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ANNUAL REPORT SI.MOBIL 2016

APRIL 2016

INDEX

BUSINESS REPORT

ANNUAL REPORT 2016

1.1. Principles of Business Operations

The user is the center of our operations. That is why we position the user front and center every day. We are always looking for new ways to provide the best user experience on the Slovenian market. We are dedicated to creating useful communication services and responsible operations. We use technology to construct the right space and opportunities for sincere closeness. Satisfying a user is a small victory for us, one toward which we strive day in, day out.

We create solutions that enrich our users' experience of work, life, and entertainment. Our services are advanced, simple, and worry-free. They are tailored to our customers' desires and needs. We want to use the endless opportunities modern technology brings to their advantage, to help them with the challenges they face, brighten their daily lives, and improve the quality of life in the digital age. Through innovation we want to facilitate progress, while also creating new services and products bringing added value to our users.

We build our operations on foundations of ethics and responsibility towards ourselves and others. Accordingly, we are working to establish an organizational culture that reinforces a business culture of integrity, lowers risks, and improves our reputation. We believe that responsibility accelerates company growth. Our decisions are guided by the Code of Conduct. This is an umbrella document that helps steer all Telekom Austria Group employees towards compliant business operations. Along with the Code, a range of guidelines are available to our colleagues to assist them regarding their work and behavior, including guidelines on gifts and invitations, on consulting services and lobbying, on sponsorships, donations and advertising, on preventing corruption and conflicts of interest, and regarding the rules of competition law.

The guidelines are accompanied by an executive document governing business compliance – Regulations on Employee Conduct in Si.mobil, which defines the rights and obligations of employees in procedures related to the business compliance policy, and the obligations of the Compliance Assessment Team.

With our exemplary actions, we are constantly raising the standards and the level of ethical operations not only in the industry, but also in the broader environment we operate in. Through our socially-responsible operations we want to have a positive effect on the society and the environment we operate in. We bolster the trust of our loyal subscribers with ethical and transparent operations and exemplary and honest work. We respect our users and treat them how we want others to treat us.

1.2. Company Info Sheet

1.2.1. COMPANY INFORMATION

Name	**Si.mobil telekomunikacijske storitve, d.d.**
Headquarters	**Šmartinska 134b, 1000 Ljubljana**
Phone	**040 40 40 40**
E-mail for residential users	**info@simobil.si**
E-mail for business users	**info.poslovni@simobil.si**
Website	**www.simobil.si**
Main activity	**61.200 – brezžične telekomunikacijske dejavnosti**
Activity code	**J61.200**
Founded in	**1998**
Tax number	**SI 60595256**
Company registration number	**1196332000 SRG 1/29430/00 Ljubljana**
Share capital	**38.781.000 EUR**

1.2.2. OWNERSHIP

Si.mobil d.d. is fully owned by Mobilkom Beteiligungsgesellschaft mbH. Mobilkom Beteiligungsgesellschaft mbH has been a member of the American Movil Group since 2014. America Movil, S.A.B. de C.V., Mexico, is the ultimate parent company (more at www.americamovil.com).

1.2.3. MANAGEMENT BOARD

Dejan Turk	Chairman of the Management board

1.2.4. DIRECTORS

Boštjan Košak	Executive Manager
Andrej Špik	Senior General Affairs Director
Rok Gorjup	Senior Sales and Customer Service Director in Slovenia
Larisa Grizilo	Senior Human Resource Management and Corporate Communications Director
Ivo Radaković	Senior Marketing Director
Natali Delić	Senior Technical Director
Milan Zaletel	Senior Finance Director

1.2.5. SUPERVISORY BOARD

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

CHANGES IN THE MANAGEMENT IN 2016

CHANGES IN THE MANAGEMENT BOARD

As of 30 June 2016, the company has a one-member Management Board. Dejan Turk is the Chairman of the Management Board. Until 30 June 2016 the Management Board also comprised Natali Delić and Andreas Graf.

CHANGES IN THE SUPERVISORY BOARD

There were no changes to the Supervisory Board in 2016.

1.3. Employees

2016 was an exceptional year for us. Through the merger with Amis, d.o.o., we welcomed 183 new colleagues in our company, growing our total staff by nearly 50%. Our foundations of innovation and stability gained a wealth of new know-how and experience.

As at 31 December 2016 the share of women among employees at Si.mobil was at 42.65%, with the average age of our colleagues at 36.42 years. A great majority of our employees have level V education, and 40% of all staff have a higher education or university degree.

The company does not have a diversity policy.

1.4. Social Responsibility

Social responsibility is written into our company DNA. It is the foundation of our mission and vision. It is a value of the Si.mobil brand. We are committed to ethical and responsible operations. We pay special attention to our responsibility toward people – our colleagues, and our users, as well as the broader community. We have a sensitivity towards the natural environment. We protect the heritage of our ancestors. We wish to pass to the future generations a world we can be proud of.

We continued to support different communities, associations and societies through donations in 2016. We supported the Fire Fighting Association of Slovenia in its effort to promote fire fighting among young people and donated 9,000 EUR for the organization of the state youth firefighting championships.

We donated 12 fully operational used computers to the Friends of Youth Association of Slovenia, making the work of their volunteers easier. We repeated the gesture from 2015 holidays by donating the funds for business gifts to charity. We joined forces with the Slovenian Association of Pre-Schools and donated tablet computers with 6 months of free internet access to 33 pre-schools from all over Slovenia in December. With this step we wanted to contribute to improving the technical facilities available in Slovenian pre-schools, and help them conduct activities that modern technologies make possible.

We focused a part of our socially-responsible activities on helping the more vulnerable groups in our society, and provide them with support in facing day-to-day challenges. That is why we launched special plans for the deaf and hard of hearing and the blind and visually impaired, adapted to their needs. At the Festival of the Third Age we helped the elderly with their mobile phones, and we connected them with children through the innovative project Lahkonočnice (Goodnight Reads) that uses fairy tales and modern technology.

Environmental responsibility has been integrated into our operations for many years now. We take account of environmental aspects in all our processes in order to minimize our negative environmental impact. The ISO 14001:2004 certificate and our entry into the EMAS registry are indicators of our environmental excellence.

We are connecting people, places, and things. Enriching the experience of work, life, and entertainment. Enriching the life today. For an encouraging future tomorrow.

1.5. Selected Performance Indicators

1.5.1. ANALYSIS OF THE PROFIT AND LOSS STATEMENT

In 2016, our total operating revenue decreased by 6.3% compared to 2015. The trend of declining revenue from the sale of basic telecommunications services due to strong price pressure from competition, as well as the decline in revenue from international roaming because of pricing regulation (decrease) continues. The merger by acquisition of Amis, d.o.o. in April 2016 increased the revenue by EUR 22.37 million. The amount of total revenue from the previous year was unachievable in spite of the merger, due to the exceptional revenues in 2015.

Earnings before interest, taxes, depreciation and amortization (EBITDA) decreased by 33.2% because of the impact of exceptional business revenue from out of court settlements in competition protection in 2015, and stood at EUR 53.3 million at the end of the year. Si.mobil finished 2016 with positive earnings before interest and taxes (EBIT) of EUR 22.6 million. This is a 60% drop compared to 2015. Earnings before tax stood at EUR 23.76 million in 2016.

At the end of 2016, Si.mobil had 714,324 users, which is a 0.8% increase compared to the year before. Growth was somewhat higher among subscribers (+3.8%), which represent 82,9% of all users.

The average revenue per user (ARPU) decreased in 2016 compared to 2015 because of price pressure from competition and the regulation of international roaming.

1.5.2. ANALYSIS OF THE BALANCE SHEET

Total assets amounted to EUR 294.91 million on 31 December 2015. Compared to the year before this was up by 7%, i.e. EUR 19.2 million. With the merger by acquisition of Amis, d.o.o., the company's net assets increased by EUR 13.2 million, of which EUR 3.6 million were other assets recorded at fair value, such as brand, customer base, and the in-house developed software, and goodwill in the amount of EUR 11.5 million.

Long-term assets were EUR 199.5 million, and increased by 15.8%, i.e. by EUR 27.15 million. The increase in long-term assets the result of procurements and the merger by acquisition of the companies Amis, d.o.o., and Ta mreža, d.o.o. Short-term assets were EUR 95.41 million, and decreased by 7.7%, i.e. by EUR 7.95 million. The biggest decrease in short-term assets was recorded in cash, resulting from the repayment of the debt to the owner.

Equity and reserves stood at EUR 228.53 million, and have increased by 26%, i.e. by EUR 47.18 million. Shareholder equity ratio stood at 77.49%.

Long-term liabilities in the amount of EUR 13.2 million represented 4.5% of total assets. Compared to 2015 they decreased by 70%, i.e. EUR 31.8 million because of the repayment of the loan.

Short-term liabilities in the amount of EUR 47.49 million represented 16.1% of total assets. Compared to 2015 they increased by 6.8%, i.e. EUR 3 million. This rise was primarily caused by the increase of operating liabilities towards suppliers, resulting from the merger by acquisition of Amis, d.o.o., and TA mreža, d.o.o.

BUSINESS REPORT

BELOW IS A GENERAL SUMMARY OF OUR FINANCIAL PERFORMANCE FOR THE YEARS 2016 AND 2015 (IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS):

		2016	**2015**
Profit and loss statement			
Operating revenue	in million EUR	**204.69**	211.00
Earnings before interest, taxes, depreciation, and amortization (EBITDA)	in million EUR	**53.31**	79.86
Earnings before interest and taxes (EBIT)	in million EUR	**22.6**	56.4
Profit/loss	in million EUR	**1.16**	0.43
Earnings before tax (EBT)	in million EUR	**23.76**	56.83
Balance sheet			
Assets	in million EUR	**294.91**	275.71
Property, plant and equipment	in million EUR	**78.46**	66.61
Short-term assets	in million EUR	**95.41**	103.36
Financial and operating liabilities	in million EUR	**54.67**	77.55
Equity	in million EUR	**228.53**	181.34
Selected indicators			
EBITDA margin	%	**26,04 %**	37.85%
Investments in property, plant and equipment	in million EUR	**23.05**	15.28
Average no. of employees		**500**	400
Number of employees (year-end)		**558**	375
Number of users (year-end)		**714.324**	708.536
Of which subscribers represent		**591.819**	570.348

1.6. Transactions with Related Parties

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

The company conducts business with related parties in the field 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 2016 financial year Si.mobil, d.d., did not perform or omit any actions at the initiative of a related party, which would deprive the company.

1.7. Risk Exposure

1.7.1. REGULATORY RISKS:

1.7.1.1. Regulation of Wholesale Fixed Markets

AKOS is in the final phase of preparing analyses and proposed measures for fixed access wholesale markets (markets 3a, 3b, and 4). The new regulation will bring significant changes to the regulation of Telekom Slovenije's network through which Si.mobil markets its services for the most part. Such changes can have very significant impact on Si.mobil's cost and business competitiveness in comparison with Telekom Slovenije as well as other retail competitors.

1.7.1.2. The Regulation of Roaming in European Mobile Networks

In 2016 the Decision on the Single Market for Telecommunications came into effect, which also affects the prices of international roaming. From 15 June 2017 the method of charging for international roaming at the retail level will be different. Since the method of charging at the retail level is not yet fully determined (especially regarding actual prices and possible temporal limitations of the pricing), there is a risk of a potential major decline in wholesale revenue from this source.

1.7.1.3. Regulation of Access to the Open Internet (Internet Neutrality)

The regulation of access to the open internet (internet neutrality) in Slovenia is among the more orthodox in the EU. AKOS has in the past already forbidden various services from several operators for allegedly violating these principles. Even though most of the decisions were later annulled by the court, there is a concern that AKOS will in the future insist on a very narrow interpretation of the Regulation. Such actions by the market regulator would limit operators' business opportunities regarding the introduction of new services, as well as jeopardize equal competition with OTT providers.

AKOS is also interpreting the Regulation very broadly in the part relating to communicating actually achievable internet speeds to end users. This would require implementation of complex and expensive solutions relating to the measurements of actual speeds, as well as the contractual relationship with end users.

1.7.1.4. 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 2016 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 at balance sheet date there was no significant dependence on any of the above debtors.

1.7.1.5. Interest Rate Risk

In 2014 the company received a long-term loan from Mobilkom Beteiligungsellschaft MbH.

The company is part of a cash pooling system with overnight deposits.

The interest rates for the loan and the deposit are low, tied to EURIBOR, and there is no significant exposure to interest rate risks. The company does not use any special financial instruments for hedging the interest rate risk.

1.7.1.6. Currency Risk

The company's operational currency in 2016 was the euro. Only a small share of transactions is conducted in US dollars and other currencies, and consequently currency risk is not significant for the company. The company does not use any special financial instruments for hedging the currency risk.

1.7.1.7. Liquidity Risk

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

1.8. Plans for the Future

The shift in Si.mobil's strategic position, along with the changes in the highly dynamic environment, serve to drive the new development milestone that will define Si.mobil's strategy in 2017. We will be rebranded as A1. This strategic step adds fresh momentum to our growth on the Slovenian market in mobile and fixed services as well as in advanced digital solutions. As A1 we will remain dedicated to creating solutions that address consumers' existing and emerging needs. We will focus on providing services that will allow them to work, have fun, create and share things in a more connected way, and under their terms.

