Unrealized actuarial gains or losses	-88,891	-489
Other comprehensive income in the financial year that will not be recognized in the profit or loss statement henceforth	-89,391	-489
Total other comprehensive income after taxes	-89,391	-489
Total comprehensive income for the financial year	8,690,327	11,482,254

3.4. CASH FLOW STATEMENT

in EUR	note	2018	2017
CASH FOLOW FROM OPERATING ACTIVITIES			
Net profit or loss		8,779,718	11,482,742
Adjustments for:			
Depreciation of tangible fixed assets and investment property	4.4.5.	19,026,717	18,289,210
Amortization of intangible assets	4.4.5.	11,129,179	11,967,083
(Gain)/loss from the sale of intangible assets, tangible fixed assets and investment property	4.4.6.	513,467	299,676
Net (decrease)/allowances for receivables		1,390,023	1,997,320
Net (decrease)/allowances for inventory		-372,578	368,374
Net financial (revenue)/expenses	4.4.8.	68,530	327,860
Changes in investments	4.4.8.	-93,575	0
Income tax	4.3.6., 4.4.9.	-626,941	1,589,332

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

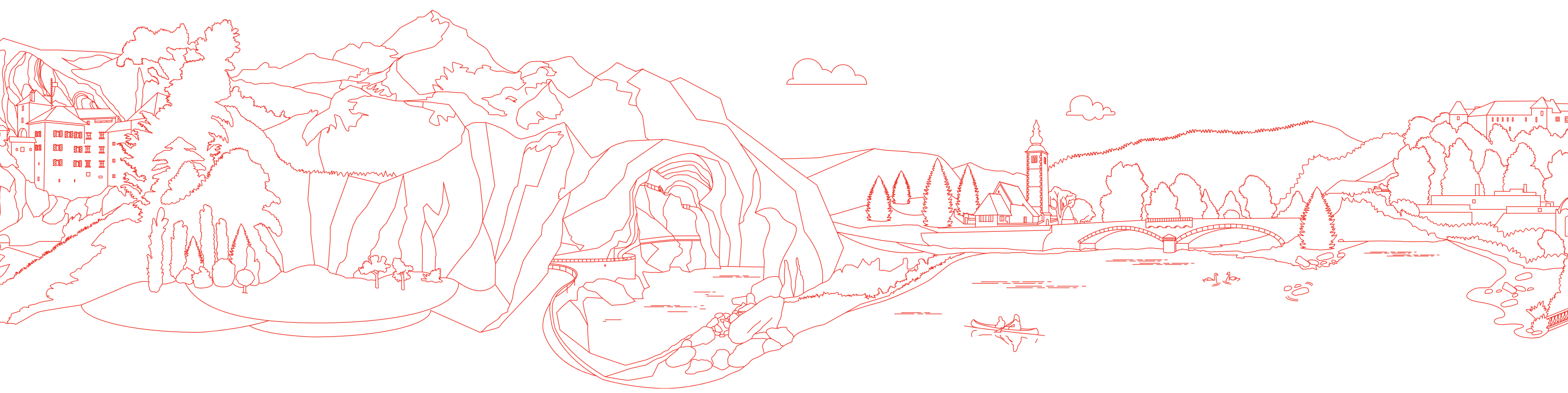
Operating cash flow before changes in working capital		**39,814,539**	**46,321,597**
Changes in operating receivables	4.3.4.,4.3.6.,4.3.9., 4.3.10.,4.3.12.,	-6,538,489	-4,492,125
Changes in deferred costs and other assets	4.3.5.,4.3.7.,4.3.14.	-1,298,601	3,504,787
Changes in inventories	4.3.8.	-1,119,937	690,327
Changes in operating debt	4.3.19.-4.3.23.	6,610,386	-510,671
Changes in current deferred revenue, accrued costs and provisions	4.3.16.,4.3.22-4.3.24.	1,100,825	650,797
Changes in net working capital		**-1,245,815**	**-156,885**
Cash flow from operating activities		**38,568,723**	**46,164,712**
Expenses for income tax		0	1,741,288
Net cash flow from operating activities		**38,568,723**	**47,906,000**
CASH FLOW FROM INVESTING ACTIVITIES			
Expenditure for the acquisition of intangible assets	4.3.1.	-5,418,299	-7,919,718
Expenditure for the acquisition of tangible fixed assets	4.3.2.	-22,220,820	-20,925,725
Net cash from investing activities		**-27,639,119**	**-28,845,443**
CASH FLOW FROM FINANCING ACTIVITIES			
Expenditures for interests from financing	4.4.7.	-68,530	-327,860
Expenditures for the repayment of financial liabilities	4.3.16, 4.3.20.	-11,474,586	-5,442,013
Dividends paid		-3,600,000	-8,400,000
Other OCI (after income tax)		-88,891	-429
Net cash flow from financing activities		**-15,232,007**	**-14,170,302**
Net increase/(decrease) in cash and cash equivalents		**-4,302,403**	**4,890,255**
Cash and cash equivalents at the beginning of the year	4.3.13.	29,168,134	24,277,879
Final balance in cash and cash equivalents		**24,865,731**	**29,168,134**

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

3.5. STATEMENT OF CHANGES IN EQUITY

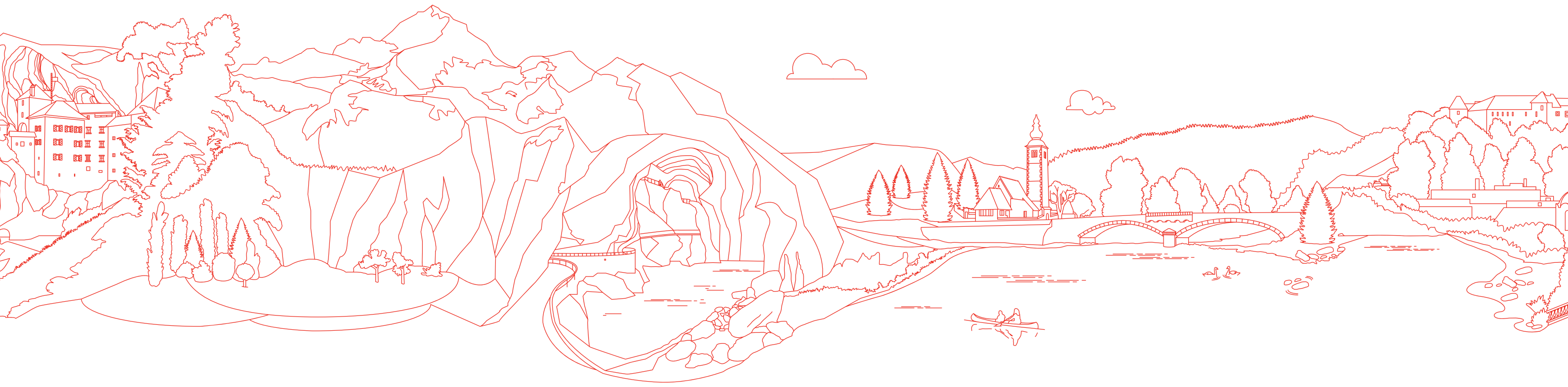
a) Statement of changes in equity from 1 January to 31 December 2018

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



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

b) 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 equity
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**	**231,611,163**



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

4. NOTES TO THE AUDITED FINANCIAL STATEMENTS

4.1. FRAMEWORK FOR PREPARING THE STATEMENTS AND SIGNIFICANT ACCOUNTING PILICIES

4.1.1. Declaration of compliance

The company's management approved the financial statements on 22 February 2019.

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

4.1.2. Functional and Presentation Currency and Rounding Off

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

4.1.3. The Grounds for 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 4.2.

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

The following exchange rates as at 31 December 2018 were used for converting foreign currencies:

Country	Currency	Currency label	Currency code	Exchange rate
USA	US DOLLAR	USD	840	1.14500
UK	BRITISH POUND	GBP	826	0.89453
Switzerland	SWISS FRANC	CHF	756	1.12690
Croatia	CROATIAN KUNA	HRK	191	7.41250

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 2018 is EUR 3,017,072 (and as at 31 December 2017 was EUR 3,061,948). Significant items of the profit and loss statement are those which exceed 2% of the value of revenue in the financial year, which for 2018 amounts to EUR 4,258,210 and for 2017 amounts to EUR 4,277,255.

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.

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 2018:

- **IFRS 9 Financial Instruments**

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 new standard does not significantly affect the company's financial statements, but only brings changes to classification and measurement. More about the adoption of the new standard is disclosed under 5.3.

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

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 effects of the new standard are disclosed under 5.3.

▪ **IFRS 15: Revenue from Contracts with Customers (Clarifications)**
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. The effects of the new standard are disclosed under 5.3.

▪ **IFRS 2: Classification and Measurement of Share based Payment Transactions (Amendments)**
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. The amendments do not affect the company's financial statements.

▪ **IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (Amendments)**
The amendments address concerns arising from implementing the new financial instruments Standard, IFRS 9, before implementing the new insurance contracts standard that the Board is developing to replace IFRS 4. The amendments introduce two options for entities issuing insurance contracts: a temporary exemption from applying IFRS 9 and an overlay approach, which would permit entities that issue contracts within the scope of IFRS 4 to reclassify, from profit or loss to other comprehensive income, some of the income or expenses arising from designated financial assets. The amendments do not affect the company's financial statements.

▪ **IAS 40: Transfers to Investment Property (Amendments)**
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. The amendments do not affect the company's financial statements.

▪ **IFRIC INTERPETATION 22: Foreign Currency Transactions and Advance Consideration**
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 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.

The management estimated that the notes had no significant effect on the company's financial statements.

The IASB has issued the Annual Improvements to IFRSs 2014 – 2016 Cycle, which is a collection of amendments to IFRSs. The management estimated that the improvements had no significant effect on the company's financial statements.

