Annual Report 2020

April 2021

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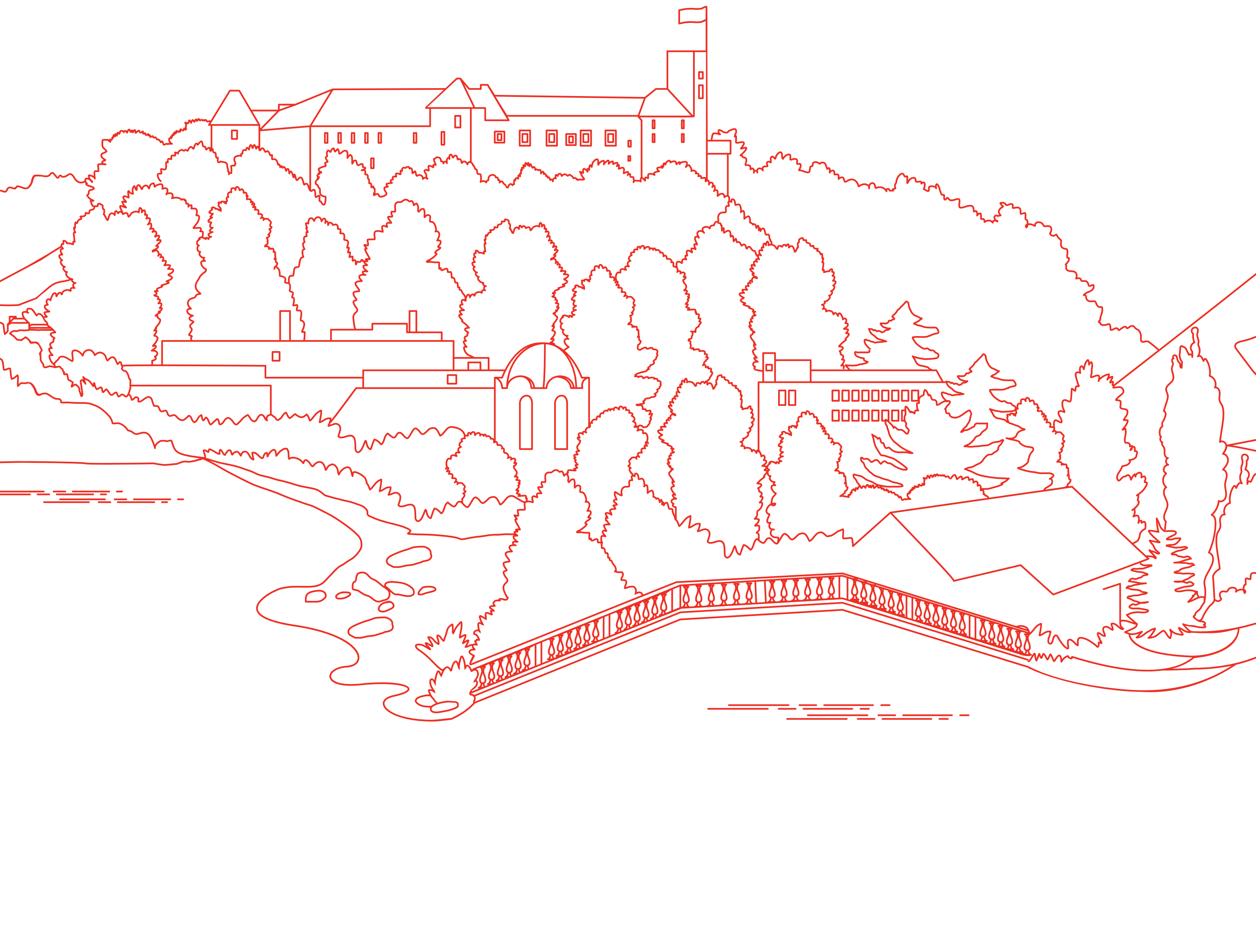
Business Report 2020

for the financial year
concluded on 31 December 2020



1. Principles of Business Operations

We strive toward diligent, responsible and purposeful business operations and strive to be a reliable, considerate and energetic partner to those who put their trust in us every day.

The core principle of A1 Slovenija is connecting people, places and things in such a way that it enriches the experience of work, life and entertainment. By following our vision and mission we can fully focus on the wishes and needs of our users. We pave the way for digital transformation, both in digitalizing our processes, range of products and services, and adopting a digital mindset.

We strive to creating unique experiences in the digital world. Our mission focuses on the digital lifestyle of our users, by promoting opportunities to provide them the best user experience at any given moment. We strive toward diligent, responsible and purposeful business operations and strive to be a reliable, considerate and energetic partner to those who put their trust in us every day. We build our operations on the foundations of ethics and responsibility to ourselves and others. We recognize that a corporate culture of integrity must be built from within, and focus our attention on improving a strong corporate culture, which is the foundation for delivering our strategy, while also acting to reduce risks, and enhance our reputation.

As the leading privately-owned provider of comprehensive communication services in Slovenia, we are committed to creating solutions that enrich the users' lives in this age of digitalization. Our solutions are the result of innovation, monitoring users' needs, and a broad range of opportunities offered by modern technologies. Our advanced, simple and sensible communication services provide users with a personalized experience, bringing them an added value.

We place great importance on employee safety and health, and are the recipient of the ISO 45001 certificate, the international standard for occupational health and safety. By taking care of the well-being of our employees we have retained and upgraded our status of a family-friendly enterprise, and the position of one of the most respectable employers in Slovenia. We assess our impact on the environment in which we operate based on employee motivation, user satisfaction, growth of our business operations and industry recognition. Along with responsibility towards people we place a special focus on our responsibility towards the environment, both natural and social, and encourage our partners and users to follow our example. We were awarded the ISO 14001 environmental certificate, and have further strengthened our environmental excellence by our entry into the EMAS registry. The ISO 27001 certificate in information security is further proof of our responsible operations.

By taking care of the well-being of our employees we have retained and upgraded our status of a family-friendly enterprise, and the position of one of the most respectable employers in Slovenia.

At A1 Slovenija we foster creativity, respect diversity and encourage solidarity at the workplace and beyond. Even in such a rapidly evolving industry we manage to create stable work conditions and build an agile environment that provides opportunities for our employees and allows them to evolve their abilities. We strive towards taking responsibility and decision-making across all levels of operations, and see employee empowerment as an opportunity for future business growth.

Acting with integrity and responsibility is a key element of our culture. It is not only important to achieve business goals, but also how we achieve them. Our decisions are guided by our Code of Conduct, which includes guidelines and principles for conduct in accordance with our values and laws, and we also use it to review the ethics of business relationships with our partners, users, competitors, suppliers and others.

2. About the Company

2.1. Company information

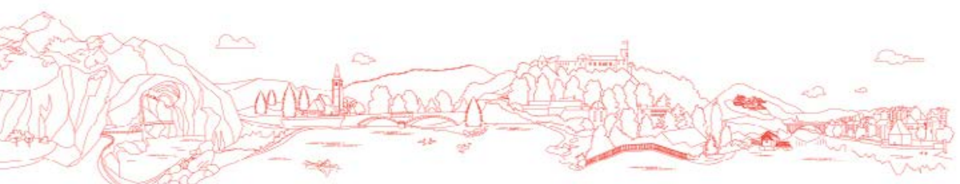
Name	A1 Slovenija, telekomunikacijske storitve, d. d.
Headquarters	Šmartinska 134b, 1000 Ljubljana
Telephone	040 40 40 40
E-mail for residential users	info@A1.si
E-mail for business users	info.poslovni@A1.si
Website	www.A1.si
Main activity	61.200 – Wireless telecommunications activities
Activity code	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 is fully owned by Mobilkom Beteiligungsgesellschaft mbH. Mobilkom Beteiligungsgesellschaft mbH is part of the American Movil Group. America Movil, S.A.B. de C.V., Mexico, is the ultimate parent company (more information at www.americamovil.com).

2.3. Management

Dejan Turk	Chairman of the Management Board



2.4. Directors

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

2.5. Supervisory board

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

2.6. Changes in the Management in 2020

Changes in the Management Board
There were no changes in the Management Board in 2020.

Changes in the Supervisory Board
There were no changes in the Supervisory Board in 2020.

3. Employees

As at 31 December 2020 the share of women among A1 Slovenija's employees stood at 43.38%, with the average age of our colleagues at 38.23 years. Nearly a half of our employees have level V education, and 54,96% of all staff have a higher education or university degree.

The company does not have a diversity policy.

4. Social Responsibility

Social responsibility is one of the most important values of A1 Slovenija, and the foundation of our mission and vision. We integrate responsibility towards people – our colleagues, users, and the wider community – and the environment in which we operate into our daily activities. Together with our stakeholders we are creating a world that we are proud to pass on to future generations.

Together with our stakeholders we are creating a world that we are proud to pass on to future generations.

Throughout the global medical and economic crisis, we remained true to our principles and continued to improve our socially responsible practices despite economic uncertainties. We have fulfilled our potential in various ways and helped the most vulnerable groups.

In 2020, we partnered with the Slovenian Association of Friends of Youth, and the National Education Institute and donated 1000 modems and SIM cards with free internet access to socially disadvantaged families. This donation alleviated the problems of children who did not have equal conditions for attend distance education. Our employees also participated in the end-of-year modem donation by designing holiday cards with best wishes for each pack.

We were the main telecommunications partner of the ČvekiFON project, the first and only free chat line for seniors who were particularly affected by social isolation. We set up the free call center in collaboration with Simbioza and the humanitarian association Humanitarček.

During the year, we joined several initiatives and donations. We supported the online platform for exchanging goods Doprinesi.si, in cooperation with Janus Trade we donated phone chargers to the University Medical Centre Maribor, we donated a free telephone line to the Moste Association of Friends of Youth, allowing them to maintain contacts with children and families they take care of, we donated phones to help the Metlika Senior Citizens Home and Slovenian Philanthropy, we made it possible for the therapists from the Stopinje Institute for logotherapy, mediation, education and research to talk to inmates at the Ig Prison, we donated SIM cards to volunteer therapists of the Slovenian Red Cross to allow them free calls, and by donating a tablet we improved the quality of life of children at the Ljubljana Pediatric Hospital. Last year numerous fundraising events raised funds through text messages, and A1 Slovenija made the SMS Donation service in its electronic communications network free for charity organizations, allowing them to collect funds for their humanitarian projects.

We were also successful at the corporate level in addressing the challenges related to coronavirus, successfully adapting our resources to the conditions in the country with a clear focus on our employees and our users. During this time, we received the new ISO 45001 certificate, the international standard for occupational health and safety.

At A1 Slovenija we pay attention to nature and the environment. The ISO 14001 certificate and our entry into the EMAS registry are indicators of our environmental excellence. We have decided to drink tap water and have also obtained the "tap water certificate" from the Chamber of Utilities of the Slovenian Chamber of Commerce and Industry. In practice this means that we no longer serve bottled water at meetings but provide tap water instead. Our sustainability dedication is also focused on reducing the amount of waste, while also encouraging drinking tap water, one of the most valuable Slovenian natural resources.

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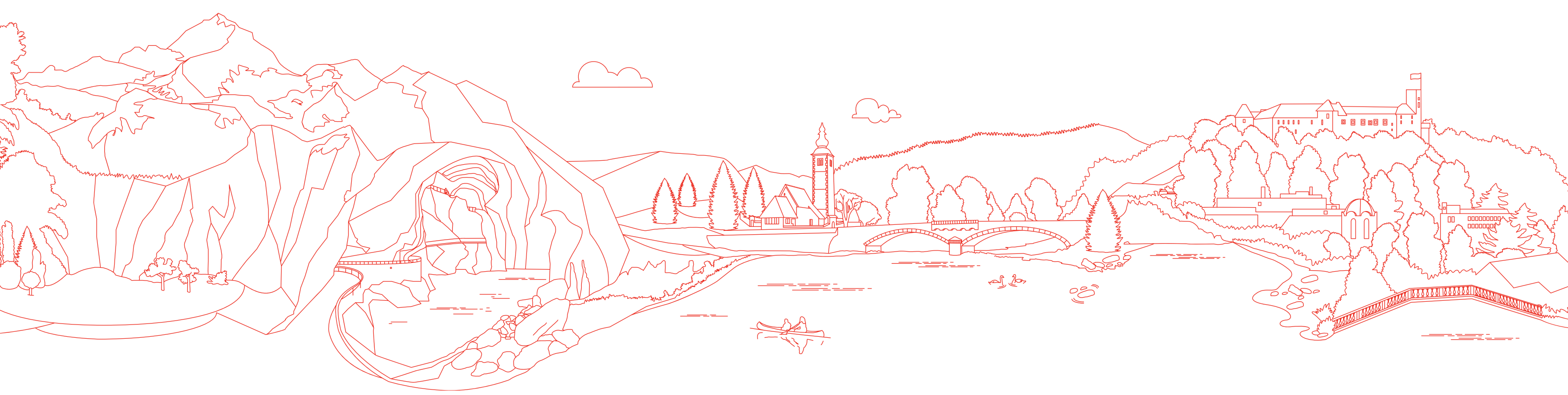

We have also paid special attention on socially responsible activities to continued support of urban beekeeping and the development of the Carniolan bee in the city. We have beehives with six bee families on the roof of the A1 headquarters in Ljubljana, and in 2020 we harvested 46 kilograms of high-quality honey, receiving a bronze medal at an international honey grading competition, organized by the Beekeeper society of Semič. Every year on World Bee Day, 20 May, we hold various activities on raising awareness about this issue, and this year we once again encouraged our followers on social media to add a digital ribbon to their profile photos, helping to spread the message on the importance of bees.