Under the A1 brand we will continue to focus on providing the best user experience and maintain our position as a technological pioneer on the Slovenian market. In the modern world of hyperconnectivity we will continue striving to build new foundations for the meaning of connectedness and consequently tailor the constantly developing world of opportunities and experiences. In this modern, technologically advanced environment we will continue to expand our operating space and grow into a comprehensive digital company.

This strategic step would not have been possible without the finalized merger with Amis, which we successfully completed in 2016. With this we decisively trailblazed the path of ensuring comprehensive convergent services. The new knowledge, experience, and opportunities this merger brings form the foundation that will facilitate the further upgrade of our comprehensive communication solutions in one place, to provide the best user experience to our customers.

We are aware of the importance and prevalence of technology in our lives, and plan to put our focus on developing and providing solutions, services, and products that meet the needs and desires of users, market demands, and the constant development of modern technologies. A special challenge and motivation is found in developing digital solutions for our customers. We strive towards constructing new foundations for the meaning of connectedness, thereby tailoring the constantly developing world of opportunities and experiences.

Digitalization is the frontier of everything we have seen and known so far. It is our ambition to provide access to modern communication solutions and services to the whole population of Slovenia. Anywhere and anytime. That is why we will continue with intensive investments in infrastructure to make the option to use the best services not a privilege but an opportunity. In 2017 we will make true on our promise from 2014 to bring high-speed internet to 225 rural areas in Slovenia. With this step, we will significantly contribute to fulfilling the national demands of the Digital Agenda for Europe, which is meant to ensure that the European single digital market, based as it is on high-speed internet connections and interoperable applications will bring sustainable economic and social benefits for Europe. By providing 98% of the population of Slovenia with access to the fastest LTE/4G network we will be significantly contributing to the country's digitalization and modernization. Modern technologies open the door to a world of connectedness and experience and we will forge our place in that world.

1.9. Corporate Governance Statement

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

1.9.1. GOVERNANCE CODE

In the period from 01 January 2016 to 31 December 2016 Si.mobil d.d. as part of Telekom Austria Group operated in accordance with the principle of Corporate Governance of Telekom Austria Group, which is based on the Austrian Corporate Governance Code. This Code pursues the goal of the responsible management and control of companies geared towards a sustainable and long-term creation of enterprise value. It aims to ensure a high degree of transparency for all stakeholders and to serve as an important guideline for investors. The Code is based on the provisions of Austrian stock company, stock exchange and capital market law, EU recommendations and the OECD Principles of Corporate Governance. The Telekom Austria Group has been committed to voluntary compliance with the ACGC since 2003.

1.9.2. WORK OF THE GENERAL MEETING

The work of the General Meeting is governed by the Articles of Association of Si.mobil, 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.

1.9.3. MANAGEMENT AND SUPERVISORY BOARDS

SI.MOBIL d.d. is run by a Management Board that comprises one to three members, one of whom is appointed CEO by the Supervisory Board.

On 30 June 2016, the Management Board was comprised of Dejan Turk as the CEO, and Natali Delić and Andreas Graf as members. As of 30 June 2016, SI.MOBIL d.d has a one-member Management Board, represented by Dejan Turk. The Management Board represents the company and is responsible for all affairs and decisions that are not expressly mandated to the Supervisory Board or General Meeting in the company's Articles of Association or the Companies Act.

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

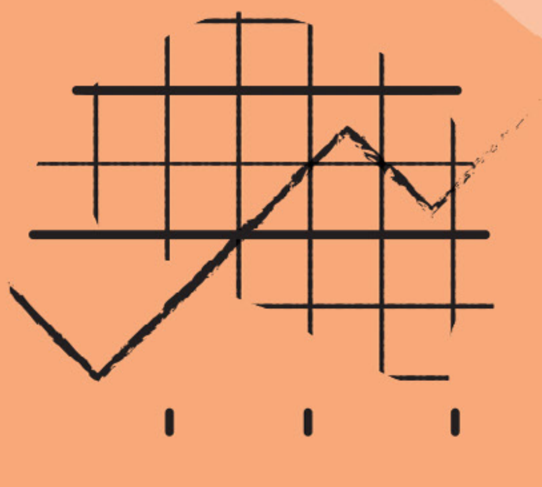
1.9.3.1. Description of the Main Characteristics of the Company's Systems for Internal Control and Risk Management Relevant for the Financial Reporting Procedure

The company has an Internal Control System in financial reporting, in accordance with 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 Telekom Austria Group.

Dejan Turk, CEO

Ljubljana, 27 January 2017

FINANCIAL REPORT



2.1. GENERAL DISCLOSURES

2.1.1. ABOUT SI.MOBIL

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

Si.mobil, 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 2016 is as follows:

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

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

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

2.1.1.2. Nature of operations and core activities

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

2.1.1.3. Information about the controlling company

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

2.1.1.4. Data on Employees

- number of employees at the end of the 2016 business year was 558 (at the end of 2015: 375);
- average number of employees in the 2016 business year was 500 (400 in the 2015 business year);

STRUCTURE OF EMPLOYEES BY EDUCATION LEVEL:

education level	2016	2015
vocational school or less	26	18
grammar school	225	137
higher education, 2-year school	56	50
higher education, 4-year school	97	57
university education	129	95
post-graduate education	24	17
doctorate	1	1
total	**558**	**375**

2.1.2. STATEMENT OF MANAGEMENT RESPONSIBILITY

The Management Board is responsible for preparing the Annual Report so that it represents a true and fair view of the Company's financial position and the results of its operation for the year 2016.

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

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

Ljubljana, 27 January 2017

Dejan Turk, Chairman of the Management Board

2.2. INDEPENDENT AUDITORS' REPORT

This is a translation of the original report in Slovene language

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of SI.MOBIL d.d.

Opinion

We have audited the financial statements of SI.MOBIL d.d. (the Company), which comprise the statement of financial position as at December 31 2016, 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 SI.MOBIL d.d. as at 31 December 2016 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 matter

The corresponding figures as at and for the year ended 31 December 2015 and as at 1 January 2015 are unaudited.

Other information

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

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

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

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

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

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

Responsibilities of management and the supervisory board for the financial statements

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

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

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with audit rules, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

We communicate with the supervisory board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Ljubljana, February 9, 2017

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

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

Lidija Šinkovec
Certified auditor

Družba je članica Ernst & Young Global Limited.

2.3. FINANCIAL STATEMENTS OF SI.MOBIL, D.D

2.3.1. BALANCE SHEET

ASSETS	Note	31 December 2016	31 December 2015	1 January 2015
			unaudited	unaudited
LONG-TERM ASSETS		**199,501,144**	**172,352,332**	**177,415,742**
Intangible assets	5.2.1	86,814,970	77,312,439	83,499,428
Property, plant and equipment	5.2.2	78,463,581	66,605,475	67,589,503
Long-term financial assets	5.2.3.	125,312	1,764,039	1,764,039
Long-term operating receivables	5.2.4.	8,153,238	6,984,532	6,412,103
Deferred tax assets	5.2.5.	3,640,805	2,077,653	1,920,881
Long-term deferred costs	5.2.6.	22,303,238	17,608,194	16,229,788
SHORT-TERM ASSETS		**95,413,253**	**103,361,235**	**79,263,891**
Inventories	5.2.7.	7,325,448	5,329,769	5,126,576
SHORT-TERM TRADE RECEIVABLES	5.2.8.	45,943,410	41,228,749	34,965,673
Short-term trade receivables from group companies	5.2.9.	1,749,870	2,055,845	1,714,284
Tax assets from the income tax	5.2.10.	3,870,841	0	3,304,724
Other operating receivables	5.2.11.	1,072,000	859,524	972,020
Cash and cash equivalents	5.2.12.	24,277,879	43,661,508	22,792,329
Other short-term assets	**5.2.13.**	**11,173,805**	**10,225,840**	**10,388,285**
TOTAL ASSETS		**294,914,397**	**275,713,567**	**256,679,633**

EQUITY AND LIABILITIES	Note	31 December 2016	31 December 2015	1 January 2015
EQUITY	**5.2.14**	228,528,851	181,344,711	163,273,409
Called-up capital		**38,781,000**	**38,781,000**	**38,781,000**
Capital reserves		108,941,657	83,941,657	83,941,657
Profit reserves		3,878,100	3,878,100	3,878,100
Reserves, resulting from valuation at fair value		25,844	-69,957	-73,984
Retained earnings		55,357,473	6,746,636	45,810
Net profit or loss		21,544,777	48,067,275	36,700,826
PROVISIONS AND LONG-TERM LIABILITIES		18,899,278	49,906,773	55,171,682
Post-employment employee benefits	5.2.15.	580,752	522,355	489,062
Other long-term provisions	5.2.15.	4,944,234	4,224,167	5,778,231
Long-term deferred revenue	5.2.16.	165,643	160,251	304,389
Long-term financial liabilities	5.2.17.	13,208,649	45,000,000	48,600,000
SHORT-TERM LIABILITIES		47,486,268	44,462,083	38,234,542
Short-term financial liabilities	5.2.18.	3,707,951	3,922,973	3,967,349
Short-term operating liabilities to suppliers	5.2.19.	30,868,953	22,283,931	24,272,761
Short-term operating liabilities towards group companies	5.2.20.	2,640,177	2,446,257	2,718,699
Income tax liabilities	5.2.21.	0	8,217,873	0
Other operating liabilities	5.2.22	4,247,959	3,737,551	3,231,361
Short-term deferred income	5.2.23	3,946,709	1,564,568	1,165,466
Short-term provisions and accrued costs	5.2.23	2,074,519	2,288,930	2,878,906
TOTAL LIABILITIES		66,385,546	94,368,856	93,406,224
TOTAL ASSETS		294,914,397	275,713,567	256,679,633

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

2.3.2. PROFIT AND LOSS STATEMENT

in EUR	Note	2016	2015 unaudited
Net sales revenue	5.3.1.	198,682,403	173,942,214
Capitalized own products and services			0
Other operating revenue	5.3.2.	6,006,798	37,061,980
Cost of goods and materials	5.3.3.	-39,360,201	-36,050,148
Costs of services	5.3.3.	-86,991,162	-70,184,260
Labor cost	5.3.4.	-18,468,286	-18,784,675
Amortization and depreciation	5.3.5.	-30,717,653	-23,459,327
Impairment and write-downs	5.3.6.	-4,813,897	-4,223,241
Other operating expenses	5.3.7.	-1,740,999	-1,899,027
Operating profit or loss		**22,597,003**	**56,403,516**
Financial revenue	5.3.8.	2,342,470	2,145,789
Financial expenses	5.3.8.	-1,171,794	-1,717,887
Revenue from derecognizing financial investments	5.3.8.	-10,000	0
Profit or loss		**1,160,676**	**427,902**
Profit/loss before tax		**23,757,679**	**56,831,418**
Accrued tax	5.3.9.	-1,627,884	-8,921,740
Deferred tax	5.3.9.	-585,018	157,597
Income tax		**-2,212,902**	**-8,764,143**
Net profit or loss		**21,544,777**	**48,067,275**
Basic earnings per share		2.32	
Diluted earnings per share		2.32	

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

2.3.3. OTHER COMPREHENSIVE INCOME

in EUR	Note	2016	2015 unaudited
NET PROFIT OR LOSS		21,544,777	48,067,275
Other comprehensive income in the financial year that will be recognized in the profit or loss statement henceforth		**0**	**0**
Unrealized actuarial gains or losses		**95,801**	**4,027**
Impact of deferred taxes		0	0
Other comprehensive income in the financial year that will not be recognized in the profit or loss statement henceforth		**95,801**	**4,027**
Total other comprehensive income after taxes		**95,801**	**4,027**
Total comprehensive income for the financial year		**21,640,578**	**48,071,302**

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

2.3.4. CASH FLOW STATEMENT

in EUR	Note	2016	2015 unaudited
CASH FLOW FROM OPERATING ACTIVITIES			
Net profit or loss		21,544,777	48,067,275
Adjustments for:			
Depreciation of tangible fixed assets and investment property	5.3.5.	18,424,754	14,143,546
Amortization of intangible assets	5.3.5.	12,292,899	9,315,780
(Gain)/loss from the sale of intangible assets, tangible fixed assets and investment property	5.3.7.	308,761	94,822
Net (decrease)/allowances for receivables		1,928,077	1,246,200
Net (decrease)/allowances for inventory		36,418	-215,566
Net financial (revenue)/expenses	5.3.8.	38,217	1,378,731
Changes in investments	5.3.8.	10,000	0
Changes in deferred tax assets	5.2.5., 5.3.9.	605,409	-156,772
Income tax		-1,627,884	
Operating cash flow before changes in working capital		**53,561,428**	**73,874,016**
Changes in operating receivables		**-4,390,496**	**-5,006,046**
Changes in deferred costs and other assets		-5,643,008	162,445
Changes in inventories	5.2.7.	-1,669,952	12,373
Changes in operating debt		4,670,891	6,419,868
Changes in short-term deferred revenue, accrued costs and provisions		-8,098,233	-1,812,860
Changes in net working capital		**-15,130,798**	**-224,220**