• IFRS 1 First-time Adoption of International Financial Reporting Standards: This improvement deletes the current 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.

B) STANDARDS ISSUED BUT NOT YET EFFECTIVE AND NOT EARLY

▪ **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. The management estimated that the standard had a significant effect on the company's financial statements. Assets from the rights and obligations arising from operating leases will be recognized on the balance sheet.

▪ **IFRS 17: Insurance Contracts**
The standard is effective for annual periods beginning on or after 1 January 2021 with earlier application permitted if both IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments have also been applied. IFRS 17 Insurance Contracts establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. It also requires similar principles to be applied to reinsurance contracts held and investment contracts with discretionary participation features issued. The objective is to ensure that entities provide relevant information in a way that faithfully represents those contracts. This information gives a basis for users of financial statements to assess the effect that contracts within the scope of IFRS 17 have on the financial position, financial performance and cash flows of an entity. The standard has not been yet endorsed by the EU. The management estimated that the standard would not have any significant effect on the company's 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 management estimated that the standard would not have any significant effect on the company's financial statements.

▪ **IFRS 9: Prepayment features with negative compensation (Amendment)**
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. The management estimated that the standard would not have any significant effect on the company's financial statements.

- IAS 28: Non-current Interests in Associates and Joint Ventures (Amendments)

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 non-current 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 management estimated that the standard would not have any significant effect on the company's financial statements.

- 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. The management estimated that the standard would not have any significant effect on the company's financial statements.

- IAS 19: Plan Amendment, Curtailment or Settlement (Amendments)

The Amendments are effective for annual periods beginning on or after 1 January 2019 with earlier application permitted. The amendments require entities to use updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after a plan amendment, curtailment or settlement has occurred. The amendments also clarify how the accounting for a plan amendment, curtailment or settlement affects applying the asset ceiling requirements. These Amendments have not yet been endorsed by the EU. The management estimated that this would not have any significant effect on the company's financial statements.

- Conceptual Framework in IFRS standards

The IASB issued the revised Conceptual Framework for Financial Reporting on 29 March 2018. The Conceptual Framework sets out a comprehensive set of concepts for financial reporting, standard setting, guidance for preparers in developing consistent accounting policies and assistance to others in their efforts to understand and interpret the standards. IASB also issued a separate accompanying document, Amendments to References to the Conceptual Framework in IFRS Standards, which sets out the amendments to affected standards in order to update references to the revised Conceptual Framework. Its objective is to support transition to the revised Conceptual Framework for companies that develop accounting policies using the Conceptual Framework when no IFRS Standard applies to a particular transaction. For preparers who develop accounting policies based on the Conceptual Framework, it is effective for annual periods beginning on or after 1 January 2020.

- IFRS 3 Business Combinations (Amendments)

The IASB issued amendments in Definition of a Business (Amendments to IFRS 3) aimed at resolving the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The amendments are effective for business combinations for which the acquisition date is

on or after the beginning of the first annual reporting period beginning on or after 1 January 2020 and to asset acquisitions that occur on or after the beginning of that period, with earlier application permitted. These Amendments have not yet been endorsed by the EU. The management estimated that this would not have any significant effect on the company's financial statements.
The IASB has issued the Annual Improvements to IFRSs 2015 – 2017 Cycle, which is a collection of amendments to IFRSs. The amendments are effective for annual periods beginning on or after 1 January 2019 with earlier application permitted. These annual improvements have not yet been endorsed by the EU The management estimated that this would not have any significant effect on the company's financial statements.

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

4.2. 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.

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 non-current property rights, namely various interconnection rights, utilization of fiber optic connections which the company amortizes in accordance with the useful life set out in the contract. The company's non-current property rights also comprise rights from the acquisition of customers from the operator, which are amortized over a period of 3 years, which is also the estimated time for which the customers remain with the company as users. If customers leave the operator before this period expires, the remaining cost of acquiring that customer is immediately carried into the costs for that year. Subsequent cost associated with intangible assets increases their purchase value, if they increase its future economic benefits in comparison with the initial estimates.

Repairs or maintenance of intangible fixed assets are aimed at restoring and preserving future economic benefits, expected based on the originally estimated rate of efficiency of the asset. When they occur, they are recognized as expenses.

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

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

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

Intangible assets	Useful life (in years) 2018
Radio frequencies	15 or in accordance with the Decision
Software & Licenses	1–8
Property rights – interconnection rights	in accordance with the contract
Property rights from customer acquisition	3
List of customers	10

Amortization and depreciation rates remained unchanged in 2018.

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 determining the appropriate discount rate (disclosed in 4.3.1.).

C. NON-CURRENT DEFERRED COSTS

Deferred costs pertain to non-current deferred costs of subscriber acquisition, non-current deferred costs of connection fees for data lines, and non-current 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.

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, labour, 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) 2018
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 2018.

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 ASSETS

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

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

Subsequent measurement
For purposes of subsequent measurement, financial assets are classified in four categories:
• Financial assets at amortised cost (debt instruments)
• Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments);
• Financial assets at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments);
• Financial assets at fair value through profit or loss

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

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

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

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

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

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

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

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

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

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

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

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

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

G. FINANCIAL LIABILITIES

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

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

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

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

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

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

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

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

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

H. OFFSETTING OF FINANCIAL INSTRUMENTS

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

I. INVENTORIES

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

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

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

J. 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 Non-current Employee Earnings

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

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

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

K. EQUITY

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

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

L. TAXES

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

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

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

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

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

M. REVENUE FROM CONTRACTS WITH CUSTOMERS

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

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

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

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

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

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

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

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

- Principal or agent: IFRS 15:B34

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

▪ Financing component

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

Contract balances

▪ Contract assets

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

▪ Trade receivables

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

▪ Contract liabilities

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

▪ Cost to obtain a contract

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

N. 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.

O. USE OF ACCOUNTING ESTIMATES AND JUDGMENTS

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 4.3.16.

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

• Impairment of intangible and tangible fixed assets: The test of impairment of intangible and tangible assets is based on discounted estimated future cash flows from continued use of these assets and the final disposal of these assets. Changes to discount rates and growth rates, which are taken into account in the revenue and cost growth, may result in the need for an impairment of the asset or a derecognition of the impairment. Carrying amount of intangible asset and tangible fixed assets are presented in more detail in the disclosures 4.3.1. and 4.3.2.

• 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 4.3.1. and 4.3.2.

• 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 4.3.6.

• 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 4.3.16.

• 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 4.6.3.

P. FAIR VALUE

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

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

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

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

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

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

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

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

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

Q. CASH FLOW STATEMENT

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

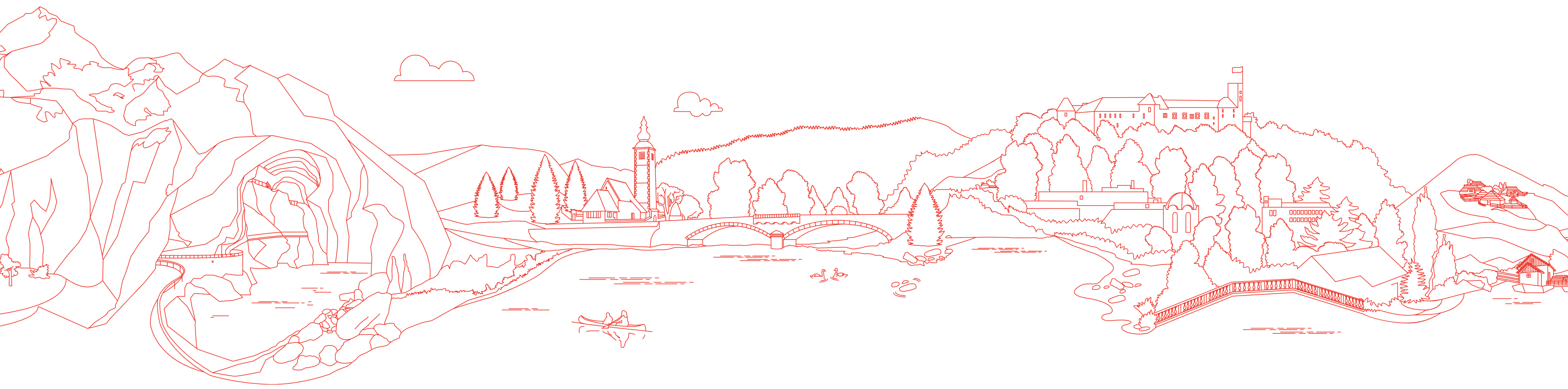
The part of the cash flow statement pertaining to operations was prepared using the indirect method and based on data from the balance sheet as at 31 December 2018 and 31 December 2017, data from the profit and loss statement for 2018, and from additional data which are required for adjusting inflows 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.

R. 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.



4.3. BALANCE SHEET

4.3.1. Intangible assets

	Goodwill and customer base	Radio frequencies	Licenses	Software	Leased lines	Total
Historical cost						
Balance on 1 January 2017	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
Merger by acquisition	0	0	0	0	0	0
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
Procurement, activation	0	0	427,637	3,250,829	1,739,833	5,418,299
Disposals, write-offs	0	0	0	0	0	0
Transfer	0	0	0	0	0	0
Balance on 31 December 2018	**15,491,840**	**92,113,004**	**14,385,659**	**55,496,123**	**26,169,142**	**203,655,767**
Accumulated amortization and impairments						
Balance on 1 January 2017	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
Merger by acquisition	0	0	0	0	0	0
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
Amortization	206,300	4,795,577	507,404	4,100,197	1,519,701	11,129,179
Disposals, write-offs	0	0	0	0	0	0
Transfer	0	0	0	0	0	0
Balance on 31 December 2018	2,584,667	41,112,222	13,475,192	47,552,250	8,439,846	113,164,177
Carrying amount						
31 December 2017	13,113,473	55,796,359	990,234	8,793,241	17,509,164	96,202,471
31 December 2018	12,907,173	51,000,782	910,467	7,943,873	17,729,296	90,491,591

49% of all intangible assets that were utilized as at 31 December 2018 were fully amortized (on 31 December 2017 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.