We joined the global initiative Earth Hour, and encouraged our employees and followers on social media to switch off their mobile devices and turn off their lights for one hour. We aim to include our users in socially responsible activities as frequently as possible, and encourage them doing so. One of these activities is also collecting disused phones at our points of sale, so that we can recycle them appropriately. In the coming years we plan on upgrading our endeavors for sustainable operations.

In 2020, A1 Slovenija updated its successful social responsibility project Lahkonočnice (Bedtime Stories) with a special series of speech therapy fairytales. The project initially addressed intergenerational connectivity, and was now expanded to include the topical issue of speech impediment issues children face. The latest series of audio fairytales has 12 stories, with each of them focused on one of the more difficult to pronounce sounds in the Slovenian alphabet. Every story also comes with five short animated videos that function as an exercise for differentiating sounds and speech practice. Since the Lahkonočnice project was launched in December 2016, 136 audio fairytales have been written and recorded, and played more than a million times, as well as two cartoons with more than one million views.

In 2020, A1 Slovenija updated its successful social responsibility project Lahkonočnice (Bedtime Stories) with a special series of speech therapy fairytales.

We also dedicated our new careers page [https://jobs.a1.com/sl/delo-v-a1/druzbena-odgovornost/] to social responsibility, as we believe that our efforts in this area is one of our distinguishing advantages that can attract new job seekers. This once again proves, what an important value social responsibility is at A1 Slovenija.

We have also expanded our activities related to safe internet use. We added new content on our website Safe on the Internet, https://www.a1.si/varninaspletu, aimed at children and their parents. We plan to continue putting more focus and funding towards safe internet use, as this will become one of the central topics of our social responsibility activities.

As a sponsor of numerous Slovenian institutions, such as the Slovenian Chamber of Commerce and Industry, Institute of Corporative Security Studies, Faculty of Criminal Justice and Security of the University of Maribor, and Ustvarjalnik, d.o.o., we also actively promoted and supported the growth of the Slovenian economy.

5. Selected Performance Indicators

5.1. Analysis of the Profit and Loss Statement

0,2%
USERS

In 2020, our total operating revenues decreased by 2.3% compared to 2019. The trend of declining revenues from the sale of mobile telecommunication services due to strong price pressures from competition has continued, along with the decline in revenues from international roaming because of the COVID 19 crisis. We recorded a growth in revenues from fixed telecommunication services, as well as from national roaming services.

Earnings before interest, taxes, depreciation, and amortization (EBITDA) decreased by 0.4 percent. A1 Slovenija finished 2020 with positive earnings before interest and taxes (EBIT) of EUR 14.3 million. This is a 1,4% increase compared to 2019. Earnings before tax stood at EUR 13.2 million in 2020.

At the end of 2019, A1 Slovenija had 708,087 users, which is a 0.2% growth compared to the year before. Growth was noted among subscribers (+2.2%), who represent 90.5% of all users.

The average revenue per user (ARPU) decreased in 2020 compared to 2019 because of price pressures from the competition and lower revenue from international roaming (COVID-19).

5.2. Analysis of the Balance Sheet

As on 31 December 2020, total assets amounted to EUR 373.08 million. Compared to the year before, they were up by 1.9%, i.e., EUR 6.5 million.

Long-term assets were at EUR 248.72 million, and decreased by 5%, i.e., by EUR 13.3 million. The biggest decrease was in property, plant, and equipment, and long-term financial investments.

Equity and reserves stood at EUR 238.42 million, and increased by 4.76%, i.e., by EUR 10.8 million. Shareholder equity ratio stood at 63.9%.

Long-term assets decreased by 4%, i.e., by EUR 2.7 million.

Short-term liabilities in the amount of EUR 47.16 million represented 12.64% of total assets. Compared to 2019, they decreased by 9.7%, i.e., EUR 5.06 million. The biggest decrease was in short-term operating liabilities to suppliers.

Below is a general summary of our financial performance for the years 2020 and 2019 (in accordance with International Financial Reporting Standards, as adopted by the EU):

SUMMARY OF FINANCIAL DEVELOPMENT IN YEARS 2020 AND 2019

		2020	2019
Profit and loss statement			
Operating revenue	in million EUR	206.94	211.74
Earnings before interest, taxes, depreciation, and amortization (EBITDA)	in million EUR	58.75	59
Earnings before interest and taxes (EBIT)	in million EUR	14.27	14.07
Profit/loss	in million EUR	-1.11	-1.21
Earnings before tax (EBT)	in million EUR	13.16	12.85
Balance sheet			
Assets	in million EUR	373.08	366.53
Property, plant, and equipment	in million EUR	73.16	86.14
Short-term assets	in million EUR	124.35	104.55
Financial and operating liabilities	in million EUR	111.70	121.27
Equity	in million EUR	238.43	227.58
Selected indicators			
EBITDA margin	%	28.39	27.86
Investments in property, plant and equipment	in million EUR	15.30	19.03
Average no. of employees		538	561
Number of employees (year-end)		544	540
Number of users (year-end)		707,084	705,323
Of which subscribers represent		640,171	626,316

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 2020 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 regulatory decisions that the Agency for Communications and Services (AKOS) issued after completing analyses of wholesale fixed access markets (i.e., markets 3a and 3b) at the end of 2017, in which it designated Telekom Slovenije as an operator with significant market power, are still the subject of numerous supervisions that AKOS had launched, yet not completed. AKOS has a significant delay in its inspection supervision procedures for verifying whether the wholesale prices of broadband products of access to Telekom Slovenije's network are appropriate, and has not even verified them for the years 2019 and 2020. In spite of initiatives from A1 Slovenija to verify the adherence to the obligation of ensuring economic repeatability, AKOS has not and does not plan to focus on Telekom

Slovenije's current retail offer. At the end of 2020, AKOS completed the supervision of verifying Telekom Slovenije's long-term offer on the wholesale market of bitstream access to broadband services (relevant market 3b), which finally provided operators a sufficient level of predictability of wholesale leasing prices that it was possible to formulate competitive retail offers for broadband services, when taking into account a certain risk. In its supervision AKOS confirmed that the offer of high-speed (NGA) products (on Telekom Slovenije's fiber optics network) are appropriate, and that there is a partial lack of compliance with the regulatory decision regarding the provision of access to the older copper network. The decision on partial lack of compliance, which directly affects A1 Slovenija as a user of access to the copper network under the conditions of the long-term offer, has not yet come into power and will be the subject of procedures of applicable courts in 2021. In 2020, AKOS did not complete supervising other, so-called non-price obligations imposed on Telekom Slovenije, which also directly affect A1 Slovenije's ability to compete on equal terms (e.g., lack of compliance of the deadlines set by regulatory decisions for relevant markets 3a and 3b to activate services to end users and the deadlines for error resolution). Because of violations of wholesale obligations not related to pricing (deadline for connection), A1 Slovenija began applying the valid regulatory decision for the relevant market 3b, and started charging contractual penalties to Telekom Slovenije at the end of 2020.

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

7.1.2. Open Internet and Quality of Service

With the alleged intent to increase transparency regarding open internet access, AKOS issued a General act on services of internet access and related rights of end users in September 2019, even though internet service providers severely opposed it for being unclear and unnecessary. Without any convincing reasons this Act makes the operators' obligations stricter (and as it has been shown in practice during the supervisions of AKOS's inspectors, also enforced retroactively) than they were under the TSM Regulation and is in direct opposition to its purpose. The act demands significant changes to the procedures of concluding a subscriber agreement, and even limits the possibility to provide some of the services in an efficient way over the copper network. Further AKOS's inspection practice (which did not take place in 2020) and judicial practice will show whether the intent of this act was to merely provide transparency, or whether AKOS aims to force operators into voiding all subscriber agreements that do not meet the advertised data transfer speeds from the period before the General act came into force.

7.1.3. The Regulation of roaming in European mobile networks

In the scope of the so-called Roam Like at Home EU regulation, the wholesale roaming prices further decreased on 1 January 2020, with the fair use service limits going up, and the prices for permitted surcharges going down. This will continue on 1 January 2021 (additional decrease of wholesale prices by 0.5 EUR/GB, 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 like at home network rates in ways that are consistent with EU legislation. An additional challenge is establishing the rules for roaming in the UK, which is no longer an EU member, and therefore the Roam Like at Home regulation no longer applies to them.

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

On the basis of the European Electronic Communications Code, the Ministry of Public Administration published in August 2020 a draft of the new Electronic Communication Act, and began a public consultation during which the public stakeholders were able to contribute expert findings. A1 Slovenija submitted substantial comments, both independently, as well as through the Section of Electronic Communications Operators of the Chamber of Industry and Commerce of the Republic of Slovenia. A1 Slovenija's findings can be summed up as the need for the state to pick up the costs of required activities that operators are performing on its behalf (and which fall under the original jurisdiction of the state) and that the protection of end users is not appropriately resolved, as the legislator plans on introducing changes that are according to A1 Slovenija's expert opinion not needed (or permitted), as well as the unsuitable deadline by which the operators are supposed to adjust all of their operations to the new resolution. A1 Slovenija also submitted extensive comments to the proposed method of resolving the security of networks and services, with A1 Slovenija recommending a prominent consideration of the need to specifically resolve certain security mechanisms.
A1 Slovenija submitted its findings to practically all chapters of the proposed act (construction and shared use of infrastructure, managing radio frequency spectrum, ensuring competition, institutional management), and has, following an expert review, submitted concrete examples of an alternative proposed resolution.
The act was not adopted in 2020, and the procedure is continuing into 2021.
We assess that the implementation of the regulation will be a long and complex procedure, as that the new act will in many ways completely revamp operator's business practices. The biggest risks are related to the chapter on security (e.g., limitations on selecting the suppliers of new equipment by their origin), and a new regime for resolving customer relationships.

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

In 2020 the Government of the Republic of Slovenia assessed that the Republic of Slovenia does not need a strategy for managing the radio frequency spectrum for awarding key frequencies for next generation mobile networks (i.e., 5G). The planned public tender for awarding the frequencies for public mobile technology in the 700 MHz, 3500 MHz and some other frequency bands planned for the development of 5G networks was published to the end of 2020. The risk that AKOS will offer all the frequencies in a bundle with a complex auction format has turned out to be real. The auction is planned to take place in the spring of 2021. In any case, long-term radio frequency leases present a major investment risk, and considering the published conditions and auction rules, there is an increased risk for inefficient frequency allocation and excessive pricing.

7.1.6. Frequency strategy and auction

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

7.1.7. GDPR, E-Privacy and ZVOP-2

After the implementation of the General Data Protection Regulation (GDPR) in 2018, it remains unclear when some other legislative acts will be adopted (Personal Data Protection Act – ZVOP-2, and the E-Privacy regulation which was not adopted by member states in the first round), as they have been in preparation and may have a significant impact on the implementation of GDPR. A1 Slovenija and other major operators, both in Slovenia and at the EU level, have been striving to inform the legislators of the operators' needs in order to prepare an appropriate business environment that would ensure the highest level of adherence to the requirements for privacy protection within the existing system of managing appropriate approvals.

7.2. Credit Risk

Company's revenues come from different sources, and most revenue comes from voice calls and monthly subscription fees. Since the majority of contractual customers at the end of 2020 were natural persons, credit risk is broadly dispersed and not significant. Other revenue sources come from resellers (phone sales) and other local and foreign mobile telephone operators (network interconnection and international roaming). Past experience shows that there are no significant risks associated with these activities. As of the balance sheet date there were no significant dependencies on any of the above debtors.

7.3. Interest Rate Risk

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

7.4. Currency Risk

The company's operational currency in 2020 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 currency risks.

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. In spite of the COVID-19 pandemic, the company did not identify any significant impacts on the customers' payment discipline in 2020, or related effects on liquidity. Developments have 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

Our operations remain focused on development and on providing a varied range of products and services, positioned in line with constant development of modern technologies and user needs.

In 2020, we updated our internet and television bundled plans, introducing the A1 Xplore TV, which brings a completely new television viewing experience, and offered subscription video on demand services from Voyo, Amazon Prime Video and NBA League Pass. We also launched the music subscription service A1 Xplore Music by Deezer. We plan to continue expanding the range of popular apps and addressing user needs in entertainment content.

We launched two new phones, the A1 Alpha 20 and the A1 Alpha 20+, and included in-demand devices from top brands in our range, with the option of purchasing them in installments, thereby providing our users with flexible payment options. All the devices are available in our new online shop Nakupovalnica.

We focused more attention on security solutions and cyber security. We strengthened our position in online security, where we offer comprehensive services, both for residential and business users. We also focused on the development of 5G technology and the Internet of Things, especially from the perspective of smart mobility and the development of smart cities. We also expanded our range of service in machine-to-machine communication.

We focused on digital transformation, introducing a digital mindset and agile work approaches into our operations in a more comprehensive manner to provide support to our development and growth in the coming year. By introducing robotization and automation of some work processes we followed our goal of increasing employee added value.

Following our users' needs we also digitalized the user experience at several points of contact: accelerating the use of digital signature, increasing the share of users using the Moj A1 app and contact through the LivePerson platform, which supports a conversation with users through instant messaging apps. One of the most visible digital transformation steps for our users was the introduction of A1 Live Shop, a combination of a physical shop and a virtual experience. Digitalization of operations remains in focus also in 2021.