Cash flow from operating activities		**38,430,630**	**73,649,796**
Expenses for interests			
Expenses for income tax		1,627,884	
Net cash flow from operating activities		**40,058,514**	**73,649,796**
CASH FLOW FROM INVESTING ACTIVITIES			
Expenditure for the acquisition of intangible assets	5.2.1.	-4,720,558	-4,508,188
Expenditure for the acquisition of tangible fixed assets	5.2.2.	-21,877,290	-13,253,350
Expenditure for the acquisition of a subsidiary	5.1.	-24,450,000	
Net cash from investing activities		**-51,047,848**	**-17,761,538**
CASH FLOW FROM FINANCING ACTIVITIES			
Paid-in capital	5.2.14.	25,000,000	4,028
Expenditures for interests from financing	5.3.8.	-38,217	-1,378,731
Expenditures for the repayment of financial liabilities	5.2.17, 5.2.18.	-35,438,942	-3,644,376
Dividends paid		0	-30,000,000
Net cash flow from financing activities		**-10,477,159**	**-35,019,079**
Net increase/(decrease) in cash and cash equivalents		**-21,466,493**	**20,869,179**
Cash and cash equivalents at the beginning of the year	5.2.12.	43,661,508	22,792,329
Cash acquired through merger by acquisition	5.1.	2,082,864	
Final balance in cash and cash equivalents		**24,277,879**	**43,661,508**

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

2.3.5. STATEMENT OF CHANGES IN EQUITY

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

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

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

B) STATEMENT OF CHANGES IN EQUITY FROM 1 JANUARY TO 31 DECEMBER 2015 (UNAUDITED)

in EUR	Share capital	Capital reserves	Legal reserves	Fair value reserves	Retained earnings	Net profit for the year	Total equity
On 1 January 2015	**38,781,000**	**83,941,657**	**3,878,100**	**-73,984**	**36,746,636**	**0**	**163,273,409**
Transfer of earnings from preceding years to retained earning	0	0	0	0	0	0	0
Distribution of profits	0	0	0	0	-30,000,000	0	-30,000,000
Transactions with owners	**0**	**0**	**0**	**0**	**-30,000,000**	**0**	**-30,000,000**
Net profit or loss for the year	0	0	0	0	0	48,067,275	48,067,275
Other comprehensive income (after taxes)	0	0	0	4,027	0	0	4,027
Total comprehensive income	0	0	0	4,027	0	48,067,275	48,071,302
On 31 December 2015	**38,781,000**	**83,941,657**	**3,878,100**	**-69,957**	**6,746,636**	**48,067,275**	**181,344,711**

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

2.4. NOTES TO THE AUDITED FINANCIAL STATEMENTS

2.4.1. FRAMEWORK FOR PREPARING THE STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

2.4.1.1. Declaration of compliance

The company's management approved the financial statements on 27 January 2017.

Financial statements of Si.mobil 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. Until 31 December 2015, the company prepared its financial statements accroding to Slovenian Accounting Standards (SAS). The effects that the change had on the balance sheet, financial operations and cash flows are explained in a separate section.

2.4.1.2. Functional and Presentation Currency and Rounding Off

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

2.4.1.3. The Grounds for Measurement

The financial statements have been prepared on the historical cost basis, except for the assets for sale, which are measured at fair value. The methods used to measure fair value are described in notes, article 4.1.10.

2.4.1.4. Foreign currencies

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

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

The following exchange rates as at 31 December 2016 were used for converting foreign currencies:

Country	Currency	Currency label	Currency code	Exchange rate
USA	US DOLLAR	USD	840	1.0541
UK	BRITISH POUND	GBP	826	0.85618
Switzerland	SWISS FRANC	CHF	756	1.0739
Croatia	CROATIAN KUNA	HRK	191	7.5597

2.4.1.5. Significance

Significant items in the balance sheet are those which exceed 1% of total assets on the balance date, which as at 31 December 2016 is EUR 2,949,144 (and as at 31 December 2015 was EUR 2,757,136). Significant items of the profit and loss statement are those which exceed 2% of the value of revenue in the financial year, which for 2016 amounts to EUR 3,834,652, and for 2015 amounts to EUR 3,478,830.

2.4.1.6. Segment reporting

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

2.4.1.7. Changes to accounting policies, estimates and error corrections

Financial statements for the year 2016 are comparable to the financial statements for the year 2015. As of 1 January 2016 the company changed the accounting estimate for the impairment of inventories. Inventory impairment depends on the inventory turnover ratio and the average selling price of the goods. On 1 January 2016 the company changed the method of recognizing the cost of customer acquisition through direct and indirect sales. The cost of acquiring customers is deferred and recorded as a decrease in revenue from monthly subscription fees over the term of the subscriber agreement.

2.4.1.8. Newly adopted standards and notes that came into force on 1 January 2016

The accounting policies applied in the compilation of financial statements are the same as those used in the preparation of financial statements for the year ended 31 December 2015, except for adoption of new or amended standards that came into effect for annual periods beginning on or after 1 January 2016 and which are presented below.

Amendments to IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests in Joint Operations

The amendments to IFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business, must apply the relevant IFRS 3 Business Combinations principles for business combination accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation if joint control is retained. In addition, a scope exclusion has been added to IFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are applied prospectively.

These amendments do not have any impact on the financial statements, as there has been no interest acquired in a joint operation during the period.

Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments clarify the principle in IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is a part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets.

The amendments are effective prospectively and do not have any impact on the financial statements, given that it has not used a revenue-based method to depreciate its non-current assets.

Amendments to IAS 16 and IAS 41 Agriculture: Bearer Plants

The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of IAS 41 Agriculture. Instead, IAS 16 will apply. After initial recognition, bearer plants will be measured under IAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of IAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, IAS 20 Accounting for Government Grants and Disclosure of Government Assistance will apply.

The amendments are applied retrospectively and do not have any impact on the financial statements as it does not have any bearer plants.

Amendments to IAS 27: Equity Method in Separate Financial Statements

TThe amendments allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying IFRS and electing to change to the equity method in their separate financial statements have to apply that change retrospectively.

These amendments do not have any impact on the financial statements.

Amendments to IAS 1 Disclosure Initiative

The amendments to IAS 1 clarify, rather than significantly change, existing IAS 1 requirements. The amendments clarify:

- The materiality requirements in IAS 1
- That specific line items in the statement(s) of profit or loss and OCI and the statement of financial position may be disaggregated
- That entities have flexibility as to the order in which they present the notes to financial statements
- That the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement(s) of profit or loss and OCI.

These amendments do not have any impact on the financial statements.

Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception

The amendments address issues that have arisen in applying the investment entities exception under IFRS 10 Consolidated Financial Statements. The amendments to IFRS 10 clarify that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value. Furthermore, the amendments to IFRS 10 clarify that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value. The amendments to IAS 28 Investments in Associates and Joint Ventures allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries.

These amendments are applied retrospectively and do not have any impact on the financial statements as the Company does not apply the consolidation exception.

Annual Improvements 2012-2014 Cycle

These improvements include:

- **IFRS 5 Non-current Assets Held for Sale and Discontinued Operations**

Assets (or disposal groups) are generally disposed of either through sale or distribution to the owners. The amendment clarifies that changing from one of these disposal methods to the other would not be considered a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in IFRS 5. This amendment is applied prospectively.

- **IFRS 7 Financial Instruments: Disclosures**

(i) Servicing contracts

The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and the arrangement against the guidance for continuing involvement in IFRS 7 in order to assess whether the disclosures are required. The assessment of which servicing contracts constitute continuing involvement must be done retrospectively. However, the required disclosures need not be provided for any period beginning before the annual period in which the entity first applies the amendments.

IAS 19 Employee Benefits

The amendment clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used. This amendment is applied prospectively.

2.4.1.9. New IFRS Standards and interpretations adopted by the EU but not yet effective

The standards and interpretations disclosed below have been issued and adopted by the EU; but are not yet effective up to the date of issuance of the separate financial statements. The Company intends to adopt these standards and interpretations, if applicable, in the preparation of its financial statements when they become effective. The Company did not early adopt any of the standards.

IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments, which includes the requirements of all phases of the IFRS 9 improvement project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The revised standard introduces new requirements for the classification and measurement of financial assets and liabilities, the recognition of their impairment, and hedge accounting. The revised IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory.

The adoption of the revised IFRS 9 will have an effect on the classification and measurement of the Company's financial assets, but no impact on the classification and measurement of its financial liabilities.

The Company plans to adopt the new standard on the required effective date.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued in May 2014 and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognising revenue. The new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018. Early adoption is permitted.

Based on the results of the IFRS 15 analyses in 2016, the following significant effects compared to the previous revenue recognition principles were identified, which might change in the course of further detailed analyses:

- The separation of performance obligation and the resulting allocation of the transaction price determined by IFRS 15 will influence the timing of revenue recognition as well as the allocation to services and to equipment revenues. Even though discounts on multiple-elements arrangements have been generally allocated to the separate performance obligations up to now, the application of IFRS 15 may nonetheless have effects in this regard compared to the current revenue recognition according to IAS 18.

- Furthermore, contract costs recognised as an asset according to IFRS 15 will most probably lead to higher deferrals than recognised up to now.

- Financing components are considered insignificant on current individual contract level.

- Due to the new regulations of IFRS 15, hardware sales to dealers will presumably not be recognised as revenue anymore as the dealers are considered agents. Thus revenue will only be recognised once the hardware is sold to end customers.

The effects of the first-time applicaton of IFRS 15 cannot be quantified yet, as the relevant systems that allow for the evaluation of mass data have not been implemented yet.

2.4.1.10. New IFRS Standards and Interpretations not yet adopted by the EU

IFRS 16 Leases

IFRS 16 was issued in January 2016 and it replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

IFRS 16 also requires lessees and lessors to make more extensive disclosures than under IAS 17.

IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted, but, not before an entity applies IFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

In 2017, the Company plans to assess the potential effect of IFRS 16 on its (consolidated) financial statements.

IFRS 14 Regulatory Deferral Accounts

IFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of IFRS. Entities that adopt IFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of profit or loss and OCI. The standard requires disclosure of the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements.

Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture, is recognised in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture. The IASB has deferred the effective date of these amendments indefinitely, but an entity that early adopts the amendments must apply them prospectively.

The Company estimates that the amendment will not have a significant/any impact on the financial statements.

IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses – Amendments to IAS 12

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognised in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. Entities applying this relief must disclose that fact.

These amendments are effective for annual periods beginning on or after 1 January 2017 with early application permitted. If an entity applies the amendments for an earlier period, it must disclose that fact. The Company estimates that the amendments will not have a significant/any impact on the financial statements.

IAS 7 Disclosure Initiative – Amendments to IAS 7

The amendments to IAS 7 Statement of Cash Flows are part of the IASB's Disclosure Initiative and require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. On initial application of the amendment, entities are not required to provide comparative information for preceding periods.

These amendments are effective for annual periods beginning on or after 1 January 2017, with early application permitted.

Application of amendments will result in additional disclosure provided by the Company.

Clarifications to IFRS 15 –Revenue form the Contracts with Customers

In April 2016, the IASB issued amendments to IFRS 15 to address several implementation issues discussed by the Joint Transition Resource Group for Revenue Recognition.

The amendments:

- Clarify when a promised good or service is distinct within the context of the contract,
- Clarify how to apply the principal versus agent application guidance, including the unit of account for the assessment, how to apply the control principle in service transactions and reframe the indicators,
- Clarify when an entity's activities significantly affect the intellectual property (IP) to which the customer has rights, which is a factor in determining whether the entity recognises revenue for licences over time or at a point in time,
- Clarify the scope of the exception for sales-based and usage-based royalties related to licences of IP (the royalty constraint) when there are other promised goods or services in the contract
- Add two practical expedients to the transition requirements of IFRS 15 for:

(a) completed contracts under the full retrospective transition approach; and
(b) contract modifications at transition

The amendments have an effective date of 1 January 2018, which is the effective date of IFRS 15. The amendments are intended to clarify the requirements in IFRS 15, not to change the standard.

The Entities are required to apply these amendments retrospectively. Early application is permitted and must be disclosed.

The Company is currently assessing the impact of the clarification and plans to adopt it on the required effective date.

IFRS 2 Classification and Measurement of Share-based Payment Transactions — Amendments to IFRS 2

The IASB issued amendments to IFRS 2 Share-based Payment that address three main areas:

- the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction;
- the classification of a share-based payment transaction with net settlement features for withholding tax obligations;
- and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled.

On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and other criteria are met. The amendments are effective for annual periods beginning on or after 1 January 2018, with early application permitted. The Company is assessing the potential effect of the amendments on its financial statements.

IFRS 4 - Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts - Amendments to IFRS 4

The amendments address concerns arising from implementing the new financial instruments Standard, IFRS 9, before implementing the new insurance contracts standard that the Board is developing to replace IFRS 4.

The amendments introduce two options for entities issuing insurance contracts: a temporary exemption from applying IFRS 9 and an overlay approach.

The amendments are effective for annual periods beginning on or after 1 January 2018. The Company is assessing the potential effect of the amendments on its financial statements.

Annual Improvements to IFRS® Standards 2014–2016 Cycle

Include amendments to three Standards:

- IFRS 12 - Disclosure of Interests in Other Entities: effective for annual periods beginning on or after 1 January 2017; amendments clarified the scope of the standard by specifying that the disclosure requirements in the standard, except for those in paragraphs B10–B16, apply to an entity's interests listed in paragraph 5 that are classified as held for sale, as held for distribution or as discontinued operations in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations;
- IFRS 1 - First-time Adoption of International Financial Reporting Standards effective for annual periods beginning on or after1 January 2018; amendments deleted the short-term exemptions in paragraphs E3–E7 of IFRS 1, because they have now served their intended purpose;
- IAS 28 - Investments in Associates and Joint Ventures effective for annual periods beginning on or after 1 January 2018; amendments clarified that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is a venture capital organisation, or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition.