Radio Frequencies

Cost for obtained licenses for the use of the radio frequency spectrum are capitalized at purchase price and using the method of straight-line amortization for the duration of the license agreement of 15 years.

On 26 May 2014 the Agency for Communication Networks and Services (AKOS) issued the Company with a decision for the utilization of the radio frequency spectrum in the 800 MHz, 900 MHz, 1800 MHz, 2100 MHz and 2600 MHz radio frequency bands, as it has won in the frequency auction in 2014 in the total value of EUR 65.3 million. The obligation for radio frequencies was fully settled in 2014.

The book value of licenses on 31 December 2018 was EUR 51 million.

Financial Liabilities

As at 31 December 2018 the Company has no financial liabilities for obtaining intangible assets (2017: EUR 0).

Impairment Test of Non-current Assets and Goodwill

In 2018 we completed an impairment test of non-current 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 2019– 2023, with the after-tax discount rate of 7.2%, and a non-current growth rate of 1.3%. No need for impairment was established.

Leased lines

In 2018, the company leased lines for the amount of EUR 1,739,833 (2017: EUR 17,513,544).

4.3.2. 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 2017	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
Merger by acquisition	-590	0	0	590	0	0
Transfer	0	0	0	0	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
Procurement, activation	218,945	11,503,792	2,100,264	8,397,819	0	22,220,820
Disposals, write-offs	0	-2,327,365	-108,440	-214,985	-31,305	-2,682,095
Transfer	0	0	0	0	0	0
Balance on 31 December 2018	7,753,739	190,149,698	17,928,306	55,700,461	18,384,274	289,916,478
Accumulated depreciation and impairments						
Balance on 1 January 2017	4,655,227	119,134,580	13,764,856	34,225,994	953,504	172,734,162
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
Merger by acquisition	0	0	0	0	0	0
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
Procurement, activation	456,059	12,656,109	1,056,719	4,177,776	680,054	19,026,717
Disposals, write-offs	0	-1,849,445	-105,131	-214,052	0	-2,168,628
Transfer	0	0	0	0	0	0
Balance on 31 December 2018	5,544,981	141,310,689	15,484,393	42,323,619	1,706,606	206,370,287
Carrying amount						
31 December 2017	2,445,872	50,469,245	1,403,677	9,157,732	17,389,028	80,865,554
31 December 2018	2,208,758	48,839,009	2,443,913	13,376,842	16,677,669	83,546,191

Base Stations and Exchanges

In 2018, investments in base stations were EUR 11,503,792 (2017: EUR 12,640,959). 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 2,310,076 as at 31 December 2018 (2017: EUR 2,303,543).

When calculating the provisions for decommissioning costs as at 31 December 2018, the company applied the following conditions:
- discount rate of 2% (2017: 2%)
- Inflation rate 2% (2017: 2%).

Mortgages

Fixed assets as at 31 December 2018 are not used as collateral (2017 they were not used).

Financial Liabilities

The amount of financial liabilities for obtaining tangible fixed assets as at 31 December 2018 was EUR 1,987,396 (2017: EUR 7,080,332).

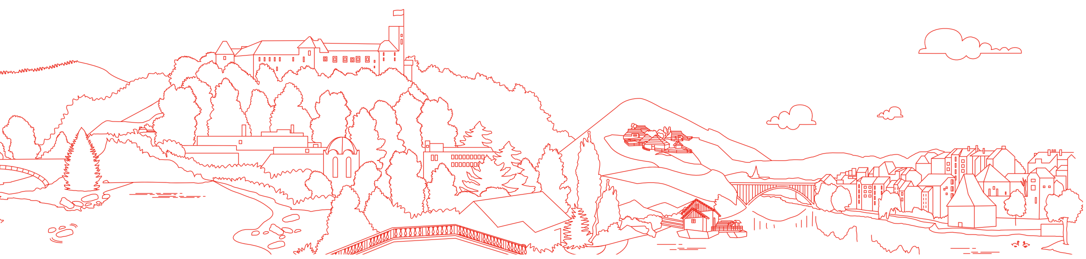
Finance Leases

The Company has no fixed assets under financial lease.

4.3.3. Non-current Financial Assets

The Company's non-current financial assets include an investment in Zavod Tehnološka mreža ICT, Dunajska cesta 159, Ljubljana, in the amount of EUR 750 (2017: EUR 750), and an investment into the shares of the cable system Pekre Radvanje Limbuš in the amount of 50.03%, i.e. EUR 218,138 (2017: EUR 124,062).

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 non-current financial assets:

	Financial assets at fair value through OCI
Balance on 1 January 2018	125,312
Additions	138,653
Impairment loses	-44,577
Disposals	-500
Adjustment to fair value	0
Balance on 31 December 2018	218,888
Balance on 1 January 2017	125,312
Additions	0
Acquisitions	0
Disposals	0
Adjustment to fair value	0
Balance on 31 December 2017	125,312

4.3.4. Non-current operating receivables

	31 December 2018	31 December 2017
Non-current operating receivables due from customers	9,617,687	8,986,537
Accumulated allowances	-189,235	-179,717
Effect of discounting	0	-223,790
Non-current net trade receivables	**9,428,452**	**8,583,030**
Non-current trade receivables due from others	80,721	411,671
Accumulated allowances	0	0
Non-current net trade receivables due from others	**80,721**	**411,671**
Non-current operating receivables	**9,509,173**	**8,994,701**

Non-current operating receivables include long term security deposits given to the company Euromarkt, d.o.o., in the amount of EUR 44,686 (2017: EUR 44,686), to the company Globus trgovina, d.o.o., in the amount of EUR 12,750 (2017: EUR 12,750), to the company GF nepremičnine in the amount of EUR 4,641 (2017: EUR 4,641), to the company BTC, d.d., in the amount of EUR 3,000 (2017: EUR 3,000), to the company Mercator, d.d., in the amount of EUR 12,594 (2017: EUR 12,594), to the company Centrice Real Estate Ljubljana, d.o.o. 3,050 EUR (2017:EUR 0) and to the company Vahta, d.o.o., in the amount of EUR 0 (2017: EUR 334,000) Non-current operating receivables include the receivables from the sale of phones in 24 instalments in the amount of EUR 9,428,452 (2017: EUR 8,583,030).

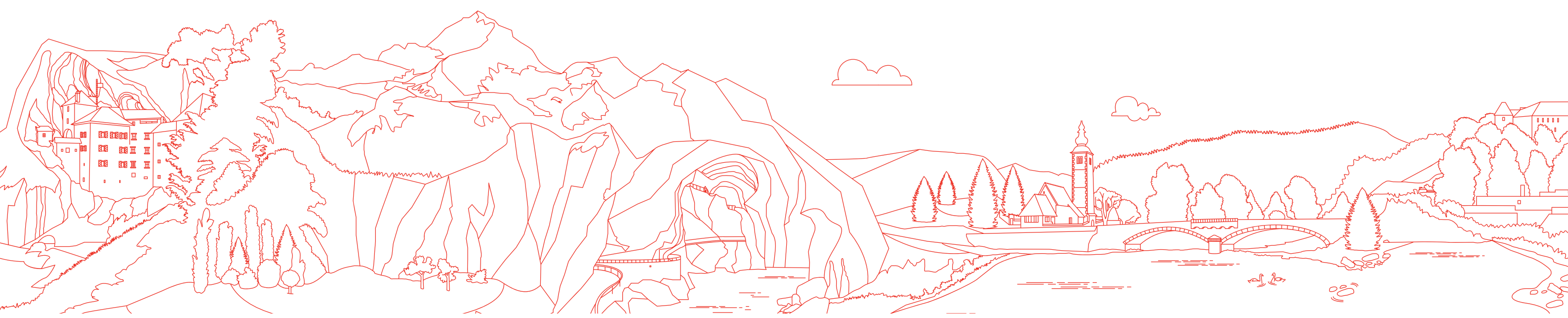
4.3.5. Non-current and current contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. Customers usually pay for the equipment, bundled with a service price plan, an amount that is recognized in assets as monthly subscription fees, which are billed to customers for the duration of the contract.

Contract assets include the agent's commission, which is deferred for the duration of the subscriber contract. The cost is recognized as the cost of products and services (disclosed in 4.4.3.).

The table below shows contract assets by type and maturity.

	31 December 2018	31 December 2017
Contract assets to consideration for goods transferred or services preformed	1,897,816	0
Dealer provision	155,067	0
Total non-current contract assets	**2,052,883**	**0**
Contract assets to consideration for goods transferred or services preformed	3,460,425	0
Dealer provision	439,244	0
Total current contract assets	**3,899,669**	**0**



4.3.6. Deferred Tax Assets

Deferred tax assets are processed based on the future 19% tax rate (2017: 19%).

Changes in 2018	01 January 2018	Increase	Derecognition	Expenditure	31 December 2018
From temporary differences arising from the revaluation of receivables	3,230,652	807,059	-436,564	-314,816	3,286,331
From temporary differences arising from provisions	344,424	58,830	-9,418	-3,446	390,389
From temporary differences arising from applying different amortization/depreciation periods for bookkeeping and tax purposes	135,038	228,520	0	-5,248	358,310
Total	3,710,114	1,094,410	-445,982	-323,510	4,035,031

Changes in 2017	01 January 2017	Increase	Derecognition	Expenditure	31 December 2017
From temporary differences arising from the revaluation of receivables	2,931,201	840,532	-443,782	-97,299	3,230,652
From temporary differences arising from provisions	220,002	131,762	-192	-7,148	344,424
From temporary differences arising from tax losses	670,615	0	0	-670,615	0
From temporary differences arising from applying different amortization/depreciation periods for bookkeeping and tax purposes	-181,013	362,528	-754	-45,723	135,038
Total	3,640,805	1,334,822	-444,728	-820,785	3,710,114

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.