In 2020 A1 Slovenija became the full owner of the telecommunications service provider Studio Proteus from Postojna. Through this acquisition we strengthened the development of our own fixed network and our presence in select local environments. In accordance with our strategy of strengthening fixed telecommunications services, we will continue to monitor all opportunities for growth.

A1 Slovenija is successfully developing into a provider of comprehensive communication solutions, and we will continue to focus on the development and sale of advanced ICT solutions. We are increasingly becoming an integral part of the development of advanced business models of the future, solutions and platforms based on Narrowband IoT and 5G technologies.

One of our priorities remains ensuring cyber security, which will – in combination with artificial intelligence – form the foundation of information systems. Implementing 5G will require an additional effort in this area, and to meet it we plan to upgrade our existing range of security products and services. We will put special focus on a comprehensive awareness-raising campaign to educate the public, especially the youngest and their parents, on safe internet use.

Our goal remains to continue strengthening our position in fixed telecommunication services, and to expand our role as the provider of comprehensive ICT solutions. We remain open for project partnerships with the goal of providing innovative solutions for sustainable development, energy efficiency and a low-carbon society.

When this Annual Report was being written, the COVID-19 pandemic was declared in Slovenia. It effects on the operations in 2021 are at this point still not possible to assess.

Our goal remains to continue strengthening our position in fixed telecommunication services, and to expand our role as the provider of comprehensive ICT solutions.

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 2020 and 31 December 2020, A1 Slovenija, d.d., as part of the A1 Telekom Austria Group, operated according to the principles of the Corporate Governance Code of A1 Telekom Austria Group, which is based on the Austrian Code on Corporate Governance. The Code details responsible management and governance of companies, focused on sustainable and long-term value creation of company. The objective of the Code is to ensure a high level of transparency for all stakeholders and set the guidelines for investors. The Code is based on the provisions of the Austrian Stock Corporation Act, EU recommendations and the principles of corporate governance of the OECD. A1 Telekom Austria Group voluntarily undertook to abide to the Austrian Code on Corporate Governance already in 2003.

9.2. Work of the General Meeting

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

9.3. Management and Supervisory Boards

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

The work of the Management Board is supervised by the four-member Supervisory Board, consisting of: Alejandro Douglass Plater as the chairperson, Siegrfried Mayrhofer as the deputy chairperson, Bernd Schmutterer as a member, and Thomas Arnolder, as a member. The Supervisory Board exercises its rights and fulfills its obligations in accordance with the Companies Act, adopts or rejects resolutions, adopts resolutions instructing the Management Board on matters and transactions prescribed by the law, Articles of Association, instructions for the Management Board and Supervisory Board resolutions. The Supervisory Board is also in charge of supervising the compilation of financial statements.

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

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

Ljubljana, 25 February 2021

Dejan Turk, CEO

Financial report 2020

for the financial year concluded
on 31 December 2020

1. GENERAL DISCLOSURES

1.1. ABOUT A1 SLOVENIJA

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

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

The Company was established on 23 December 1997. Its ownership structure as of 31 December 2020 is as follows:

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

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

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

1.1.2. Nature of operations and core activities

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

1.1.3. Information about the controlling company

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

1.1.4. Data on Employees

- number of employees at the end of the 2020 business year was 544 (at the end of 2019: 540);
- average number of employees in the 2020 business year was 538.42 (560.83 in the 2019 business year);
- structure of employees by educational level:

Educational level	31.12.2020	31.12.2019
Vocational school or less	31	32
Grammar school	214	208
Higher education	50	50
Higher education – 1st level	111	111
Higher education – 2nd level	117	118
Post-graduate education	20	20
Doctorate	1	1
Total	**544**	**540**

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 2020.

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

The Management Board is also responsible for appropriately 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 year end of the year in which a tax was determined verify the Company's operations, which may consequently result in additional taxes, late interests, and fines associated with corporate income tax 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, 25 February 2021

2. INDEPENDENT AUDITOR'S 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, 2020, 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, 2020 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis for opinion

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

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

Other information

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

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

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

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

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

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

Responsibilities of management and the supervisory board for the financial statements

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

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

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

Building a better working world

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, 25 February 2021

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

Lidija Šinkovec
Certified auditor

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

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

3.1. BALANCE SHEET

ASSETS in EUR	Note	31. 12. 2020	31. 12. 2019
NON-CURRENT ASSETS		**248,724,991**	**261,977,660**
Intangible assets	5.2.1.	82,097,364	84,795,334
Property, plant and equipment	5.2.2.	73,155,076	86,136,985
Right of use assets	5.2.3.	70,881,273	70,524,323
Non-current financial assets	5.2.4.	4,939,955	2,778,955
Non-current operating receivables	5.2.5.	10,253,734	10,133,943
Non-current contract assets	5.2.6.	1,621,948	2,003,233
Deferred tax assets	5.2.7.	4,499,583	4,346,698
Non-current deferred costs	5.2.8.	1,276,058	1,258,190
CURRENT ASSETS		**124,351,589**	**104,549,690**
Inventories	5.2.9.	6,434,157	6,824,784
Current trade receivables	5.2.10.	61,415,066	66,230,909
Current trade receivables from group companies	5.2.11.	735,640	1,213,853
Other operating receivables	5.2.12.	2,664,439	1,089,963
Current contract assets	5.2.6.	4,885,006	5,671,993
Cash and cash equivalents	5.2.13.	48,014,695	23,170,705
Other current assets	5.2.14.	202,586	347,483
TOTAL ASSETS		**373,076,580**	**366,527,350**

EQUITY AND LIABILITIES in EUR	Note	31. 12. 2020	31. 12. 2019
EQUITY	5.2.15.	238,427,602	227,584,544
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		-413,216	-357,740
Retained earnings		76,335,412	64,208,114
Net profit or loss		10,904,649	12,133,413
PROVISIONS AND NON-CURRENT LIABILITIES		74,148,881	76,812,138
Post-employment employee benefits	5.2.16.	1,186,976	1,081,364
Other non-current provisions	5.2.16.	7,276,927	7,306,111
Non-current operating liabilities	5.2.17.	13,556,000	13,500,000
Non-current lease financial liabilities	5.2.18.	50,979,756	53,551,433
Non-current contract liabilities	5.2.19.	1,149,222	1,373,230
CURRENT LIABILITIES		60,500,097	62,130,668
Current operating liabilities to suppliers	5.2.20.	21,201,641	30,477,339
Current operating liabilities towards group companies	5.2.21.	1,594,570	3,260,601
Income tax liabilities	5.2.22.	1,647,239	1,032,549
Other operating liabilities	5.2.23.	5,754,581	4,159,210
Current lease financial liabilities	5.2.18.	16,964,311	13,293,965
Current contract liabilities	5.2.19.	3,951,836	3,800,446
Current provisions and accrued costs	5.2.24.	9,385,919	6,106,558
TOTAL LIABILITIES		134,648,978	138,942,806
TOTAL EQUITY AND LIABILITIES		373,076,580	366,527,350

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

3.2. PROFIT AND LOSS STATEMENT

in EUR	Note	2020	2019
Revenue from contracts with customers	5.3.1.	203,307,801	209,062,756
Other operating revenue	5.3.2.	3,635,094	2,677,493
Cost of goods and materials	5.3.3.	-53,586,138	-55,820,735
Cost of services	5.3.3.	-70,987,319	-72,252,852
Labor cost	5.3.4.	-19,876,542	-21,280,382
Amortization and depreciation	5.3.5.	-44,477,136	-44,935,946
Other operating expenses	5.3.6.	-1,950,010	-1,744,403
Impairment losses/impairment gains for financial assets	5.3.7.	-1,793,893	-1,638,177
Operating profit or loss		**14,271,857**	**14,067,754**
Financial revenue	5.3.8.	284,547	469,911
Financial expense	5.3.8.	-1,392,697	-1,683,066
Profit/loss		**-1,108,150**	**-1,213,155**
Profit/loss before tax		**13,163,707**	**12,854,599**
Accrued tax	5.3.9.	-2,492,034	-1,032,609
Deferred tax	5.3.9.	232,976	311,667
Withholding tax	5.3.9.	0	-244
Income tax		**-2,259,058**	**-721,186**
Net Profit/loss for the year		**10,904,649**	**12,133,413**
Basic earnings per share		1.17	1.30

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

3.3. OTHER COMPREHENSIVE INCOME

in EUR	Note	2020	2019
NET PROFIT OR LOSS		10,904,649	12,133,413
Unrealized actuarial gains or losses		-55,476	-294,265
Other comprehensive income in the financial year that will not be recognized in the profit or loss statement henceforth		-55,476	-294,265
Total other comprehensive income after taxes		-55,476	-294,265
Total comprehensive income for the financial year		10,849,173	11,839,148

3.4. CASH FLOW STATEMENT

in EUR	Note	2020	2019
CASH FLOW FROM OPERATING ACTIVITIES			
Net profit or loss		10,904,649	12,133,413
Adjustments for:			
Depreciation of tangible fixed assets and investment property	5.3.5.	34,726,082	34,892,584
Amortization of intangible assets	5.3.5.	9,751,054	10,043,362
(Gain)/loss from the sale of intangible assets, tangible fixed assets and investment property	5.3.6.	-46,205	267,792
Net (decrease)/allowances for receivables		1,793,898	1,620,496
Net (decrease)/allowances for inventory		483,788	234,823
Net financial (revenue)/expenses	5.3.8.	1,108,150	1,331,318
Changes in investment	5.2.4.	-1,150,906	-2,560,067
Income tax	5.2.7., 5.3.9.	2,339,148	2,195,646

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

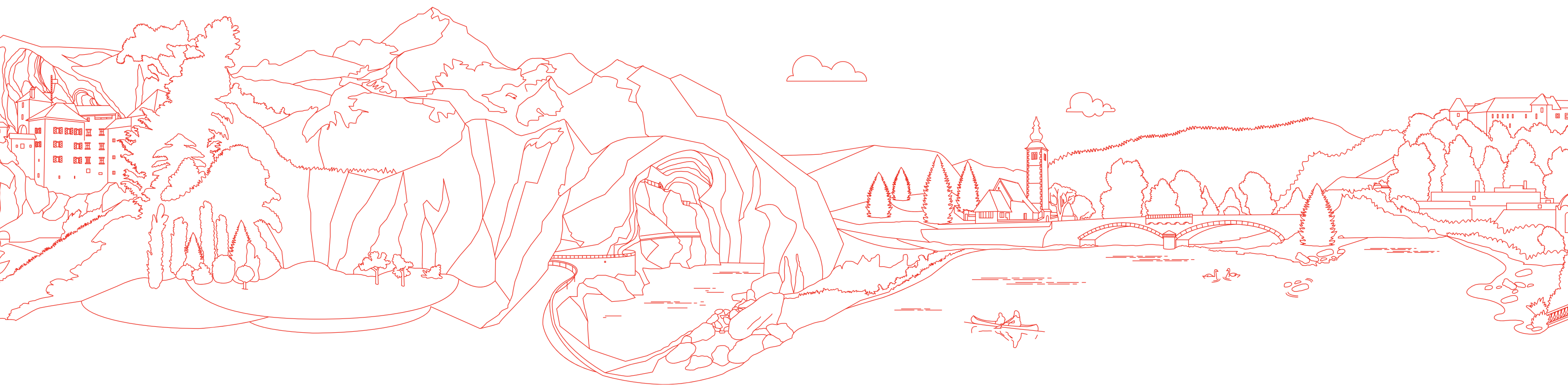
Operating cash flow before changes in working capital		**59,909,658**	**60,159,367**
Changes in operating receivables	5.2.5., 5.21.10., 5.2.11., 5.2.12.	1,805,889	-5,893,824
Changes in deferred costs and other assets	5.2.6., 5.2.8., 5.2.14.	1,295,301	-1,439,619
Changes in inventories	5.2.9.	-93,161	2,224,542
Changes in operating debt	5.2.17., 5.2.20., 5.2.21, 5.2.23	-9,290,359	-1,367,013
Changes in current deferred revenue, accrued costs and provisions	5.2.16., 5.2.19., 5.2.24	3,283,171	2,556,739
Paid income tax		-1,877,342	-1,097,793
Changes in net working capital		**-4,876,500**	**-5,016,968**
Cash flow from operating activities		**55,033,158**	**55,142,398**
Expenses for income tax			
Net cash flow from operating activities		**55,033,158**	**55,142,398**
CASH FLOW FROM INVESTING ACTIVITIES			
Expenditure for the acquisition of intangible assets	5.2.1.	-6,236,812	-4,347,106
Expenditure for the acquisition of tangible fixed assets	5.2.2.	-5,331,014	-21,652,687
Expenditure on the acquisition of a merged subsidiary		-1,200,000	0
Net cash flow from investing activities		**-12,767,826**	**-25,999,793**
CASH FLOW FROM FINANCIAL ACTIVITIES			
Expenditures for interests from financing activities	5.3.8.	-1,108,150	-1,331,318
Expenditures for the principal payments from leases	5.2.18.	-16,441,507	-14,212,048
Dividends paid	5.2.15.	0	-15,000,000
Other OCI (after income tax)	5.2.15.	-55,476	-294,265
Net cash flow from financing activities		**-17,605,133**	**-30,837,631**
Net increase /(decrease) in cash and cash equivalents		**24,660,199**	**-1,695,026**
Cash and cash equivalents at the beginning of the year	5.2.13.	23,170,705	24,865,731
Cash and cash equivalents gained with acquisition		183,791	0
Final balance in cash and cash equivalents		**48,014,695**	**23,170,705**