The Company is assessing the potential effect of the amendments on its financial statements.

IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration

Interpretation addresses the exchange rate to use in transactions that involve advance consideration paid or received in a foreign currency.

The Interpretation covers foreign currency transactions when an entity recognises a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration before the entity recognises the related asset, expense or income. It does not apply when an entity measures the related asset, expense or income on initial recognition at fair value ot at the fair value of the consideration received ot payed at a date other than the date of initial recognition of the non-monetary asset or non-monetary liability. Also, the Interpretation need not be applied to income taxes, insurance contracts or reinsurance contracts.

IFRIC 22 is effective for annual periods beginning on or after 1 January 2018; early adoption is permitted. Interpretation can be applied either prospectively to all foreign currency assets, expenses and income in the scope of the interpretation initially recognised on or after the beginning of the reporting period an entity first applies the interpretation in or the beginning of a prior reporting period presented as comparative information.

The Company is assessing the potential effect of the amendments on its financial statements.

Amendments to IAS 40: Transfers of Investment Property

The amendments clarify the requirements on transfers to, or from, investment property.

The amendments are effective for periods beginning on or after 1 January 2018. Earlier application is permitted.

Amendments are applied to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. Retrospective application is also permitted if that is possible without the use of hindsight.

The Company is assessing the potential effect of the amendments on its financial statements.

2.4.1.11. Significant Accounting Policies

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

a) Business Mergers of Companies under Common Management

As IFRS do not define accounting policies for accounting for business mergers under common management, the management has in accordance with IAS 8 defined the method for accounting for mergers by acquisition of subsidiaries while taking into account professional instructions and the economic subject of business mergers. The merger by acquisition of TA Mreža, d.o.o., which was acquired several years ago, was accounted for at carrying amount and by recognizing the difference between the investment and the carrying amount of net assets in equity. To account for the merger by acquisition of Amis, d.o.o., the management applied the method as defined in IFRS 3 mutatis mutandis, because the company was acquired by the Telekom Austria Group just a few months before it was purchased and eventually merged by acquisition by the company. All the acquired and merged identifiable assets were recognized at fair value, while the difference between the purchase price and the fair value of identifiable net assets was recognized as goodwill.

b) Intangible Assets

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

Company's intangible assets include long-term property rights, namely various interconnection rights (amortization rate of 25% which is in accordance with the planned duration of interconnection services), utilization of fiber optic connections which the company amortizes over 5 years –the planned period of utilizing such rights. The company's long-term property rights also comprise rights from the acquisition of customers from the operator, which are amortized over a period of 3 years, which is also the estimated time for which the customers remain with the company as users. If customers leave the operator before this period expires, the remaining cost of acquiring that customer is immediately carried into the costs for that year. Subsequent cost associated with intangible assets increases their purchase value, if they increase its future economic benefits in comparison with the initial estimates. Repairs or maintenance of intangible fixed assets are aimed at restoring and preserving future economic benefits, expected based on the originally estimated rate of efficiency of the asset. When they occur, they are recognized as expenses.

The company amortizes intangible assets using the straight line method.

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

AMORTIZATION RATES ARE BASED ON THE ESTIMATED USEFUL LIFE OF THE ASSET AND AMOUNT TO:

Intangible assets	Useful life (in years) 2016
Radio frequencies	15 or in accordance with the Decision
Software & Licenses	1–8
Property rights – interconnection rights	5
Property rights from customer acquisition	3
Amis brand	3
List of customers	10

Amortization and depreciation rates remained unchanged in 2016.

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

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

c) Long-term Deferred Costs

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

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

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

d) Tangible Fixed Assets

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

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

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

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

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

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

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

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

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

DEPRECIATION RATES ARE BASED ON THE ESTIMATED USEFUL LIFE OF THE ASSET, WHICH ARE AS FOLLOWS:

Tangible Fixed Assets	Useful life (in years) 2016
Base stations and exchanges	5–15
Computer equipment	3–4
Investments in third party tangible fixed assets	10
Other equipment	5–7
Small tools and spare parts	2–3

Amortization and depreciation rates remained unchanged in 2016.

Leases

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

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

e) Impairment of Non-Financial Assets

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

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

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

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

f) Financial Instruments

Financial instruments are divided into:

- Non-derivative financial assets (which include cash and cash equivalents, financial assets, loans and receivables)
- Non-derivative financial liabilities
- Derivative financial instruments (The company currently has none)

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

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

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

- financial asset, measured at fair value through the profit and loss statement (the company currently has none)
- financial asset in possession until maturity (the company currently has none)
- loans and receivables, and
- available-for-sale financial assets

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

g) Cash and cash equivalents

Cash and cash equivalents consisting of:

- cash in hand
- cash at bank
- call deposits, and
- cash in the process of collection

are recognized at nominal value.

h) Available-for-sale Financial Assets

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

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

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

Impairment

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

i) Loans and Receivables

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

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

Impairment

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

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

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

- receivables overdue by 1– 30 days 5%
- receivables overdue by 31–90 days 40%
- receivables overdue by 91– 180 days 60%
- receivables overdue by 181– 360 days 90%
- receivables overdue more by over 361 days 100%

The accounting estimate for calculating allowances did not change in 2016.

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

j) Non-derivative Financial Liabilities

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

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

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

k) Inventories

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

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

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

l) Provisions

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

Provisions for Post-Employment Benefits and Other Long-Term Employee Earnings

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

Provisions for Lawsuits

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

Provisions for Decommissioning

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

m) Long-term Deferred Revenue and Accrued Costs

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

n) Capital

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

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

o) Taxes

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

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

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

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

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

p) Revenue

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

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

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

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

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

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

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

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

q) Financial Revenue and Expenses

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

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

r) Use of Accounting Estimates and Judgments

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

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

- Employees' post-employment benefits: measuring post-employment benefits is based on methods that take into account different assumptions, such as expected discount rate, the fluctuation rate, estimate of salary and bonuses growth. Changes to these assumptions may result in higher or lower costs of provisions, formed for this purpose. Assumptions used for calculating provisions for jubilee awards and severance payments, and the carrying amount is presented in more detail in disclosure 5.2.14.

- Impairment of intangible and tangible fixed assets: The test of impairment of intangible and tangible assets is based on discounted estimated future cash flows from continued use of these assets and the final disposal of these assets. Changes to discount rates and growth rates, which are taken into account in the revenue and cost growth, may result in the need for an impairment of the asset or a derecognition of the impairment. Carrying amount of intangible asset and tangible fixed assets are presented in more detail in the disclosures 5.2.1. and 5.2.2.

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

- Deferred tax assets: When estimating the impairment of deferred tax assets, the management verifies whether the conditions for recognition are still met. A deferred tax asset is recognized in the event of a probable future net profit, against which the deferred liability can be utilized in the future. Deferred tax assets are reduced to the extent, where it is no longer probable that it will be possible to utilize the tax benefit of that deferred tax asset. For carrying amounts see disclosure 5.2.5.

- Provisions for decommissioning costs: provisions are calculated using the prices of base station dismantling providers, and the discount rate to account for the nearing moment of decommissioning, as well as the rate of inflation. Changes to these assumptions may result in higher or lower costs related to provisions, formed for decommissioning costs. For more on used assumptions and carrying amounts see disclosure 5.2.14.

- Allowances for receivables: estimated allowances for receivables are based on the credit risk towards the buyers. Differences between actual and expected payments could result in higher or lower costs from forming the allowances for receivables. Estimates of the recoverability of receivables and carrying amounts are presented in more detail in disclosure 5.5.2.

s) Fair Value

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

- The first level presents quoted market prices in an active market for assets or liabilities of the same class;
- The second level includes the values which are not equal to quoted market prices in the sense of the first level, but can still be obtained directly from the market (the price for equal or similar assets or liabilities in less active or inactive markets) or indirectly (e.g. values that are derived from quoted prices in an active market, based on interest rates and yield curves, implicit instabilities and credit ranges);
- The third level presents inputs on assets and liabilities that are not based on observable market data, whereby the unobserved data must express the assumptions which participants on a market would use for setting the price of an asset or a liability, including the assumptions on risks.

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

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

Intangible Assets

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

Receivables and Loans Given

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

Non-derivative Financial Liabilities

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

t) 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 2016 and 31 December 2015, data from the profit and loss statement for 2016, and from additional data which are required for adjusting inflows and outflows and appropriately detailing significant items.

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

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

u) Net Earnings per Share

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

2.5. EXPLANATIONS AND NOTES ON FINANCIAL STATEMENTS

2.5.1 COMMERCIAL MERGERS

On 1 April 2016 the company merged by acquisition the subsidiaries TA Mreža, d.o.o., and Amis, d.o.o.

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

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

Carrying values of assets and liabilities, recognized after the merger by acquisition of the subsidiary TA Mreža, d.o.o.:

	Value at merger on 1 April 2016 in EUR
Intangible assets	400,855
Tangible fixed assets	328,549
Cash and cash equivalents	1,222,694
Other receivables and assets	86,365
Liabilities towards suppliers	-24,750
Net assets acquired through merger by acquisition	**2,013,713**
Investment in the merged company	1,753,289
Effect recognized in capital	260,424
Merged cash and cash equivalents	1,222,694
Net cash inflow	**1,222,694**

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

On 4 January 2016, the company bought 100% share of the company Amis, d.o.o., from Amisco BV for EUR 24,450,000. Since Amisco BV is a subsidiary in the Telekom Austria Group, the transaction represented a merger under common management. On 1 April 2016, the merger by acquisition of the company and Amis, d.o.o., was entered into the court register. The merger by acquisition was recognized applying IFRS 3, and the acquired and merged assets and liabilities were recognized at fair value on the date of the merger by acquisition, with the difference between the purchase price and the fair value of acquired net assets recognized as goodwill.

In addition to the assets and liabilities already recognized in the accounts of Amis, d.o.o., the following assets and liabilities were also identified and recognized at fair value:

	Value at merger on 4 January 2016 in EUR
Amis brand	1,565,025
List of customers	1,942,658
Computer software	173,778
Total intangible assets	**3,681,461**
Liabilities for deferred tax from temporary differences between carrying and tax value of assets	-625,848
Deferred tax assets from retained loss	565,673
	-60,175
Total	**3,621,286**

The fair value of these intangible assets was determined by an independent appraiser.

The value of the Amis brand was determined based on future cash flows using the Relief from Royalty method. The calculations were made using the assumption of royalty payments in the amount of 2.3% over the period of 3.3 years. Cash flows were discounted using a WACC of 8.7%, which complies with the asset maturity and the situation in Slovenia, and a special markup for the current tax relief in the amount of 1.5% was also taken into account.

The value of the customer list was determined based on estimated future cash flows using the multi period excess earnings method, which is used to estimate cash flows that the existing customers will generate in the next 10 years. Cash flows were discounted using a WACC of 9%, which complies with the asset maturity and the situation in Slovenia, and a special markup for the current tax relief in the amount of 1.5% was also taken into account.

The value of computer software was determined based on the estimate of the cost of developing the same software made by Telekom Austria AG's in-house developers, while taking into account the functional obsolescence for programs, new versions of which are expected in near future.

The value of net assets at the merger by acquisition, goodwill and net cash outflows were recognized as follows:

	Value at merger on 1 April 2016 in EUR
Intangible assets	1,460,717
Intangible assets identified at the merger by acquisition (brand, list of customers and computer software)	3,681,461
Tangible fixed assets	8,385,782
Financial assets	124,562
Deferred tax assets	2,228,736
Deferred tax liabilities and assets, identified at the merger by acquisition	-60,175
Inventories	362,145
Cash and cash equivalents	860,169
Trade receivables	4,736,011
Other receivables and assets	2,375,916
Post-employment employee benefits	-179,408
Financial liabilities	-3,432,569
Liabilities towards suppliers	-4,432,459
Other liabilities and provisions	-1,486,895
Deferred income	-1,425,113
Net assets acquired through merger by acquisition	**13,198,879**
Goodwill	11,531,839
Profit or loss from 1 January to 31 December 2016, recorded in capital	-280,718
Historical cost of the merged company	**24,450,000**
Merged cash and cash equivalents	-860,169
Net cash outflow	**23,589,831**

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

2.5.2. BALANCE SHEET

2.5.2.1. Intangible assets

	Goodwill and customer base	Radio frequencies	Licenses	Software	Leased lines	Total
Historical cost						
Balance on 1 January 2015	**0**	**92,113,004**	**11,524,077**	**41,472,797**	**0**	**145,109,878**
Procurement, activation	0	0	60	2,530,775	0	**2,530,835**
Disposals, write-offs	0	0	0	0	0	**0**
Transfer	0	0	0	0	0	**0**
Balance on 31 December 2015	**0**	**92,113,004**	**11,524,137**	**44,003,572**	**0**	**147,640,713**
Procurement, activation	0	0	1,457,165	2,230,816	928,620	**4,616,601**
Disposals, write-offs	0	0	0	-124,179	0	**-124,179**
Merger by acquisition	15,491,840	0	2,604	3,278,232	5,987,145	**24,759,821**
Transfer	0	0	0	0	0	**0**
Balance on 31 December 2016	**15,491,840**	**92,113,004**	**12,983,906**	**49,388,441**	**6,915,765**	**176,892,956**
Accumulated amortization and impairments						
Balance on 1 January 2015	**0**	**22,490,662**	**10,583,059**	**28,536,729**	**0**	**61,610,450**
Amortization	0	4,278,023	439,774	4,000,027	0	**8,717,824**
Disposals, write-offs	0	0	0	0	0	**0**
Transfer	0	0	0	0	0	**0**
Balance on 31 December 2015	**0**	**26,768,685**	**11,022,833**	**32,536,756**	**0**	**70,328,274**
Amortization	1,378,290	4,752,448	1,378,160	4,234,720	549,281	**12,292,899**
Disposals, write-offs	0	0	0	-124,179	0	**-124,179**
Merger by acquisition	452,317	0	2,604	2,583,492	4,542,579	**7,580,992**
Transfer	0	0	0	0	0	**0**
Balance on 31 December 2016	**1,830,607**	**31,521,133**	**12,403,597**	**39,230,789**	**5,091,860**	**90,077,986**
Carrying amount						
1 January 2015	**0**	**69,622,342**	**941,018**	**12,936,068**	**0**	**83,499,428**
31. december 2015	**0**	**65,344,319**	**501,304**	**11,466,816**	**0**	**77,312,439**
31. december 2016	**13,661,233**	**60,591,871**	**580,309**	**10,157,652**	**1,823,905**	**86,814,970**

37% of all intangible assets that were utilized as at 31 December 2016 were fully amortized (on 31 December 2015 there were 31% of all such intangible assets and on 1 January 2015 there were 30% of all such intagible assets).