4.3.7. Non-current deferred costs

	31 December 2018	31 December 2017
Deferred cost of connection fees for data lines	984,318	1,004,594
Deferred cost of leasing base station sites	5,565,357	4,914,811
Deferred maintenance costs	539,620	311,210
Deferred cost of customer acquisition	0	14,357,578
Non-current deferred costs	**7,089,295**	**20,588,193**

A significant change occurred in regard to the deferred cost of acquiring customers due to the adoption of IFRS 15.

4.3.8. 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 2018	31 December 2017
Goods for resale	9,284,150	6,266,746
Inventories	**9,284,150**	**6,266,746**

Inventories as at 31 December 2018 are not used as collateral. As at 31 December 2018 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 2018.

4.3.9. Current operating receivables due from customers

	31 December 2018	31 December 2017
Current trade receivables due from customers – subscribers	77,092,638	65,485,767
Allowances for current trade receivables due from customers – subscribers	-27,480,252	-27,859,844
Net trade receivables due from customers – subscribers	**49,612,386**	**37,625,923**
Current trade receivables due from customers – others	7,012,957	7,792,607
Allowances for current trade receivables due from customers – others	-1,460,905	-1,380,296
Net trade receivables due from customers – others	**5,552,052**	**6,412,311**
Current trade receivables – foreign	7,769,222	3,771,797
Allowances for current trade receivables due from customers – foreign	0	-39,958
Net trade receivables – foreign	**7,769,222**	**3,731,839**
Total current operating receivables	**62,933,660**	**47,770,073**

Current trade receivables from subscribers and others comprise accrued revenue which was recognized in other current assets as on 31 December 2017.

Current trade receivables – foreign as on 31 December 2018 include the Company's cash in a clearing house, intended for carrier billing. As on 31 December 2017 these assets were recognized as cash and cash equivalents.

Receivables by maturity and the changes in the allowances are presented under Credit Risks (4.6.3.).

4.3.10. Current trade receivables from group companies

	31 December 2018	31 December 2017
Current trade receivables from group companies	1,099,853	1,454,475
Allowances for current trade receivables from group companies	0	0
Total trade receivables from group companies	**1,099,853**	**1,454,475**

Receivables by maturity and the changes in the allowances are presented under Credit Risks (4.6.3.).

4.3.11. Tax assets from the income tax

	31 December 2018	31 December 2017
Assets from income tax	1,097,853	470,912
Total income tax liabilities	**1,097,853**	**470,912**

4.3.12. Other operating receivables

	31 December 2018	31 December 2017
Advances and security deposits given	64,272	175,504
Allowances for advances and security deposits given	0	-22,107
Net advances and security deposits given	**64,272**	**153,397**
Other current receivables	1,099,929	1,040,679
Allowances for other current receivables	0	0
Net other current receivables	**1,099,929**	**1,040,679**
Total other operating receivables	**1,164,201**	**1,194,076**

4.3.13. 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 2018	31 December 2017
Cash at bank	501,220	1,954,053
Cash in hand	0	80,052
Call deposits	24,364,511	27,134,029
- at Telekom Austria	24,144,411	26,941,829
- at financial institutions	220,100	192,200
Total cash and cash equivalents	**24,865,731**	**29,168,134**

4.3.14. Other current assets

	31 December 2018	31 December 2017
Current deferred costs	364,791	1,414,791
Temporary accrued revenue	0	7,969,271
Total other current assets	**364,791**	**9,384,062**

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

Accrued revenue was recognized as Current trade receivables in 2018.

4.3.15. Equity

Company equity on 31 December 2018 amounts to EUR 230,745,396. 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 2018.

Capital reserves are EUR 108,941,657 (31 December 2017: EUR 108,941,657) and represent the pay-in of the majority shareholder.

Legal reserves have been formed in the amount of 10% of the share capital in accordance with the requirements of the Companies Act.

Reserves resulting from valuation at fair value relate to unrealized actuarial profits, loss from the actuarial calculation of severances upon retirement, and the loss from the disposal of financial assets.

Retained earnings increased by EUR 5,956,595 as of 1 January 2018 due to the transition to IFRS.

Net profit from operations for the 2018 financial year is EUR 8,779,718. Net earnings per share are EUR 0.94 (2017: EUR 1.23) which is calculated by dividing EUR 8,779,718 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	2018	2017
a)	Net profit/loss for the year	8,779,718	11,482,742
b)	+ retained net profit	70,428,397	68,502,250
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	79,208,115	79,984,992
	- to shareholders	0	0
	- to other reserves	0	0
	- to retained profit	0	0
	- for other purposes	0	0

4.3.16. Provisions for Post-Employment Benefits and Other Non-current Provisions

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

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

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

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 (2017: 2%) The actuarial calculation of jubilee awards is made applying a 1.25% discount rate (2017: 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	
Change by	0.5	-0.5	0.5	-0.5	0.5	-0.5
Jubilee awards	-4.33%	4.66%	0.00%	0.00%	-4.47%	2.76%
Severance pay upon retirement	-8.41%	9.38%	19.42%	-15.95%	-8.80%	9.69%
Effect on provisions for post-employment benefits						

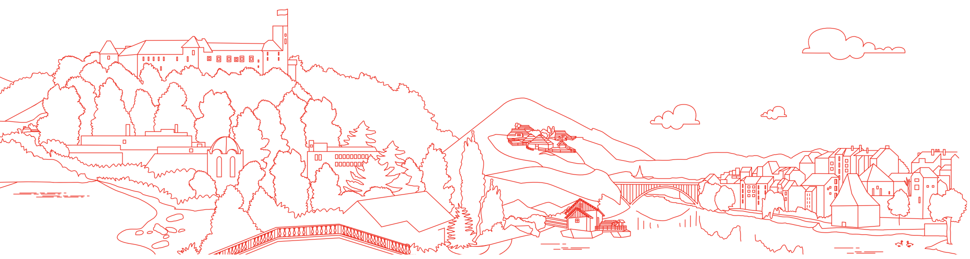
Sensitivity analysis for decommissioning costs

	Discount rate	
Unit	percentage point	
Change by	0.5	-0.5
Effect on provisions for decommissioning costs	**-7.79%**	**7.17%**

4.3.17. Non-current financial liabilities

	31 December 2018	31 December 2017
Non-current borrowings	0	7,800,000
Non-current operating leases	0	2,809
Total non-current financial liabilities	**0**	**7,802,809**

In 2018, the company paid the loan in the amount of EUR 7,800,000 received from Mobilkom Beteiligungsellschaft MbH.



4.3.18. Non-current operating liabilities

	31 December 2018	31 December 2017
Non-current operating liabilities	13,500,000	13,500,000
Total non-current operating liabilities	**13,500,000**	**13,500,000**

The disclosure of the maturity of the obligation is in point 4.6.1.

4.3.19. Non-current and current contract liabilities

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

Current contract assets include current deferred revenue from sold and unused vouchers for services in the SIMPL and BOB systems, which were recognized as current deferred revenue in 2017.

The table below shows contract liabilities by maturity.

	31 December 2018	31 December 2017
Non-current contract liabilities	361,884	0
Current contract liabilities	2,715,793	0
Total contract liabilities	**3,077,677**	**0**

4.3.20. Current financial liabilities

	31 December 2018	31 December 2017
Liabilities from loans	0	71,777
Liabilities from interest	0	3,600,000
Total current financial liabilities	**0**	**3,671,777**

Changes in financial liabilities

	1 January 2018	Increase	Repayment	Payment of interest	31 December 2018
Financial liabilities arising from interest	71,777	63,073	0	-134,850	0
Financial liabilities arising from loans	3,600,000	0	-3,600,000	0	0
Total current financial liabilities	**3,671,777**	**63,073**	**-3,600,000**	**-134,850**	**0**
	1 January 2017	**Increase**	**Repayment**	**Payment of interest**	**31 December 2017**
Financial liabilities arising from interest	107,951	327,860	0	-364,034	71,777
Financial liabilities arising from loans	3,600,000	0	0	0	3,600,000
Total current financial liabilities	**3,707,951**	**327,860**	**0**	**-364,034**	**3,671,777**

4.3.21. Current operating liabilities to suppliers

	31 December 2018	31 December 2017
Liabilities towards suppliers	36,572,283	31,760,003
Total current operating liabilities to suppliers	**36,572,283**	**31,760,003**

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

4.3.22. Current operating liabilities towards group companies

	31 December 2018	31 December 2017
Liabilities towards group companies	2,038,783	1,677,110
Total current operating liabilities towards group companies	**2,038,783**	**1,677,110**

4.3.23. Other operating liabilities

	31 December 2018	31 December 2017
Liabilities arising from advances	737,677	757,925
Liabilities towards employees	1,318,316	1,433,737
Liabilities towards the state and state institutions	1,213,753	1,260,009
Other liabilities	511,900	357,635
Total other operating liabilities	**3,781,646**	**3,809,306**

4.3.24. Current deferred revenue and current provisions and accrued costs

	31 December 2018	31 December 2017
Current deferred income	0	2,647,311
Total current deferred income	**0**	**2,647,311**

Current deferred revenue from sold and unused vouchers for services in the SIMPL and BOB systems, were recognized as Current contract liabilities in 2018.

	31 December 2018	31 December 2017
Current provisions and accrued costs	5,410,330	3,364,280
Total current provisions and accrued costs	**5,410,330**	**3,364,280**

Current accrued cost includes accrued costs for the payment of bonuses for employees, costs of unused annual leave for 2018, and other accrued cost.

4.3.25. Contingent Liabilities

The Company is the defendant in court cases with the amount of claims totalling at EUR 2,238,257 (2017: EUR 2,251,603). 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.