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 2020

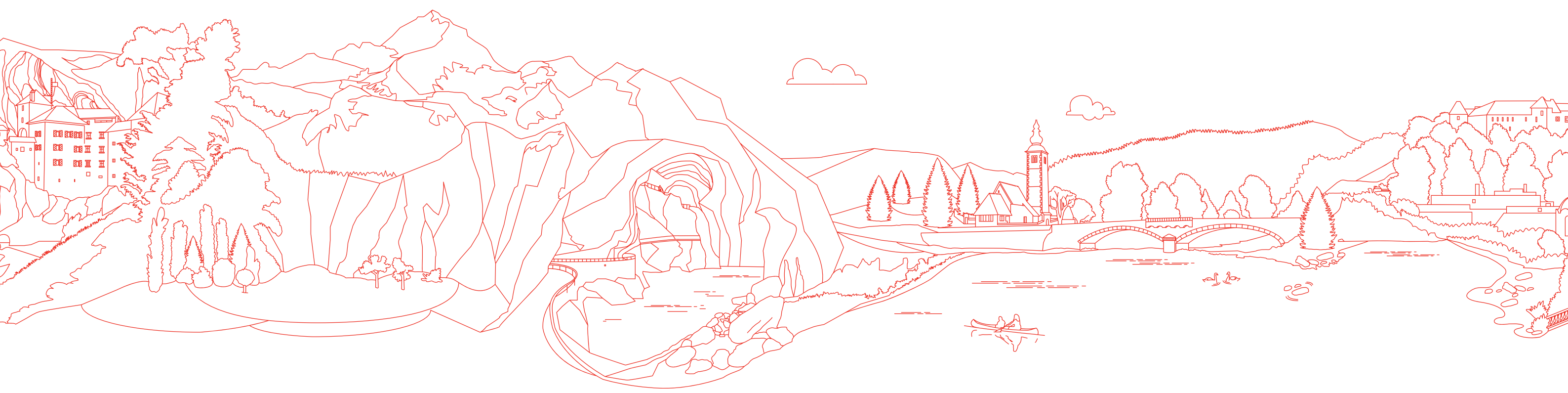
in EUR	Share capital	Capital reserves	Legal reserves	Fair value reserves	Retained earnings	Net profit for the year	Total equity
Balance on 1 January 2020	**38,781,000**	**108,941,657**	**3,878,100**	**-357,740**	**64,208,115**	**12,133,413**	**227,584,545**
Transfer of earnings from preceding years to retained earnings	0	0	0	0	12,133,413	-12,133,413	0
Distribution of profits	0	0	0	0	0	0	0
Merger by acquisition P&ROM d.o.o.	0	0	0	0	-6,115	0	-6,115
Transactions with owners	**0**	**0**	**0**	**0**	**12,127,298**	**-12,133,413**	**-6,115**
Net profit or loss for the year	0	0	0	0	0	10,904,649	10,904,649
Other comprehensive income (after taxes)	0	0	0	-55,476	0	0	-55,476
Total comprehensive income	**0**	**0**	**0**	**-55,476**	**0**	**10,904,649**	**10,849,173**
Balance on 31 December 2020	**38,781,000**	**108,941,657**	**3,878,100**	**-413,216**	**76,335,412**	**10,904,649**	**238,427,602**



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 2019

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



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

4. NOTES TO THE AUDITED FINANCIAL STATEMENTS

4.1. FRAMEWORK FOR PREPARING THE STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

4.1.1. Declaration of compliance

The Company's management approved the financial statements on 25 February 2021.

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.

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 4.1.8

4.1.4. Foreign currencies

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

Operating receivables and liabilities in a foreign currency are converted into EUR according to the valid ECB exchange rate on the date of the balance. Financial liabilities in a foreign currency are converted into EUR 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 on 31 December 2020 were used for converting foreign currencies:

Country	Currency	Currency label	Currency code	Exchange rate
USA	US DOLLAR	USD	840	1.2271
UK	BRITISH POUND	GBP	826	0.8990
Switzerland	SWISS FRANC	CHF	756	1.0802
Croatia	CROATIAN KUNA	HRK	191	7.5519

4.1.5. Significance

Significant items in the balance sheet are those which exceed 1% of total assets on the balance date, which as on 31 December 2020 is EUR 3,730,766 (and as on 31 December 2019 was EUR 3,665,273). Significant items of the profit and loss statement are those which exceed 2% of the value of revenue in the financial year, which for 2020 amounts to EUR 4,138,858 and for 2019 amounts to EUR 4,234,805.

4.1.6. Segment reporting

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

4.1.7. Changes to accounting policies, estimates and error corrections

A) CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

The accounting policies adopted are consistent with those of the previous financial year except for the following amended IFRSs which have been adopted by the Company as of 1 January 2020:

- **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 in 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. The Company's management estimated that the Amendment had no any significant effect on the Company's financial statements.

- **IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of 'material' (Amendments)**

The Amendments are effective for annual periods beginning on or after 1 January 2020 with earlier application permitted. The Amendments clarify the definition of material and how it should be applied. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity'. In addition, the explanations accompanying the definition have been improved. The Amendments also ensure that the definition of material is consistent across all IFRS Standards. The Company's management estimated that the Amendment had no any significant effect on the Company's financial statements.

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

In September 2019, the IASB issued amendments to IFRS 9, IAS 39 and IFRS 7, which concludes phase one of its work to respond to the effects of Interbank Offered Rates (IBOR) reform on financial reporting. The amendments published, deal with issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative interest rate and address the implications for specific hedge accounting requirements in IFRS 9 Financial Instruments and IAS 39 Financial Instruments: Recognition and Measurement, which require forward-looking analysis. The amendments provide temporary reliefs, applicable to all hedging relationships that are directly affected by the interest rate benchmark reform, which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark with an alternative nearly risk-free interest rate. There are also amendments to IFRS 7 Financial Instruments: Disclosures regarding additional disclosures around uncertainty arising from the interest rate benchmark reform. The amendments are effective for annual periods beginning on or after 1 January 2020 and must be applied retrospectively. Phase two (ED) focuses on issues that could affect financial reporting when an existing interest rate benchmark is replaced with a risk-free interest rate (an RFR). The Company's management estimated that the Amendment had no any significant effect on the Company's financial statements.

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

- **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.

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

The amendments are effective for annual reporting periods beginning on or after January 1, 2022 with earlier application permitted. However, in response to the COVID-19 pandemic, the Board has deferred the effective date by one year, i.e., 1 January 2023, to provide companies with more time to implement any classification changes resulting from the amendments. The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current or non-current. The amendments affect the presentation of liabilities in the statement of financial position and do not change existing requirements around measurement or timing of recognition of any asset, liability, income or expenses, nor the information that entities disclose about those items. Also, the amendments clarify the classification requirements for debt which may be settled by the company issuing own equity instruments. 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.

▪ **IFRS 3 Business Combinations; IAS 16 Property, Plant and Equipment; IAS 37 Provisions, Contingent Liabilities and Contingent Assets as well as Annual Improvements 2018-2020 (Amendments)**
The amendments are effective for annual periods beginning on or after 1 January 2022 with earlier application permitted. The IASB has issued narrow-scope amendments to the IFRS Standards as follows:
▪ IFRS 3 Business Combinations (Amendments) update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.
▪ IAS 16 Property, Plant and Equipment (Amendments) prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognize such sales proceeds and related cost in profit or loss.
▪ IAS 37 Provisions, Contingent Liabilities and Contingent Assets (Amendments) specify which costs a company includes in determining the cost of fulfilling a contract for the purpose of assessing whether a contract is onerous.
▪ Annual Improvements 2018-2020 make minor amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IAS 41 Agriculture and the Illustrative Examples accompanying IFRS 16 Leases
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 16 Leases-COVID-19 Related Rent Concessions (Amendment)**
The amendment applies, retrospectively, to annual reporting periods beginning on or after 1 June 2020. Earlier application is permitted, including in financial statements not yet authorized for issue at 28 May 2020. IASB amended the standard to provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic. The amendment provides a practical expedient for the lessee to account for any change in lease payments resulting from the COVID-19 related rent concession the same way it would account for the change under IFRS 16, if the change was not a lease modification, only if all of the following conditions are met:
▪ The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change.
▪ Any reduction in lease payments affects only payments originally due on or before 30 June 2021.
▪ There is no substantive change to other terms and conditions of the lease.

The company has recognized the changes to leases resulting from the COVID-19 pandemic in its business results, and they do not have a significant impact on the financial statements.

▪ **Interest Rate Benchmark Reform – Phase 2 – IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (Amendments)**
In August 2020, the IASB published Interest Rate Benchmark Reform – Phase 2, Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, completing its work in response to IBOR reform. The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR). In particular, the amendments provide for a practical expedient when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, to require the effective interest rate to be adjusted, equivalent to a movement in a market rate of interest. Also, the amendments introduce reliefs from discontinuing hedge relationships including a temporary relief from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component. Furthermore, the amendments to IFRS 4 are designed to allow insurers who are still applying IAS 39 to obtain the same reliefs as those provided by the amendments made to IFRS 9. There are also amendments to IFRS 7 Financial Instruments: Disclosures to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy. The amendments are effective for annual periods beginning on or after 1 January 2021 with earlier application permitted. While application is retrospective, an entity is not required to restate prior periods. 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.

4.1.8. Significant Accounting Policies

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

A. BUSINESS MERGERS OF COMPANIES UNDER COMMON MANAGEMENT

As IFRS do not define accounting policies for accounting for business mergers under common management, the management has in accordance with IAS 8 defined the method for accounting or mergers by acquisition of subsidiaries while taking into account professional instructions and the economic subject of business mergers.
The merger by acquisition of P&ROM, d.o.o., which was acquired in 2019, was valued at carrying amounts by accounting for the difference between the investment and the carrying amounts of net assets in equity (disclosure 5.1).

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

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

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

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

Intangible assets	Useful life (in years) 2020
Radio frequencies	15 or in accordance with the Decision
Software and 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 2020.

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

Impairment of goodwill is done based on cash-generating unit. Impairment of goodwill requires an estimation of the cash-generating unit's value in use. Determining the present value of future cash flows requires an assessment of expected cash flows from the cash-generating unit, and determining the appropriate discount rate (disclosed in 5.2.1.)

C. NON-CURRENT DEFERRED COSTS

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

D. TANGIBLE FIXED ASSETS

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

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

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

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

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

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

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

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

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

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

Tangible Fixed Assets	Useful life (in years) 2020
Base stations and exchanges	5-15
Computer equipment	3-4
Investments in third party tangible fixed assets	7-10
Other equipment	5-7
Small tools and spare parts	2-3

Amortization and depreciation rates remained unchanged in 2020.

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, estthe 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 recognized. With regard to other assets the group assesses the loss from past impairment on the reporting date and determines whether the loss has decreased or even ceased to exist. The impairment loss is derecognized if there was a change in estimates, based on which the group determines the recoverable value of the asset. The impairment loss is derecognized up to the amount where the increased carrying amount of the asset exceeds the carrying amount minus depreciation, determined as if no impairment loss was recognized on the asset in the past years.

F. FINANCIAL ASSETS

Initial recognition and measurement

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

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for 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 amortized cost (debt instruments),

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

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

▪ Financial assets at fair value through profit or loss.

Financial 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 recognized 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 derivates, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized 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 recognized 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 recognized as other income in the statement of profit or loss when the right of payment has been established.

Derecognition

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

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

Impairment of financial assets

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

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

The Company recognizes 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 recognized 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 recognizes 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 recognized 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 amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

Amortized 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 amortization 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 derecognized 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 recognized in the statement of profit or loss.

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.

H. LEASES

The Company upon signing the contract assesses whether it is a lease contract or whether the contract contains a lease. A contract contains lease if it conveys the right to control the use of identified asset for a specific period of time in exchange for consideration. For all such contracts, at the conclusion of the lease, the Company recognizes the right of use asset and the associated lease liability.
The Company defines the lease term as the priod during which the lease can not be terminated, together with:
a) The period for which the possibility of renewing the lease if it is reasonably certain that the tenant will exercise that option, and
b) The period in which the subject has possibility of the lease termination, but it is reasonably certain that the tenat will not exercise that option.

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

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

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

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

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

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

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

The Company remeasures the lease liability (and subsequently adjusts the right of use asset) if:
- The lease term changes, in such case, it remeasures the lease liability, taking into account the changed rental amounts discounted by applying the current incremental borrowing rate,
- Changes in the index or rate, in such case it remeasures the lease liability, taking into account the incremental borrowing rate used at the initial measurement,
- The lease is amended and this change is not accounted for as a separate lease, in such case the lease liability is remeasured by taking into account the incremental borrowing rate on the effective date of change.

I. INVENTORIES

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

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

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

J. 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 mobile and segments are bundle contracts, i.e., multi-element contracts (e.g., a combination of a subscription fee to mobile services with the purchase of a mobile device), where the customer concludes a 12- or 24-month contract. The average payment deadline for users is 15 days. Most invoices are paid within 30 days.

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 customize 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 recognized as revenue when the Company performs under the contract.

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

R. FINANCIAL REVENUE AND EXPENSES

Financial revenue includes revenue from interests, revenue from the disposal of available-for-sale financial assets, changes in the fair value of financial assets in the profit or loss statement, and positive exchange rate differences. Interest revenue is recognized as it accrues using the effective interest method. State subsidies are funding an organization receives from the state or the local community directly from the budget, from state or local community bodies, or from other users of budget funds for specific purposes. State subsidies are sometimes also referred to as grants or subsidies. State and other subsidies received for covering the costs are recognized as revenue in the periods when the costs that the subsidies are to supplement were accrued.