Goodwill, Brand and Customer Database

In 2016 the merger by acquisition of Amis, d.o.o., resulted in goodwill of EUR 11,531,840. Based on the merger of Amis, d.o.o., the Company recognized the brand at the value of EUR 1,897,000 and the customer base at the value of EUR 2,063,000. The merger is disclosed in section 5.1.

Radio Frequencies

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

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

The carrying amount of the licenses as at 31 December 2016 was EUR 60.6 million.

The purchased frequencies make it possible to provide mobile communication services not only using GSM and UMTS technology but also the latest LTE mobile technology, which provides broadband internet to even the most remote locations, allowing the company to pursue the goals of the EU and the Republic of Slovenia from the Digital Agenda for Europe.

The condition for obtaining the frequencies in the 800 MHz band was for the Company to provide broadband mobile internet coverage to at least 225 settlements or groups of settlements in rural areas by mid-2017. These are white spots, areas which currently have no access or poor access to broadband internet. In 2016 the Company achieved all the goals regarding the coverage that it was obligated to provide with the decisions of the Agency for Communication Networks and Services, and even significantly surpassed said goals.

In January 2016 the old license agreement for the utilization of the radio frequency spectrum for GSM 900 and 1800 mobile technologies expired, and the above-mentioned decision came into effect.

Financial Liabilities

As at 31 December 2016 the Company has no financial liabilities for obtaining intangible assets (2015: EUR 0, 1.1.2015: EUR 0).

Impairment Test of Long-term Assets and Goodwill

In 2016 we completed an impairment test of long-term assets, on the basis of discounted future cash flows for the cash-generating unit which is the company as a whole. The impairment test took into consideration the plan for the period 2017–2021, with the after tax discount rate of 7.2%, and a long-term growth rate of 0.6%. No need for impairment was established.

According to the management, a reasonable change in the discount rate after taxes and long-term growth rate would not result in impairment of goodwill and fixed assets.

2.5.2.2. Property, Plant and Equipment

	Land, buildings and investment in third party plant, property and equipment	Base stations and exchanges	Computer equipment	Other equipment and small tools	Fixed assets under construction	Total
Historical cost						
Balance on 1 January 2015	**7,274,073**	**124,328,914**	**14,149,396**	**35,843,408**	**8,129,388**	**189,725,179**
Procurement, activation	49,238	10,478,686	746,786	3,391,863	613,455	**15,280,028**
Disposals, write-offs	0	-5,050,739	-783,250	-9,174	0	**-5,843,163**
Transfer	0	0	0	0	0	**0**
Balance on 31 December 2015	**7,323,311**	**129,756,861**	**14,112,932**	**39,226,097**	**8,742,843**	**199,162,044**
Procurement, activation	117,525	12,638,807	786,044	4,303,883	5,206,311	**23,052,570**
Disposals, write-offs	0	-2,262,109	-388,102	-99,626	0	**-2,749,837**
Merger by acquisition	94,548	29,821,917	798,643	1,017,857	0	**31,732,965**
Transfer	0	0	0	0	0	**0**
Balance on 31 December 2016	**7,535,384**	**169,955,476**	**15,309,517**	**44,448,211**	**13,949,154**	**251,197,742**
Accumulated depreciation and impairments						
Balance on 1 January 2015	**3,685,748**	**80,184,947**	**12,654,488**	**25,610,493**	**0**	**122,135,676**
Depreciation	466,783	9,721,438	862,078	3,691,204	0	**14,741,503**
Disposals, write-offs	0	-3,540,077	-772,623	-7,910	0	**-4,320,610**
Transfer	0	0	0	0	0	**0**
Balance on 31 December 2015	**4,152,531**	**86,366,308**	**12,743,943**	**29,293,787**	**0**	**132,556,569**
Depreciation	475,629	11,986,627	794,784	4,214,210	953,504	**18,424,754**
Disposals, write-offs	0	-2,011,976	-383,653	-95,035	0	**-2,490,664**
Merger by acquisition	27,067	22,793,621	609,782	813,032	0	**24,243,502**
Transfer	0	0	0	0	0	**0**
Balance on 31 December 2016	**4,655,227**	**119,134,580**	**13,764,856**	**34,225,994**	**953,504**	**172,734,161**
Carrying amount						
1 January 2015	**3,588,325**	**44,143,967**	**1,494,908**	**10,232,915**	**8,129,388**	**67,589,503**
31. december 2015	**3,170,780**	**43,390,553**	**1,368,989**	**9,932,310**	**8,742,843**	**66,605,475**
31. december 2016	**2,880,157**	**50,820,896**	**1,544,661**	**10,222,217**	**12,995,650**	**78,463,581**

Base Stations and Exchanges

In 2016, investments in base stations were EUR 12,638,807 (2015: EUR 10,478,686, 1 January 2015: EUR 11,415,214). The estimated useful life of base stations is 5 years for the equipment and 15 years for the infrastructure, and the straight line depreciation method is used.

The carrying amount of decommissioning costs which are included in the value of the investments in base stations was EUR 1,876,503 as at 31 December 2016 (2015: EUR 1,249,253, 1 January 2015: EUR 2,516,967).

When calculating the provisions for decommissioning costs as at 31 December 2016, the company applied the following conditions:

- discount rate of 1.5% (2015: 2%)
- Inflation rate 1% (2015: 1%).

Based on the changes to the decommissioning costs and the rate of inflation, the company recognized an increase of assets in the amount of EUR 350,894 (2015: decrease of assets by EUR 1,416,218, 1 January 2015: EUR 1,552,851).

Mortgages

Fixed assets as at 31 December 2016 are not used as collateral (2015 and 1.1.2015: they were not used).

Financial Liabilities

The amount of financial liabilities for obtaining tangible fixed assets as at 31 December 2016 was EUR 2,481,393 (2015: EUR 939,036. 1.1.2015: EUR 1,511,360).

Finance Leases

The Company has no fixed assets under financial lease.

2.5.2.3. Long-term Financial Assets

The Company's long-term financial assets include an investment in Zavod Tehnološka mreža ICT, Dunajska cesta 159, Ljubljana, in the amount of EUR 750 (2015: EUR 750, 1 January 2015: EUR 750), and an investment into the shares of the cable system Pekre Radvanje Limbuš in the amount of 11.5%, i.e. EUR 124,062 (2015: EUR 0, 1 January 2015: EUR 0). Investments into shares of group companies include Amis telekomunikacije Beograd, Masarykova 5, 10000 Beograd, with a share capital of EUR 500.00 (2015: EUR 0, 1 January 2015: EUR 0).

The company TA Mreža, d.o.o., Šmartinska cesta 152, Ljubljana, was merged by acquisition with Si.mobil, d.d. in 2016.

Disclosure of the merger under article 5.1

Si.voda Fund was liquidated in 2016.

The Company bought and merged by acquisition Amis, d.o.o. in 2016. Disclosure of the merger under article 5.1.

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

Changes in long-term financial assets:

	Available-for-sale financial assets
Balance on 1 January 2015	1,764,039
Additions	0
Disposals	0
Adjustment to fair value	0
Balance on 31 December 2015	1,764,039
Balance on 1 January 2016	1,764,039
Additions	**24,574,062**
Acquisitions	**-26,202,789**
Disposals	**-10,000**
Adjustment to fair value	
Balance on 31 December 2016	**125,312**

2.5.2.4. Long-term operating receivables

	31. december 2016	31. december 2015	1. januar 2015
Long-term operating receivables due from customers	8,080,549	7,207,222	6,595,751
Accumulated allowances	-151,709	-144,813	-131,684
Effect of discounting	-179,904	-146,974	-106,509
Long-term net trade receivables	7,748,936	6,915,435	6,357,558
Long-term trade receivables due from others	404,302	69,097	54,545
Accumulated allowances	0	0	0
Long-term net trade receivables due from others	404,302	69,097	54,545
Long-term operating receivables	**8,153,238**	**6,984,532**	**6,412,103**

Long-term operating receivables include long term security deposits given to the company Euromarkt, d.o.o., in the amount of EUR 44,686 (2015: EUR 44,686, 1 January 2015: EUR 33,135), to the company Globus trgovina, d.o.o., in the amount of EUR 12,750 (2015: EUR 12,750, 1 January 2015: EUR 12,750), to the company GF nepremičnine in the amount of EUR 3,523 (2015: EUR 3,523, 1 January 2015: EUR 3,523), to the company BTC, d.d., in the amount of EUR 3,000 (2015: EUR 3,000, 1 January 2015: EUR 0), to the company Mercator, d.d., in the amount of EUR 12,594 (2015: EUR 5,137, 1 January 2015. EUR 5,137), to the company Vahta, d.o.o., in the amount of EUR 327,750 (2015: EUR 0, 1 January 2015: EUR 0). Long-term operating receivables include the receivables from the sale of phones in 24 installments in the amount of EUR 7,748,936 (2015: EUR 6,915,436).

2.5.2.5. Deferred Tax Assets

Deferred tax assets are processed based on the future 19% tax rate.

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

Changes in 2015	1 January 2015	Increase	Derecognition	Expenditure	31 December 2015
From temporary differences arising from the revaluation of receivables	1,666,177	569,903	0	-401,529	1,834,551
From temporary differences arising from provisions	306,510	34,684	0	-149,869	191,325
From temporary differences arising from applying different amortization/ depreciation periods for bookkeeping and tax purposes	-51,806	271,337	0	-167,754	51,777
Total	**1,920,881**	**875,924**	**0**	**-719,152**	**2,077,653**

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

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

2.5.2.6. Long-term deferred costs

	31 December 2016	31 December 2015	1 January 2015
Deferred cost of connection fees for data lines	3,814,261	2,160,980	2,403,222
Deferred cost of leasing base station sites	4,724,199	3,911,275	1,716,542
Deferred maintenance costs	371,042	476,422	1,736,672
Deferred cost of customer acquisition	13,393,736	11,059,517	10,373,352
Long-term Deferred Costs	**22,303,238**	**17,608,194**	**16,229,788**

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

Long-term deferred costs inter alia include deferred costs of connection fees for ADSL, FTTH, and OBN for the years 2014, 2015, and 2016. These costs are deferred over 3 years, which is the average time during which customers remain with the company as users of its services.

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

2.5.2.7. Inventories

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

	31 December 2016	31 December 2015	1 January 2015
Goods for resale	7,325,448	5,329,769	5,126,576
Inventories	**7,325,448**	**5,329,769**	**5,126,576**

Inventories as at 31 December 2016 are not used as collateral. As at 31 December 2016 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 2016.

In 2016 the Company changed the accounting estimate used for calculating the allowance for the inventory. Inventory allowance depends on the inventory turnover ratio and the average sales price of the goods. The change resulted in lower depriciation of EUR 441,017.

2.5.2.8. Short-term operating receivables due from customers

	31. december 2016	31. december 2015	1. januar 2015
Short-term trade receivables due from customers – subscribers	62,688,182	56,411,630	49,782,253
Allowances for short-term trade receivables due from customers – subscribers	-26,573,672	-22,650,125	-22,063,436
Net trade receivables due from customers – subscribers	36,114,510	33,761,505	27,718,817
Short-term trade receivables due from customers – others	7,336,744	7,516,499	7,299,399
Allowances for short-term trade receivables due from customers – others	-1,262,585	-1,099,218	-1,099,218
Net trade receivables due from customers – others	6,074,159	6,417,281	6,200,181
Short-term trade receivables – foreign	3,798,652	1,131,429	1,114,142
Allowances for short-term trade receivables due from customers – foreign	-43,911	-81,466	-67,467
Net trade receivables – foreign	3,754,741	1,049,963	1,046,675
Total short-term operating receivables	**45,943,410**	**41,228,749**	**34,965,673**

Receivables by maturity and the changes in the allowances are presented under Credit Risks (5.6.2.).

2.5.2.9. Short-term trade receivables from group companies

	31. december 2016	31. december 2015	1. januar 2015
Short-term trade receivables from group companies	1,749,870	2,055,845	1,714,284
Allowances for short-term trade receivables from group companies	0	0	0
Total trade receivables from group companies	**1,749,870**	**2,055,845**	**1,714,284**

Receivables by maturity and the changes in the allowances are presented under Credit Risks (5.6.2.).