4.3.26. Contingent Liabilities from Issued Guarantees

As at 31 December 2018 the Company's maximum contingent liabilities from issued guarantees stand at EUR 635,072 (2017: EUR 461,866).

4.4. 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:

	2018	2017
Revenue from contracts with customers	206,837,412	208,538,863
Production costs of goods sold (including depreciation) or original cost of sold goods	68,004,953	53,626,638
Selling cost (including depreciation)	121,798,261	135,201,567
Administrative expenses (including depreciation)	7,285,447	8,149,247
Operating profit or loss	**9,748,750**	**11,561,410**

4.4.1. Revenue from contracts with customers

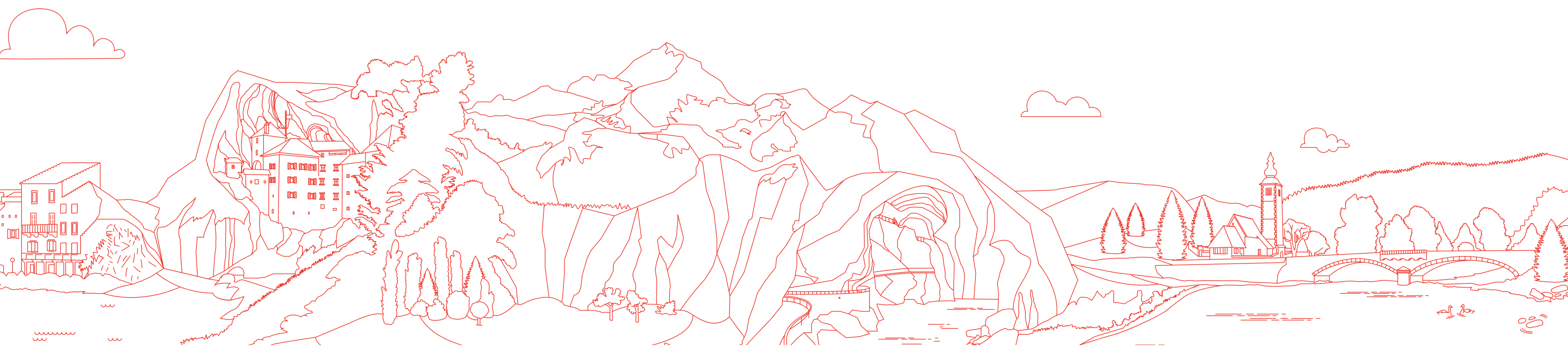
	2018	2017
Net revenue from sold services	156,010,519	157,131,705
net revenue from sold goods	50,826,893	51,407,158
Revenue from contracts with customers	**206,837,412**	**208,538,863**

Revenue from contracts with customers at home and abroad

	2018	2017
Revenue from sales at home	197,344,453	201,204,169
- sale of services at home	146,517,559	149,797,011
- sale of goods at home	50,826,894	51,407,158
Revenue from sales abroad	9,492,959	7,334,694
- sale of services abroad	9,492,959	7,334,694
- sale of goods abroad	0	0
Total	**206,837,412**	**208,538,863**

Revenue from contracts with customers

	2018	2017
Revenue from the sale of subscription and prepaid telephone services	128,705,358	133,293,832
Revenue from interconnection and international roaming	21,471,798	18,926,943
Other revenue from the sale of services	5,833,363	4,910,930
Total	**156,010,519**	**157,131,705**



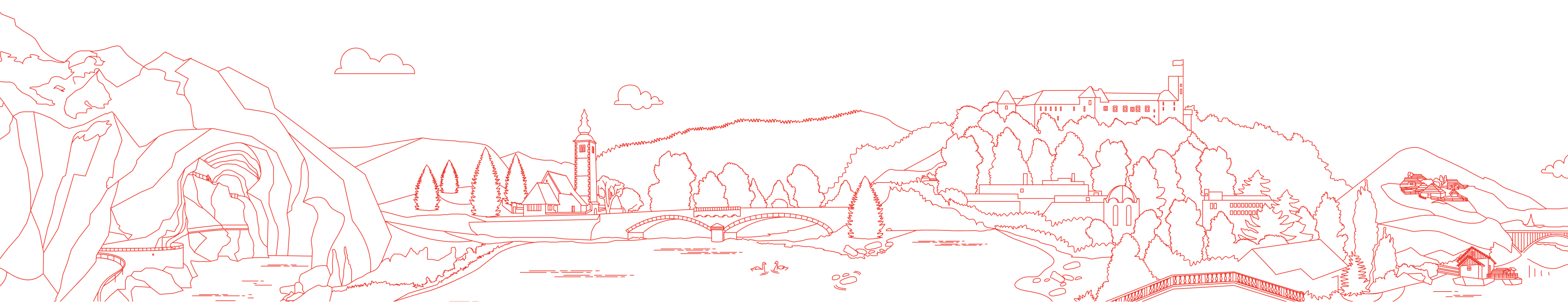
4.4.2. Other revenue

in EUR	2018	2017
Gains from sold fixed assets	9,959	31,857
Revenue from derecognizing non-current provisions for base stations decommissioning	5,825	26,212
revenue from derecognizing allowances for receivables	0	3,017,731
Revenue from reimbursed court costs	1,496,646	1,186,916
Revenue from paid written-off receivables	12,679	17,585
revenue from inventory allowance	372,578	0
Revenue related to deployed employees	709,494	1,040,044
Other revenue	13,702	3,546
Total	**2,620,883**	**5,323,891**

Gains from derecognizing the allowance for receivables impairment for 2018 were recorded under Revaluation surplus/deficit from financial assets under IFRS 9. Disclosed in 4.4.7.

4.4.3. Costs of goods, materials and services

	2018	2017
Costs of goods sold	53,089,405	41,098,701
Cost of materials	4,821,373	4,507,510
Total	**57,910,778**	**45,606,211**



Cost of materials

	2018	2017
Energy cost	4,166,265	3,757,319
Write-off of small tools	27,033	45,924
Other cost of material	341,522	335,422
Costs of office supplies and professional literature	286,553	368,844
Total	**4,821,373**	**4,507,510**

Costs of services

	2018	2017
Cost of products and services in making	33,219,013	32,628,439
Cost of transportation services	208,384	248,286
Cost of maintenance services	6,624,632	7,606,651
Rent costs	10,794,647	10,203,615
Cost of payment transactions and bank services	436,252	468,185
Cost of reimbursements to employees	177,668	212,826
Cost of intellectual and personal services	2,675,357	2,462,066
Insurance premiums	202,050	201,178
Cost of interconnection and international roaming	22,243,065	22,916,653
Marketing costs	8,338,264	17,606,697
Cost of other services	3,337,648	4,244,684
Total	**88,256,980**	**98,799,280**

The cost of goods and services includes the agent's commission for acquiring a new costumer in the amount of EUR 125,418.

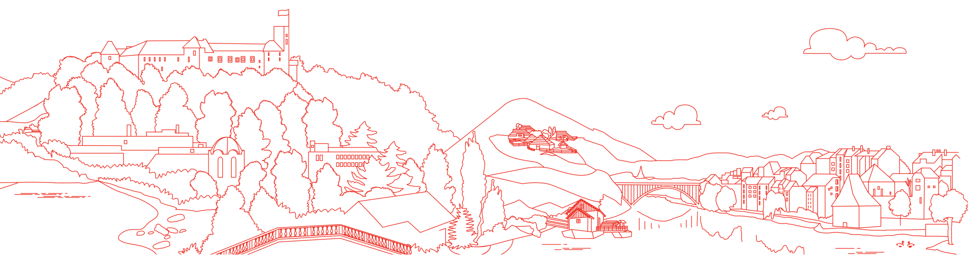
Cost of other services includes costs of postal services, costs of phone services and other. Auditing services for 2018 were EUR 60,000 (2017: EUR 60,000) and include the cost of the annual audit.

4.4.4. Labor cost

	2018	2017
Salaries and wage compensations	15,506,011	15,218,583
Pension insurance	1,910,581	1,884,024
Other social security contributions	1,156,483	1,131,775
Other labor costs:		
- transport allowances	717,312	705,088
- food allowance	715,734	720,893
- vacation allowance	649,481	638,458
- cost of severance pays and jubilee awards	106,228	265,903
- cost of unused paid leave	-21,183	52,899
- other labor costs	-106,593	91,495
Total	**20,634,054**	**20,709,118**

4.4.5. Amortization and depreciation

	2018	2017
Depreciation of tangible fixed assets	19,026,717	18,289,210
Amortization of intangible assets	11,129,179	11,967,083
Total	**30,155,896**	**30,256,293**



4.4.6. Other operating expenses

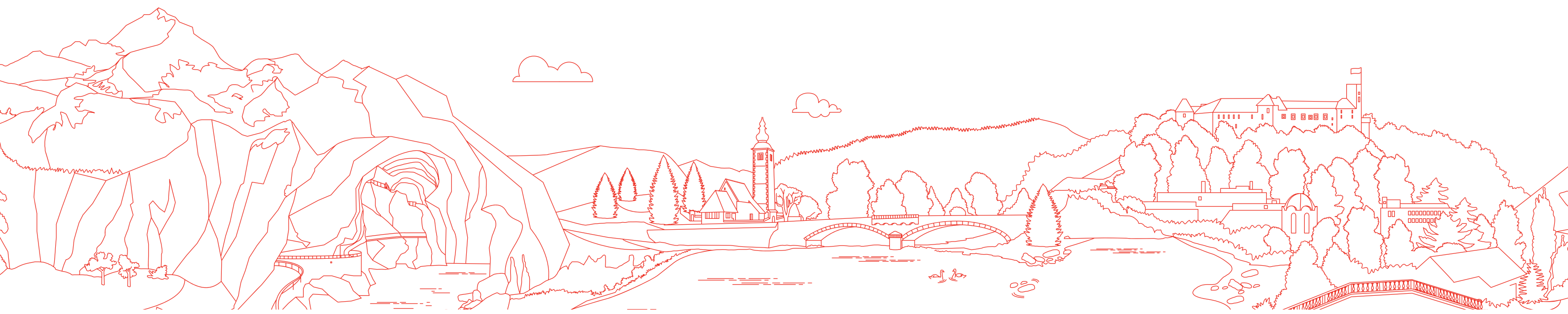
	2018	2017
Accumulated allowances for receivables	0	5,015,051
Duties not depending on business results	828,551	1,257,271
Other expenses	286,921	387,285
Loss from disposal of intangible assets and tangible fixed assets	242,662	270,835
Total	**1,358,134**	**6,930,442**

Losses from the allowance for receivables impairment for 2018 were recorded under Revaluation surplus/deficit from financial assets under IFRS 9. Disclosed in 4.4.7.