State subsidy is not recognized until there is an acceptable assurance that the organization shall fulfill the conditions for it, and that the state subsidy shall also be received. Conditional state subsidies are recognized among operating revenue only when conditions related to them are fulfilled.

The company presents state subsidies for covering costs by reducing the costs they were received for.

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

S. USE OF ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

- Employees' post-employment benefits: measuring post-employment benefits is based on methods that take into account different assumptions, such as expected discount rate, the fluctuation rate, estimate of salary and bonuses growth. Changes to these assumptions may result in higher or lower costs of provisions, formed for this purpose. Assumptions used for calculating provisions for jubilee awards and severance payments, and the carrying amount is presented in more detail in disclosure 5.2.16.

- 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 5.2.1. and 5.2.2.

▪ Estimated useful lives of intangible and tangible fixed assets: The estimated useful life of an asset, which is subject to depreciation, is the estimated period during which the asset shall be used. When estimating the useful life of an asset, the company takes into account the expected physical wear, technical aging, economic aging, and expected legal and other limitations of use. The company regularly checks the useful life of significant assets, to respond to changed circumstances that would require changes to the useful life and thereby the revaluation of the costs of depreciation. Changed amortization and depreciation rates resulting from changes to the estimated useful life are presented in more detail in the disclosures 5.2.1. and 5.2.2.

▪ Deferred tax assets: When estimating the impairment of deferred tax assets, the management verifies whether the conditions for recognition are still met. A deferred tax asset is recognized in the event of a probable future net profit, against which the deferred liability can be utilized in the future. Deferred tax assets are reduced to the extent, where it is no longer probable that it will be possible to utilize the tax benefit of that deferred tax asset. For carrying amounts see disclosure 5.2.7.

▪ Provisions for decommissioning costs: Provisions are calculated using the prices of base station dismantling providers, and the discount rate to account for the nearing moment of decommissioning, as well as the rate of inflation. Changes to these assumptions may result in higher or lower costs related to provisions, formed for decommissioning costs. For more on used assumptions and carrying amounts see disclosure 5.2.16.

▪ 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 5.5.2.

▪ Leases: Lease term is the period during which the lease contract cannot be canceled, together with the period for which the lease renewal applies, if it is reasonably certain that the tenant will exercise this option, and with the period in which lease contract can be terminated, if it is reasonably certain that the tenant will not exercise that option. The Company measures the lease liability upon the initial recognition at the present value based on unpaid rents, discounted at the interest rate, taken into account for leases. The Company uses incremental borrowing rate 5.2.3, 5.2.18.

T. FAIR VALUE

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

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

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

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

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

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

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

Non-derivative Financial Liabilities
For reporting requirements, the fair value of non-current financial liabilities is calculated as the current value of future payments of the principal 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 2020 and 31 December 2019, data from the profit and loss statement for 2020, and from additional data which are required for adjusting inflows and outflows and appropriately detailing significant items.

5. EXPLANATIONS AND NOTES ON FINANCIAL STATEMENTS

5.1. COMMERCIAL MERGERS

On 30 September 2020 the company merged by acquisition its subsidiary P&ROM, elektronika in telekomunikacije, d.o.o.

The merger by acquisition agreement was concluded on 15 June 2020. With the entry of the merger into the Court Register of Legal Entities on 30 September 2020, P&ROM was stricken from it and ceased to operate.
On 30 September 2020 the company completed merger by acquisition of its subsidiary P&ROM, d.o.o., by acquiring all of its assets and liabilities. The merged assets and liabilities were entered in books at their carrying values at the day of acquisition, and are listed in the table below. The difference between the investment into the merged subsidiary and the carrying value of net assets of the merged company in the amount of EUR 6,115 (the investment in the value of EUR 1,200,000 and the carrying value of EUR 1,193,885) was recognized in the capital as an increase of the retained net profit.
Between 1 January 2020 and the date it was stricken from the Court Register of Legal Entities, P&ROM, d.o.o., created EUR 46,372 in revenue and EUR 48,274 in expenditures which are in full included the business results of A1 Slovenija for the 2020 financial year.
The merger by acquisition also had an impact on the monetary flow, as A1 Slovenija, d.d., also acquired EUR 183,791 of cash deposits.

Carrying values of assets and liabilities, recognized after the merger by acquisition of the subsidiary P&ROM, d.o.o.:

	Value at merger on 1 January 2020 in EUR
Cash and cash equivalents	183,791
Trade receivables	79,428
Inventories	9,871
Other receivables and assets	26,753
Financial assets	1,000
Intangible assets recognized before the merger by acquisition	0
Intangible assets (established at merger by acquisition)	881,528
Property, plant, and equipment	213,765
Other liabilities and provisions	-25,312
Obligations for deferred tax assets	-90,632
Liabilities towards suppliers	-86,306
Net assets acquired through merger by acquisition	**1,193,886**
Investment in the merged company	1,200,000
Merged cash and cash equivalents	183,791
Net cash inflow	**183,791**

At the acquisition along with the assets and obligations that has already been recognized in accounting records of P&ROM, d.o.o., the following assets were also identified and recognized at fair value:

	Value at merger on 1 January 2020 in EUR
Goodwill	392,110
List of customers	489,418
Computer software	0
Total intangible assets	**881,528**

5.2. BALANCE SHEET

5.2.1. Intangible assets

in EUR	Goodwill and customer base	Radio frequencies	Licenses	Software	Leased lines	Total
Historical cost						
Balance on 1 January 2019	15,491,840	92,113,004	14,385,659	55,496,123	26,169,142	203,655,768
Procurement, activation	0	0	104,511	2,148,424	2,094,171	4,347,106
Disposals, write-offs	0	0	0	-2,688,088	0	-2,688,088
Transfer	0	0	0	0	0	0
Balance on 31 December 2019	15,491,840	92,113,004	14,490,170	54,956,459	28,263,313	205,314,786
Procurement, activation	0	0	318,023	1,184,481	492,007	1,994,510
Disposals, write-offs	0	0	0	0	0	0
Transfer	0	0	765,053	2,248,749	1,228,500	4,242,302
Merger by acquisition	881,528	0	0	0	0	881,528
Balance on 31 December 2020	**16,373,368**	**92,113,004**	**15,573,246**	**58,389,688**	**29,983,820**	**212,433,126**
Accumulated amortization and impairments						
Balance on 1 January 2019	2,584,667	41,112,222	13,475,192	47,552,250	8,439,846	113,164,177
Amortization	206,300	4,795,643	269,295	3,478,165	1,293,959	10,043,362
Disposals, write-offs	0	0	0	-2,688,087	0	-2,688,087
Transfer	0	0	0	0	0	0
Balance on 31 December 2019	2,790,967	45,907,865	13,744,487	48,342,328	9,733,805	120,519,452
Amortization	206,300	4,795,577	413,495	2,837,309	1,498,373	9,751,053
Disposals, write-offs	0	0	0	0	0	0
Transfer	0	0	0	0	0	0
Merger by acquisition	65,256	0	0	0	0	65,256
Balance on 31 December 2020	3,062,523	50,703,442	14,157,982	51,179,638	11,232,178	130,335,761
Carrying amount						
31 December 2019	12,700,873	46,205,139	745,683	6,614,131	18,529,508	84,795,334
31 December 2020	13,310,845	41,409,562	1,415,264	7,210,052	18,751,642	82,097,364

67% of all intangible assets that were utilized as on 31 December 2020 were fully amortized (on 31 December 2019 there were 62% 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., and P&ROM, d.o.o., the company recognized the brand, the list of customers, and software.

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 2020 was EUR 41,4 million (2019: EUR 46,2 million).

Financial liabilities

As at 31 December 2020 the Company has no financial liabilities for obtaining intangible assets (2019: EUR 0).

Impairment test of non-current assets and goodwill

In 2020 we completed an impairment test of goodwill and other long-term non-financial 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 management plan for the 2021– 2025 period, with the pre-tax discount rate of 8.7% (2019: 8.1%), and a long-term growth rate of 1.1%. The assumptions regarding the evolution of revenue is based on past success, industry forecasts and external market data, such as the evolution of the gross domestic product (GDP), the rate of inflation and other parameters. The evolution of costs and capital expenditures is based on past experience and internal expectations. The rate of growth takes into consideration the general growth rate and the growth rates for the company in the past periods or growth rates in similar plans. The discount rate for every cash-generating unit is set separately, based on market data and taking into account special risks, related to the cash-generating unit. Interest rates before tax are based on a non-risk interest rate, adapted to market, state and industry risks. The standard discount rate is used for all planning periods.

No need for impairment was established.

Leased lines

In 2020, the Company leased lines for the amount of EUR 1,720,507 (2019: EUR 2,094,171).

5.2.2. Property, Plant and Equipment

in EUR	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 2019	7,753,739	190,149,698	17,928,306	55,700,461	18,384,274	289,916,478
Procurement, activation	52,601	10,299,734	1,299,125	3,397,569	6,603,658	21,652,687
Disposals, write-offs	0	-7,090,715	-428,109	-3,523,437	0	-11,042,261
Transfer	0	0	-304,240	304,240	0	0
Balance on 31 December 2019	7,806,340	193,358,717	18,495,082	55,878,833	24,987,932	300,526,904
Procurement, activation	52,705	9,713,864	168,948	484,499	4,881,791	15,301,807
Disposals, write-offs	-206,588	-4,559,315	-180,131	-1,100,725	0	-6,046,759
Transfer	120,359	3,037,664	391,480	1,667,443	-15,187,739	-9,970,793
Merger by acquisition	0	332,847	4,393	35,515	0	372,754
Balance on 31 December 2020	7,772,816	201,883,776	18,879,771	56,965,565	14,681,984	300,183,913
Accumulated depreciation and impairments						
Balance on 1 January 2019	5,544,981	141,310,689	15,484,393	42,323,619	1,706,605	206,370,287
Depreciation	549,221	12,563,713	1,146,926	4,934,832	-401,570	18,793,122
Disposals, write-offs	0	-6,827,435	-423,890	-3,522,165	0	-10,773,490
Transfer	0	0	-76,060	76,060	0	0
Balance on 31 December 2019	6,094,202	147,046,967	16,131,369	43,812,346	1,305,035	214,389,919
Depreciation	446,165	11,810,756	1,126,978	4,414,015	-255,057	17,542,856
Disposals, write-offs	-206,588	-4,061,112	-170,316	-636,208	0	-5,074,224
Transfer	0	0	0	0	0	0
Merger by acquisition	0	146,194	3,708	20,385	0	170,287
Balance on 31 December 2020	6,333,779	154,942,805	17,091,738	47,610,538	1,049,978	227,028,837
Carrying amount						
31 December 2019	1,712,138	46,311,750	2,363,713	12,066,487	23,682,897	86,136,985
31 December 2020	1,439,037	46,940,972	1,788,034	9,355,027	13,632,006	73,155,076

Base Stations and Exchanges

In 2020, investments in base stations were EUR 12,751,528 (2019: EUR 10,299,734). The estimated useful life of base stations is 5 years for the equipment and 15 years for the infrastructure, and the straight-line depreciation is used.

The carrying amount of decommissioning costs which are included in the value of the investments in base stations was EUR 3,394,199 as of 31 December 2020 (2019: EUR 3,606,886).

When calculating the provisions of decommissioning costs as on 31 December 2020, the Company applied the following conditions:
• Discount rate of 0.5% (2019: 0.5%)
• Inflation rate 2% (2019: 2%).

Mortgages

Fixed assets as on 31 December 2020 are not used as collateral (2019 they were not used).

Financial Liabilities

The amount of financial liabilities obtaining tangible fixed assets as on 31 December 2020 was EUR 430,621 (2019: EUR 2,856,789).

Financial Leases

The Company has no fixed assets under financial lease.

5.2.3. Right of Use Assets

in EUR	1.01.2019				31.12.2019
Type of leased asset	Right of Use	New Acquisitions	Eliminations	Depreciation	Right of Use
Business premises and warehouses	12,222,355	501,422	-1,339,842	-1,611,743	9,772,193
Cars	300,187	424,787	-7,786	-217,490	499,699
Business premises for retail shops	1,928,150	304,866	-91,452	-363,050	1,778,513
Land and buildings for telecommunication equipment	45,053,187	5,560,367	-6,425,567	-5,799,489	38,388,499
Lines	351,242	0	0	-98,864	252,378
Last Mile	23,017,205	5,089,471	-264,809	-8,008,825	19,833,041
Total	**82,872,327**	**11,880,913**	**-8,129,455**	**-16,099,462**	**70,524,323**

in EUR	1.01.2020				31.12.2020
Type of leased asset	Right of Use	New Acquisitions	Eliminations	Depreciation	Right of Use
Business premises and warehouses	9,772,193	433,915	-48,665	-1,439,948	8,717,494
Cars	499,699	297,336	-7,095	-223,430	566,509
Business premises for retail shops	1,778,513	481,033	-17,303	-424,893	1,817,350
Land and buildings for telecommunication equipment	38,388,499	1,840,236	-5,012,494	-5,341,679	29,874,562
Lines	252,378	481,490	-51,766	-163,474	518,628
Last Mile	19,833,041	20,236,378	-1,092,888	-9,589,801	29,386,730
Total	**70,524,323**	**23,770,388**	**-6,230,211**	**-17,183,225**	**70,881,273**

The average rental period is 9 years (2019: 9 years).
Amounts recognized in business results are disclosed in disclosure 6.2.