2.5.2.10. Tax assets from the income tax

	31 December 2016	31 December 2015	1 January 2015
Assets from income tax	3,870,841	0	3,304,724
Total income tax liabilities	**3,870,841**	**0**	**3,304,724**

2.5.2.11. Other operating receivables

	31. december 2016	31. december 2015	1. januar 2015
Advances and security deposits given	92,424	67,658	93,403
Allowances for advances and security deposits given	-22,107	-22,107	-62,472
Net advances and security deposits given	70,317	45,551	30,931
Other short-term receivables	1,001,683	813,973	941,089
Allowances for other short-term receivables		0	0
Net other short-term receivables	**1,001,683**	**813,973**	**941,089**
Total other operating receivables	**1,072,000**	**859,524**	**972,020**

Other operating receivables by maturity and changes in the allowances are presented under Credit Risks (5.6.2.).

2.5.2.12. Cash and cash equivalents

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

	31 December 2016	31 December 2015	1 January 2015
Cash at bank	1,484,923	1,927,204	1,308,961
Cash in hand	63,209	33,446	40,736
Call deposits	22,729,747	41,700,858	21,442,632
-at Telekom Austria	22,365,947	41,416,122	21,136,129
- at financial institutions	363,800	284,736	306,503
Total cash and cash equivalents	**24,277,879**	**43,661,508**	**22,792,329**

2.5.2.13. Other short-term assets

	31 December 2016	31 December 2015	1 January 2015
Short-term deferred costs	1,034,626	790,880	951,424
Temporary accrued revenue	10,139,179	9,434,960	9,436,861
Total other short-term assets	**11,173,805**	**10,225,840**	**10,388,285**

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

Temporary accrued revenue includes voice call services provided in December 2016 and billed in January 2017, accrued revenue from international roaming and network interconnection from December 2016 billed in January 2017, and other temporary accrued revenue.

2.5.2.14. Equity

Company equity on 31 December 2016 is EUR 228,528,851. 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 2016.

In 2016 the owner additionally paid in EUR 25 million in capital reserves. Capital reserves are EUR 108,941,657 (31 December 2015: EUR 83,941,657, 1 January 2015: EUR 83,941,657) and represent the pay-in of the majority shareholder.

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

Reserves resulting from valuation at fair value relate to unrealized actuarial profits and gains from the actuarial calculation of severance pay upon retirement.

Net profit from operations for the 2016 financial year is EUR 21,544,777. Net earnings per share are EUR 2.32 (2015: EUR 5.17; 1 January 2015: EUR 3.95) which is calculated by dividing EUR 21,544,777 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	2016	2015
a)	Net profit/loss for the year	21,544,777	48,067,275
b.	+ retained net profit	55,357,473	6,746,636
c)	+ decrease in profit reserves	0	0
č)	- increase in profit reserves by the decision of the management (legal reserves, reserves for own shares and reserves formed in accordance with the statute)	0	0
d)	- increased profit reserves by the decision of the management and the Supervisory Board (other profit reserves)	0	0
e)	**= distributable profit (a+b+c-č-d) which the General Meeting distributes**	**76,902,250**	**54,813,911**
	- to shareholders	0	0
	- to other reserves	0	0
	- to retained profit	0	0
	- for other purposes	0	0
	or		
	= distributable loss	**0**	**0**

2.5.2.15. Provisions for Post-Employment Benefits and Other Long-Term Provisions

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

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

	1 January 2015	Increase	Derecognition	Debited under equity	Expenditure	31 December 2015
Jubilee awards	162,352	22,552	0	0	-10580	**174,324**
Severance pay upon retirement	326,710	37,622	0	-4,852	-11,449	**348,031**
Post-employment employee benefits	489,062	60,174	0	-4,852	-22,029	**522,355**
Decommissioning cost	5,778,231	321,711	-1,875,775	0	0	**4,224,167**
Total provisions	6,267,293	381,885	-1,875,775	-4,852	-22,029	**4,746,522**

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

- the actuarial calculation of severance payments is made applying a 1.75% discount rate (2015: 2.25%, 1 January 2015: 2%)
- The actuarial calculation of jubilee awards is made applying a 1% discount rate (2015: 1.25%, 1 January 2015: 2%),
- 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 1.5% and a rate of inflation in the amount of 1%.

Sensitivity analysis for post-employment benefits

	Discount rate		Salary growth		Fluctuation	
Unit	percentage point		percentage point		percentage point	
by	0.5	-0.5	0.5	-0.5	0.5	-0.5
Jubilee awards	-4.38%	4.73%	0.00%	0.00%	-4.51%	2.62%
Severance pay upon retirement	-8.86%	9.90%	20.46%	-16.74%	-9.33%	9.14%

Sensitivity analysis for decommissioning costs

	Discount rate	
Unit	percentage point	
by	0.5	-0.5
Effect on provisions for decommissioning costs	7.07	-7.74

2.5.2.16. Long-term deferred revenue

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

Changes in 2015	1 January 2015	Increase	Derecognition	Debited under equity	Expenditure	31 December 2015
Property, plant and equipment acquired for free	37,227	0	0	0	-37,227	**0**
LTI	55,335	61,528	-71,926			**44,937**
State subsidies	211,827	36,273	0	0	-132,786	**115,314**
Total long-term accrued costs and deferred revenue	304,389	97,801	-71,926	0	-170,013	**160,251**

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

State subsidies decrease when they are used.

2.5.2.17. Long-term financial liabilities

	31 December 2016	31 December 2015	1 January 2015
Long-term borrowings	13,200,000	45,000,000	48,600,000
Long-term operating leases	8,649	0	0
Total long-term financial liabilities	**13,208,649**	**45,000,000**	**48,600,000**

As at 31 December 2016 the Company's long-term financial liabilities comprise a loan from Mobilkom Beteiligungsellschaft MbH in the amount of EUR 13,208,649. The interest rate as at 31 December 2015 is at 2.4%. The loan is not insured with insurance instruments.

2.5.2.18. Short-term financial liabilities

	31 December 2016	31 December 2015	1 January 2015
Liabilities from loans	107,951	322,973	367,349
Liabilities from interest	3,600,000	3,600,000	3,600,000
Total short-term financial liabilities	**3,707,951**	**3,922,973**	**3,967,349**

Short-term financial liabilities to group companies from interest in the amount of EUR 107,951 pertain to the interest for the loan from Mobilkom Beteiligungsellschaft MbH.

2.5.2.19. Short-term operating liabilities to suppliers

	31. december 2016	31. december 2015	1. januar 2015
Liabilities towards suppliers	30,868,953	22,283,931	24,272,761
Total short-term operating liabilities to suppliers	**30,868,953**	**22,283,931**	**24,272,761**

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

2.5.2.20. Short-term operating liabilities towards group companies

	31. december 2016	31. december 2015	1. januar 2015
Liabilities towards group companies	2,640,177	2,446,257	2,718,699
Total short-term operating liabilities towards group companies	**2,640,177**	**2,446,257**	**2,718,699**

2.5.2.21. Income tax liabilities

	31. december 2016	31. december 2015	1. januar 2015
Income tax liabilities	0	8.217.873	0
Total income tax liabilities	**0**	**8.217.873**	**0**

2.5.2.22. Other operating liabilities

	31. december 2016	31. december 2015	1. januar 2015
Liabilities arising from advances	689,913	481,269	478,911
Liabilities towards employees	1,284,373	1,018,323	957,220
Liabilities towards the state and state institutions	1,980,793	1,853,760	1,566,846
Other liabilities	292,880	384,199	228,384
Total other operating liabilities	**4,247,959**	**3,737,551**	**3,231,361**

2.5.2.23. Short-term deferred revenue and short-term provisions and accrued costs

	31. december 2016	31. december 2015	1. januar 2015
Short-term deferred income	3,946,709	1,564,568	1,165,466
Total short-term deferred income	**3,946,709**	**1,564,568**	**1,165,466**

Short-term deferred revenue comprises revenue from sold and not yet used top-up cards for services in the SIMPL and bob systems, connection fees billed up front, approvals of payment in installments and subscription fees for January 2017 billed to customers up front.

	31. december 2016	31. december 2015	1. januar 2015
Short-term provisions and accrued costs	2,074,519	2,288,930	2,878,906
Total short-term provisions and accrued costs	**2,074,519**	**2,288,930**	**2,878,906**

Short-term accrued costs include accrued cost of bonuses for employees, directors and managers for 2016, costs of unused vacation days for 2016, and other accrued costs.

2.5.2.24. Contingent Liabilities

The Company is the defendant in court cases with the amount of claims totaling at EUR 2,040,249 (2015: EUR 1,882,249, 1 January 2015: EUR 1,882,249). 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, so it did not make any provisions for the lawsuits.

2.5.2.25. Contingent Liabilities from Issued Guarantees

As at 31 December 2016 the Company's maximum contingent liabilities from issued guarantees stand at EUR 347,904 (2015: EUR 83,398, 1 January 2015: EUR 118,883).

2.5.3. PROFIT AND LOSS STATEMENT

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

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

	2016	2015
Net sales revenue, capitalized own products and services	198,682,403	211,004,194
Production costs of goods sold (including depreciation) or original cost of sold goods	47,653,967	35,751,716
Selling cost (including depreciation)	120,340,654	111,553,727
Administrative expenses (including depreciation)	8,090,779	7,295,235
Operating profit or loss	**22,597,003**	**56,403,517**

2.5.3.1. Net sales revenue

	2016	2015
Net revenue from sold services	153,237,892	130,635,493
Net revenue from sold goods	45,444,511	43,306,720
Net sales	198,682,403	173,942,213

Due to discounting revenue from goods paid for in installments, revenue from sold goods decreased by EUR 1,430,038 in 2016 (2015: EUR 1,191,484) and will be appropriately recognized as financial revenue in future periods.

Revenue from sales at home and abroad

	2016	2015
Revenue from sales at home	194,040,993	168,963,714
- sale of services at home	148,596,482	131,161,109
- sale of goods at home	45,444,511	37,802,605
Revenue from sales abroad	4,641,410	4,978,500
- sale of services abroad	4,641,410	4,895,553
- sale of goods abroad	0	82,947
Total	**198,682,403**	**173,942,214**

Revenue from sold services by types of service

	2016	2015
Revenue from the sale of subscription and prepaid telephone services	133,045,649	113,937,998
Revenue from interconnection and international roaming	15,328,152	12,977,681
Other revenue from the sale of services	4,864,091	3,719,814
Total	**153,237,892**	**130,635,493**

2.5.3.2. Other operating revenue

in EUR	2016	2015
Gains from sold fixed assets	32,405	2,988
revenue from derecognizing long-term provisions for free tangible fixed assets	0	37,227
revenue from derecognizing long-term provisions for base stations decommissioning	50,143	459,556
revenue from derecognizing provisions	14,384	800,000
revenue from derecognizing allowances for receivables	2,885,820	2,977,041
revenue from reimbursed court costs	1,078,897	1,137,952
revenue from paid written-off receivables	26,217	22,572
revenue from inventories	0	191,010
revenue related to deployed employees	1,888,578	1,291,669
revenue from out-of-court settlements in competition protection	0	30,000,000
other revenue	30,354	141,965
	6,006,798	37,061,980

2.5.3.3. Costs of goods, materials and services

	2016	2015
Costs of goods sold	34,994,017	32,367,174
Cost of materials	4,366,183	3,682,972
Total	**39,360,200**	**36,050,146**

Cost of materials

	2016	2015
Energy cost	3,523,800	2,993,370
Cost of spare parts and maintenance materials	11,618	22,104
Write-off of small tools	23,955	14,373
Reconciliation of the cost of small tools and materials due to identified discrepancies in records	140,175	5,582
Other cost of material	357,528	348,709
Costs of office supplies and professional literature	309,107	298,835
Total	**4,366,183**	**3,682,973**

Costs of services

	2016	2015
Cost of products and services in making	26,787,296	14,485,999
Cost of transportation services	240,315	224,730
Cost of maintenance services	7,060,343	7,191,959
Rent costs	10,548,141	9,138,749
Cost of payment transactions and bank services	541,066	713,818
Cost of reimbursements to employees	264,401	296,486
Cost of intellectual and personal services	2,556,007	2,695,725
Insurance premiums	199,384	192,019
Cost of interconnection and international roaming	18,687,629	16,276,456
Marketing costs	16,553,043	21,605,244
Cost of other services	3,553,538	3,057,151
Total	**86,991,162**	**75,878,336**

Cost of other services includes cost of postal services, cost of phone services and other. Auditing services for 2015 cost EUR 54,800 (2015: EUR 36,200) and include the cost of the annual audit.

2.5.3.4. Labor cost

	2016	2015
Salaries and wage compensations	13,722,342	13,282,997
Pension insurance	1,690,751	1,691,687
Other social security contributions	1,006,166	1,059,316
Other labor costs:		
- transport allowances	594,834	460,287
- food allowance	612,401	483,345
- vacation allowance	598,125	428,925
- cost of severance pays and jubilee awards	0	1,371,302
- cost of unused paid leave	137,586	-85,389
- other labor costs	106,081	92,205
Total	**18,468,286**	**18,784,675**

2.5.3.5. Amortization and depreciation

	2016	2015
Depreciation of tangible fixed assets	18,424,754	14,142,556
Amortization of intangible assets	12,292,899	9,316,771
Total	**30,717,653**	**23,459,327**

2.5.3.6. Impairment and write-downs

	2016	2015
Accumulated allowances for receivables	4,813,897	4,223,241
Inventory allowance	0	0
Total	**4,813,897**	**4,223,241**

2.5.3.7. Other operating expenses

	2016	2015
Duties not depending on business results	1,282,139	1,613,480
Other expenses	173,504	190,725
Loss from the disposal of intangible assets and tangible fixed assets	285,356	94,823
Total	**1,740,999**	**1,899,028**

Duties not depending on business results comprise liabilities to the Agency for Communication Networks and Services in the amount of EUR 882,500 (2015: EUR 1,141,035) and administrative and court tax stamps.