Duties not depending on business results are liabilities to the Agency for Communication Networks and Services in the amount of EUR 759,639 (2017: EUR 993,468), and administrative and court tax stamps.

4.4.7. Impairment losses and gains from financial assets

in EUR	2018	2017
Impairment losses from trade receivables	4.842.234	0
Impairment gains from trade receivables	-3.452.211	0
Impairment losses from contract assets	3.679	0
Impairment gains from contract assets	0	0
Total	**1.393.702**	**0**



4.4.8. Financial Revenue and Expenses

	2018	2017
Revenue from interest	518,999	2,273,352
Positive foreign exchange differences	9,538	34,937
Other financial revenue	6,436	7,609
Total financial revenue	**534,973**	**2,315,898**
Expenses for the interest on loans	68,530	327,860
Default interest towards suppliers	25,122	286,235
Negative foreign exchange differences	28,757	67,670
Other interest	287,937	626,542
Total financial expenses	**410,346**	**1,308,307**
Expenses from derecognizing financial assets	**500**	**0**
Total expenses from derecognizing financial assets	**500**	**0**
Dividend received related parties	**0**	**42,221**
Profit/loss	**124,127**	**1,049,812**

4.4.9. Income tax

	2018	2017
Accrued tax	0	1,197,688
Deferred tax	1,093,160	-69,208
Income tax	**1,093,160**	**1,128,480**
Profit before taxes	9,872,878	12,611,222
Tax calculated at a 19% rate	1,875,847	2,396,132
Tax effects of untaxed revenue	-3,158,438	-2,740,455
Tax effects of non-tax-deductible expenses	**1,282,591**	**1,542,011**
Taxes	**0**	**1,197,688**
Effective tax rate	**0.00%**	**9.50%**

Corporate income tax for 2018 amounts to EUR 0 (2017: EUR 1,197,688). The effective income tax rate for 2018 was 19% (2017:19%).

4.4.10. Related party transactions

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

- company TS RPL d.d. from Slovenia,
- companies A1 Hrvatska in VIPnet Usluge, registered in Croatia,
- company A1 Bulgaria 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

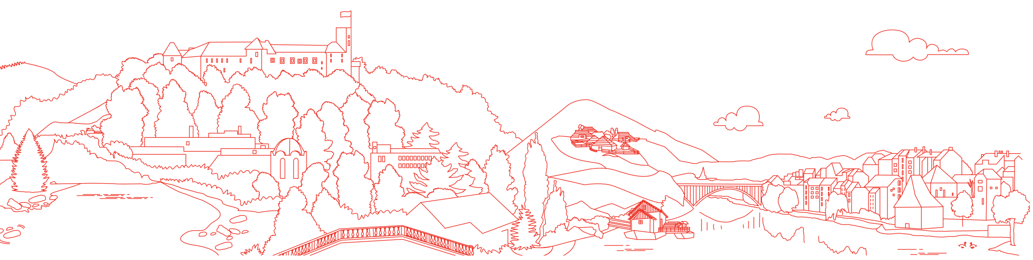
in EUR	2018	2017
A1 Hrvatska d.o.o.	637,522	623,209
A1Telekom Austria AG	3,902,770	3,738,938
Telekom Austria AG	31,196	52,829
one. Vip DOO Skopje	39,705	47,925
Metronet Telekomunikacije d.d., Croatia	0	2,475
VIP Mobile d.o.o.	991,217	1,127,206
A1 Bulgaria EAD	36,733	36,845
A1 Digital International GmbH	230,478	195,171
Radiomóvil Dipsa, S.A. de C.V. y subsidiarias (“Telcel”)	3,926	4,231
Claro S.A. (antes BCP, S.A.)	1,859	0
Other roaming	2,099	1,986
Total	5,877,505	5,830,815

Other revenues (interests, currency differences)

in EUR	2018	2017
A1 Telekom Austria AG	0	497
Total foreign exchange differences	0	1
Total	0	498

Costs of services and other operating expenses

in EUR	2018	2017
A1 Hrvatska d.o.o.	2,182,649	3,348,604
VipNet usluge d.o.o.	0	150,399
A1 Telekom Austria AG	7,772,624	7,568,072
Telekom Austria AG	828,314	867,152
one. Vip DOO Skopje	2,747	6,644
VIP Mobile d.o.o.	1,402,187	1,511,972
Unitary Enterprise Velcom	7,455	302,355
TA CZ sítě s.r.o., Czech Republic	0	59,845
A1 Bulgaria EAD	76,382	74,406
A1 Digital International GmbH	78,830	27,828
Claro S.A. (antes BCP, S.A.)	825	983
Compañía Dominicana de Teléfonos, S.A.	328	638
Claro Chile, S.A.	413	353
América Móvil Perú, S.A.C	563	645
Radiomóvil Dipsa, S.A. de C.V. y subsidiarias ("Telcel")	1,982	1,901
TS RPL d.d. Maribor	58,796	0
Other roaming	544	2,542
Total	**12,414,639**	**13,924,339**



Other expenses (interests, currency differences)

in EUR	2018	2017
mobilkom Beteiligungsgesellschaft mbH	68,530	327,860
VIP Mobile d.o.o.	1,083	0
Total foreign exchange differences	0	0
Total	**69,613**	**327,860**

Business result from transaction with related parties

in EUR	2018	2017
	-6,606,747	-8,415,020

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

4.5. 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 2018 comprises gross income, which was reported in their tax returns, holiday allowances, benefits and profit sharing. In 2018 this income was:

- management: EUR 0
- Supervisory Board: EUR 0, and
- employees with individual contracts: EUR 840,056.65.

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

4.6. 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.

4.6.1. 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.

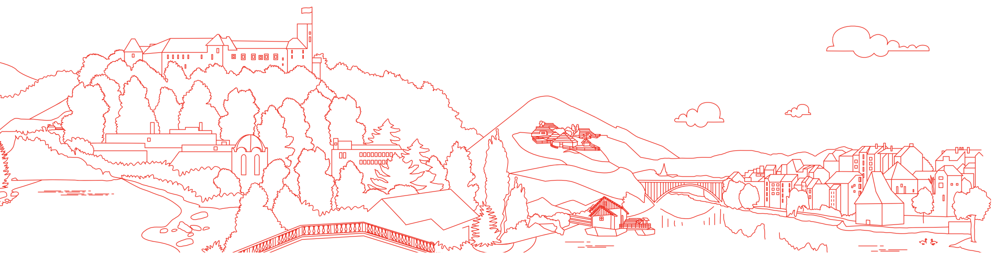
The Company's liabilities by maturity:

31 December 2017	Carrying amount of liabilities	Stipulated cash flows				
		Liability	0-6 months	6-12 months	1-5 years	over 5 years
Non-current financial liabilities	7,802,809	8,669,771	312,933	0	8,356,838	0
Non-current operating liabilities	13,500,000	16,200,000	0	0	5,850,000	10,350,000
Current financial liabilities	3,671,777	3,893,416	1,989,546	1,903,870	0	0
Current 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**

31 December 2018	Carrying amount of liabilities	Stipulated cash flows				
		Liability	0-6 months	6-12 months	1-5 years	over 5 years
Non-current financial liabilities	0	0	0	0	0	0
Non-current operating liabilities	13,500,000	13,500,000	0	0	4,500,000	9,000,000
Non-current contract liabilities	361,884	361,884	0	0	361,884	0
Current financial liabilities	0	0	0	0	0	0
Current operating liabilities (excl. Liabilities to the state, employees and liabilities arising from advances)	38,611,066	38,611,066	38,591,793	69,573	10,636	-60,937
Current contract liabilities	2,715,793	2,715,793	707,482	482,126	0	0
Total	55,188,743	55,188,743	39,299,275	551,699	4,872,520	8,939,063

4.6.2. 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 2018 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 2018:

	31 December 2018	31 December 2017
Non-current financial assets	218,888	125,312
Non-current operating receivables	9,509,173	8,994,701
Non-current Contract assets	2,052,883	0
Current trade receivables from customers, group companies and others (excluding receivables due from the state)	64,515,582	49,893,057
Short Term Contract assets	3,899,669	0
Cash and cash equivalents	24,865,731	29,168,134
Other current assets	364,792	9,384,062
Total	**105,426,718**	**97,565,266**

Current operating receivables are most exposed to credit risk on the reporting date. The Company has instituted procedures for managing receivables which include monitoring the credit rating of business partners, monitoring high subscriber traffic and collections. Collections are conducted according to a 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.