5.2.4. Non-Current Financial Assets

The Company's non-current financial assets include
- an investment in Zavod Tehnološka mreža ICT, Dunajska cesta 159, Ljubljana, in the amount of EUR 750 (2019: EUR 750), and
- an investment into the shares of the cable system Telekomunikacijski sistem Radvanje Pekre Limbuš d.d., in the amount of 75.19%, i.e. EUR 328,205 (2019: EUR 328,205),
- investment in cable operator P&ROM d.o.o., in the amount of 100%, i.e. EUR 0 (2019: EUR 1,200,000),
- investment in cable operator Dostop komunikacije d.o.o., in amount of 100%, i.e. EUR 1,250,000 (2019: EUR 1,250,000),
- investment in company SIKABEL d.o.o., in the amount of 5%, i.e. EUR 1,000 (2019: EUR 0),
- investment in cable operator STUDIO PROTEUS d.o.o., in the amount of 100 %, i.e. EUR 3,200,000 (2019: EUR 0) and long-term loan in the amount of EUR 160,000 (2019: EUR 0).

The financial statements of the company and its subsidiaries are included in the consolidated results of A1 Telekom Austria Group.

in EUR			
Company	Headquarters	Equity 31.12.2020	Financial income 2020
TS RPL d.d.	Pohorska ulica 9, 2000 Maribor	361,511	-122,650
DOSTOP KOMUNIKACIJE d.o.o.	Lucija, Obala 114, 6320 Portorož - Portorose	134,099	-57,009
STUDIO PROTEUS d.o.o.	Cesta v Staro vas 2, 6230 Postojna	92,768	-156,036

Non-current financial assets

Financial assets at fair value through OCI in EUR	
Balance on 1 January 2020	2,778,955
Additions	3,361,000
Mergers	-1,200,000
Impairment losses	0
Disposals	0
Adjustment to fair value	0
Balance on 31 December 2020	**4,939,955**
Balance on 1 January 2019	218,888
Additions	2,560,067
Impairment losses	0
Disposals	0
Adjustment to fair value	0
Balance on 31 December 2019	2,778,955

5.2.5. Non-Current Operating Receivables

in EUR	31. 12. 2020	31. 12. 2019
Non-current operating receivables due from customers	10,350,121	10,243,269
Accumulated allowances	-179,479	-190,047
Effect of discounting	0	0
Non-current net trade receivables	**10,170,642**	**10,053,221**
Non-current trade receivables due from others	83,092	80,721
Accumulated allowances	0	0
Non-current net trade receivables due from others	**83,092**	**80,721**
Non-current operating receivables	**10,253,734**	**10,133,943**

Non-current operating receivables include the receivables from the sale of phones in 24 instalments in the amount of EUR 10,253,734 (2019: EUR 10,133,943).

5.2.6. Non-Current and Current Contract Assets

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

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

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

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

Table below shows contract assets by type and maturity:

in EUR	31. 12. 2020	31. 12. 2019
Contract assets to consideration for goods transferred or services performed	1,364,090	1,764,835
Dealer provision	257,858	238,398
Total non-current contract assets	**1,621,948**	**2,003,233**
Contract assets to consideration for goods transferred or services performed	4,241,599	5,102,863
Dealer provision	643,407	569,130
Total current contract assets	**4,885,006**	**5,671,993**

5.2.7. Deferred Tax Assets

Deferred tax assets are processed based on the future 19% tax rate (2019: 19%).

in EUR						
Changes in 2020	1. 1. 2020	Increase	Merger	Derecognition	Expenditure	31. 12. 2020
From temporary differences arising from the revaluation of receivables	3,291,550	644,943	0	-409,723	-187,078	3,339,693
From temporary differences arising from provisions	446,565	53,400	0	0	-5,846	494,119
From temporary differences arising from applying dif-ferent amortization/depreciation periods for bookkeeping and tax purposes	608,583	198,293	-92,989	-17,835	-19,741	676,311
From temporary differences arising from the tax losses	0	0	2,357	0	-2,357	0
From temporary differences for other items	0	0	0	0	-10,540	-10,540
Total	**4,346,698**	**896,637**	**-90,632**	**-427,558**	**-225,562**	**4,499,583**

in EUR					
Changes in 2019	1. 1. 2019	Increase	Derecognition	Expenditure	31. 12. 2019
From temporary differences arising from the revaluation of receivables	3,286,331	723,319	-526,606	-191,494	3,291,550
From temporary differences arising from provisions	390,389	92,653	-3,977	-32,501	446,565
From temporary differences arising from applying different amortization/ depreciation periods for bookkeeping and tax purposes	358,310	268,471	0	-18,199	608,583
Total	**4,035,031**	**1,084,443**	**-530,582**	**-242,194**	**4,346,698**

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

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

5.2.8. Non-Current Deferred Costs

in EUR	31. 12. 2020	31. 12. 2019
Deferred costs of connection fees for data lines	1,066,472	948,865
Other deferred costs	209,586	309,326
Non-current deferred costs	**1,276,058**	**1,258,190**

5.2.9. Inventories

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

in EUR	31. 12. 2020	31. 12. 2019
Goods for resale	6,434,157	6,824,784
Inventories	**6,434,157**	**6,824,784**

Inventories as on 31 December 2020 are not used as collateral. As on 31 December 2020 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 2020.

5.2.10. Current operating Receivables Due from Customers

in EUR	31. 12. 2020	31. 12. 2019
Current trade receivables due from customers - subscribers	75,785,959	77,491,715
Allowances for current trade receivables due from customers - subscribers	-27,669,330	-27,553,706
Net trade receivables due from customers - subscribers	**48,116,629**	**49,938,009**
Current trade receivables due from customers - others	11,301,459	8,901,959
Allowances for current trade receivables due from customers - others	-1,289,389	-1,289,625
Net trade receivables due from customers - others	**10,012,070**	**7,612,334**
Current trade receivables - foreign	3,286,367	8,680,566
Allowances for current trade receivables due from customers - foreign	0	0
Net trade receivables - foreign	**3,286,367**	**8,680,566**
Total current operating receivables	**61,415,066**	**66,230,909**

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

5.2.11. Current Trade Receivables from Group Companies

in EUR	31. 12. 2020	31. 12. 2019
Current trade receivables from group companies	735,640	1,213,853
Allowances for current trade receivables from group companies	0	0
Total trade receivables from group companies	**735,640**	**1,213,853**

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

5.2.12. Other Operating Receivables

in EUR	31. 12. 2020	31. 12. 2019
Advances and security deposits given	1,123,556	481,206
Allowances for advances and security deposits given	0	0
Net advances and security deposits given	**1,123,556**	**481,206**
Other current receivables	1,540,883	608,757
Allowances for other current receivables	0	0
Net other current receivables	**1,540,883**	**608,757**
Total other operating receivables	**2,664,439**	**1,089,963**

5.2.13. 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.

in EUR	31. 12. 2020	31. 12. 2019
Cash at bank	191,481	78,374
Cash in hand	0	0
Call deposits	47,823,214	23,092,331
- at Telekom Austria	47,783,214	23,092,331
- at other group companies	40,000	0
Total cash and cash equivalents	**48,014,695**	**23,170,705**

5.2.14. Other Current Assets

in EUR	31. 12. 2020	31. 12. 2019
Current deferred costs	202,586	347,483
Total other current assets	**202,586**	**347,483**

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

5.2.15. Equity

Company equity on 31 December 2020 amounts to EUR 238,427,602. 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 2020.

Capital reserves are EUR 108,941,657 (31 December 2019: EUR 108,941,657) and represent the pay-in of the majority shareholder.

Legal reserves have been formed in the amount of 10% of the share capital in accordance with the requirements of the Companies Act.
Reserves resulting from valuation at fair value relate to unrealized actuarial profits, loss from the actuarial calculation of severances upon retirement, and the loss from the disposal of financial assets. Retained earnings did not change as of 1 January 2020.

Net profit from operations for the 2020 financial year is EUR 10,904,649. Net earnings per share are EUR 1.17 (2019: EUR 1.30), which is calculated by dividing EUR 10,904,649 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	2020	2019
a)	Net profit/loss for the year	10,904,649	12,133,413
b)	+ retained net profit	76,335,412	64,208,114
c)	+ decrease in profit reserves	0	0
d)	- increase in profit reserves by the decision of the management (legal reserves, reserves for own shares and reserves formed in accordance with the statue)	0	0
e)	- increased profit reserves by the decision of the management and the Supervisory Board	0	0
f)	**= distributable profit (a+b+c-d-e), which the General Meeting distributes**	**87,240,061**	**76,341,527**
	- to shareholders	0	0
	- to other reserves	0	0
	- to retained profit	0	0
	- for other purposes	0	0

5.2.16. 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.

in EUR	1 January 2020	Increase	Derecognition	Debited under equity	Expenditure	31 December 2020
Jubilee awards	221,036	35,486	-28,719	0	-9,652	218,151
Severance pay upon retirement	860,328	104,908	0	55,476	-51,887	968,825
Post-employment employee benefit	**1,081,364**	**140,394**	**-28,719**	**55,476**	**-61,539**	**1,186,976**
Decommissioning cost	7,306,111	31,112	-60,296	0	0	7,276,927
Total provisions	**8,387,475**	**171,505**	**-89,015**	**55,476**	**-61,539**	**8,463,903**

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

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 0.75% discount rate (2019: 1.25%),
- The actuarial calculation of jubilee awards is made applying a 0.25% discount rate (2019: 0.75%),
- The Currently applicable amount of severance payments and jubilee awards, as defined by law,
- Employee fluctuation, which depends especially on their age,
- Mortality based on available mortality tables for local population.

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

Sensitivity analysis for post-employment benefits:

in EUR	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	-4.35%	4.70%	0.00%	0.00%	-4.39%	3.01%
Severance pay upon retirement	-6.81%	7.54%	11.54%	-8.41%	5.60%	-5.30%
Effect on provisions for post-employment benefits						

Sensitivity analysis for decommissioning costs:

in EUR	Discount rate	
Unit	percentage point	
Change by	1	-1
Effect on provisions for decommissioning costs	**-14.39%**	**17.11%**

5.2.17. Non-Current Operating Liabilities

in EUR	31. 12. 2020	31. 12. 2019
Non-current operating liabilities	-13,556,000	13,500,000
Total non-current operating liabilities	**-13,556,000**	**13,500,000**

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

5.2.18. Non-Current and Current Financial Lease Liabilities

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

in EUR	1. 1. 2020				31. 12. 2020
Type of leased asset	Lease liability	Liability for new acquisitions	Eliminations	Repayment	Lease liability
Business premises and warehouses	9,969,226	549,357	-48,665	-1,534,068	8,935,851
Cars	502,375	303,068	-7,144	-233,524	564,774
Business premises for retail shops	1,800,277	512,760	-17,521	-440,145	1,855,371
Land and building for telecommunica-tion equipment	33,650,756	2,064,272	-5,013,902	-5,140,566	25,560,560
Lines	262,669	512,231	-51,766	-169,007	554,128
Last Mile*	20,660,095	19,999,387	-1,092,888	-9,093,211	30,473,383
Total	**66,845,398**	**23,941,075**	**-6,231,886**	**-16,610,521**	**67,944,067**

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

As at 31 December 2020, the Company has amounted to EUR 16,964,311 of short-term lease liabilities (2019: EUR 13,293,965). The company classified short-term financial labilities as payables within one year after the balance sheet and long-term liabilities as payable over a period exceeding one year.

2020 in EUR	1.01.2020	31.12.2020
Type of leased asset	Lease liability	Lease liability
Business premises and warehouses	1,342,119	1,385,516
Cars	206,229	210,455
Business premises for retail shops	343,015	385,328
Land and building for telecommunication equipment	5,374,856	4,851,814
Lines	98,456	161,725
Last Mile*	5,929,289	9,969,473
Total	**13,293,965**	**16,964,311**

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

2019 in EUR						
Type of leased asset	up to 1 year	1 - 2 years	2 - 3 years	3 - 4 years	4 - 5 years	over 5 years
Business premises and warehouses	1,369,453	1,372,155	1,396,897	1,422,092	1,447,749	2,618,442
Cars	203,744	137,377	100,544	49,185	1,792	2,590
Business premises for retail shops	408,390	387,113	357,042	346,750	352,531	389,785
Land and building for telecommunica-tion equipment	4,817,730	5,397,909	5,476,209	5,480,014	5,419,908	5,848,536
Lines	112,967	114,593	70,727	15,059	15,247	15,436
Last Mile*	6,381,681	5,671,614	5,757,477	3,886,661	0	0
Total	**13,293,965**	**13,080,761**	**13,158,896**	**11,199,760**	**7,237,227**	**8,874,789**

2020 in EUR

Type of leased asset	up to 1 year	1 - 2 years	2 - 3 years	3 - 4 years	4 - 5 years	over 5 years
Business premises and warehouses	1,385,516	1,408,310	1,431,483	1,455,043	1,209,996	2,558,970
Cars	210,455	173,686	123,371	54,673	1,822	768
Business premises for retail shops	385,328	362,716	350,740	353,757	343,010	31,452
Land and building for telecommunication equipment	4,851,814	4,912,089	4,906,708	4,838,432	4,225,854	2,190,747
Lines	161,725	118,474	63,429	64,247	65,075	50,286
Last Mile*	9,969,473	10,086,406	7,843,608	1,047,465	359,658	347,482
Total	**16,964,311**	**17,061,680**	**14,719,340**	**7,813,616**	**6,205,415**	**5,179,705**

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

The tables below show the maturity of liabilities from leases in non-discounted amounts:

2019 in EUR

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

2020 in EUR						
Type of leased asset	up to 1 year	1 - 2 years	2 - 3 years	3 - 4 years	4 - 5 years	over 5 years
Business premises and warehouses	1,516,940	1,516,940	1,516,940	1,516,940	1,250,055	2,059,746
Cars	217,103	177,541	124,957	55,025	1,848	770
Business premises for retail shops	412,168	383,535	365,716	362,932	362,932	31,615
Land and building for telecommunica-tion equipment	5,240,691	5,223,367	5,134,933	4,983,901	4,293,686	1,697,068
Lines	167,687	122,291	66,180	66,180	66,180	50,640
Last Mile*	10,264,407	10,264,407	7,906,663	1,060,239	349,927	349,927
Total	**17,818,996**	**17,688,081**	**15,115,389**	**8,045,217**	**6,324,628**	**4,189,766**

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

5.2.19. 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.