2.5.3.8. Financial Revenue and Expenses

	2016	2015
Revenue from interest	2,337,207	1,985,299
Positive foreign exchange differences	2,023	30,072
Other financial revenue	3,240	130,418
Total financial revenue	2,342,470	2,145,789
Expenses for the interest on loans	732,306	1,378,731
Default interest towards suppliers	38,217	17,164
Negative foreign exchange differences	61,440	49,959
Other interest	339,831	272,033
Total financial expenses	1,171,794	1,717,887
Expenses from derecognizing financial assets	10,000	0
Total expenses from derecognizing financial assets	10,000	0
Profit/loss	1,160,676	427,902

2.5.3.9. Income tax

	2016	2015
Accrued tax	1,627,884	8,921,740
Deferred tax	585,018	-157,597
Income tax	2,212,902	8,764,143
Profit before taxes	23,757,679	56,831,418
Tax calculated at a 17% rate	4,038,805	9,661,341
Tax effects of untaxed revenue	-3,905,986	-2,054,409
Tax effects of non-tax-deductible expenses	2,080,083	1,157,211
	0	0
	0	0
Taxes	**2,212,902**	**8,764,143**
Effective tax rate	**9.31%**	**15.42%**

Corporate income tax for 2016 amounts to EUR 1,627,884 (2015: EUR 8,921,740). The effective income tax rate for 2016 was 17%.

2.5.3.10. Related party transcations

Mobilkom Beteiligungsgeselschaft mbH is the sole owner of Si.mobil d.d. and is not registered in Slovenia. Telekom Austria AG owns Mobilkom Beteiligungsgeselschaft mbH. Thus Telekom Austria AG is an indirect owner of Si.mobil. The owner of Telekom Austria AG is America Movil, S.A.B. de C.V., Mexico.

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

- companies Vipnet and Vipnet Usluge, registered in Croatia,
- company Mobiltel from Bulgaria,
- companies mobilkom liechtenstein and Telecom Liechtenstein AG from Liechtenstein,
- company Vip mobile from Serbia,
- company one.Vip from The Republic of Macedonia,
- company Unitary Enterprise Velcom from Belarus,
- companies A1 Telekom Austria AG, Telekom Finanzmanagement (TFG) and TAG M2M from Austria,
- companies AMX Argentina, S.A., Claro S.A. (antes BCP, S.A.), Claro Chile, S.A., Compania Dominicana de Teléfonos, S.A., Telecomunicaciones de Guatemala, S.A., Servicos de Comunicaciones de Honduras, S.A. de C.V., Radiomóvil Dipsa, S.A. de C.V., Empresa Nicaragüense de Telecomunicaciones, S.A., Claro Panamá, S.A., América Móvil Perú, S.A.C., Puerto Rico Telephone Company, Inc., AMX Paraguay, S.A., CTE Telecom Personal, S.A. de C.V., AM Wireless Uruguay, S.A., Comunicación Celular, S.A., Consorcio Ecuatoriano de Telecomunicaciones, S.A. ("Conecel"), registered outside Europe.

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

Revenues from sales

In EUR	2016	2015
Amis, družba za telekomunikacije d.o.o.	616,222	191,957
VIPnet d.o.o.	508,703	183,270
A1 Telekom Austria AG	2,494,732	1,950,879
Telekom Austria AG	159,196	144,300
one. Vip DOO Skopje	27,114	38,217
VIP Mobile d.o.o.	1,478,357	722,368
Mobiltel AD	471,294	732,447
Telekom Austria Group M2M GmbH	147,447	104,091
Radiomóvil Dipsa, S.A. de C.V. y subsidiarias ("Telcel")	6,038	1,856
Other roaming	2,670	1,724
Total	**5,911,773**	**4,071,109**

Other revenues (interests, currency differences)

In EUR	2016	2015
Total currency differences	3	-7
Total	**3**	**-7**

Costs of services and other operating expenses

in EUR	2016	2015
Amis, družba za telekomunikacije d.o.o.	106,129	101,623
VIPnet d.o.o.	1,748,512	1,272,126
VipNet usluge d.o.o.	98,729	246,577
A1 Telekom Austria AG	8,372,929	6,104,445
Telekom Austria AG	844,858	731,415
one. Vip DOO Skopje	6,444	3,525
VIP Mobile d.o.o.	1,812,704	662,565
Unitary Enterprise Velcom	649,386	272
Mobiltel AD	72,787	86,387
Claro S.A. (antes BCP, S.A.)	5,187	4,251
Companía Dominicana de Teléfonos, S.A.	1,860	1,313
Claro Chile, S.A.	1,408	273
América Móvil Perú, S.A.C	1,788	1,710
Radiomóvil Dipsa, S.A. de C.V. y subsidiarias ("Telcel")	4,463	3,111
Others roaming	3,587	786
Total	**13,730,770**	**9,220,379**

Other expenses (interests, currency differences)

in EUR	2016	2015
Telekom Finanzmanagement (TFG)	14,530	0
mobilkom Beteiligungsgesellschaft mbH	725,474	1,378,731
Total currency differences	-28	-24
Total	**725,446**	**1,378,707**

Business result from transaction with related parties

in EUR	2016	2015
	-8,544,440	-6,527,984

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

2.5.3.11. 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 2016 comprises gross income, which was reported in their tax returns, holiday allowances, benefits and profit sharing. In 2016 this income was:

- management: EUR 0
- Supervisory Board: EUR 0, and
- employees with individual contracts: EUR 874,455.

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

2.5.4. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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

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

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

2.5.4.1. Liquidity risk

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

THE COMPANY'S LIABILITIES BY MATURITY:

			Stipulated cash flows			
1. January 2015	**Carrying amount of liabilities**	**Liability**	**0–6 months**	**6–12 months**	**1–5 years**	**Over 5 years**
Long-term financial liabilities	48,600,000	56,933,192	0	0	22,983,888	33,949,304
Short-term financial liabilities	3,967,349	5,346,080	2,534,698	2,811,382	0	0
Short-term operating liabilities (excl. liabilities to the state, employees and liabilities arising from advances)	26,991,460	26,991,460	26,973,111	18,349	0	0
Total	**79,558,809**	**89,270,732**	**29,507,809**	**2,829,731**	**22,983,888**	**33,949,304**

			Stipulated cash flows			
31. December 2015	**Carrying amount of liabilities**	**Liability**	**0–6 months**	**6–12 months**	**1–5 years**	**Over 5 years**
Long-term financial liabilities	45,000,000	51,750,534	0	0	22,487,629	29,262,905
Short-term financial liabilities	3,922,973	4,325,474	2,126,522	2,198,952	0	0
Short-term operating liabilities (excl. liabilities to the state, employees and liabilities arising from advances)	24,730,188	24,730,191	24,852,682	101,865	-353,425	129,069
Total	**73,653,161**	**80,806,199**	**26,979,204**	**2,300,457**	**22,134,204**	**29,391,974**

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

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

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

increase/decrease of primary interest rate		31. December 2016	31. December 2015	1. January 2015
The effect on profit before tax in EUR	- 100 bt	287.011	511.000	393.422
The effect on profit before tax in EUR	- 200 bt	609.014	1.071.447	828.992
The effect on profit before tax in EUR	+ 100 bt	-287.011	-511.000	-393.422
The effect on profit before tax in EUR	+ 200 bt	-574.022	-1.022.000	-786.844

2.5.4.2. Credit Risk

Company’s revenue comes from different sources, and most revenue comes from voice calls and monthly subscription fees. Since the majority of contractual customers at the end of 2016 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 2016:

	31. december 2016	31. december 2015	1. januar 2015
Long-term financial assets	125,312	1,764,039	1,764,040
Long-term operating receivables	8,153,238	6,984,532	6,412,103
Short-term trade receivables from customers, group companies and others (excluding receivables due from the state)	47,693,280	43,284,594	36,679,957
Cash and cash equivalents	24,277,879	43,661,508	22,779,151
Total	**80,249,710**	**95,694,673**	**67,635,251**

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

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

RECEIVABLES BY MATURITY

1. januar 2015	Not yet due	Overdue by 1–30 days	Overdue by 31–180 days	Overdue by 181–360 days	Overdue by more than 360 days	Total
Short-term trade receivables	15,455,106	10,663,586	8,285,030	2,078,496	-1,516,544	34,965,674
Short-term trade receivables from group companies	1,328,500	385,783	0	0	0	1,714,283
Total	**16,783,606**	**11,049,369**	**8,285,030**	**2,078,495**	**-1,516,544**	**36,679,957**

31. december 2015	Not yet due	Overdue by 1–30 days	Overdue by 31–180 days	Overdue by 181–360 days	Overdue by more than 360 days	Total
Short-term trade receivables	12,035,446	5,862,232	9,812,054	8,910,630	4,608,387	41,228,749
Short-term trade receivables from group companies	1,467,248	588,596	0	0	0	2,055,844
Total	**13,502,694**	**6,450,828**	**9,812,054**	**8,910,630**	**4,608,387**	**43,284,594**

31. december 2016	Not yet due	Overdue by 1–30 days	Overdue by 31–180 days	Overdue by 181–360 days	Overdue by more than 360 days	Total
Short-term trade receivables	24,512,981	1,303,653	5,219,399	3,662,249	11,245,128	45,943,410
Short-term trade receivables from group companies	1,220,951	528,919	0	0	0	1,749,870
Total	**25,733,931**	**1,832,572**	**5,219,399**	**3,662,249**	**11,245,128**	**47,693,280**

Changes in allowances for receivables

	Allowances for receivables due from customers	Allowances for advances and security deposits given	Allowances for receivables due from group companies	Allowances for other short-term receivables (excluding receivables due from the state)	Allowances for long-term operating receivables	Total
Balance on 1 January 2015	**23,224,460**	**22,107**	**0**	**0**		**23,246,567**
Formed allowances	4,210,112	0	0	0	0	4,210,112
Derecognized allowances	-3,004,907	0	0	0	0	-3,004,907
Write-off	-598,857	0	0	0	0	-598,857
Balance on 31 December 2015	**23,830,808**	**22,107**	**0**	**0**	**0**	**23,852,915**
Balance on 1 January 2016	**23,830,808**	**22,107**	**0**	**0**	**0**	**23,852,915**
Formed allowances	7,536,426	0	0	0	0	7,536,426
Write-off	-562,517	0	0	0	0	-562,517
Derecognized allowances	-2,924,549	0	0	0	0	-2,924,549
Balance on 31 December 2016	**27,880,168**	**22,107**	**0**	**0**	**0**	**27,902,275**

Insurance of Receivables

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

2.5.4.3. Interest rate risk

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

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

	31 December 2016	31 December 2015	1 January 2015
Cash flow variability (net) -100 bp	287,011	511,000	393,422
Cash flow variability (net) -200 bp	609,014	1,071,447	828,992
Cash flow variability (net) +100 bp	-287,011	-511,000	-393,422
Cash flow variability (net) +200 bp	-574,022	-1,022,000	-786,844

2.5.4.4. Currency risk

The majority of financial and operating receivables and liabilities on 31 December 2016 and 31 December 2015 are denominated in euro. Risk exposure is estimated as low or immaterial, and is accordingly not revealed.

Sensitivity Analysis

A 5% change in the EUR/USD, GBP, and HRK exchange rate would increase (decrease) the net exchange rate differences by EUR 7,618 in 2016 and by 72 EUR in 2015.