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

4.6.3. Receivables by maturity

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
Current trade receivables	36,548,592	4,415,523	1,797,319	366,359	4,642,280	47,770,073
Current receivables from group companies	1,403,756	61,174	414	-328	-10,541	1,454,475
Total	**37,952,349**	**4,476,697**	**1,797,733**	**366,031**	**4,631,739**	**49,224,548**

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

Changes in allowances for receivables

	Allowances for receivables due from customers	Allowances for advances and security deposits given	Allowances for receivables due from group companies	Allowances for other current receivables (excluding receivables due from the state)	Allowances for non-current operating receivables	Total
Balance on 1 January 2017	**27,880,168**	**22,107**	**0**	**0**	**0**	**27,902,275**
Formed allow-ances	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**
Balance on 1 January 2018	**29,280,097**	**22,107**	**0**	**0**	**0**	**29,302,204**
Formed allow-ances	4,842,234	0	0	0	0	4,842,234
Write-off	-1,656,928	0	0	0	0	-1,656,928
Eliminated allowances	-3,523,947	-22,107	0	0	0	-3,546,054
Balance on 31 December 2018	**28,941,456**	**0**	**0**	**0**	**0**	**28,941,456**

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

4.6.4. Interest rate risk

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

4.6.5. Currency risk

The majority of financial and operational receivables and liabilities on 31 December 2018 is denominated in euro. Risk exposure is estimated as low i.e. immaterial, and will therefore not be disclosed.

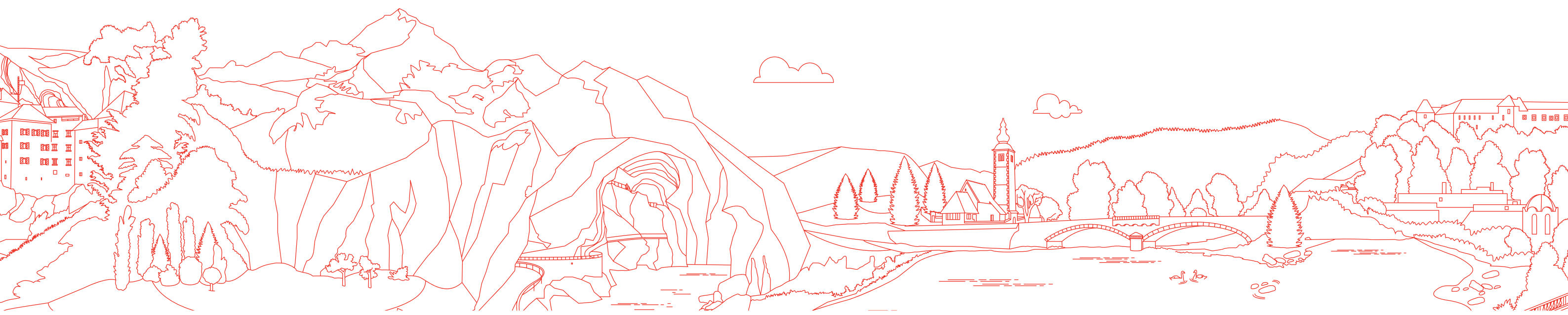
Sensitivity analysis
Exchange rate changes to the EUR/USD, GBP, and HRK by 5% would increase (decrease) the net exchange rate differences by EUR 7,413 in 2018 and by EUR 1,357 in 2017.

4.7. 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.

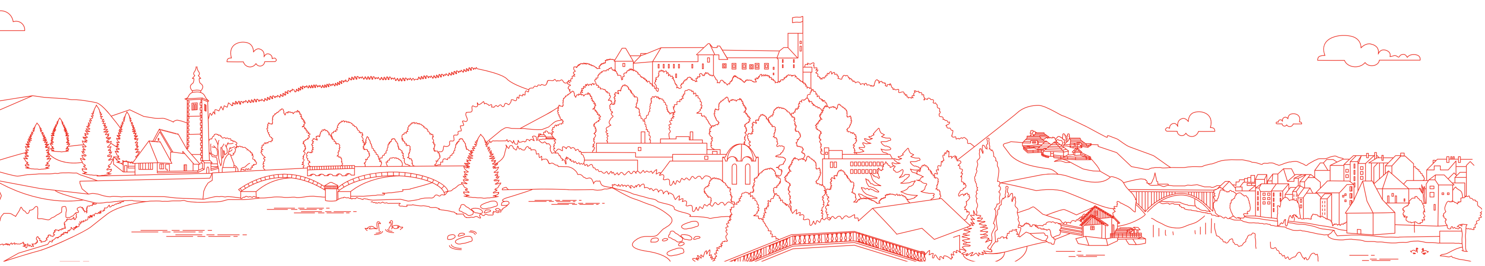
in EUR	31 December 2018	31 December 2017
Total equity	230,745,396	231,611,164
Net financial liabilities	0	11,474,586
Net debt/equity	**0.00**	**0.05**



4.8. CARRYING AMOUNTS AND FAIR VALUES OF FINANCIAL INSTRUMENTS

Fair values of financial assets classified by fair value hierarchy:

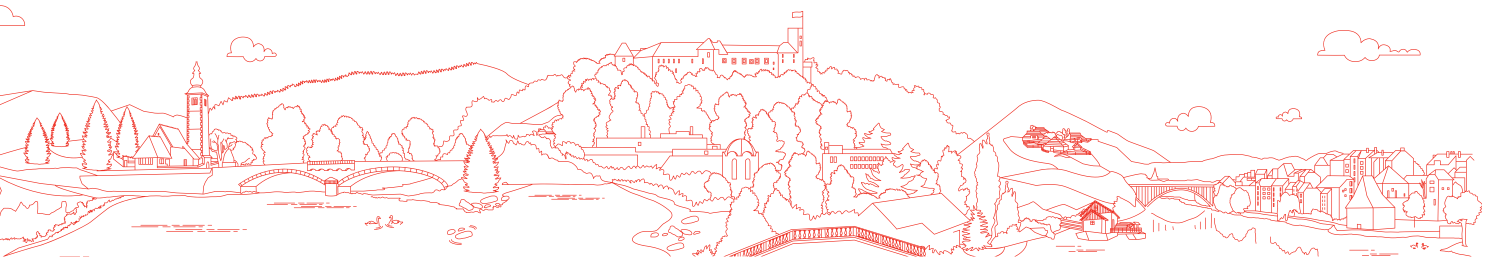
	31 December 2018			31 December 2017		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Non-current financial liabilities	0	0	0	0	0	-7,802,809
Non-current operating liabilities	0	0	-13,500,000	0	0	-13,500,000
Non-current contract liabilities	0	0	-361,884	0	0	0
Current financial liabilities	0	0	0	0	0	-3,671,777
Current operating liabilities (excl. liabilities to the state, employees and liabilities arising from advances)	0	0	-38,611,066	0	0	-33,437,113
Current contract liabilities	0	0	-2,715,793	0	0	0
Total liabilities for which the fair value was disclosed	**0**	**0**	**-52,472,950**	**0**	**0**	**-58,411,700**



	31 December 2018			31 December 2017		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Non-current operating receivables	0	0	9,509,173	0	0	8,994,701
Non-current contract assets	0	0	2,052,883	0	0	0
Current operating receivables (excl. Receivables due from the state)	0	0	64,515,582	0	0	49,893,057
Short term contract assets	0	0	3,899,669	0	0	0
Cash and cash equivalents	0	0	24,865,731	0	0	29,168,134
Total assets for which the fair value was disclosed	**0**	**0**	**104,843,039**	**0**	**0**	**88,055,891**

Fair values of financial liabilities classified by fair value hierarchy

	31 December 2018			31 December 2017		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Non-current financial liabilities	0	0	0	0	0	-7,802,809
Non-current operating liabilities	0	0	-13,500,000	0	0	-13,500,000
Non-current contract liabilities	0	0	-361,884	0	0	0
Current financial liabilities	0	0	0	0	0	-3,671,777
Current operating liabilities (excl. iabilities to the state, employees and liabilities arising from advances)	0	0	-38,611,066	0	0	-33,437,113
Current contract liabilities	0	0	-2,715,793	0	0	0
Total liabilities for which the fair value was disclosed	**0**	**0**	**-55,188,743**	**0**	**0**	**-58,411,700**



5. OTHER DISCLOSURES

5.1. THE AUDITOR'S FEE

in EUR	2018 Ernst&Young	2017 Ernst&Young
Cost of annual report audit	56,400	56,400
Tax consultancy services	0	0
Other services not related to the audit	3,600	3,600
Total	**60,000**	**60,000**

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

5.2. LIABILITIES AND RECEIVABLES FOR OPERATING LEASES

5.2.1. 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 December 2018	31 December 2017
up to 1 year	9,606,430	8,260,489
1-5 years	14,151,225	25,888,009
Total	**23,757,655**	**34,148,498**

The company leases indefeasible rights of use in dark fibre under long- and current 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 2018 the company recognized operational leasing costs in the profit and loss statement in the amount of EUR 8,831,120 (2017: EUR 7,947,556).

The management estimated that IFRS 16 had a significant effect on the company's financial statements. Assets from the rights and obligations arising from operating leases will be recognized on the balance sheet.

5.2.2. Company as the lessor

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

Due in- in 1 year	31 December 2018	31 December 2017
up to 1 year	382,965	1,350,000
1-5 year	0	6,532,940
Total	**382,965**	**7,882,940**

Lease contracts are generally concluded for an indefinite period.

In 2018 the company recognized rent revenues in the amount of EUR 1,672,780 (2017: EUR 1,350,000) in the profit and loss statement under revenue from the sale of services in the domestic market.

5.3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

New standards and interpretations

The Company applied IFRS 15 and IFRS 9 in compiling its financial statements for the first time. Several other amendments and interpretations apply for the first time in 2018 but do not have an impact on the Company's financial statements. The Company has not adopted any standards, interpretations or amendments that are not yet effective.

IFRS 15 REVENUE FROM CONTRACTS WITH CUSTOMERS

IFRS 15 supersedes IAS 11 Construction Contracts, and IAS 18 Revenue and related Interpretations, and it applies, with limited exceptions, to all revenue arising from contracts with customers. IFRS 15 establishes a five-step model for recognizing revenue arising from contracts with customers. The standard requires that revenue be recognised at an amount that reflects the consideration which an entity can reasonably expect in exchange for transferring goods or services to a customer.