The table below shows contract liabilities by maturity:

in EUR	31. 12. 2020	31. 12. 2019
Non-current contract liabilities	1,149,222	1,373,230
Current contract liabilities	3,951,836	3,800,446
Total contract liabilities	**5,101,058**	**5,173,676**

5.2.20. Current Operating Liabilities to Suppliers

in EUR	31. 12. 2020	31. 12. 2019
Liabilities towards suppliers	21,201,641	30,477,339
Total current operating liabilities to suppliers	**21,201,641**	**30,477,339**

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

5.2.21. Current Operating Liabilities towards Group Companies

in EUR	31. 12. 2020	31. 12. 2019
Liabilities towards group companies	1,594,570	3,260,601
Total current operating liabilities towards group companies	**1,594,570**	**3,260,601**

5.2.22. Corporate Income Tax Liabilities

in EUR	31.12.2020	31.12.2019
Income tax liabilities	1,647,239	1,032,549
Total income tax liabilities	**1,647,239**	**1,032,549**

5.2.23. Other Operating Liabilities

in EUR	31. 12. 2020	31. 12. 2019
Liabilities towards employees	1,377,458	1,220,139
Liabilities towards the state and state institutions	3,550,032	2,326,424
Other liabilities	827,091	612,646
Total other operating liabilities	**5,754,581**	**4,159,210**

5.2.24. Current Provisions and Accrued Costs

in EUR	31. 12. 2020	31. 12. 2019
Current provisions and accrued costs	9,385,919	6,106,558
Total current provisions and accrued costs	**9,385,919**	**6,106,558**

Current accrued cost includes accrued costs for the payment of bonuses o employees, costs of unused annual leave for 2020, and other accrued costs.

5.2.25. Contingent Liabilities

The Company is the defendant in court cases with the amount of claims totaling at EUR 2,925,492 (2019: EUR 2,421,011 EUR). 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 and did not make any provisions for the lawsuits, except for certain lawsuits, where the management estimated that there is a higher probability of an outflow of funds, in relation to which provisions for lawsuits were made.

5.2.26. Contingent Liabilities from Issued Guarantees

As on 31 December 2020 the Company's maximum contingent liabilities from issued guarantees stand at EUR 537,273 (2019: EUR 720,155).

5.3. PROFIT AND LOSS STATEMENT

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

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

in EUR	2020	2019
Revenue from contracts with customers	203,307,801	209,062,756
Production costs of goods sold (including depreciation) or original cost of sold goods	65,226,383	67,282,542
Selling cost (including depreciation)	116,821,786	120,504,407
Administrative expenses (including depreciation)	6,987,775	7,208,054
Operating profit or loss	**14,271,857**	**14,067,754**

5.3.1. Revenue from Contracts with Customers

in EUR	2020	2019
Net revenue from sold services	152,779,162	156,594,425
Net revenue from sold goods	50,528,639	52,468,331
Revenue from contracts with customers	**203,307,801**	**209,062,756**

Revenue from contracts with customers at home and abroad:

in EUR	2020	2019
Revenue from sales at home	198,626,067	201,493,889
- sale of services at home	148,097,428	149,025,557
- sale of goods at home	50,528,639	52,468,332
Revenue from sales abroad	4,681,734	7,568,868
- sale of services abroad	4,681,734	7,568,868
- sale of goods abroad	0	0
Total	**203,307,801**	**209,062,756**

Revenue from contracts with customers:

in EUR	2020	2019
Revenue from the sale of subscription and prepaid telephone services	122,941,929	126,233,140
Revenue from interconnection and international roaming	23,874,855	25,614,602
Other revenue from the sale of services	5,962,378	4,746,683
Total	**152,779,162**	**156,594,425**

5.3.2. Other Revenue

in EUR	2020	2019
Revenue from derecognizing non-current provisions for base stations decommissioning	60,296	24,796
Revenue from derecognizing allowances for receivables	0	0
Revenue from reimbursed court costs	1,919,309	1,810,076
Revenue from paid written-off receivables	8,379	10,064
Revenue related to deployed employees	866,736	829,862
Other revenue	780,374	2,695
Total	**3,635,094**	**2,677,493**

5.3.3. Costs of Goods, Materials and Services

in EUR	2020	2019
Cost of goods sold	48,359,426	50,547,935
Cost of material	5,226,712	5,272,800
Total	**53,586,138**	**55,820,735**

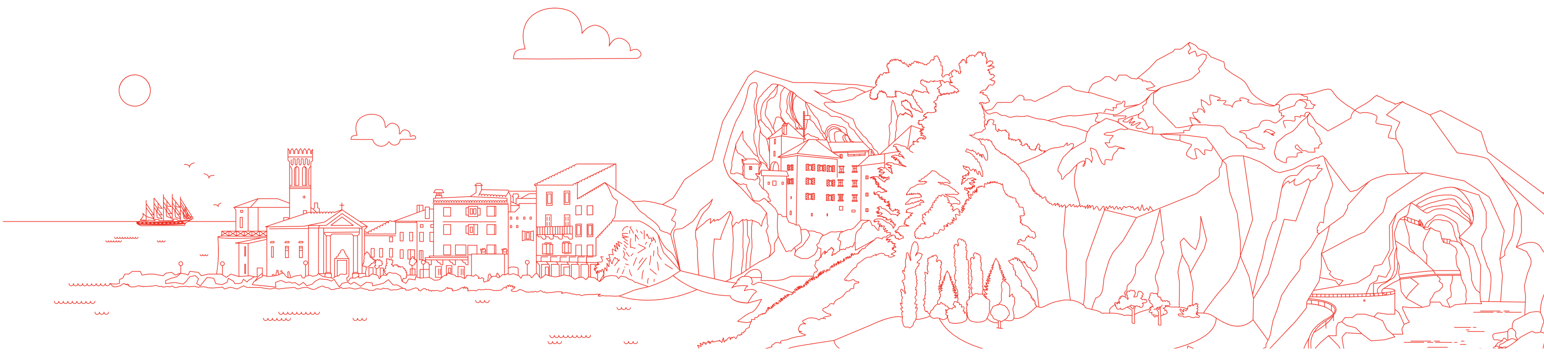
Cost of materials:

in EUR	2020	2019
Energy cost	4,600,231	4,756,057
Write-off of small tools	44,153	31,056
Other cost of material	404,379	293,562
Cost of office supplies and professional literature	177,949	192,125
Total	**5,226,712**	**5,272,800**

Cost of services:

in EUR	2020	2019
Cost of products and services in making	31,061,573	27,066,088
Cost of transportation services	282,672	254,284
Cost of maintenance services	7,083,175	7,487,750
Rent costs	992,915	1,631,759
Cost of payment transactions and bank services	398,387	433,720
Cost of reimbursements to employees	50,061	219,189
Cost of intellectual and personal services	2,975,689	3,068,641
Insurance premiums	214,452	214,662
Cost of interconnection and international roaming	18,712,231	21,897,894
Marketing costs	6,493,773	7,338,101
Cost of other services	2,722,391	2,640,763
Total	**70,987,319**	**72,252,852**

Cost of other services includes costs of postal services, costs of phone services and other. Auditing services for 2020 were EUR 68,000 (2019: EUR 60,000) and include the cost of the annual audit.



5.3.4. Labor cost

in EUR	2020	2019
Salaries and wage compensations	15,745,102	15,406,185
Pension insurance	1,059,800	1,931,611
Other social security contributions	1,156,012	1,186,651
Other labor costs:		
- transport allowances	377,367	628,262
- food allowance	708,232	685,263
- vacation allowance	592,602	608,221
- cost of severance pays and jubilee awards	97,098	969,507
- cost of unused paid leave	60,185	-32,520
- other labor costs	80,144	-102,798
Total	**19,876,542**	**21,280,382**

The company received net EUR 603,839 (2019: EUR 0) of unconditional subsidies from the state, related to the measures for mitigating the consequences of the COVID-19 pandemic. Subsidies are recognized among the duties for pension insurance.

5.3.5. Amortization and depreciation

in EUR	2020	2019
Depreciation of tangible fixed assets	17,542,856	18,793,122
Amortization of intangible assets	9,751,054	10,043,362
Depreciation right of use assets	17,183,226	16,099,462
Total	**44,477,136**	**44,935,946**

5.3.6. Other Operating expenses

in EUR	2020	2019
Duties not depending on business result	1,396,794	1,395,097
Other expenses	471,847	216,890
Loss from disposals of intangible assets and tangible fixed assets	81,369	132,416
Total	**1,950,010**	**1,744,403**

Duties not depending on business results are liabilities to the Agency for Communication Networks and Services in the amount of EUR 1,058,024 (2019: EUR 994,721), and administrative and court tax stamps.

5.3.7. Impairment Losses and Gains from Financial Assets

in EUR	2020	2019
Impairment losses from trade receivables	5,008,093	4,701,475
Impairment gains from trade receivables	-3,213,682	-3,079,704
Impairment losses from contract assets	14,117	17,559
Impairment gains from contract assets	-14,635	-1,153
Total	**1,793,893**	**1,638,177**

5.3.8. Financial Revenue and Expenses

in EUR	2020	2019
Revenue from interest	224,475	455,871
Positive foreign exchange differences	58,028	9,677
Other financial revenue	2,044	4,363
Total financial revenue	**284,547**	**469,911**
Default interest towards suppliers	23,214	13,800
Negative foreign exchange differences	31,888	50,518
Interest expense son lease liabilities	1,051,582	1,331,318
Other interest	286,013	287,430
Total financial expenses	**1,392,697**	**1,683,066**
Profit/loss	**-1,108,150**	**-1,213,155**

5.3.9. Income Tax

in EUR	2020	2019
Accrued tax	2,492,034	1,032,609
Deferred tax	-232,976	-311,422
Income tax	**2,259,058**	**721,186**
Profit before taxes	13,163,706	12,854,599
Tax calculated at 19% rate	2,501,104	2,442,374
Tax effects of untaxed revenue	753,117	-2,764,930
Tax effects of non-tax-deductible expenses	-995,163	1,355,165
Taxes	**2,259,058**	**1,032,609**
Effective tax rate	**17.16%**	**8.03%**

Corporate income tax for 2020 amounts to EUR 2,492,034 (2019: EUR 1,032,609). The effective income tax rate for 2020 was 19 % (2019: 19%).

5.3.10. Related Party Transactions

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

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

- company TS RPL d.d. from Slovenia
- company Dostop komunikacije d.o.o. from Slovenia,
- company Studio Proteus d.o.o. from Slovenia,
- company A1 Hrvatska d.o.o. from Croatia
- company A1 Bulgaria EAD from Bulgaria
- company Vip mobile d.o.o. from Serbia
- company A1 Makedonija DOOEL Skopje, from The Republic of Macedonia
- company Unitary Enterprise A1, Belarus from Belarus
- companies A1 Telekom Austria, Telekom Finanzmanagement (TFG), A1 Digital International GmbH and Telekom Austria AG from Austria
- company TA CZ sítě from Czech Republic,
- 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., Servicios de Comunicaciones de Honduras, S.A. de C.V., Radiomóvil Dipsa, S.A. de C.V., Empresa Nicaragüense de Telecomunicaciones, S.A., Claro Panamá, S.A., América Móvil Perú, S.A.C, Puerto Rico Telephone Company, Inc., AMX Paraguay, S.A., CTE Telecom Personal, S.A. de C.V., AM Wireless Uruguay, S.A., Comunicación Celular, S.A., Consorcio Ecuatoriano de Telecomunicaciones, S.A. (»Conecel«), registered outside Europe.