2.5.5. CAPITAL MANAGEMENT

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

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

in EUR	31.12.2016	31.12.2015	1.1.2015
Total capital	228,528,851	181,344,711	163,273,409
Net financial liabilities	16,916,599	48,922,973	52,567,349
Net debt/capital	**0.07**	**0.27**	**0.32**

2.5.6. CARRYING AMOUNTS AND FAIR VALUES OF FINANCIAL INSTRUMENTS

	31. december 2016		31. december 2015		1. januar 2015	
	Fair value	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount
Long-term operating receivables	8,153,238	8,153,238	6,984,532	6,984,532	6,412,103	6,412,103
Short-term operating receivables (excluding receivables due from the state)	48,139,392	48,139,392	43,615,633	43,615,633	37,136,707	37,136,707
Cash and cash equivalents	24,277,879	24,277,879	43,661,508	43,661,508	22,792,329	22,792,329
Long-term financial liabilities	-13,208,648	-13,208,648	-45,000,000	-45,000,000	-48,600,000	-48,600,000
Short-term financial liabilities	-3,707,951	-3,707,951	-3,922,973	-3,922,973	-3,967,349	-3,967,349
Short-term operating liabilities (excl. liabilities to the state, employees and liabilities arising from advances)	-33,509,130	-33,509,130	-24,730,188	-24,730,188	26,991,460	26,991,460

Fair values of financial assets classified by fair value hierarchy:

	31 December 2016			31 December 2015			1 January 2015		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Long-term operating receivables	0	0	8,153,238	0	0	6,984,532	0	0	6,412,103
Short-term operating receivables (excluding receivables due from the state)	0	0	48,139,392	0	0	43,615,633	0	0	37,136,707
Cash and cash equivalents	0	0	24,277,879	0	0	43,661,508	0	0	22,792,329
Total assets for which the fair value was disclosed	**0**	**0**	**80,570,509**	**0**	**0**	**94,261,673**	**0**	**0**	**66,341,139**

Fair values of financial liabilities classified by fair value hierarchy:

	31. december 2016			31. december 2015			1. januar 2015		
	Level 1	**Level 2**	**Level 3**	**Level 1**	**Level 2**	**Level 3**	**Level 1**	**Level 2**	**Level 3**
Long-term financial liabilities	0	0	-13,208,648	0	0	-45,000,000	0	0	-48,600,000
Short-term financial liabilities	0	0	-3,707,951	0	0	-3,922,973	0	0	-3,967,349
Short-term operating liabilities (excl. liabilities to the state, employees and liabilities arising from advances)	0	0	-33,509,130	0	0	-24,730,188	0	0	26,991,460
Total liabilities for which the fair value was disclosed	**0**	**0**	**-50,425,730**	**0**	**0**	**-73,653,161**	**0**	**0**	**-25,575,889**

2.6. OTHER DISCLOSURES

2.6.1. THE AUDITOR'S FEE

in EUR	**2016 Ernst&Young**	**2015 Ernst&Young**
Cost of annual report audit	54,800	36,200
Tax consultancy services	0	0
Other services not related to the audit	0	3,620
Total	**54,800**	**39,820**

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

2.6.2. LIABILITIES AND RECEIVABLES FOR OPERATING LEASES

2.6.2.1. Company as the leaseholder

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

Due in – in EUR	31.12.2016	31.12.2015	1.1.2015
up to 1 year	7,221,290	6,827,919	7,184,133
1–5 years	29,432,002	29,124,099	28,440,665
Total	**36,653,292**	**35,952,018**	**35,624,798**

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

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

In 2016 the company recognized operational leasing costs in the profit and loss statement in the amount of EUR 7,221,290 (2015: EUR 6,827,919).

2.6.2.2. Company as the lessor

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

Due in – in EUR	31.12.2016	31.12.2015	1.1.2015
up to 1 year	1,512,326	1,341,974	1,405,096
1–5 years	6,049,304	5,367,898	5,823,918
Total	**7,561,630**	**6,709,872**	**7,229,014**

Lease contracts are generally concluded for an indefinite period.

In 2016 the company recognized rent revenues in the amount of EUR 1,512,326 (2015: EUR 1,341,974) in the profit and loss statement under revenue from the sale of services in the domestic market.

2.6.3. EXPLANATION OF THE TRANSITION TO IFRS

Si.mobil is presenting its financial statements in accordance with IFRS for the first time.

The Company adhered to the accounting policies described above in the preparation of financial statements for the financial year ended on 31 December 2016, of comparative financial statements for the financial year ended on 31 December 2015, and the opening balance sheet according to IFRS on 1 January 2015, which is the date the Company transitioned to compiling financial statements in accordance with IFRS.

Individual items that the Company previously processed in accordance with SAS are now prepared in accordance with IFRS requirements in the opening balance sheet. Explanations on how the transition from SAS to IFRS affected the balance sheet, financial operations and cash flows of the Company are included in the tables and explanations below.

Comperative financial statements prepared in accordance with IFRS on 1 January 2015 and on 31 December 2015 are not audited. Audited were financial statements on 31 December 2015 prepared in accordance of Slovenian Accounting Standards (SAS). This report is available on https://www.simobil.si/predstavitev/letno-porocilo.

The Company did not use any exceptions that IFRS 1 allows to be used retroactively upon the introduction of IFRS.

Estimates used for the balance sheet on 1 January 2015 and 31 December 2015 are in accordance with the estimates made for these two dates in accordance with SAS.

Equity reconciliation as at 1 January 2015 (date of transition to IFRS)

	Note	National standards – SAS	Effect of transitioning to IFRS	IFRS
		1 January 2015		1 January 2015
CAPITAL		163,273,409		163,273,409
Called-up capital		38,781,000		38,781,000
Capital reserves		83,941,657		83,941,657
Profit reserves		3,878,100		3,878,100
Reserves, resulting from valuation at fair value		-73,984		-73,984
Retained earnings		45,810		45,810
Net profit or loss		36,700,826		36,700,826

	Note	National standards – SAS	Effect of transitioning to IFRS	IFRS
ASSETS		**1 January 2015**		**1 January 2015**
LONG-TERM ASSETS		177,415,742		177,415,742
Intangible Assets	A	99,729,216	-16,229,788	83,499,428
Tangible Fixed Assets		67,589,503		67,589,503
Long-term financial assets		1,764,039		1,764,039
Long-term operating receivables		6,412,103		6,412,103
Deferred tax assets		1,920,881		1,920,881
Long-term deferred costs	A	0	16,229,788	16,229,788
SHORT-TERM ASSETS		79,263,891		79,263,891
Inventories		5,126,576		5,126,576
Short-term trade receivables	B	34,996,604	-30,931	34,965,673
Short-term trade receivables from group companies		1,714,284		1,714,284
Tax assets from the income tax	C	0	3,304,724	3,304,724
Other operating receivables	B, C	4,245,813	-3,273,793	972,020
Cash and cash equivalents		22,792,329		22,792,329
Other short-term assets		10,388,285		10,388,285
TOTAL ASSETS		**256,679,633**		**256,679,633**

	Note	National standards – SAS	Effect of transitioning to IFRS	IFRS
EQUITY AND LIABILITIES				
CAPITAL		163,273,409		163,273,409
Called-up capital		38,781,000		38,781,000
Capital reserves		83,941,657		83,941,657
Profit reserves		3,878,100		3,878,100
Reserves, resulting from valuation at fair value		-73,984		-73,984
Retained earnings		45,810		45,810
Net profit or loss		36,700,826		36,700,826
PROVISIONS AND LONG-TERM LIABILITIES		55,171,682		55,171,682
Post-employment employee benefits		489,062		489,062
Other long-term provisions		5,778,231		5,778,231
Long-term deferred revenue		304,389		304,389
Long-term financial liabilities		48,600,000		48,600,000
SHORT-TERM LIABILITIES		38,234,542		38,234,542
Short-term financial liabilities		3,967,349		3,967,349
Short-term operating liabilities to suppliers	D	24,751,671	-478,910	24,272,761
Short-term operating liabilities towards group companies		2,718,699		2,718,699
Income tax liabilities		0		0
Other operating liabilities	D	2,654,351	478,910	3,133,261
Short-term deferred revenue		1,263,566		1,263,566
Short-term provisions and accrued costs		2,878,906		2,878,906
TOTAL ASSETS		**256,679,633**		**256,679,633**

Equity reconciliation as at 31 December 2015

	Note	National standards – SAS	Effect of transitioning to IFRS	IFRS
		31 December 2015		31 December 2015
CAPITAL		181,344,711	0	181,344,711
Called-up capital		38,781,000	0	38,781,000
Capital reserves		83,941,657	0	83,941,657
Profit reserves		3,878,100	0	3,878,100
Reserves, resulting from valuation at fair value		-69,957	0	-69,957
Retained earnings		6,746,636	0	6,746,636
Net profit or loss		**48,067,275**	**0**	**48,067,275**

	Note	National standards – SAS	Effect of transitioning to IFRS	IFRS
ASSETS		31 December 2015		31 December 2015
LONG-TERM ASSETS		172,352,332		172,352,332
Intangible assets	A	94,920,633	-17,608,194	77,312,439
Tangible fixed assets		66,605,475		66,605,475
Long-term financial assets		1,764,039		1,764,039
Long-term operating receivables		6,984,532		6,984,532
Deferred tax assets		2,077,653		2,077,653
Long-term deferred costs	A	0	17,608,194	17,608,194
SHORT-TERM ASSETS		103,361,235		103,361,235
Inventories		5,329,769		5,329,769
Short-term trade receivables	B	41,274,300	-45,551	41,228,749
Short-term trade receivables from group companies		2,055,845		2,055,845
Tax assets from the income tax		0		0
Other operating receivables	B	813,973	45,551	859,524
Cash and cash equivalents		43,661,508		43,661,508
Other short-term assets		10,225,840		10,225,840
TOTAL ASSETS		**275,713,567**		**275,713,567**

EQUITY AND LIABILITIES				
CAPITAL		181,344,711	0	181,344,711
Called-up capital		38,781,000		38,781,000
Capital reserves		83,941,657		83,941,657
Profit reserves		3,878,100		3,878,100
Reserves, resulting from valuation at fair value		-69,957		-69,957
Retained earnings		6,746,636		6,746,636
Net profit or loss		48,067,275		48,067,275
PROVISIONS AND LONG-TERM LIABILITIES		49,906,773	0	49,906,773
Post-employment employee benefits		522,355		522,355
Other long-term provisions		4,224,167		4,224,167
Long-term deferred revenue		160,251		160,251
Long-term financial liabilities		45,000,000		45,000,000
SHORT-TERM LIABILITIES		44,462,083	0	44,462,083
Short-term financial liabilities		3,922,973		3,922,973
Short-term operating liabilities to suppliers	D	22,765,200	-481,269	22,283,931
Short-term operating liabilities towards group companies		2,446,257		2,446,257
Income tax liabilities	E	0	8,217,873	8,217,873
Other operating liabilities	D	11,333,133	-7,736,604	3,596,529
Short-term deferred revenue		1,705,590		1,705,590
Short-term provisions and accrued costs		2,288,930		2,288,930
TOTAL ASSETS		**275,713,567**	**0**	**275,713,567**

THE RECONCILIATION OF THE PROFIT AND LOSS STATEMENT AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDING ON 31 DECEMBER 2015

in EUR	Note	2015		2015
Net sales		173,941,511	703	173,942,214
Capitalized own products and services	F	114,682	-114,682	0
Other operating revenue	G	37,086,536	-24,556	37,061,980
Cost of goods and materials	G, H	-31,042,931	-5,007,217	-36,050,148
Cost of services	H	-75,215,330	5,031,070	-70,184,260
Labor cost	F	-18,899,357	114,682	-18,784,675
Amortization and depreciation		-23,459,327		-23,459,327
Impairment and write-downs		-4,223,241		-4,223,241
Other operating expenses		-1,899,027		-1,899,027
Operating profit or loss		**56,403,516**		**56,403,516**
Financial revenue		2,145,789		2,145,789
Financial expenses		-1,717,887		-1,717,887
Revenue from derecognizing financial assets		0		0
Profit/loss		**427,902**		**427,902**
Profit/loss before tax		**56,831,418**		**56,831,418**
Accrued tax		-8,921,740		-8,921,740
Deferred tax		157,597		157,597
Income tax		**-8,764,143**		**-8,764,143**
Net profit/loss for the year		**48,067,275**		**48,067,275**
Other comprehensive income				
Other comprehensive income in the financial year that will be recognized in the profit or loss statement henceforth		**0**		**0**
Unrealized actuarial gains or losses		4,027		4,027
Impact of deferred taxes		0		0
Other comprehensive income in the financial year that will not be recognized in the profit or loss statement henceforth		**4,027**		**4,027**
Total other comprehensive income after taxes		**4,027**		**4,027**
Total comprehensive income for the financial year		**48,071,302**		**48,071,302**

Explanations to the capital reconciliation on 1 January 2015 and 31 December 2015, and reconciliation of the profits and loss statement and other comprehensive income statement for the year ending on 31 December 2015

Reconciliations between SAS and IFRS to reclassification of items on the balance sheet and the profit and loss statements. The transition to IFRS did not have any effect on the Company's capital.

A Long-term Deferred Costs

According to SAS long-term deferred costs are recorded as intangible long-term assets, while according to IFRS they are processed as an independent item on the balance sheet.

B Receivables for Advances and Security Deposits Given

According to SAS, receivables for advances and security deposits given are recorded as receivables to customers, while according to IFRS they are processed as other operational receivables.

C Tax Assets from Income Tax

According to SAS, tax assets from income tax are recorded as other operational receivables, while according to IFRS they are processed as an independent item on the balance sheet.

D Liabilities for Advances Received

According to SAS, receivables for advances received are recorded as liabilities to customers, while according to IFRS they are processed as other operating liabilities.

E Income Tax Liabilities

According to SAS, income tax liabilities are recorded as other operational liabilities, while according to IFRS they are processed as an independent item on the balance sheet.

F Capitalized Own Products and Services

Capitalized own products and services comprise labor costs included in activated tangible fixed assets. According to IFRS, these are not processed as an independent item, but subtracted from labor costs.

G Other Revenue

Costs of promotional materials were recorded as other operational revenue according to SAS, while according to IFRS they are included under costs of services.

H Costs of Services

According to SAS, deferred costs of customer acquisition decreased the costs of goods sold, while according to IFRS the costs of subscriber acquisition increase the revenue from goods sold. According to SAS, deferred costs increased the costs of services for the duration of the contract, while according to IFRS these costs decrease the revenue from services for the duration of the contract.

The transition from SAS to IFRS did not have a significant impact on the cash flow statements.

2.6.4 BUSINESS EVENTS AFTER THE BALANCE SHEET DATE

There were no events that would significantly affect the financial statements for 2016 or require additional disclosures.