IFRS 15 requires entities to exercise judgement when applying each step of the model to contracts with their customers, taking into consideration all of the relevant facts and circumstances. The standard also specifies the accounting method for the incremental cost of obtaining a contract and the cost directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

The Company adopted the standard using a modified retrospective approach, and will apply the standard as of 1 January 2018. The Company elected to start applying the standard to accounting for all contracts as of 1 January 2018.

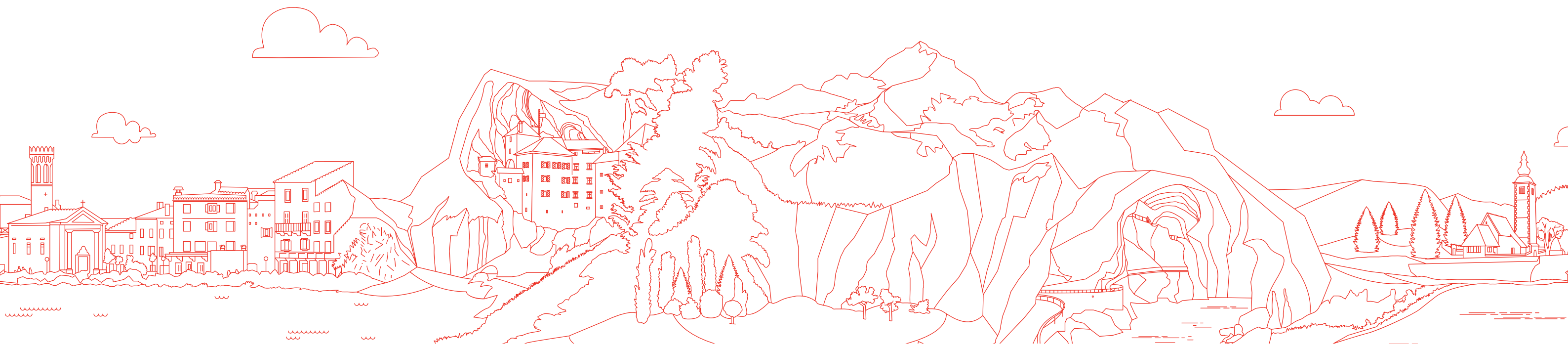
The cumulative effect of initially applying IFRS 15 is recognised at the date of initial application as an adjustment to the opening balance of retained earnings. Therefore, the comparative information was not restated and continues to be reported under IAS 11, IAS 8 and related Interpretations.

The effect of adopting IFRS 15 as at 1 January 2018 was, as follows:

	Note	Increase/decrease
Assets		
Non-current trade receivables	a, b	223,790
Deferred tax asset	c	1,397,226
Non-current deferred cost	a	-14,357,578
Inventories	b	1,524,889
Current trade receivables	a, b	7,632,246
Contract assets	a, b	5,679,502
Other current assets	c	-7,969,271
Total assets		**-5,869,196**
Liabilities		
Contract liabilities	a	-2,734,709
Current deferred revenue	a	2,647,310
Total liabilities		**-87,399**
Total equity adjustments (Retained earnings)		**-5,956,595**

The effects that adopting IFRS 15 had on financial statement items on the day of the adoption for the year ending on 31 December 2018 are presented below. The adoption of the standard did not have any significant impact on the Company's comprehensive profit and cash flows from operating, investing and financing activities. The first column shows amounts under IFRS 15, and the second the values before its adoption.

	Note	2018 IFRS 15	2018 IFRS	Increase/ decrease
Revenue from contracts with customers	a	206,837,412		
Sale of goods	a, b		-6,940,680	6,940,680
Sale of services	a		194,307,085	12,530,327
Revenue		**206,837,412**	**187,366,405**	**19,471,007**
Cost of procuring goods	a, b	53,089,405	36,298,170	17,008,443
Cost of service rendering	b	33,219,013	33,092,341	126,672
Operating profit		**120,528,994**	**117,975,894**	**2,335,892**
finance income	a	0	1,793,722	-1,793,722
Profit before tax from continuing operations		**120,528,994**	**119,769,616**	**542,170**
Income tax expense		22,900,509	22,756,227	103,012
Profit for the year from continuing operations		**97,628,485**	**97,013,389**	**439,158**
Earnings per share		**10.50**	**10.43**	**0.05**



		31. 12. 2018	31. 12. 2018	
	Note	IFRS 15	IFRS	Increase/ decrease
Assets				
Non-current trade receivables	a	9,509,173	9,285,383	-223,790
Deferred tax asset	c	4,035,031	2,637,805	-1,397,226
Non-current contract assets	a	2,052,883	0	-2,052,883
Non-current deferred cost	a, b	7,089,295	21,120,545	14,031,250
Total non-current assets		**22,686,382**	**33,043,734**	**10,357,352**
Inventories	b	9,284,150	7,842,501	-1,441,649
Current trade receivables	a, b	62,933,660	54,060,930	-8,872,730
Current contract assets	a	3,899,669	0	-3,899,669
Other current assets	c	364,792	9,550,933	9,186,141
Total current assets		**76,482,271**	**71,454,364**	**-5,027,907**
Total assets		**99,168,653**	**104,498,098**	**5,329,445**
Liabilities				
Non-current contract liabilities	a	361,884	0	-361,884
Total current liabilities		**361,884**	**0**	**-361,884**
Current contract liabilities	a	2,715,793		-2,715,793
Current deferred revenue	a		3,077,677	3,077,677
Total current liabilities		**2,715,793**	**3,077,677**	**361,884**
Total liabilities		**3,077,677**	**3,077,677**	**0**

a) Bundling of equipment and services, and its effect on material financial components

Before adoption of IFRS 15, the Company accounted for the equipment and services as separate deliverables within bundled sales, and allocated consideration to each deliverable using the relative fair value approach.

Under IFRS 15, the Company assessed that there were two performance obligations in a contract for bundled sales of equipment and services and reallocated the transaction price based on their relative stand-alone selling prices, which increased the amount allocated to services.

Identifying performance obligations and subsequently determining the transaction price that affect the time of recognizing revenue, and how the revenue is divided between services and goods, the company recognized contract assets in the amount of EUR 4,958,518 upon the adoption of IFRS 15. On 1 January 2018 the Company decreased non-current deferred cost in the amount of EUR 14,357,578, which represents the costs of subscriber acquisition arising from subsidies for devices, which were deferred for the duration of the customer agreement (usually 2 years).

The Company increased its non-current trade receivables by EUR 223,790 and non-current trade receivables by EUR 1,225,455 due to the elimination of discounting. The financing component was determined to be insignificant in the judgement in the transition to IFRS 15.

The effects of adopting IFRS 15 are an increase in contract assets in the amount of EUR 5,358,240; a decrease in trade receivables in the amount of EUR 313,411; an increase in non-current receivables in the amount of EUR 223,790 and an increase in non-current deferred cost in the amount of EUR 13,436,939 as on 31 December 2018.

As on 31 December 2018 the Company also increased its revenue from the sale of goods by EUR 6,891,691, decreased the revenue from services by EUR 12,530,327, decreased the cost of purchasing goods by EUR 16,899,839, and decreased its financial income by EUR 1,793,721.

b) Principal vs. agent

The Company has contracts with agents, who conclude contracts with customers on the sale of goods and services on its behalf and for its account. Upon adopting IFRS 15, the Company concluded that based on the existence of credit risk and the nature of the consideration in the contract, it has an exposure to the significant risks and rewards associated with the sale of equipment to its customers, and accounted for the contracts as if it is a principal.

The Company recognizes the revenue from the sale of goods to agents, and the cost of sold goods only after they are sold to the end customer.

Based on this, the Company recognized EUR 1,524,889 worth of goods held by agents as inventories and decreased current trade receivables by EUR 1,562,480 as on 1 January 2018.

The Company defers the agent's commission from the acquisition of a new customer for the duration of the subscriber contract (usually 2 years).

Based on this, the Company recognized EUR 720,984 in non-current deferred cost as on 1 January 2018.

The effects of adopting IFRS 15 are an increase in inventories in the amount of EUR 1,441,649, and an increase in non-current deferred cost in the amount of EUR 246,063 as on 31 December 2018.

In 2018, the Company increased the revenue from the sale of goods by EUR 48,988, increased the cost of sold goods by EUR 108,604, and increased the cost of selling by EUR 126,672.

c) Other adjustments

In addition to the adjustments described above, upon the adoption of IFRS 15, the Company accordingly decreased Other current assets by the amount of deferred revenue, and recognized them under Current trade receivables.

The Company decreased current deferred revenue and increased Contract liabilities accordingly. The Company also adjusted other items of the primary financial statements such as deferred taxes and retained earnings.

IFRS 9 Financial Instruments
IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement, and applies for annual periods beginning on or after 1 January 2018. The standard brings together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

Under IFRS 9, debt instruments are subsequently measured at fair value through profit or loss, amortised cost, or fair value through OCI. The classification is based on two criteria: the Company's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding.

The assessment of the Company's business model was made as of the date of the initial application, 1 January 2018, and then applied retrospectively to those financial assets that were not derecognised before 1 January 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The classification and measurement requirements of IFRS 9 did not have a significant impact on the Company, which continued measuring at fair value all financial assets previously held at fair value under IAS 39.

The following are the changes in the classification of the Group's financial assets:

Trade receivables and other non-current financial assets (i.e., loan to an associate and loan to a director) previously classified as Loans and receivables are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. These are now classified and measured as Debt instruments at amortised cost.

Investments in unlisted companies previously classified as Available-for-sale (AFS) financial assets are classified and measured as Equity instruments at fair value through OCI as of 1 January 2018.

The Company elected to classify irrevocably its non-listed equity investments under this category upon initial application of the standard, as it expects to hold the asset for the foreseeable future.

5.4. BUSINESS EVENTS AFTER THE BALANCE SHEET DATE

There were no events that would significantly affect the financial statements for 2018 or require additional disclosures.