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

Below is a financial overview of related party transactions in 2020:

Revenues from sales

in EUR	2020	2019
A1 Hrvatska d.o.o.	406,415	472,064
A1 Telekom Austria AG	2,530,969	3,217,379
Telekom Austria AG	137,182	124,558
A1 Makedonija DOOEL Skopje	41,506	106,007
VIP Mobile d.o.o.	799,651	1,022,202
A1 Bulgaria EAD	667,581	44,895
A1 Digital International GmbH	157,715	168,105
Studio proteus	52,144	0
Dostop komunikacije	75,277	0
TS RPL	74,749	0
Telekom Finanzmanagement (TFG) GmbH, Austria	1,748	0
Unitary enterprise A1 (BLRMD)	1,517	0
Radiomóvil Dipsa, S.A. de C.V. y subsidiarias ("Telcel")	962	160
Claro S.A. (antes BCP, S.A.)	1,508	4,236
Other roaming	137	-359
Total	**4,951,081**	**5,159,247**

Costs of services and other operating expenses

in EUR	2020	2019
A1 Hrvatska d.o.o.	1,643,432	2,369,409
A1 Telekom Austria AG	6,491,550	7,528,359
Telekom Austria AG	913,082	821,547
A1 Makedonija DOOEL Skopje	1,308	3,397
VIP Mobile d.o.o.	1,082,059	991,579
Unitary enterprise A1 (BLRMD)	39	3,768
AMX Argentina, S.A. (b) .	269	-1,065
A1 Bulgaria EAD	403,052	688,115
A1 Digital International GmbH	-1,250	-17,583
Claro S.A. (antes BCP, S.A.)	-1,035	1,704
Companía Dominicana de Teléfonos, S.A.	177	157
Claro Chile, S.A.	-52	322
América Móvil Perú, S.A.C	269	899
Radiomóvil Dipsa, S.A. de C.V. y subsidiarias (“Telcel”)	1,494	-5,687
TS RPL d.d. Maribor	-7,026	48,639
Dostop komunikacije	16,982	0
Other roaming	306	735
Total	**10,544,655**	**12,434,295**

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

5.4. INCOME OF MEMBERS OF MANAGEMENT AND SUPERVISORY BODIES

The total amount of all the income that the management, Supervisory Board, and employees with individual contracts received for performing their tasks and duties in 2020 comprises gross income, which was reported in their tax returns, holiday allowances, benefits and profit sharing. In 2020 this income was:

- Management: EUR 441,550
- Supervisory Board: EUR 0, and
- Employees with individual contracts : EUR 780,340.

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

5.5. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

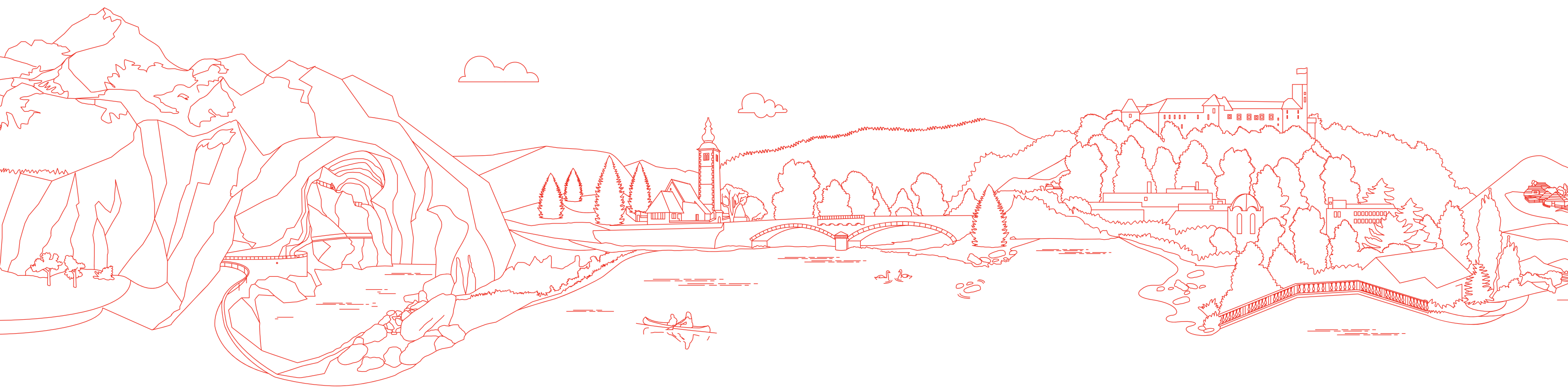
The Company is subject to liquidity risk, credit risk and market risk, which includes interest risk and exchange rate risk related to current assets, labilities and expected future transactions, as well as price risk.

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

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

5.5.1. Liquidity Risk

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



The Company's liabilities by maturity:

in EUR

31 December 2019	Carrying amount of liabilities	Stipulated cash flows				
		Liability	0-6 months	6-12 months	1-5 years	over 5 years
Non-current lease liabilities	57.137.305	57.137.305	0	0	46.723.805	10.413.500
non-current operating liabilities	13.500.000	13.500.000	0	0	4.500.000	9.000.000
Non-current contract liabilities	1.373.230	1.373.230	0	0	1.373.230	0
Current lease liabilities	14.824.545	14.824.545	7.854.279	6.970.266	0	0
Current operating liabilities (excl. liabilities to the state, employees and liabilities arising from advances)	33.737.940	33.737.940	33.737.940	0	0	0
Current contract liabilities	3.800.446	3.800.446	1.900.000	1.900.446	0	0
Warranties	720.155	720.155	720.155	0	0	0
Total	**125.093.621**	**125.093.621**	**44.212.374**	**8.870.712**	**52.597.035**	**19.413.500**

in EUR

31 December 2020	Carrying amount of liabilities	Stipulated cash flows				
		Liability	0-6 months	6-12 months	1-5 years	over 5 years
Non-current lease liabilities	43.217.864	43.317.864	0	0	39.128.098	4.189.766
non-current operating liabilities	13.556.000	13.556.000	0	0	4.556.000	9.000.000
Non-current contract liabil-ities	1.149.222	1.149.222	0	0	1.149.222	0
Current lease liabilities	17.818.996	17.818.996	7.877.299	9.941.697	0	0
Current oper-ating liabilities (excl. liabilities to the state, employees and liabilities arising from advances)	22.796.211	22.796.211	22.796.211	0	0	0
Current con-tract liabilities	3.951.836	3.951.836	1.975.918	1.975.918	0	0
Warranties	537.273	537.273	537.273	0	0	0
Total	103.027.402	103.127.402	33.186.701	11.917.615	44.833.320	13.189.766

Changes to liabilities by financial activities:

in EUR	1 January 2019	payment of liabilities in the period	increase in liabilities	other	31 December 2019
Long-term and short-term financial liabilities from leases	77,306,969	-14,547,455	12,216,320	-8,130,437	66,845,398
Total financial activities	77,306,969	-14,547,455	12,216,320	-8,130,437	66,845,398

in EUR	1 January 2020	payment of liabilities in the period	increase in liabilities	other	31 December 2020
Long-term and short-term financial liabilities from leases	66,845,398	-16,610,521	23,941,075	-6,231,885	67,944,067
Total financial activities	**66,845,398**	**-16,610,521**	**23,941,075**	**-6,231,885**	**67,944,067**

5.5.2. Credit risk

Company's revenue comes from different sources, and most revenue comes from voice calls and monthly subscription fees. Since the majority of contractual customers at the end of 2020 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 2020:

in EUR	31 December 2020	31 December 2019
Non-current financial assets	4,939,955	2,778,955
Non-current operating receivables	10,253,734	10,133,943
Non-current contract assets	1,621,948	2,003,233
Current trade receivables from customers, group companies and others (excl. receivables due from the state)	62,150,706	68,534,724
Short-term contract assets	4,885,006	5,671,993
Cash and cash equivalents	48,014,695	23,170,705
Other current assets	202,586	347,483
Total	**132,068,629**	**112,641,035**

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

Receivables by maturity

in EUR						
31 December 2020	Not yet due	Overdue by 1-30 days	Overdue by 31-180 days	Overdue by 31-180 days	Overdue by more than 360 days	Total
Current trade receivables	56,331,035	3,716,034	1,146,208	172,728	49,060	61,415,066
Current receivables from group companies	397,268	318,878	19,494	0	0	735,640
Total	**56,728,303**	**4,034,912**	**1,165,702**	**172,728**	**49,060**	**62,150,706**
31 December 2019	Not yet due	Overdue by 1-30 days	Overdue by 31-180 days	Overdue by 31-180 days	Overdue by more than 360 days	Total
Current trade receivables	54,679,698	4,568,387	1,775,224	723,435	4,484,164	66,230,908
Current receivables from group companies	884,398	343,600	186	0	0	1,213,853
Total	**55,564,096**	**4,897,656**	**1,775,410**	**723,435**	**4,484,164**	**67,444,761**

Changes in allowances for receivables:

in EUR	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 (excl. receivables due from the state)	Allowances for non-current operating receivables	Total
Balance on 1 January 2019	**28,941,456**	**0**	**0**	**0**	**0**	**28,941,456**
Formed allowances	4,699,388	0	0	0	0	4,699,388
Write-off	-1,679,307	0	0	0	0	-1,679,307
Eliminated allowances	-3,118,206	0	0	0	0	-3,118,206
Balance on 31 December 2019	**28,843,331**	**0**	**0**	**0**	**0**	**28,843,331**

Balance on 1 January 2020	**28,843,331**	**0**	**0**	**0**	**0**	**28,843,331**
Formed allowances	5,008,092	0	0	0	0	5,008,092
Write-off	-1,644,940	0	0	0	0	-1,644,940
Eliminated allowances	-3,247,765	0	0	0	0	-3,247,765
Balance on 31 December 2020	**28,958,718**	**0**	**0**	**0**	**0**	**28,958,718**

Insurance of receivables
Long-term and short-term operating receivables are not insured. The company assesses credit risks based on historic data and in 2020 also the impact of the COVID-19 pandemic.

5.5.3. Interest rate risk

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

5.5.4. Currency risk

The majority of financial and operational receivables and liabilities on 31 December 2020 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 11,521 in 2020 and by EUR 13,399 EUR in 2019.

5.6. CAPITAL MANAGEMENT

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

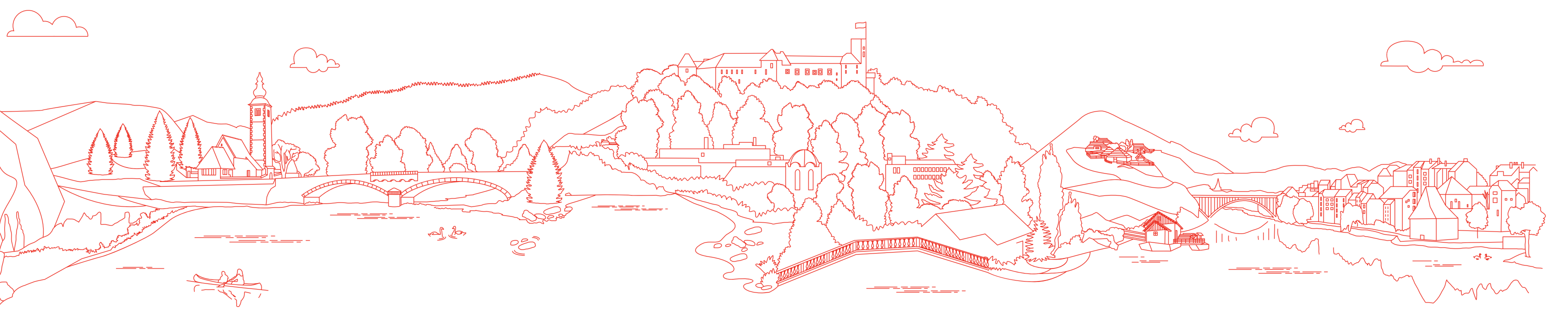
The Company is financially stable, as the net debt-to-capital ratio proves:

in EUR	31.12.2020	31.12.2019
Total equity	238,427,602	227,584,544
Net financial liabilities	67,944,067	66,845,398
Net debt/equity	**0.28**	**0.30**

5.7. CARRYING AMOUNTS AND FAIR VALUES OF FINANCIAL INSTRUMENTS

Fair values of financial assets classified by fair value hierarchy:

in EUR	Book value	Fair value	31 December 2020		
			Level 1	Level 2	Level 3
Non-current operating receivables	10,253,734	10,253,734	0	0	10,253,734
Non-current contract assets	1,621,948	1,621,948	0	0	1,621,948
Current operating receivables (excl. receivables due from the state)	64,815,145	64,815,145	0	0	64,815,145
Short-term contract assets	4,885,006	4,885,006	0	0	4,885,006
Cash and cash equivalents	48,014,695	48,014,695	0	0	48,014,695
Other current assets	202,586	202,586	0	0	202,586
Total assets for which the fair value was disclosed	**129,793,113**	**129,793,113**	**0**	**0**	**129,793,113**



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

Fair values of financial liabilities classified by fair value hierarchy:

in EUR	31 December 2020			31 December 2019		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Non-current financial liabilities	0	0	50,979,756	0	0	53,551,433
Non-current operating liabilities	0	0	13,556,000	0	0	13,500,000
Non-current contract liabilities	0	0	1,149,222	0	0	1,373,230
Current financial liabilities	0	0	16,964,311	0	0	13,293,965
Current operating liabilities (excl. liabilities to the state, employees and liabilities arising from advances)	0	0	22,796,211	0	0	33,737,941
Current contract liabilities	0	0	3,951,836	0	0	3,800,446
Total liabilities for which the fair value was disclosed	**0**	**0**	**109,397,336**	**0**	**0**	**121,257,014**

6. OTHER DISCLOSURES

6.1. THE AUDITOR'S FEE

in EUR	2020 Ernst&Young	2019 Ernst&Young
Cost of annual report audit	56,400	56,400
Tax consultancy services	0	0
Other services not related to the audit	11,600	3,600
Total	68,000	60,000

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

6.2. BUSINESS EVENTS AFTER THE BALANCE SHEET DATE

There were no events that would significantly affect the financial statements for 2020 or require additional disclosures after the date of the financial statements. When this Annual Report was being written, the COVID-19 pandemic was declared in Slovenia. It effects on the operations in 2021 are at this point still not possible to assess.